



HUMAN DEVELOPMENT REPORT

BULGARIA 1996



Published
for the United Nations
Development Programme
(UNDP)

Sofia, Bulgaria
1996

Front cover: Krassimir Bonev
Human Settlement

Back cover: Vihroni Popnedelev
Flora

Първа корица: Красимир Бонев
Населено място

Четвърта корица: Вихрони Попнеделев
Флора

ISBN 954-90175-2-4
Copyright © 1996
United Nations Development Programme, Sofia
© Editing, composition of the text:
National & Global Development, Sofia
© Graphic design, layout & print:
ARGED, Sofia
© Cover design: Bozhidar Ikonov, Sofia

FOREWORD

For almost fifty years, Bulgarian society has been guided by principles which hardly changed over time. Then, all of the sudden, the introduction of democratic institutions and market economy shattered the foundations of socio-economic life of the country. The radical changes caused disorientation among large segments of the population which was not prepared for them.

The magnitude of the changes was not anticipated in the international community as well. As a result, the objective of creating an environment which provides equal opportunities for all is far from being met. New disparities appeared, old ones increased.

Against this background the *Human Development Report. Bulgaria 1996* is a genuine attempt to contribute to the development of a policy dialogue in the country. The report aims at identifying the most vulnerable groups in Bulgarian society as well as the areas which need most urgent attention. The views set forth in the report have emerged from

the candid and professional analysis of an eminent team working under the guidance of Prof. Nikolai Genov.

The process of preparing the report is just as important as the report itself. The preliminary findings have been presented and discussed at several workshops open to the public. The team of authors greatly benefited from the open exchange of ideas there.

The findings of the report indicate that the main challenge to Bulgarian society is the development of the human capacity to cope with a rapidly evolving social transformation. The major task is to formulate and implement policies which will create an enabling environment of sustainable human development.



Fabrizio Ossella
Resident Representative
UNDP, Sofia

Team of authors:

Nikolai Genov (Editor)

Anna Mantarova, Dimitrina Dimitrova, Gancho Ganchev, Georgi Bogdanov, Georgi Shopov, Goran Bankov, Ivan Nikiforov, Iskra Beleva, Kiril Gatev, Maria Kadinova, Mariana Zaharieva, Minko Minkov, Petko Evrev, Rossen Rozenov, Stefan Ivanov, Stoicho Motev, Tanya Cholakova, Yordan Hristoskov, Zhivko Nedev, Zlatka Glutnikova

Consultants:

Baicho Panev, Kiril Kertikov, Zhana Ilieva

PREFACE

After the profound changes of the last few years, Bulgarian society is painfully and slowly entering a period of stabilization. Positive processes are taking shape in the economy. Political confrontation is getting less acute. Tendencies in culture are becoming clearer. However, the complicated problems facing the country are more transparent today as well.

This experience strengthens the view that the national human resources are the key factor for the success of the current transformation. Their development and realization are at the same time condition and goal of the reforms. That is why the United Nations Development Programmes's initiative to prepare annual reports on human development in Bulgaria is not just timely. It manifests the profound understanding that a sustainable development worldwide is possible only if there is a sustainable development of individual countries. Among other things, this means development of people, development for people and with people's participation.

Following the broad interest elicited by the first national Human Development Report *Bulgaria 1995*, the UNDP has supported a team of independent experts in preparing a second annual study. The 1996 report is characterized by both continuity of topics and major changes in the direc-

tion of analysis. Special attention is devoted to the regional specifics of the conditions for human development.

The authors are well aware that they analyze problems vital for the country and for every citizen; that many of these problems evolve rapidly and the risk of analysis and recommended solutions is substantial; that, given the country's present situation, there are no commonly shared views of the desirable state of man and national society.

Herein lies the genuine scientific and civic challenge, however. The authors have tried to present as objectively as possible the major problems facing the country at present and in the foreseeable future. Their efforts were backed by many individuals and organizations. Yet the choice of topics, the style of analysis, conclusions and recommendations are the sole responsibility of the authors and do not commit international or national institutions. The publication is aimed at promoting a competent and constructive dialogue on current trends in Bulgarian society and how to steer them.

***Professor Nikolai Genov, Dr. sc.
National Coordinator of the project
Human Development Report.
Bulgaria 1996***

ACKNOWLEDGEMENTS

Individual parts of the Report were written by the following authors: Prof. Nikolai Genov (Chapter 1); Senior Research Fellow Ganchev Ganchev and Rossen Rozenov (Chapter 2); Senior Research Fellow Yordan Hristoskov (Chapter 3, §1,2,3,4,5,6); Research Fellow Anna Mantarova (Chapter 3, §7); Research Fellow Dimitrina Dimitrova (Chapter 3, §8), Senior Research Fellow Georgi Shopov and Research Fellow Stefan Ivanov (Chapter 4); Prof. Ivan Nikiforov, Prof. Petko Evrev and Research Fellow Stoicho Motev (Chapter 5); Senior Research Fellow Iskra Beleva (Chapter 6); Prof. Minko Minkov (Chapter 7); Associate Prof. Tanya Cholakovska, Associate Prof. Zlatka Glutnikova and Prof. Georgi Bogdanov (Chapter 8); Senior Research Fellow Mariana Zaharieva (Chapter 9, § 1,2); Associate Prof. Maria Kadinova and Research Fellow Zhivko Nedev (Chapter 9, §3,4,5,6,7); Senior Research Fellow Goran Bankov (Chapter 10); Prof. Kiril Gatev and a team of the National Institute of Statistics (Appendix tables). Materials prepared by Senior Research Fellow Nina Yankova and specialist Elissaveta Ignatova have also been used.

During the work on the project UNDP, Sofia, together with the Union of Scientists in Bulgaria, organized several workshops. These covered burning issues of Bulgarian society, of human development and realization - the country's demographic situation, measures to reduce poverty, economic restructuring, entrepreneurship and the situation of women. The authors gratefully acknowledge the ideas and critical notes of the numerous participants in these workshops.

Valuable ideas on the report's structure, analysis approach, and the link between the Bulgaria 1996 national report and world reports on human development were provided by discussions at workshops staged by the UNDP Regional Bureau for Europe and the CIS in St. Petersburg (1995) and Bucharest (1996).

The authors acknowledge the significant contribution of the UNDP Regional Bureau for Europe and the CIS and in particular of its Director Mr. Anton Kruidenink, Regional Director, RBEC, New York, as well as of Juliette El-Hage, Consultant at RBEC, and Carlo Geneletti, Technical Advisor, DDSMS, New York.

Special thanks should be extended to Mr. Fabrizio Ossella, UNDP Resident Representative in UNDP, Sofia, and Mrs. Dafina Gercheva, Sustainable Development Advisor at UNDP, Sofia, for their support.

The UNDP - Sofia office, jointly with the Union of Bulgarian Artists organized a competition on the subject of the *Habitat II* World Conference, for the artistic layout of the report. A competent jury considered the numerous paintings, selected and awarded the following artists: Mr. Krassimir Bonev - *Human Settlement* (front cover of the present publication), Mr. Stefan Yanev - *The Door*, and Mr. Vihroni Popnedelev - *Flora*.

The report was translated into English by Rumiana Yossifova (Chapters 1, 2, 3, 5, 10) and Nikolina Panova (Chapters 4, 6, 7, 8, 9)

CONTENTS

FOREWORD.....	3
PREFACE	4
ACKNOWLEDGEMENTS	5
1. TOWARDS STABILIZING THE CONDITIONS FOR HUMAN DEVELOPMENT?	11
1.1. Economic recovery	11
1.2. Need of strategic decisions and actions	13
1.3. Contradictions in culture	17
1.4. Sustainable development: problems and tendencies	19
2. ECONOMIC RESTRUCTURING AND PROBLEMS OF THE HUMAN FACTOR	23
2.1. Strategy of the economic reform	23
2.2. Structural changes in the gross domestic product	24
2.3. Changes in the foreign trade relations	27
2.4. Changes in the sectoral structure of manpower	28
2.5. New requirements and problems facing the human factor	29
2.6. Conclusions	31
3. ENTREPRENEURSHIP IN THE TRANSITION TOWARDS MARKET ECONOMY	33
3.1. Conditions for developing entrepreneurship	33
3.2. Quantitative characteristics of the small business	34
3.3. Types of entrepreneurs	36
3.4. Normative and legal basis of entrepreneurship	38
3.5. Institutional environment of entrepreneurship	38
3.6. Mechanisms encouraging entrepreneurship	39
3.7. Economic activity and crime	41
3.8. Women and entrepreneurship	44
4. SOCIO-ECONOMIC DIFFERENTIATION OF MUNICIPALITIES	47
4.1. Characteristics of municipalities	47
4.2. The group of the most developed municipalities	48
4.3. Group of municipalities in the middle of the classification	50
4.4. Municipalities in a critical socio-economic state	53
4.5. Conclusions	55
5. SETTLEMENT NETWORK, SETTLEMENTS AND HOUSING POLICY	59
5.1. Settlement network	59
5.2. Settlement development	60
5.3. Housing and housing policy	64
5.4. Towards a new housing policy	68
6. REGIONAL SPECIFICITIES OF EMPLOYMENT AND UNEMPLOYMENT	71
6.1. Trends in the regional employment policy	71

6.2. Regional differences in the employment rate	72
6.3. Characterization of the regional labour markets	74
6.4. Sex, age and ethnic differences of the regional labour markets	78
6.5. Effectiveness of the regional labour market policy	80
6.6. Prospects of employment and unemployment on e regional scale	81
7. THE DEMOGRAPHIC SITUATION: PROBLEMS AND TRENDS	83
7.1. Marriages, birth rate and death rate	83
7.2. Migration and emigration	88
7.3. Sex and age characteristics of the population	90
7.4. Population development policy	92
8. REGIONAL PROBLEMS OF HEALTH AND OF HEALTH CARE SERVICES	95
8.1. Morbidity rate	95
8.2. Health care services network and health care personnel	97
8.3. Administration of health care services	100
9. NATIONAL AND REGIONAL PROCESSES IN EDUCATION AND SCIENCE	105
9.1. Vocational training in the secondary schools	105
9.2. Higher education	108
9.3. Institutional and thematic structure of science	110
9.4. Financing and infrastructure of scientific and technological research	112
9.5. The scientific personnel	113
9.6. Regional dimensions of scientific and technological research	115
9.7. Problems of science policy	116
10. MEASURES TO REDUCE POVERTY	121
10.1. Poverty as a component of the social costs of transition	121
10.2. Incomes and degrees of impoverishment of employed	123
10.3. Incomes and degrees of impoverishment of retirees	124
10.4. Incomes and degrees of impoverishment of unemployed	126
10.5. Measures for reducing poverty of the socially weak strata	127
10.6. Conclusion	127
APPENDIX TABLES	129
BIBLIOGRAPHY	135
BOXES	
1.1. European foreign-policy orientation	16
2.1. The state was quick to withdraw from the management of the economy	24
2.2. Tendencies in electronic and electrical engineering	26
2.3. Towards economic integration with the European Union	28
3.1. Incomes from property and from entrepreneurship	35
3.2. From state employment towards private business	36
3.3. Restitution of real estate and entrepreneurship	37
3.4. Entrepreneurship means initiative and resolution	37
3.5. Restituted sites and entrepreneurship	38
4.1. Regional problems of the social infrastructure	52
4.2. Demographic parameters of the municipalities with population having mixed ethnic and religious affiliation	54
5.1. Possibilities for improving the settlement network	60

5.2. Industrial zones need reconstruction	61
5.3. Improving the street-district housing environment	62
5.4. Improving the environment in housing complexes	62
5.5. Tourism as a factor for settlement development	64
5.6. The state beats a retreat from the housing sector	66
5.7. Affordability of dwellings	67
6.1. Settlements with a critically high rate of unemployment	76
6.2. How do the unemployed look for employment?	77
6.3. Economic causes underlying the high unemployment of some ethnic groups	78
7.1. Absolute and relative decrease of marriages	84
7.2. The birth rate has been decreasing rapidly and significantly	85
7.3. Infant mortality is rising	86
7.4. Directions of the emigration flows	90
8.1. Health care services are a national priority	100
9.1. Problems confronting vocational training at the secondary schools	105
9.2. For vocational training at the general education schools	107
9.3. Problems arising from the decentralization of higher education	109
9.4. A trend towards ageing of the scientific personnel	115
9.5. Science and the political conjuncture	117
9.6. Programme for the restructuring of the Academy of Agricultural Sciences	118
10.1. The policy of curbing the drop of the real working salary	124
10.2. Policy of terminating the drop in the pensions' size	125
10.3. Measures to curtail the unemployed's impoverishment	127
10.4. On the reform of the social security system	127
10.5. Combatting poverty requires a strong political will	128
FIGURES	
1.1. People employed by economic sectors (1990-1995, in %)	12
1.2. Share of voters in parliamentary elections (December 1994), and of voters in local elections (October 1995) as per registered voters (in %)	16
1.3. How do you live in June 1995 as compared to years before 1989 (national sample, in %)	17
1.4. Dynamics of major problems in the mass consciousness 1992-1995 (national surveys, position „A very grave problem“, in %)	18
1.5. Had the society been moving in the right direction in the last few years? (national surveys, October 1994 and June 1995, in %)	18
1.6. It is natural that people's incomes differ greatly (national sample, June 1995, in %)	19
2.1. GDP by economic sectors (relative share - %)	25
3.1. Intentions for economic activity in the next year (June 1995, in %)	34
3.2. Assessment of basic types of economic crime („very grave problem“, national sample, June 1995, in %)	42
3.3. Attitudes to complying with law (national sample, June 1995, in %)	42
4.1. Classification of the municipalities according to the integral assessment of their socio-economic state (1994)	48

4.2. Administrative - territorial structure of the Republic of Bulgaria	58
5.1. Number of completed new housing in Bulgaria (1980-1995)	65
5.2. Level of satisfaction with housing conditions (June 1995, in %)	66
5.3. Who should provide the housing (June 1995, in %)	69
6.1. Changes in the coefficients of economic activity and employment in the 1993-1994 period by regions	72
6.2. Structure of unemployment by regions - September 1993 (countrywide unemployment = 100)	75
6.3. Structure of unemployment by regions - October 1995 (countrywide unemployment = 100)	75
7.1. Marriage, birth and death rate per 1000 of the population (1950-1995)	83
7.2. Dynamics of the relative weights of the population under, in and above working/able-bodied age	91
8.1. Death rate due to malignant neoplasms in 1994 per 100 000 of the population by regions	96
8.2. Doctors provided to the population at the treatment and preventive treatment establishments in subordination of the municipalities by December 31, 1994.	99
8.3. Dentists provided to the population in the treatment and preventive treatment public health establishments in subordination of the municipalities by December 31, 1994	99
8.4. Whose concern should the payment for the medical services be? (June 1995)	101
9.1. Whose concern should the expenses associated with getting an education be? (June 1995, in %)	105
10.1. Assessment of the fiscal (monetary) situation of households (June 1995)	122

TABLES

1.1. Basic economic indicators of countries from Central and Eastern Europe in 1995 (change as against 1994 in %)	11
1.2. Relative share of the private sector in the output of branches (1991-1995, in %)	13
1.3. Mandates of the major political forces from the parliamentary elections (December 1994) and the elections for local governments (October-November 1995)	14
1.4. Degree to which political institutions contribute to solving the country's problems (national surveys)	15
1.5. Political affiliation of elected mayors and share of the population in these municipalities (local elections held in October-November 1995)	17
2.1. Intensity of structural changes	27
2.2. Employment structure by economic sectors	29
2.3. Real working salary dynamics (changes in per cent over the preceding year)	30
3.1. Registered private firms per 10,000 able-bodied people, employment and unemployment according to types of regions	34
3.2. People employed according to economic sectors and the form of economic activity (in %)	35

3.3. Total average monthly income per household member from some sources for the 1992-1994 period	35
3.4. Employers and self-employed (% from all those employed)	44
3.5. Would you like to start your own business? (%)	45
3.6. What should the ideal businessperson be? (%)	45
4.1. Groups of municipalities according to the level of their socio-economic development	47
4.2. First group of municipalities according to the degree of their socio-economic development	48
4.3. Second group of municipalities according to the degree of their socio-economic development	50
4.4. Third group of municipalities according to the degree of their socio-economic development	53
5.1. Settlement types and their population (1956-1994)	59
5.2. Usable area of new housing 1989-1995 (thousand sq m)	66
5.3. Prices of housing and inflation rate (1990-1994)	67
6.1. State of regional labour markets in October 1995	71
6.2. Duration of unemployment by October 1995 (%)	76
6.3. Dynamics of unoccupied jobs (%)	77
7.1. Marriages, birth rate, death rate and natural growth per 1000 of the population in 1994 by regions (in %)	84
7.2. Relative share of deaths due to basic socially significant diseases (1985-1994, in %)	87
7.3. Migration flows (in %)	88
7.4. Sex ratio of the population	91
8.1. Cases of active tuberculosis registered in 1989 and 1994 per 100 000 of the population by regions	95
8.2. Registered cases of malignant neoplasms for 1989 and 1994 per 100 000 of the population by regions	96
8.3. Health care establishments and stock of beds - 1994	97
8.4. Stock of beds in the hospitals and outpatient polyclinics per 10 000 of the population	98
9.1. Number of pupils in the secondary vocational schools (by academic years)	106
9.2. Number of secondary vocational schools and students in them by regions (1994/1995 academic year)	108
9.3. Higher education establishments and university students by university cities (1994/1995 academic year)	109
9.4. Research units and researchers according to institutional sectors (1994)	111
9.5. Share of the means allocated for scientific and technological research as percentage of the GDP (1988-1994)	112
9.6. Employment in the sector of science and scientific servicing	113
9.7. Researchers by fields of science	114
10.1. Change in the base minimum income and in children's allowances (1991-1995)	121
10.2. Nominal and real working salaries at the end of the year	123
10.3. Nominal and real size of pensions (1991-1995)	125

1

TOWARDS STABILIZING THE CONDITIONS FOR HUMAN DEVELOPMENT?

After the period of sharp changes and general insecurity in Bulgaria prerequisites are being created for stabilizing the conditions for human development. The most persistent destructive tendencies in economy, politics and culture are being overcome slowly and with a lot of difficulties. It seems that the threshold of the transition towards restoring production, strengthening state institutions and curbing extremities in cultural life has been crossed. However, there is a long and complicated road to be traversed in the efforts to normalize society, and affirm favourable conditions for development and fulfillment of the nation's human potential.

1.1. Economic recovery

The stabilization policy pursued by several successive governments has been yielding its first results. 1995 saw a slight increase of the gross domestic product (GDP), reaching the top 2.6 per cent of expectations. From 121.9 per cent in late 1994, the annual inflation rate was reduced to 32.9 per cent at the end of 1995, that made economy relatively manageable. Throughout the year the exchange rate of the Lev remained stable. Production capacities in ferrous and non-ferrous metallurgy, chemical industry and oil refining were used to the full, thus ensuring industrial growth rate. These sectors also accounted for the positive foreign trade balance of US Dollars 431.8 million at the end of 1995. The budget deficit was within the limits set by the international financial institutions. The establishment of an Audit Office with vast powers in budget control is a major achievement in the efforts to strengthen fiscal discipline in 1995. The same holds true of the adoption of the Law on state financial control in early 1996.

As a result of these actions, despite the haphazard and sometimes even abortive economic reforms during the previous years and the losses from the trade embargo over Yugoslavia, *the general tendency of 1995 was one of economic recovery*. An illustration of this tendency is the relative decrease of unemployment. The average number of registered unemployed dropped from 537,000 in 1994 to 435,000 in 1995. This should be considered against the background of serving the foreign debt by US Dollars 964 millions, and a practical lack of foreign financing.

Much efforts are needed to normalize the conditions for human development

Table 1.1.

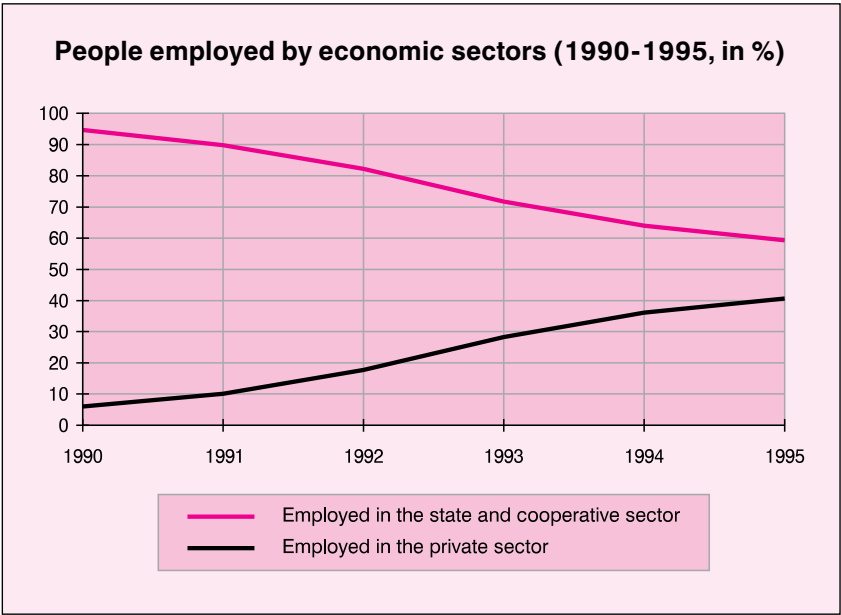
Basic economic indicators of countries from Central and Eastern Europe in 1995 (change as against 1994, in %)				
Country	GDP	Industrial production	Inflation	Unemployment
Albania	13.4	-7.2	-	13.0
Belarus	-10.0	-11.5	243.8	2.7
BULGARIA	2.5	4.6	33.0	11.1
Croatia	-1.5	0.3	3.7	17.6
Czech Republic	5.2	9.2	8.0	2.9
Estonia	2.5	1.4	28.9	4.7
Hungary	2.0	5.0	28.5	10.4
Latvia	-2.7	-6.5	23.3	6.5
Lithuania	2.0-2.5	6.2	35.5	7.3
Macedonia	-3.0	-10.7	9.1	37.2
Poland	7.0	10.4	22.0	14.9
Romania	6.9	9.4	27.7	8.9
Russian Federation	-4.0	-3.0	131.4	8.2
Slovakia	6.5	8.4	7.4	13.1
Slovenia	4.8	2.0	8.5	14.5
Ukraine	-12.0	-11.5	181.7	0.6
Yugoslavia	6.0	3.8	105.0	24.7

The GDP growth rate is not a sign of a sustainable economic and environmental development

According to the UN Economic Commission for Europe these tendencies rank Bulgaria as equal to the other countries in transition with a view to basic economic indicators for 1995 (See Table 1.1.).

However, the GDP growth in Bulgaria in 1995 is due mainly to the positive trade balance. The latter is the result of the devaluation of the Lev in 1994 and of the US Dollar as compared to the basic European currencies. Consumption and investment are still plummeting. The growth of industrial output is owed to productions in sectors characterized by high material and power consumption, and a low level of product processing. These sectors are budget-subsidized and indebted to banks. They are also major environment pollutants. That is why *the growth of industrial output and of the GDP is not due to sustainable social, economic and environmental development, and does not constitute a solid premise for such development*. Nor is this growth rate so far associated with any lasting prospects for creating new working places.

Figure 1.1.



The technological renovation of production is practically blocked because of lack of investments. For instance, the gross power generation scored a 5.2 per cent

growth rate in 1995, but it was due to the usage of obsolete production capacities. New power-generating capacities are sparsely introduced. This leads to a continuous threat of setbacks in power supply, and hence along the entire chain of production and consumption.

The total indebtedness of state companies is still too high, amounting to nearly 60 per cent of the value of their material assets. The banking system is unstable. The customs and tax systems need further strengthening. The transformation of ownership as part of the economic restructuring is delayed both in its cash form, and in the adopted scheme of mass privatization that began early in 1996.

Yet it would be inaccurate to maintain that privatization has failed or is doubtful. Since the beginning of denationalization, 1,524 privatization deals have been made, and in 1995 alone they numbered 1,042. That same year 1,468 proceedings for privatization of state and municipal property were started. In the international comparisons of privatization in Central and Eastern European countries, Bulgaria usually ranks in the middle. The rapidly growing importance of the private sector is evidenced by the change in the correlation between those employed in it and in the state sector (See Fig. 1.1.).

The expansion of the private sector is uneven in individual sectors and subsectors. It is particularly impetuous in the field of construction and trade (See Table 1.2.).

However, the strategic problem in privatization does not lie in the number of privatized enterprises or the share of employed manpower, but in the economic effectiveness of the privatized enterprises. In 1995 the situation in this respect was not simple. Both the state and the private companies are heavily indebted to the banks. In these circumstances the bank, and the financial system as a whole cannot be stable.

The existence of lasting unsound tendencies in the economy generates inflation pressure and possibilities for destabilizing both the financial and credit institutions, and the real economic sector. The economy can also be directly destabilized by uncertainties concerning the exchange rate of the Lev. Given these conditions, it is difficult to forecast the level of the GDP, industrial production, inflation and unemployment. The expected 3-4 per cent GDP growth rate in 1996 depends on the payments of the foreign debt, that at the end of 1995 was 8.4 billion US Dollars, and on the expected agreements with the international financial institutions.

This hard-to-predict situation jeopardizes investment activeness, and particularly that of foreign investors. By 15 December 1995 the total volume of their direct investments was US Dollars 530 million. This is a far cry from investments in Hungary, the Czech Republic and Poland. The investment structure is likewise unfavourable. Out of a total of 4,806 direct foreign investments, 3,543 are below US Dollars 1,000, i.e. they are practically irrelevant to the national economy. The largest investor is Germany (38.5 per cent of all investments), followed by Switzerland, Belgium and Greece.

In these complex internal and external economic conditions, the feasible task solved in 1995 in the income policy was to curb the quick and sizeable drop of the real incomes of large population groups. For the minimum working salary this policy has led to checking the drop of its real purchasing power to 3.2 per cent, as against 31.7 per cent in 1994. The drop of working salary in the budget sphere was reduced to 6.6 per cent, as against 29.1 per cent in 1994. The median salary in industrial production grew by 5.7 per cent, and median pension - by 8.8 per cent. This growth of real incomes cannot, however, compensate the plunge in the incomes from the first half of the nineties that came as a result of the decreased GDP and the growing income differentiation.

These conditions obviously require decisive actions for boosting economic effectiveness, including a close-down of losing enterprises. A strong political will is needed to undertake socially unpopular measures, some of which have been postponed for years on end.

Table 1.2.

Relative share of the private sector in the output of branches (1991-1995, in %)					
Branches	1991	1992	1993	1994	1995
Industry	1.6	2.6	6.4	8.0	13.8
Construction	13.5	23.7	39.3	50.5	62.4
Agriculture	27.6	49.9	63.7	76.1	76.3
Transport	4.8	13.3	17.0	22.9	34.9
Trade	24.0	42.4	54.2	61.7	70.3

1.2. Need of strategic decisions and actions

The deep and complex transformation initiated in the early nineties has been maintaining high political tension. It is due to the clash of different and opposing views of the country's future, as well as to the intermingling of diverse individual and group interests. The sharp political confrontation from the first half of the decade expressed the general insecurity about the goals and means of national development, and the ways of making interests meet.

Against this background the simple evaluation of the past period of political changes is impossible. There can be no ignoring or underrating the fact that the political confrontation has not turned into violence. The legal and organizational foundations of future sustainability of the national politics have been laid in many walks of social life. Yet the high political tension did not allow for carefully drafting and quickly implementing any strategic solutions for economic restructuring and reforms in other fields of social life. Certain decisions and actions, such as those con-

The stabilization of incomes has strong deterrents

Strategic solutions are sought in a shortage of time and resources

cerning the reform in farming, were obviously inadequate. Their consequences would be suffered for decades to come.

As a result, in the mid-nineties Bulgaria once again has to mobilize its resources so as to solve the fundamental problems that have piled up. The search for strategic solutions is once again made in the conditions of an acute shortage of time. Unlike at the beginning of changes, however, there is a stronger conviction that decisive actions can no longer be postponed. There is also a greater readiness to take the responsibility for actions, whose positive results might come in a more distant future, while at present they create additional economic and social difficulties.

This development becomes possible in the conditions of a relative lull of political confrontation. The reasons for this are the fatigue from the prolonged political stress and the disappointments with the quality of political life. Another major reason is the awareness that continuous political tensions are counter-productive. Political preferences have also been stabilized. The results of elections held in late 1994 and the fall of 1995 outlined the prospects of a relatively stable government:

The relative stability of political preferences has led to strengthening the state institutions at a time when decisive measures are needed both nationally and internationally. Major efforts were made to restore the state's capacities for regulating the economic life under emerging market conditions. Components of strategic management have been re-introduced. Among these, noteworthy are the strategies, developed and implemented in 1995, concerning key social and economic issues:

- restructuring the industry;
- development of power generation;
- development of agriculture;
- national security;
- Bulgaria's territorial development;
- environmental protection;
- health care;
- development of education and science;
- social security and social welfare.

Individual strategic projects developed further into laws, e.g. the Programme for privatization through investment vouchers, the Law on defense and the armed forces, the Law on higher education. Others were rendered concrete in programmes: for industrial control between 1995-1998, for investments between 1996-1998, for measures to combat crime between 1995-1998.

There is an indubitable drive to substantiate priorities and coordinate reforms in individual areas in a long-term perspective. The recovery of production and the market is accompanied by a gradual moderation of the restrictive economic policy and boosting economic growth. The continuing economic reform and the legislative and organizational changes implemented in defense and the armed forces, education, health care, science and culture directly or indirectly aim at stabilizing the conditions of human development. The bill

Table 1.3.

Mandates of the major political forces from the parliamentary elections (December 1994) and the elections for local governments (October-November 1995)				
	December 1994		October-November 1995	
	MPs		Municipal councillors	
	Number	%	Number	%
BSP and coalition	125	52.1	3291	46.8
UDF and coalition	69	28.6	1365	19.4
Popular Alliance - BAU, DP	18	7.5	671	9.5
Movement for Rights and Freedoms	15	6.3	669	9.5
Bulgarian Business Bloc	13	5.4	229	3.3

of people’s health, submitted to the National Assembly, for instance, should regulate relationships between the state and private medical care - a problem that is painful to both doctors and the widest strata of society.

Special attention is devoted to reforming the social policy that has become kind of a brake to economic reforms. A major stage in this process is the separation of the Social Security fund from the state budget and the establishment of a National Security Institute. 1995 saw the adoption of a Law on amending and supplementing the Law of Pensions, which helped do away with deformities in determining the size of pensions. Special measures were taken for increasing the remuneration of certain categories of specialists (teachers and doctors) that are most directly committed to the reproduction of the nation’s human potential. The Law on amending and supplementing the Labour Code answers the objectives of the social policy - the protection of citizens’ labour rights and against the opposition of interests of participants in the labour process. Similar is the orientation of the adopted New Guidelines of the state policy for ensuring safe and hygienic conditions of labour, that will have a long-term impact on labour relations and improving people’s health.

This vigorous legislative work is taking place against the background of certain stabilization of the rating of major political institutions. It has hit the bottom line prior to elections of December 1994. In the middle of 1995 the picture is different (See Table 1.4.).

The steps towards stabilizing the national policy, however, do not lead to uniform results. Unquestionable are *the weaknesses in providing reliable and timely information on the course, state and problems of major production and distribution processes and their coordination*. Typical in this respect are the problems that arose in connection with the purchase of farm output and its marketing in Bulgaria and on the

international market, which has brought about disturbances in the grain balance.

The high rate of crime - from mass street crime to ‘pyramidal’ financial structures - faces the nation and the country’s government with most serious problems. Irrespective of the adopted amendments and supplements to the Criminal and Criminal Procedures Codes, and of the programmes to combat specific types of crime, the latter is still among the key factors for social insecurity. Registered crimes did decrease by 6.9 per cent in 1995 as against 1994. Yet the crime rate is still high

Reforms in social policy lag behind economic reforms

Table 1.4.

Degree to which political institutions contribute to solving the country’s problems (national surveys)							
		National Assembly		Presidency		Government	
		Oct. '94	June '95	Oct. '94	June '95	Oct. '94	June '95
- To a very low degree							
	1	58.6	25.6	34.9	17.4	52.4	16.9
	2	14.9	19.8	17.7	17.4	15.3	16.0
	3	8.2	24.3	19.8	28.2	12.5	23.9
	4	3.1	10.8	8.8	15.9	3.5	18.5
- To a very high degree							
	5	1.7	4.3	3.4	6.0	1.4	9.3
- Not sure							
	6	13.2	15.3	15.3	15.2	14.7	15.0

in view of country’s traditions, although it is lower than that of the most advanced countries. A new Law on the work of the Ministry of Interior is needed so as to provide a better coordination among institutions that combat crime. Urgent measures are demanded to control street crime, and extinguish the economic roots of organized crime in smuggling, gambling, and corruption. National interests in the field of privatization, in combatting corruption at all levels demand effective protection. Community should join the combat against crime.

In the foreign policy, gradual resumption of traditional relationships with Rus-

Crime poses the most complex problems to government

sia, the CIS countries, Central and Eastern European states has been a stabilizing

Box 1.1.

European foreign-policy orientation

Practical consensus has been reached as to *the European priority of the foreign policy*. This strategic orientation was confirmed by the Memorandum of the government of the Republic of Bulgaria submitted late in 1995 in connection with the country's application for membership in the European Union. The implementation of this strategy is controlled by the governmental Committee on European Integration that renders concrete the efforts for Bulgaria's integration into the European economic, political, mili-

tary and cultural structures. In 1995 Bulgaria officially became an associated partner of the Western European Alliance. The country actively participates in implementing the Partnership for Peace initiative. Against this background *all major social groups and political forces regard the restrictive measures for travel into Western European countries as being inadequate to the processes in the country and to the sought-after conditions for comprehensive human development and fulfillment*.

The political processes in Bulgaria face a wide range of problems. These include the difficult coordination of work of different institutions, the rapidly changing domestic and foreign political situation, the impact of powerful geo-political factors. Weariness from political tension in recent years and some tendencies in regional development should also be considered. Despite the different nature of parliamentary and local elections, the sizeable drop in the number of those who took part in local elections as compared to that in parliamentary elections is indicative of the political fatigue (See Fig. 1.2.).

This tendency of a tangible decline of interest in political processes poses problems to the democratic policy. It demands civil commitment, involvement of experts, as well as of the broad public in legislative work and in the control of law abidance.

Both parliamentary and local elections have revealed the major regional differences in political preferences existing in the country. They are clearly outlined when comparing the results of local elections in biggest municipalities and in the remaining part of the country (See Table 5.1.)

The political left wing won local elections mostly in smaller settlements. One of the major reasons for this result was the fact that the crisis economic processes had a more painful effect for the older, less educated and having less job opportunities population of smaller towns and villages, than for people in the capital and in bigger cities, where the opportunities for a job change or private business are greater. These differences reflect on the mass consciousness. The general assessment of life in the mid-nineties and in the late eighties is not in favour of the present situation. Yet, the critical view is especially strong in villages and smaller towns (See Fig. 1.3.).

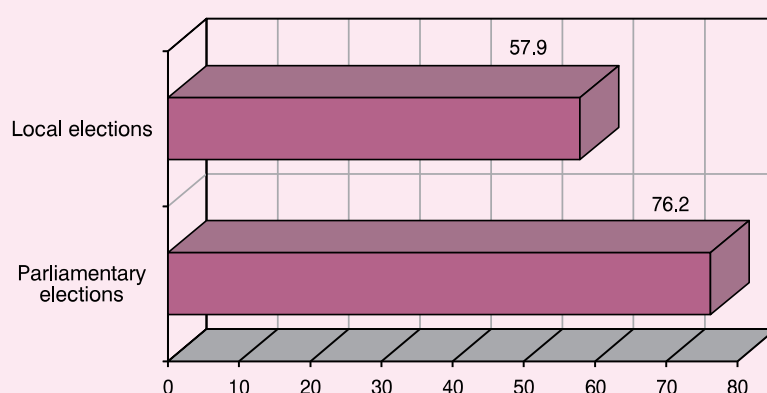
These differences, coupled with some ethnic problems underline the major importance of regional policy. 1995 saw the implementation of major legislative efforts in this respect: the adoption of a Law on

factor for economic and political processes in Bulgaria. The lifting of the trade embargo against Federal Republic of Yugoslavia was also a key event in 1995. This embargo has incurred to Bulgaria damages amounting to US Dollars six billion that cannot be compensated in practice.

Regional differences are a key factor in political life

Figure 1.2.

Share of voters in parliamentary elections (December 1994), and of voters in local elections (October 1995) as per registered voters (in %)



amending and supplementing local self-government and local administration, and a Law on the administrative and territorial structure of the Republic of Bulgaria. Their aim is to better balance the interests of the state, regions and municipalities, and to enhance local self-government. Special attention should be devoted to the existing disproportions in the development of individual regions, border and mountain regions, as well as the large number of municipalities that are in dire need. Irrespective of all these efforts the regional policy still needs a clear-cut balancing of priorities and specific programmes for regional development.

The analysis of political changes in recent years clearly shows that the democratic political institutions are being gradually strengthened, and the principles of democratic political life are being affirmed. It also shows that the major winning strategy of political life in the country is that which relies on unification around the national interests.

1.3. Contradictions in culture

The lengthy crisis processes in the economy and politics are accompanied and intensified by cultural disorientations and tensions. According to the sociological surveys held every year after the changed began, a stable number of one-third of adult Bulgarians (26.6% in June 1995) maintain that the inability to distinguish between good and evil is a very grave problem for Bulgaria. Yet most lastingly and intensively people determine crime as a very grave problem. Against the background of pauperization of large groups of people and of influential traditional egalitarian attitudes, the growing sensitivity to the quick rich-poor stratification of society is too natural. In the changing economic, political and cultural situation the assessments of the importance of other problems, such as political confrontation and ethnic tensions become less intensive as dominants of the cultural situation (See Fig. 1.4.).

Cultural disorientation, disappointment with and distrust in major social institutions reached their lowest level in 1994. The public opinion polls held at this time established highly negative attitudes towards the main processes and institutions

The winning political strategy is that of national interests

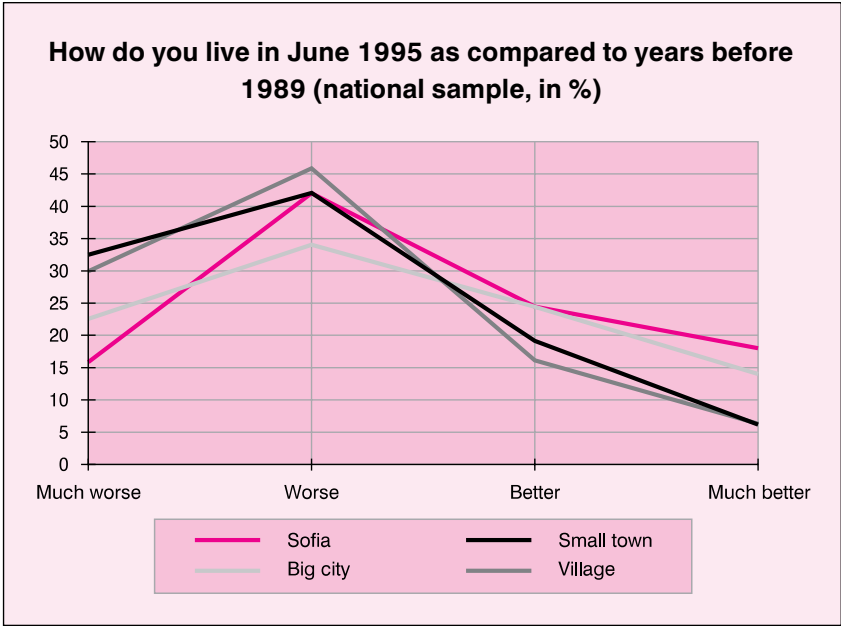
Table 1.5.

Political affiliation of elected mayors and share of the population in these municipalities (local elections held in October-November 1995)			
	Mayors	%	Population %
BSP and coalition	196	76.7	62.9
UDF and coalition	12	4.7	27.4
Movement for Rights and Freedoms	26	10.2	6.2
Popular Alliance - BAU, DP	3	1.2	0.4
Bulgarian Business Bloc	2	0.8	0.3
Dupnitsa Democratic Coalition	1	0.4	0.7
BCP	1	0.4	0.1
Independent	14	5.49	2.1

in the country. A period of relative cultural stabilization followed. This can best be witnessed by the distribution of assessments whether the country is moving in the right direction. Within a couple of months only

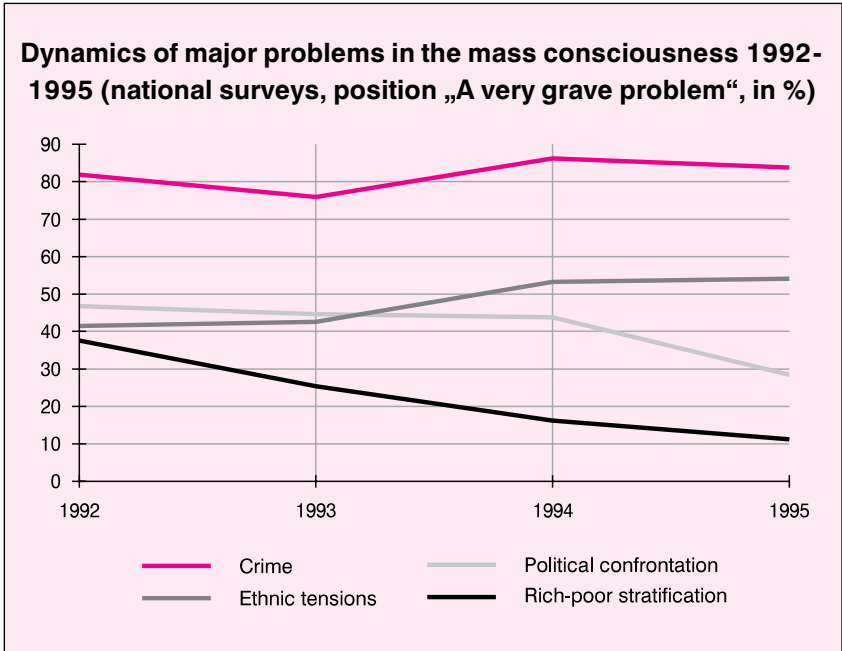
Mass consciousness is dominated by anxiety and insecurity

Figure 1.3.



this distribution sizeably changed and critical assessments became less sharp. The explanation is that a prospect for social development more acceptable for wide-

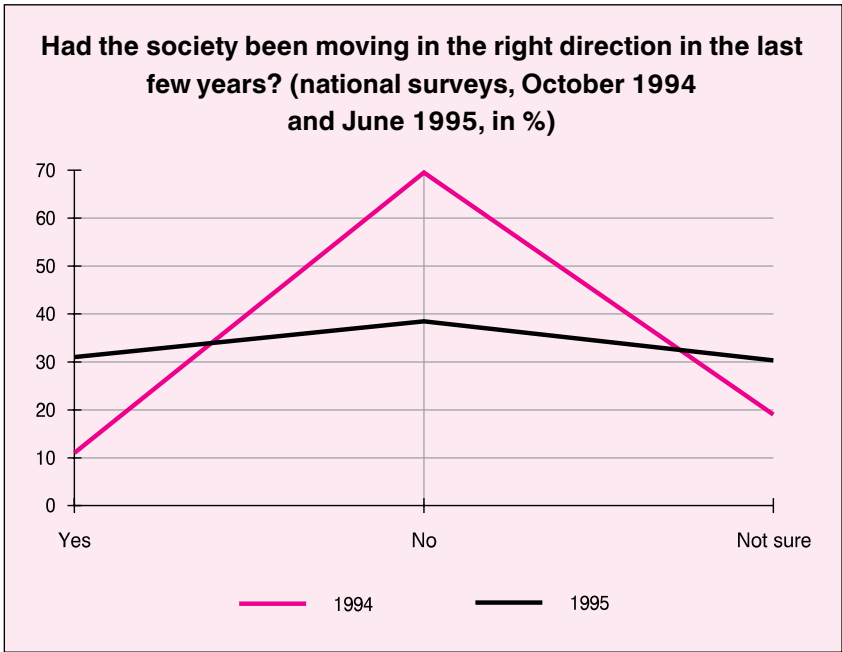
Figure 1.4.



Traditional and modern values clash in culture

spread cultural orientations has taken shape. The complex nature of the historical problem situation can be evidenced by the fact that nearly every third adult Bulgarian finds it difficult to make assessments:

Figure 1.5.



In the conditions of continuing social and economic changes the dynamics of cultural orientations is high. It depends on numerous internal and external factors. The potential disturbances of the fragile economic and political stability can easily grow again into a widespread cultural pessimism. The lasting impoverishment of large groups and mass insecurity in every-day life, pertaining to the high crime rate, are persistent factors for negative cultural orientations.

Cultural insecurity is also maintained by contradicting processes in the very structure of fundamental values and norms of Bulgarian society. In the first half of the nineties, parallel with private entrepreneurship and political democratization, the principles of individualist ethics became quickly established in it. Some extremities of the market individualism and destruction of institutions that embody and protect the common good, have nurtured traditional anti-individualist attitudes. The affirmation of universal values collided with blatant instances of pursuing individual and group interests in economy and politics. The result was a sharp clash between traditionalist and modernist, between individualist and collectivist cultural orientations.

Only conditionally can this contradiction be reduced to a clash between traditional rural collectivist culture and modern urban individualist culture. Yet there is an indisputable fact: the cultural assessments of major processes in Bulgarian society widespread in villages and small towns essentially differ from assessments of the same processes current in the capital and big cities. This becomes evident from the distribution of assessments about the rapid income stratification of Bulgarian society (See Fig. 1.6).

These substantial differences in major cultural orientations and assessments can be explained by age and educational differences, specific ways of life and peculiarities of the local economic and political environment. Whatever the reasons, these

differences are to be carefully considered in the course of the formulation and implementation of reforms. One of the reasons for the failure of the monetary shock therapy is namely the fact that it put a stake on the urbanist liberal culture. Despite the relatively high degree of the country's urbanization, the economic liberalism has obviously clashed with influential cultural orientations that are difficult to agree with its individualist principles. On a political scale this contradiction became obvious in the results of parliamentary and local elections. That is why future reform strategies in the field of economy, health care, education and social policy should more fully take into account these cultural facts and their broad and lasting influence.

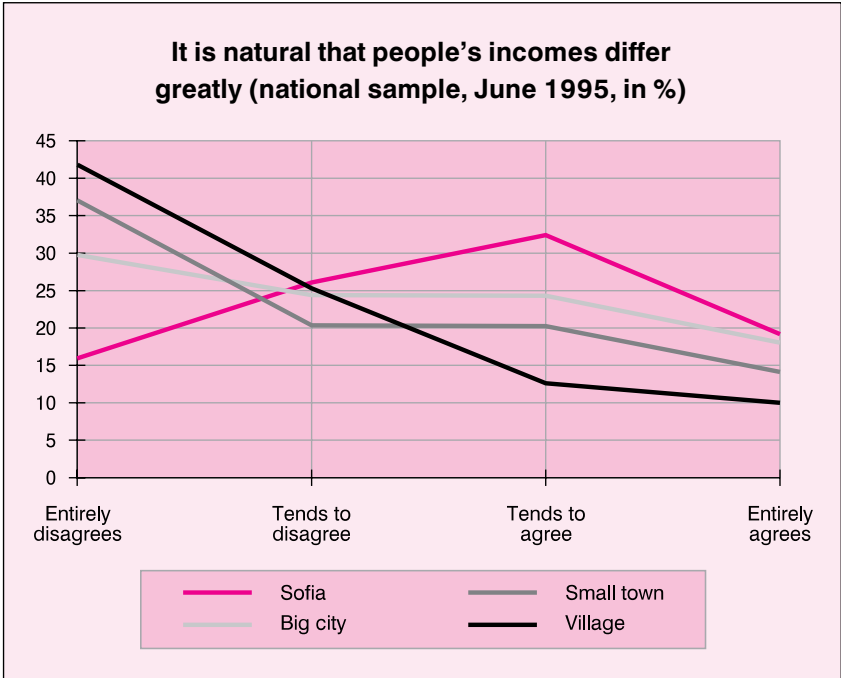
1.4. Sustainable development: problems and tendencies

The main aim of the *Bulgaria 1995. Human Development Report* was to support the nationally-responsible dialogue on major problems facing sustainable human development in Bulgarian society. Possible and desirable ways for their solution have also been outlined. *The need of consolidating state institutions*, and unequivocally *assuming the political responsibility* for decisions vital to the nation has been pushed to the forefront. This problem continues to be painfully urgent, since the basic stages of economic restructuring and reforming other spheres of social life are yet to come. The rapid change of internal and external conditions makes these problems even more acute, especially in view of the need to make the long-term development prospect more concrete.

At the same time experience from last years shows that parallel with some first instances of stabilization of Bulgarian society, certain old sources of social tensions and conflicts become re-activated in addition to new ones. They function in all major spheres and directions of transforming Bulgarian society.

Economic restructuring is the deepest and most lengthy process in the social transformation now underway. Profound changes in technologies, sectoral structure,

Figure 1.6.



forms of ownership, organization of economic relations in the country and in foreign-trade orientations, are still forthcoming. These changes have and will have a sizeable and lasting impact on the conditions of development and fulfillment of basic groups in Bulgarian society and on the individual. The most visible part of these problems is the still high rate of unemployment that will most probably grow further with the forthcoming close-down of unprofitable enterprises in 1996. Economic reforms pose essentially new demands to educational and qualification level, organizational skills and labour attitudes. Many questions remain open as to harmonizing economic restructuring with the sought optimization of the conditions for human development and fulfillment.

One of the main characteristics of the implemented transformation of society is the establishment of a *stratum of private entrepreneurs*. It has come into being in the conditions of quick economic and political changes, of ambiguous legal norms, un-

Old sources of conflict, in addition to new ones, are re-activated

stable state institutions and insecure cultural orientations. These conditions have left a lasting imprint on the stimuli and barriers to entrepreneurship, and on the new organizational structure and culture that is being formed through its activities. The key problem in this context are the possibilities to coordinate the interests of private entrepreneurship and the national interests, the needs of development and fulfillment of the other population groups.

Municipalities are the basic administrative and organizational center of the economic, political and cultural processes in the country. Their situation most directly determines the way of life and fulfillment of the individual. The main problem of municipalities is their uneven development. Many of them are in a critical situation. This demands a lot of purposeful efforts in regional policy aimed at overcoming and averting crises in municipal, hence in human, development.

Due to natural, historical, economic, demographic and administrative reasons, the country's *settlement system and settlements* have been developing unevenly. This unevenness is further intensified by the present conditions of transition. The result is specific conditions for human development and fulfillment, some of which are rather unfavourable. The normative system and organizational structure should be improved so as to successfully solve the complex problems in the territorial development of production, in the building of settlement infrastructure and the housing problem.

Regions in the country differ greatly in their socioeconomic characteristics. This also determines big differences in *regional labour markets*. The goals of the national and regional economic policy require a close monitoring of their dynamics and the main factors that determine it - technological and sectoral restructuring, development of the private sector, investments, as well as the age, ethnic, educational and other population characteristics. This analysis is

an indispensable premise for outlining versions of the future development of regional labour markets.

Nearly all *demographic processes* in Bulgaria have negative tendencies. Since the early nineties a lasting and sizeable depopulation has been witnessed, stemming from the mass emigration and the high death rate that is increasingly outstripping the birth rate. Particularly alarming are the demographic processes in most of the mountainous and semi-mountainous regions, and in the majority of villages. The open questions in this context concern the feasible and required demographic policy in the present social and economic conditions. The choice of priorities in heavily depopulated municipalities and some population groups awaits political solutions. The main question concerns the choice of a most effective demographic policy in current conditions and the way of its implementation.

The main activities of *health-care policy* take place in regions and municipalities. The solution of health-care problems demands an accurate analysis of the health status of the population in different regions, as well as a regionalized policy for implementing the adopted strategy of health-care development, entitled „Health for Bulgaria“ (1995). Many are the pending questions of the regional distribution of health-care establishments and their functions, of the number and training of medical staff, and their financial support.

Substantial changes have set in in the regional characteristics of the educational system. Reforms have greatly affected *secondary and higher education*, though in different ways. The present state of the economy, and especially the prospects of its development, require that special attention be devoted to vocational training in secondary schools. Many problems have been raised by the sharp quantitative growth of higher education that more often than not is not linked with the necessary qualitative changes. The national and

regional development of *science* is also complicated. Problems concern vital aspects of its existence: the nature and prospects of scientific institutions, their relationship with higher education and participation in international scientific cooperation. The key problem concerns the needed scientific and technical policy of the country that can rank Bulgaria among the prosperous countries in the world.

Large groups of Bulgarian population live below the *poverty* threshold - no matter how it is determined. The urgent measures to curtail the gravest instances of absolute poverty present a complex and responsible task. Even more responsible is the task of combining short-term measures with a long-term policies for poverty alleviation. Competent decisions must ensure the maintenance of institutions and organizations that are most effective in the efforts to reduce and eliminate poverty.

In a more general perspective, the *key task facing the country's government is to limit and overcome the tendencies of weakening or disruption of essential factors of social integration*. This means to maintain and establish regional and inter-regional technological ties, to promote economic exchange among and within regions, to strengthen organizational interaction among municipalities, regions and the central power. Social integration also demands curbing the action of tendencies towards marginalization and exclusion of individuals and groups and towards their opposition. The practical problem consists mainly in stabilizing interaction between local and central bodies of power, organizations in the field of business, politics and culture,

so as to strengthen the nation's integrating institutions and social solidarity.

In more concrete terms this means focusing organizational efforts in several main directions:

- Creating a favourable environment for domestic and foreign investments;
- Drafting and implementing a long-term strategy for sectoral and technological restructuring aimed at productions with low material and power consumption and high surplus value of their output;
- Clear normative and institutional regulation of relations between the state and private sectors in production, trade and services;
- Selective and effective social policy;
- Consistent policy for population development;
- National identity in education, science and culture.

Nobody can harbour any illusions that this wide range of problems can be comprehensibly analyzed and solved by a wave of the magic wand. A major lesson from the first half of the nineties is that *the solution of complex and dynamic problems requires a long period of time*. Yet decisive steps can no longer be postponed. The time of hesitation and postponement has ended. What is needed now are actions, so as to strengthen the fragile offsprings of stability, and gradually, though strenuously and painstakingly, affirm a *rational and humane* sustainable development of man and society.

Towards strengthening social integration

Time of postponement has elapsed, what is needed now are actions

**2.1. Strategy of the economic
reform**

The radical economic transformation began in the early 1991 with liberalization of prices, foreign trade and the banking system. The reform initiators expected that the quick change of the „rules of the game“ in economy would soon establish new criteria of effectiveness (maximizing profits) and a new type of budget restrictions. They also supposed that this would usher in a change in the structure of the gross domestic product, export and import, production, employment and foreign economic relations.

This strategy of economic restructuring was based on the idea of a *shock therapy*. The almost complete internal and external liberalization, and the diminished role of the state as a tool for re-distributing national income through the budget were regarded as a condition for a quality change in the behaviour of economic agents. The lack of stable market institutions, the tradition of centralized organizational structures, the lack of trained managers, the high transaction expenses, inadequate infrastructure and technological lag were all considered difficulties that could be overcome relatively quickly. Little attention was paid to the fact that in the transition from a command-style to a market economy the mechanisms of direct distribution of resources should be replaced by a monetary-credit system that transforms savings into economy-effective investments.

The expectations of the course and results of the reform were also based on suggestions that farming and tourism would develop with priority. The very term ‘structural reform’ was mainly associated with the restructuring of the banking system,

state property privatization, land reform and reorganization of state administration. A programme for the restructuring of industry was drafted and discussed at several stages, but no official state document was issued, neither had a programme for infrastructure modernization been mapped out.

Moreover, the strategy for economic reform was also based on the premise that the economic and social ‘costs’ of reforms would be relatively low, and the period of economic stagnation - short. The abolition of a large part of subsidies to the industry was believed to have no sizeable effect on the people’s living standards.

The real course of economic processes proved to be a far cry from expectations. As a result of the high inflation rate and the predominantly negative real interest rates on bank deposits, savings show a lasting tendency to diminish: from 15-17 per cent of the GDP in 1991 to 7-8 per cent in 1995. Given the major payments on the foreign debt, the lack of sizeable external loans and minor direct foreign investments, this tendency determined the shrinking of fixed capital investments. From about 22 per cent of the GDP in 1991 they dropped to some 7 per cent in 1995.

The low investment activeness has led to an overall shrinkage of domestic demand. The problem was further aggravated by the curtailment of state consumption because of the major payments on the national and foreign debt. This called for a substantial positive primary balance in the state budget. Both the shrunk real volume of savings and the increased burden of the national state debt reflect the ineffectiveness of the financial and credit system in the initial stage of the transition.

*Reasons for the
strategy of shock
therapy*

*The course of economic
reform has tangibly
deviated from forecasts*

The state was quick to withdraw from the management of the economy

The entire period between 1990 and 1994 was marked by the state's withdrawal from the economy. While in 1990 state income and expenses accounted for 53 and 66 per cent of the GDP, respectively, in 1994 the figures were 25.9 and 32.5 per cent. They were retained in 1995. In advanced market economy countries the share of

state expenses in the GDP is some 40 per cent. Provided that the share of servicing the national debt within the overall volume of Bulgaria's state expenses is remarkably big according to international standards, the state's withdrawal from its objectively needed functions becomes even more substantial.

Because of the delayed privatization, the state's withdrawal from processes of redistribution was not accompanied by a parallel withdrawal from its functions as an owner. The private sector quickly developed and became dominant in the field of trade and partially of the financial and credit system. The symbiosis between a state sector in industry and a private sector in the field of distribution and redistribution (trade and finances) took place under weakened re-distributive functions of the state administration. This brought forth deformations in the functioning of market mechanisms that had negative social and economic effects. The stepping-up of privatization, and more particularly of the mass privatization programme provides conditions for a gradual overcoming of this structural asymmetry of the transformation process in Bulgaria's economy.

The strengthening of fiscal discipline in the banking system and real economy is a condition for the successful implementation of the reforms now underway. A programme for healing up the banking sector has been adopted. It envisages recapitalization, consolidation and privatization of state banks. Part of the state enterprises that are in dire financial straits will be closed down. The number of their employees is relatively small, so the social price of this measure would be bearable. Companies working at a loss will have a limited

access to bank loans. Initially they will be budget-financed, and gradually subsidies will diminish. The mass privatization is expected to tangibly change the management of the real sector. Special attention is devoted to the attraction of foreign investments in major enterprises. A package of tax reliefs for local and foreign investors is under consideration now.

2.2. Structural changes in the gross domestic product

The structural changes have developed in a decentralized way under the impact of market factors, but in the conditions of incomplete information and imperfect competition. In 1993 the level of industrial production dropped to 58.3 per cent of that in 1990. Export and import went down by the same proportion. The drop in GDP and real incomes was somewhat less. The situation was characterized by high inflation, quick monetary turnover, reduced amount of real money, devaluation of national currency, increasing national debt, and growing bad 'debts' in the banking system.

Contrary to forecasts, the structural changes in the GDP in the transition from a command-style to market economy follow the trends typical of countries with a relatively high level of economic development. The major difference is that in Bulgaria they take place not against the background of economic growth, but in the conditions of an economic crisis comparable only to that of 1929-1933. This means that the economic structure of former socialist countries does not differ fundamentally from their relative advantages on an international scale. The adaptation to market demands has taken place mainly as improving the economic systems by freeing them from individual ineffective production units. *The claims that command structures are completely inadequate to the demands of the world market have proven wrong.*

The structural changes in Bulgarian economy are manifest above all in the di-

The changes are following trends typical of advanced countries

minished relative share of *industry*. In 1991 it generated 46.8 per cent of the GDP and in 1994 - one third of it. In 1995, however, this share grew again as a result of the economic enlivening that has taken shape. The GDP growth rate of 2.5-3 per cent is mainly due to the increased heavy industry output and export.

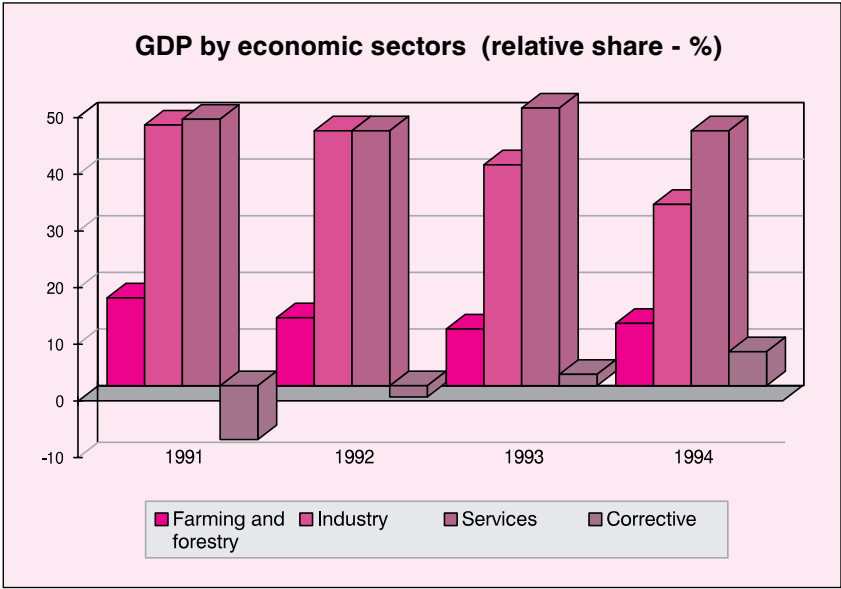
The share of *farming and forestry* also tends to diminish. The crisis in farming, mainly due to the radical land reform and the overall restructuring of the agricultural sector, was manifest in the reduced relative share of farming - from 15.3 to 11.0 per cent of the GDP. This result can be further explained by the major foreign competition brought forth by the easy access to the Bulgarian market of subsidized farm imports from the European Union member-states, that came as a result of the agreement for Bulgaria's joining the Union. Another factor is the retained gap between the prices of fertilizers, chemical products and farm products used, and the purchase prices of farm staples. Also retained are the negative differences between domestic and international prices that assist the stagnation in Bulgarian farming.

Many problems of farming stem from the one-sided approach to this sector. It was believed that the restored ownership of arable land would automatically lead to better motivation and possibilities for unleashing private initiative. The fact that the real shift of ownership leads to vagueness and a temporary increase of transaction expenses, has not been considered. Both these circumstances make market mechanisms less effective. At the same time farming is a sector characterized by specific price-formation, seasonable and cyclic price dynamics. Given these circumstances, farmers have to rely either on a clear-cut state mechanism of regulating prices and stock of basic farm produce, or on well-developed future markets. At the current stage of market reform development in Bulgaria only the first version is feasible.

Immediately upon the start of economic transformation, the regime of sub-

sidizing and granting loans to farm producers, as well as the regulation of foreign trade with farm produce are characterized by a complex and changing nature. It is often inherently inconsistent, does not guarantee transparency of procedures and full information to regulating authorities. The adoption of the *Law on the protection of farm producers* in June 1995 created prerequisites for establishing an overall system for support to producers and for a gradual stabilization of agricultural production.

Figure 2.1.



The *tertiary sector* (transport, communications, trade, finance, etc.) is characterized by an instability of its relative share in the GDP which, according to estimates of some international institutions, is about 60 per cent. This growth pertains mainly to the stepped-up development (including through the re-distribution of surplus value from the secondary to the tertiary sector) of trade, the finance and banking sector.

Irrespective of the crisis phenomena, the processing industry continues to form the core of Bulgarian economy. The most dramatic structural processes in industry are the reduced relative share of the output of metal-working industry within the total industrial output (from 16.6 per cent in 1991 to 9.8 per cent in 1994), and that of

What is needed is state support to farming

the food industry (from 27.1 to 21.1 per cent). The reasons for these similar tendencies, however, are somewhat different. The drop in machine-building is mainly due to the loss of markets in the former Council for Mutual Economic Assistance (CMEA). The drop in food production is the result of two additional factors - the collapse of raw material supply stemming from the land reform, and stronger foreign competition.

Box 2.2.

Tendencies in electronic and electrical engineering

The main reason for the grave crisis in electronics and electrical engineering is the unfavourable development of foreign trade turnover and especially the loss of CMEA markets. Over the 1991-1994 period the value amount of electronic and electrical-engineering exports shrank by half, while imports went up over four

times. While in 1991 the import of this type of products was 5.4 times less than export, in 1994 the import was 1.8 times more than export. This development was furthered by the unfavourable customs taxation, disloyal external competition, the lack of sizeable foreign investments and the technological lag of production.

There are sectors whose importance in the structure of industry is growing. Above all this is the chemical and oil-refining industry whose relative share has grown from 12.8 to 23.0 per cent of the overall volume of industrial output between 1991 and 1994. Also growing is the importance of electrical and heating power generation - from 5.4 to 10.0 per cent of the total output. The power consumption of industrial production has grown, which is partially due to the relatively low cost of electric power. The material consumption of industrial production has slightly improved.

The industrial sectors traditional for Bulgaria, such as textile, tailoring, glass-making and ceramics, tanning, paper and cellulose-making either retain their relative share or mark a drop in it. The only exception is the printing and publishing industry that has registered both relative and abso-

lute growth. But its share in the total volume of industrial output is insignificant.

The dynamics of ferrous and non-ferrous metallurgy has certain specific features. Ferrous metallurgy, ore-mining included, had an initial decline in 1992, followed by a revival in 1993 and 1994, thus retaining its relative share as a whole. Non-ferrous metallurgy, however, has doubled its share in the total output of the secondary sector, thus becoming the most successful subsector of industry.

Similar processes are taking place in most countries of Central and Eastern Europe (CEE) and the Commonwealth of Independent States (CIS). The whole region develops at priority rates the production of intermediate, mainly material-, power- and labour-consuming output exported to the industrial center of the world economy. This makes the group of CEE and CIS heavily dependent on the dynamics of cyclic economic processes in Western Europe and the developed market economy countries.

The intensity of structural changes in the processing industry, measured by the standard deviation of changes in the relative shares of individual sectors which reflect the degree of impact of changes on industry as a whole (low values of standard deviation) or on individual sectors (high values), shows an interesting dependence on the dynamics of the overall economic situation.

Most substantial structural changes have been recorded in the period of reaching the bottom of economic crisis in 1992-1993. The greater intensity of changes in the structure of production and foreign trade of that time were due to the strong dependence of Bulgarian economy on external demand. This period saw the formation of a comparatively stable export structure. To a great extent it also determines the structure of imports, since the bulk of raw materials is imported. In this way the changes in the production structure depend on the adaptation of Bulgar-

*The processing industry
is the core of economy*

ian economy to the demands of international markets.

Worth noting is another fact: sectors whose end products need less processing, but which are more power- and material-consuming (heavy chemistry, metallurgy) adapt more quickly to the situation. This is possible because of the persisting crisis situation of mechanical engineering, electronics and electrical engineering that consume the products of first-echelon industries as a result of the latter's bigger export quota. The quicker adaptation of industries that are relatively simpler in technological terms is natural and allows for a temporary stabilization of the economy. But it delays the solution of fundamental structural problems of the processing industry and of the national economy as a whole: the reduction of power and material consumption through technological restructuring and priority development of sectors with a high level of surplus value.

2.3. Changes in the foreign trade relations

The dynamics of the export and import structure generally mirrors the course of changes in the structure of the processing industry. The share of products of the chemical, plastics and oil-refining industry marks an annual growth of 2 to nearly 30 per cent for individual commodity groups. The export of ferrous and non-ferrous metals follows the same trend. The import of these groups of products is either curtailed or increases much more slowly.

Mechanical engineering, electronics and electrical engineering follow a trend of curtailing both imports and exports. This unfavorable development mirrors the loss of markets by Bulgarian manufacturers of high-tech products, as well as the absence of technological renovation of the country's economy.

The transition from a command-type to a market-oriented economic system has

Table 2.1.

Intensity of structural changes			
A. Standard deviation of relative shares of industrial sectors			
	1992/1991	1993/1992	1994/1993
Industry	2.7	1.2	1.0
B. Standard deviation of relative shares of commodity sectors in imports and exports			
	1993/1992	1994/1993	1995/1994
Import	2.0	0.7	0.7
Export	2.3	0.6	0.8

introduced new features to the balance of trade flows. According to data of the UN Economic Commission for Europe, the shock liberalization of prices and rate of exchange is linked with the shift from a passive trade balance in 1990 (-352 million US Dollars), towards a surplus of US Dollars 734 million in 1991. Later, however, the liberalization of exchange, the disintegration of the multi-sided system of payment in transferrable rubles within the CMEA, and the measures for stabilizing the Lev rate within the agreements with the International Monetary Fund, have led to poor foreign-trade results. Trade deficit in 1992 and 1993 amounted to US Dollars 546 million and 1,337 million, respectively. The latter is a record figure since 1980. As a result of the devaluation of the Lev, in 1994 the deficit tended to decrease. 1995 saw sizeable trade balance assets of about US Dollars 400 million.

The intensive structural changes and the state of trade balance are linked with the ousting of Bulgarian producers out of the domestic market and the forcible adaptation of the production structure to the demands of international market. The priority growth of exports is related to the reproduction of existing structures while production capacities are not used to the full, the investment climate is dull, and the structural changes slow.

The restructuring of high-technology sectors is delayed

Foreign investment so far is not a major factor for restructuring

Foreign investment has failed to become a major factor for making the structural adaptation more dynamic. According to the Agency of Foreign Investment, by mid-December 1995 foreign investment totalled US Dollars 530 million. This is a comparatively small amount that ranks Bulgaria among the last CEE countries. The sectoral structure of capital investment mirrors on the whole the GDP structure. Industry accounts for 37 per cent of investments, transport for 21 per cent, trade for 19.5 per cent, construction for 5.5 per cent, and other sectors for 17 per cent. Germany is the leading foreign investor with nearly 39 per cent of all foreign investments. The limited role of foreign investment is explained by the high risk associated with Bulgaria, and by the lack of a clear-cut state strategy.

Box 2.3.

Towards economic integration with the European Union

The agreement on Bulgaria's association with the European Union has designated the basic goal of the country's development in the context of European integration - sustainable economic growth. Besides measures for liberalizing trade, movement of capital and labour, the association agreement also envisages the employment of sizeable resources for stepping up the structural ad-

aptation of Bulgarian economy, focused on power-generation, environmental protection, promotion of the private sector, education and training. Bulgaria's participation in research and technological projects of the Union will become more important in the future. The European integration processes will gradually become a key structure-determining factor of economic development.

There is a close interdependence between structural changes in industry, trade and the geographic orientation of foreign trade. The economic transformation in Bulgaria, like that in the remaining CEE countries, is a regional re-orientation of trade flows towards a new 'growth center' - towards Western Europe. Following the start of reforms, the share of the European Union in Bulgaria's trade turnover has more than trebled. However, the process was seriously hampered by the UN trade sanctions against the Federal Republic of Yugoslavia. They severed the most direct

transport routes between Bulgaria and West Europe.

The exports reduction by about US Dollars 200 million in 1993 and the record-breaking trade balance deficit of the same year reflect the big delay in the regional re-channeling of foreign economic ties. It will demand an overall restructuring of the transport and telecommunication infrastructure which requires sizeable domestic and foreign investments.

The process of regional re-orientation also implies the country's joining another system of contract-integration relationships. Like other CEE countries, in 1994 Bulgaria signed an agreement for association with the European Union, and in 1995 applied for full membership. The course towards an integration with the EU poses major structural demands to Bulgarian economy.

2.4. Changes in the sectoral structure of manpower

Structural changes in economy take place against the background of a relatively high level of unemployment. In 1990 the registered unemployed numbered about 30,000, reaching 400,000 in late 1991, and scoring the summit of over 600,000 in early 1994. The number of unemployed has begun to go down since the second quarter of 1994. By mid-1995 the unemployed totalled 400,000 (i.e., the level of 1991) and tended to decrease further. The state has gradually given up its role of a major employer, replaced by the private sector, especially in the field of services.

Changes in the structure of employment more or less follow the changes in the structure of GDP and the processing industry. The main tendency is reduction of the number of those employed in industry - from 35 per cent in 1991 to 30 per cent in 1994. The relative share of transport and construction workers is plunging, as is that of workers in the field of science - from 1.9 in 1991 to 1 per cent in 1994.

The number of employed in the fields of education, culture and arts is growing.

The number of new working places is growing in the field of trade (from 9.6 per cent in 1991 to 11.7 per cent in 1994), finance, credit and insurance (from 1.4 to 2.1 per cent) and management (from 1.4 to 2.1 per cent). Situation in farming is somewhat peculiar. Irrespective of its reduced relative share in the GDP, the number of farm workers went up from 19.1 per cent in 1991 to 21.7 per cent in 1994. This process is a reflection of the decreased labor productivity in this sector, the process of reverse migration as a result of the land reform, and the bigger decrease of employment in other sectors.

The changes in employment structure in the processing industry are similar to the changes in production. The biggest reduction is observed in the number of workers in the field of mechanical and electrical engineering, and electronics. Those employed in metallurgy, chemistry and power generation are growing in number. Like in farming, the food industry has also increased its share in the overall number of those employed, while its share in production has come down.

The unfavourable tendencies in the overall size and structure of employment are accompanied by negative tendencies in the level of income. The population's real incomes tend to fall down. In 1993 they dropped by 4 per cent, in 1994 - by over 28 per cent, and for the first quarter of 1995 - by about 20 per cent on an annual basis. Based on the dollar, salaries are relatively stable, varying between US Dollars 70 and 120 per month. Best paid are those working in the sphere of finance, trade, the processing industry and management. Yet 1994 witnessed a turnabout: there was a comprehensive drop of real incomes in the field of finance and credit (-23%), trade (-22%), management (-20%) and industry (-19.5%).

Within the framework of the processing industry no sector has marked a stable growth of real incomes. For the 1990-1994

period, the index of the real working salary was the highest in ferrous metallurgy, power generation, coal-mining, non-ferrous metallurgy and the chemical industry. The plunge was biggest in the light industry.

The share of working salary in the total structure of incomes is relatively stable, varying between 56 and 58 per cent.

Table 2.2.

Employment structure by economic sectors (in %)				
	1991	1992	1993	1994
Industry	35.0	33.0	30.0	30.0
Construction	7.1	6.2	6.5	5.9
Farming	19.1	20.7	21.7	21.7
Forestry	0.5	0.5	0.4	0.4
Transport	6.2	5.9	6.1	5.9
Communications	1.2	1.3	1.4	1.4
Trade	9.6	10.0	10.3	11.7
Other sectors of material production	0.8	0.8	1.0	0.9
Housing construction and communal services	2.2	2.1	2.0	2.1
Science	1.9	1.6	1.1	1.0
Education	7.5	8.0	8.2	8.2
Arts and culture	1.1	1.0	1.3	1.3
Health care, sports, tourism	5.8	6.2	6.2	6.3
Finance, credit and insurance	0.8	1.1	1.1	1.3
Management	1.4	1.6	2.1	2.1
Other non-production sectors	0.3	0.2	0.2	0.2
TOTAL	100.0	100.0	100.0	100.0

The share of pensions ranges between 24 and 28 per cent. Incomes from entrepreneurship vary between 3 and 5 per cent. The remaining incomes come from personal farms and other types of economic activity.

2.5. New requirements and problems facing the human factor

Besides employment and training, other major criteria of the quality of the

The number of those employed in industry is diminishing

human factor include the value system of economic agents, the attitude towards economic processes, the consistent or inconsistent behaviour of manpower groups. The radical changes in the ‘rules of the game’ in the economy also imply a change in the

rate and reduced business activity in high-tech sectors, and in science show that besides new possibilities problems born by the transition crises have also arisen.

The degree of commitment to one’s company increases if two conditions are met: the company must be a real economic agent and must operate in the conditions of ‘firm’ budget restrictions, demanding everyone’s efforts so that it can survive and prosper. The big amount of ‘bad debts’, problems with the fiscal discipline in some state and private enterprises, however, clearly indicate circumstances that objectively hamper the establishment of a climate of loyalty and commitment to companies and to the existing legal order. Taxes paid amount to 88-90 per cent, including VAT - 77-88 per cent, profit tax - 66-70 per cent, and bank loan interests - 43-59 per cent.

The radical change of ownership has also created conditions for a temporary decline in the loyalty of those employed. The revival in the processing industry between 1994 and 1995 has provided possibilities for positive changes. The first nine months of 1995 witnessed a ten per cent increase of labour productivity in industry based on surplus value, as compared with the same period of 1994.

The consistent behaviour of economic agents poses a special problem. Sociological surveys show that the market economy principles meet with approval. On the other hand, phenomena like tax evasion, workers’ opposition to closing down losing enterprises, ‘bad debts’ and poor financial discipline, growth of economic crimes, ostensibly high income in subsidized industrial sectors and in banks with a negative net capital, etc., point to two lines of inconsistency. *First*, only the positive sides of the market are accepted (the pursuit of personal interest), while its ‘price’ is rejected (taxes, firm budget restrictions, risks). *Second*, groups are taking shape, that benefit on non-complying with the rules of the game followed by all the rest. This is par-

Table 2.3.

Real working salary dynamics (changes in per cent over the preceding year)			
	1992/1991	1993/1992	1994/1993
Industry	20.9	-0.6	-19.5
Construction	14.3	-4.3	-25.9
Farming	-11.8	-5.8	-20.0
Forestry	7.0	-0.1	-31.5
Transport	24.0	5.0	-18.2
Communications	14.8	3.5	-18.6
Trade	20.9	0.7	-22.8
Other sectors of material production	27.4	-7.0	-22.4
Housing construction and communal services	17.2	-1.0	-21.6
Science	9.9	0.9	-20.5
Education	1.9	1.0	-23.4
Arts and culture	1.6	0.9	-22.1
Health care, sports, tourism	5.7	2.5	-23.8
Finance, credit and insurance	28.3	24.0	-23.0
Management	11.6	9.6	-20.6
Other non-production sectors	25.7	17.2	-21.8

value system of economic agents. The collectivist orientation of the official value system in the conditions of command-style economy is being replaced by a value system aimed at individual success and increase of personal profit. The expansion of crime in the transition period reflects, among other things, the deep-going changes and problems of the value system of part of the Bulgarian society.

Problems also exist in terms of the attitude towards economic processes. Market relations and free initiative provide possibilities for people’s orientation towards jobs that best suit their preferences and requirements. The high unemployment

A climate of organizational, financial and legal loyalty is needed

particularly true of the social strata linked with the ‘black’ and ‘gray’ economy.

2.6. Conclusions

The analysis of structural changes in Bulgarian economy points to a number of social-technologically relevant inferences:

First, the motive force of changes is the need of adaptation to the international market demands, and not the technological reconstruction.

Second, changes are unfavourable as a whole because the high-tech sectors and well-trained manpower are losing their positions in the structure of the national economy to sectors with a low surplus value and relatively lower requirements to manpower skills.

Third, these unfavourable tendencies are linked with an overall decrease of real incomes, especially in high-tech sectors.

Fourth, only a shift towards resource-saving and technological reconstruction of Bulgarian economy can ensure a stable growth of incomes. The difference in incomes of advanced and developing countries is a function of the intensity by which countries with lower incomes reproduce innovation processes in the industrial ‘center’.

Fifth, from the point of view of value system, motivation and loyalty to organizations changes are contradictory. The behavior of economic agents tends to be inconsistent.

Sixth, the overcoming of negative tendencies will depend on the transition towards a stable economic growth. This implies stepping up the investment process, ensuring foreign markets and intensifying domestic demand.

Seventh, the increase of investment would be impossible unless the internal norm of savings is increased and external financial resources are attracted. It will not be effective unless the investment process is accompanied by technological restructuring. This demands clear-cut structural policy and encouraging the transfer of technologies.

Eighth, structural changes are taking place in the conditions of a large-scale restriction of state functions in redistributing the national income well below the social optimum.

Ninth, the dynamics and trends of structural changes, as well as the forms and intensity of the structural policy pursued by the state will even more greatly depend on the process of Bulgaria’s integration into the European Union.

The motive force of restructuring is the adaptation to new markets rather than technological restructuring

3.1. Conditions for developing entrepreneurship

Under the centralized planned economy the private economic activity in Bulgaria was gradually liquidated. The state, municipal and cooperative economic structures had an established monopoly. They employed nearly all the able-bodied population. According to law, free-lancers were confined to the field of culture, arts and crafts, and the legal profession.

The dominating idea was that the state ownership was the supreme form of management. The hiring of workers by other economic subjects was regarded as exploitation which was banned by the then existing Constitution. In the second half of the eighties, influenced by the results of liberalization of economic life in Hungary, Poland and China, a tendency of permitting private entrepreneurship evolved. However, the registration procedures were rife with restrictions.

So in the dawn of profound economic changes, the private ownership had a symbolic presence in economic life. Its development is a primary condition for the transition to market economy. That is why the appearance of the stratum of entrepreneurs is an essential characteristic of society's transformation. This stratum has been established in the conditions of intensive changes in the structure of society and in legal norms. The market economy institutions are not fully built yet. The former value orientations and changes in them have their imprint on the personality features and the social status of entrepreneurs, and on the society's attitude towards them.

Further analysis is focused mainly on the development of small business and self-employment. Farm entrepreneurship is not

considered because of the specific economic structures in farming, and the stage of the land reform. For similar reasons the financial and insurance sectors are not included either.

The encouragement of small business aims at solving fundamental *economic tasks*, since the filling out of the economic space with small and middle-sized enterprises, sole proprietors and businessmen is a key component of the structural reform. The small business quickly adapts itself to the changing economic conditions. It can utilize local resources, thus enlivening the economy of regions and settlements. The small business fills out market niches and meets mass consumer interests. It thus acts as a generator of economic growth for a sustainable development of towns and villages.

The small business solves *social tasks*, being practically the sole alternative to the vast number of blue- and white-collar workers discharged from state and cooperative enterprises. The small company consolidates families and whole clans and enables the even distribution of the burden of transition among family members. It is not accidental that the small business is called „a machine for new working places“.

The assertion of small business also solves *political tasks*, as it is the groundwork of the democratic society, with the middle class being its backbone. The economically independent proprietors can oppose the attempts at restoring authoritarian structures. This is particularly valid for the small settlements where political changes are not tangibly felt.

In order to have these tasks solved, the economic reforms are directed towards providing the legal and institutional pre-

*The appearance of a
stratum of
entrepreneurs is the
core of the current
transformation*

*Complicated tasks
facing small business*

mises for the development of a private economic sector, including by the transformation of state and municipal property into private one. Given these complicated and contradicting circumstances, many questions arise:

- What are the quantitative characteristics of private entrepreneurship?

- Which are the main groups of entrepreneurs?

- What legal and institutional mechanisms can be used to combine the interests of entrepreneurship and those of other groups in society?

Table 3.1.

Registered private firms per 10,000 able-bodied people, employment and unemployment according to types of regions						
Regions	Industrial		Agricultural		Diversified	
Indices	Developed	Underdev.	Developed	Underdev.	Developed	Underdev.
Entrepreneurship	805	694	777	542	1095	756
Employment coefficient (%)	85.7	79.6	78.7	75.1	83.1	75.3
Unemployment coefficient (%)	14.3	20.4	21.3	24.9	16.9	24.7

3.2. Quantitative characteristics of the small business

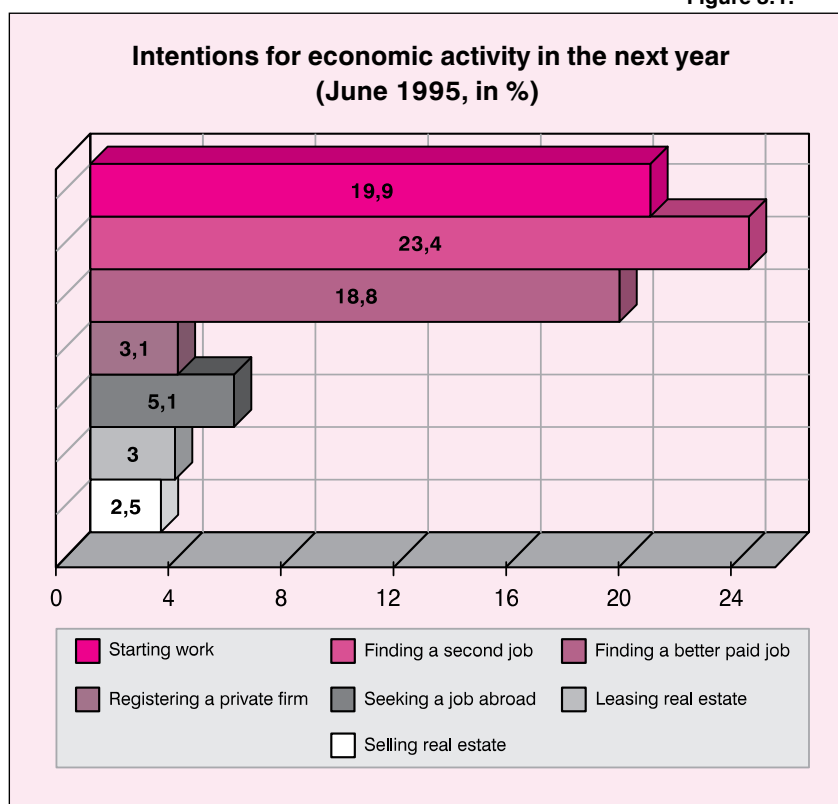
The transition from hired labour to private entrepreneurship became possible after the radical political changes, when a consensus was reached in society on the directions of the economic reform. Dynamic processes took place within a short period of time. By the end of 1995, more than 400,000 *registered firms* belonged to the small business. The leap in its quantitative development coincided with the onset of changes. At the end of 1990 the sole proprietorship and partnership companies numbered 82,909. By the end of 1991 a total of 190,695 private firms were registered. Less than half the registered firms operate in practice, however.

In territorial terms the number of registered private firms varies widely according to the economic structure of regions (former districts) (See Table 3.1.).

The *entrepreneurial attitudes* of the population also give an idea of the private business potential. An indicator of this are the intentions for action aimed at improving material status of respondents in a national survey carried out by a team of the Bulgarian Academy of Sciences (See Fig. 3.1.).

Young and better educated people dominate those who wish to start a business of their own. Usually these are inhabitants of larger settlements. People in villages and smaller towns are less interested in entrepreneurship. Most people regard entrepreneurship as a means of survival in a crisis situation. That is why the

Figure 3.1.



readiness to start up a business of one's own is especially high among the unemployed.

The *share of those employed in the private sector* and mostly the number of private employers and self-employed people indicate a growth in entrepreneurship in the last years. According to observations of manpower, the number of private employers and the self-employed grew from 292.9 thousand in October 1993 to 314.6 thousand in June 1995. About 40,000 unpaid family members also take part in entrepreneurial activities. As a whole, the two groups comprise about 11 per cent of the country's employed, and some 9.5 per cent of the able-bodied population. In practice the number of entrepreneurs is bigger because some of those registered as hired labourers in the private sector take part in the company's management as partners or family members.

The share of the privately employed is expected to skyrocket following the privatization of large state enterprises. The mass privatization and the buying-out of enterprises by workers and managers will boost entrepreneurship.

The amount of the population's money income obtained from entrepreneurial activities is another quantity indicator of the development of entrepreneurship. The official statistic records of observations of household budgets show incomes from entrepreneurship to be low. The high share of incomes from personal farms, however, also comprises results from unregistered entrepreneurship. Part of the able-bodied population work under a labour contract or are registered as unemployed, but they also receive incomes from entrepreneurship. According to statistical data incomes from real estate management and sale are symbolic.

Table 3.2.

People employed according to economic sectors and the form of economic activity (in %)						
Employed in sectors	1990	1991	1992	1993	1994	1995
Employed in the state and cooperative sector	94.1	89.9	82.3	71.7	64.0	59.3
Employed in the private sector	5.9	10.1	17.7	28.3	36.0	40.7
Of these:						
- hired laborers	n.a.	n.a.	n.a.	11.2	16.1	17.3
- employers and self-employed	n.a.	n.a.	n.a.	9.8	8.6	10.4
- unpaid family workers	n.a.	n.a.	n.a.	1.4	0.9	1.2
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

Table 3.3.

Total average monthly income per household member from some sources for the 1992-1994 period						
Sources	1992		1993		1994	
	Leva	%	Leva	%	Leva	%
Total income, incl. from:	1336	100.0	1986	100.0	3297	100.0
- entrepreneurship	29	2.2	48	2.4	103	3.1
- personal farms	283	21.2	400	20.2	855	25.9

Box 3.1.

Incomes from property and from entrepreneurship	
The prevailing unlandlordlike attitude towards real estate, including restituted property, is evidenced by the very low share of the median monthly per capita income from real estate. In 1992 it accounted for 0.2 per cent of the total income, and in 1993 and 1994 for 0.6 per cent. This income is received by a comparatively small group	of people. The income from property sales has dropped for the same period. The share of households that rely on additional income from entrepreneurship as sole proprietors or partners, farming excluded, is 17.2 per cent, from paid services - 20.8 per cent, and from sale of farm produce - 22.8 per cent.

The share of the private sector in the gross domestic product is an indirect indicator of the development of entrepreneurship. The estimates of the level of this indicator vary from 40 to 45 per cent of the private sector's share in the 1995 gross domestic product. Private business has the highest share in trade, restaurant and hotel-keeping, car transport, construction and services. These spheres are preferred as they are less costly to organize and allow for a quick turnover of capital. The share of the private sector in the formation of budget and social funds revenues is smaller than its share in the GDP generated.

3.3. Types of entrepreneurs

The qualitative characteristics of entrepreneurial stratum are a key component of the assessments of the present state of small business in Bulgaria and the prospects of its development. In motives and ways of starting entrepreneurial activities, in the origin of the start-up capital, in their economic and social status, the entrepreneurs can be divided into four major groups:

Box 3.2.

From state employment towards private business

A.H. has worked for 30 years as a driver of a taxi truck in a large city. His two sons were also drivers. In the early nineties the three of them registered a transport services firm. Their work expanded, so they replaced their old truck by two heavy-duty trucks. They have their regular clients and are continuously on the road in Europe and Asia. They want to expand their business by buying more trucks and hire work-

ers. Yet they are well aware of the unfavourable environment. The interest rate of credits is too high. The number of insolvent customers is growing. There are clients who blackmail them to pay lower fees, or not pay at all. They have to share their income with clerks and customs officers so as to overcome bureaucratic obstacles. All this prevents A.H. and his sons to invest in their own company.

The *first group* comprises workers, administrators, engineers and technicians from the state and municipal enterprises

that engaged in entrepreneurship in the field they had been working in prior to the onset of reforms. Already while employed in the state sector many of them worked on their own either in the state company or outside it. This moonlighting was possible mostly in the field of trade, services, tourism and transport. The accumulated income, managerial and production experience provided a good starting point for entrepreneurship. The success of this group of entrepreneurs was partly due to the fact that they have attracted customers of their former state enterprise by offering them lower prices in the start of their private business. Because of the economic uncertainty some entrepreneurs kept working at the state firms. They were thus able to use the installations, equipment and quite often, materials for their private business.

Bulgarian nationals who had left the country years ago can be conditionally ranked among these entrepreneurs. Upon their return to Bulgaria some of them invested their savings in businesses where they had accumulated expertise during their emigration. The same group also comprises Bulgarian nationals who work on contracts abroad - athletes, musicians, actors, etc., but who invest part of their incomes in entrepreneurship in Bulgaria.

The *second group* of entrepreneurs has sprang up as a result of the implementation of restitution laws. These laws restored the right to ownership of land, built real estate and industrial enterprises. Because of the lengthy period between nationalization and restitution, the management of restituted objects was mostly undertaken by the heirs of former owners. The numerous heirs with various interests and attitudes, as well as the different place of residence of owners and the location of the restituted property restrict the growth of this group of entrepreneurs. Yet there are instances of continuity in restoring the former activity in restituted objects, as well as a revival of trade marks.

This group of entrepreneurs also includes owners of larger housing or farm units. The liberalized economic life allowed them to open shops, hotels, ateliers and the like, without making large investments. Real estate owners from the big cities, those living in resort settlements or at major transport crossroads enjoyed differential advantages in the economic utilization of buildings and free terrains.

The *third group* of entrepreneurs sprang out from the midst of former party-state and economic notables and the special services. Well-informed and powerful, this group's representatives engaged in large-scale mediator or financial transactions. They made a fortune in a short time. The start-up capital of this group amounted to privatization mostly of non-material assets of the state sector (market positions, know-how), as well as of material assets and means from extra-budget funds and accounts of political organizations. Often the representatives of this group are dubbed „credit millionaires“, after the large loans they get from state and private banks. These loans are granted under different schemes and in practice are 'bad debts'.

This group carries out its activities through complicated economic configurations, registered both in Bulgaria and abroad, and it gradually drifts away from the typical entrepreneur stratum. Sometimes they call themselves representatives of the big business.

The *fourth group* is formed by citizens who engaged in small businesses out of unemployment or wishing to be economically independent. They start their business mainly on the basis of personal and family savings, professional expertise and ingenuity. Many of them take loans, and carry out their business activities either in rented premises or in their own homes. This group's starting positions are the most unfavourable, and they most often suffer bankruptcies or dying away of business activities. Yet economic coercion makes these businessmen quite zealous and they

Box 3.3.

Restitution of real estate and entrepreneurship

G.B. graduated in technology of the food industry and worked as workshop master in his hometown. The workshop was closed down, and he was discharged. His wife also remained jobless. They got an old bakery restituted and decided to engage in breadmaking. The bakery and their house were mortgaged. With the loan they repaired the building and purchased equipment. The bakery and the adjoining small shop were quick to attract customers. Sometimes they had to work round-the-clock. The income covered expenses and the profit was good. But

sanitary officers threaten to close the bakery down without any grounds whatsoever. The tax authorities often go through the firm's documentation hoping to find any lapses and have their wheels oiled. Most of all G.B. is worried by the „advice“ to comply with the prices of the former cooperative bakery that had been sold out to another company. The advice came from robust young men that are strangers to the town. This had made G.B. give up his idea of opening a bakery in his wife's village. He decided to wait for better times to come.

are the most viable among entrepreneurs. Their potential to be promoted to the middle class is big. They are the most will-

Box 3.4.

Entrepreneurship means initiative and resolution

P.G. had lost his job due to the diminished orders to the military equipment plant where he worked. When registering as an unemployed he learned that he can get his unemployment benefits as a lump sum, if he presented a small business project. He decided to open up a repair-shop for household appliances. He signed a contract with the labour office and registered his company. He then turned his garage into a repair-shop and bought various tools. But most of his fellow-citizens repair their appliances themselves. Some of his former co-workers do the same, without having registered

a private firm. P.G.'s firm is at a standstill. P.G. learned about a PHARE project for financing production and production services, and remembered that together with an engineer from his former work he had worked on a tool device. The engineer had also been discharged from the plant, and they both applied for a loan under PHARE project against a low interest rate and a gratis repayment period. The loan was used to buy a small furnace where they cast the main body of the device, as well as precise tools. The production proved successful and the sales went up.

ing to learn entrepreneurial skills and in case of failure, to start up another business of their own. With their original ideas and professional training, this group's representatives can expand the scope of entrepre-

vidual groups would make the limited budget resources more effective, and the assistance more efficacious.

3.4. Normative and legal basis of entrepreneurship

The state monopoly in economy was abolished by different normative acts in 1990. Legal conditions were created for the citizens to rent or buy state enterprises in the field of tourism, trade and services. The 1991 *Constitution* ensured rights and protection of the private property. The *Trade Law* regulated the structure and procedure of firm registration. Contract relations and bankruptcies were settled by law. Accounting was brought in line with that in the market-economy countries. The *Law on the Protection of Competition* provided small companies and consumers with guarantees against monopoly and disloyal competition. The *restitution laws* restored ownership of arable land, shops, warehouses, city buildings and industrial projects that had been cooperated or nationalized in past years.

Irrespective of these changes in legislation, small business still lacks the necessary legal environment. Many relationships are settled by outdated laws or statutory acts. The frequent change of the „rules of the game“ does not contribute to lasting ties within the country or with foreign partners. International relations are also hampered by the visa regime and restrictions for Bulgarian entrepreneurs. The lack of a law on state orders likewise discriminates entrepreneurship.

The main shortcoming of legislation is the lack of a law that settles the status, institutions, policy of incentives and other issues of entrepreneurship.

3.5 Institutional environment of entrepreneurship

The institutional environment of entrepreneurship has developed parallel to its

Box 3.5

Restituted sites and entrepreneurship

A survey of the National Institute of Statistics shows that from the adoption of restitution laws in late 1992 till September 30, 1995, 81,429 applications for restitution of various sites were submitted. The number of actually restituted sites is 50,838 at a total amount of 18,739 million leva. Some 86 per cent of restituted sites are in towns, against a mere 14 per cent in the villages. The five largest cities in Bulgaria account for 55 per cent of restituted sites. Given such territorial distribution of restored rights on real estate, the restitution can boost entrepreneurship

mostly in the large settlements. The bulk of sites that are subject to restitution are empty lots and courtyards (38.3%), and houses (24.7%). The rest are shops, restaurants, hotels, pharmacies, warehouses, garages, industrial enterprises, administrative buildings, etc., that can provide a start-up for entrepreneurship. Assessed as a physical capital and value, the restituted property lacks the charge of an essential factor for expanding entrepreneurship. But from a psychological point of view restitution has played a major role in the re-birth of private property.

neurship into non-traditional niches - consultancy and expert's reports, training, impresario and social work. They can introduce new technology and equipment into traditional occupations, thus making them competitive.

The above typologization of entrepreneurs in Bulgaria is conditional. In the course of time the individual groups will increasingly interact, and their relationships will probably be institutionalized. The bigger the share of the first and fourth group both as a number and participation in the GDP generation, the better the prospects for small business development would be. The greater share of the third group and the higher concentration of national capital in their hands is a sign of a distorted economic and social structure of society. Entrepreneurship needs state support as a whole, but a differentiated approach to the specific needs of indi-

There is no law that settles the status of entrepreneurship

What is needed are codes of entrepreneurship

establishment. Its *non-government organizations* have been built, the most influential among them being the Union for Economic Initiative of Citizens. These NGOs engage in training businessmen through courses and seminars, providing information and consultations, as well as links with partners from Bulgaria and abroad. The Euro-Info Correspondence Center informs small and middle-size firms about European markets. The Bulgarian Chamber of Commerce and Industry and the Economic Chamber have a network of regional organizations. They provide business information, consultations, training in entrepreneurship and management, access to fairs and exhibitions in Bulgaria and abroad.

It would be useful for the entrepreneurship NGOs to expand their activity by drafting codes of behaviour norms of entrepreneurs from different professions. Abidance by these norms would change the attitude towards private entrepreneurship. By adopting such documents and complying with their regulations the state could shift some of its functions onto the professional organizations, e.g. licensing, some control functions, etc. The establishment of the Association of Employer's Organizations in 1995 provided the basis for a coordinated policy in the field of entrepreneurship.

So far no state institution has been directly committed to the development of entrepreneurship. The Ministry of Industry is involved in this economic sector through the *Small and Middle-size Enterprises* fund. The activity of the special department on small business has been confined to providing technical services to the fund and cooperation with the PHARE programme. The Ministry of Labour and Social Care plays certain coordinating role, although this is not among its major functions. Its role is limited to orienting the unemployed towards independent business and training them in entrepreneurial skills.

The municipalities are the institutions that have the largest stake in the development of entrepreneurship and are best

aware of the problems of entrepreneurs. Some municipalities have formed associations for solving common problems, entrepreneurship included, and this is a positive development. Many municipalities take part in regional development agencies founded with the help of the PHARE programme, while others have initiated the establishment of similar agencies. However, the municipalities lack the necessary funds to implement their plans to promote entrepreneurship. At the same time, unused industrial buildings and sites, owned by state enterprises, remain deserted on their territories.

There is an urgent need of a specialized institution functioning as a coordinator of the policy of encouraging entrepreneurship. This can be an agency, incorporating councils of professional entrepreneurship organizations. It would be best if this body's powers are stipulated by a law.

3.6. Mechanisms encouraging entrepreneurship

The first step for setting up financial formulas for encouraging and assisting entrepreneurship was made in 1991 through the establishment of the Small Enterprises specialized fund. It has been used for:

- granting loans at mitigated conditions;
- reimbursing 50 per cent of the interests paid for used investment loans;
- lump-sum financial aid to the tune of 50 per cent of the capital stated at the time of registering newly established small enterprises;
- reimbursing 50 per cent of the expenses for becoming part of the electric power, water supply, communication and road infrastructure;
- technical and technological development and improvement of the quality and design of goods and services.

Guarantee funds would limit the entrepreneur's risk

Similar funds have also been set up with the Bulgarian Chamber of Commerce and Industry, the Bulgarian Economic Chamber, and others. Investment funds in Bulgaria also have their drafts of stimulating and assisting private entrepreneurship. The American Investment Fund, two pilot projects of the PHARE programme and other initiatives complement the existing financial mechanisms for assisting entrepreneurship.

The big gap between labour demand and supply has led to introducing an incentive for starting up a small business. The unemployed, who submit a small business project to the labour office, get all their unemployment benefits as a lump sum payment. A benefit to the amount of four minimal working salaries is also paid, provided the business project envisages employment for a second unemployed family member. The high rate of youth unemployment prompted the establishment of a *Fund for Encouraging Youth Entrepreneurship*. The fund is aimed at granting low-interest loans with a gratis period to finance business projects of young people.

The bulk of loans for promoting small business and entrepreneurship are granted by commercial banks under normal market conditions and against guarantees for loan repayment. Reliefs for small business companies that have proven their solvency are provided through the possibilities to use revolving loan, opening of a credit line and overdraft. Nonetheless, commercial banks are not very willing to grant loans to small business. Risks in investment projects with a longer period of capital maturing are big. That is why private entrepreneurs prefer activities that have a quick capital turnover (trade and services) and refrain from investment in industry and farming. *The financial schemes for supporting entrepreneurship should develop with priority guarantee funds for granting loans used for the financing of specific projects.* This would boost high-tech and risky ventures, would help overcome the mental barrier to using loans

as a whole for fear of losing the mortgaged property.

The infrastructure reliefs are of major importance for the development of entrepreneurship. Supporting services include legal, accounting, marketing, technical and other consulting assistance. Entrepreneurship is also encouraged by giving premises or construction sites to let.

Business incubators are a suitable form that combines non-material and physical infrastructure reliefs. This form is yet to develop in Bulgaria. It is suitable for the large and middle-size towns where terrain is scarce, and the rents and cost of infrastructure services are relatively higher.

The infrastructure of small business and entrepreneurship includes also the units engaged in teaching entrepreneurial skills. The major organizer is the National Employment Service. Non-governmental organizations also train entrepreneurs. Training includes courses, both full-time and correspondence, information materials, lectures in the mass media, etc. These forms are especially suitable for entrepreneurs from small localities that are far from big centers. Besides adults, training in entrepreneurship might also cover children, if it is made part of curricula.

The measures for boosting the effect of entrepreneurial training also include the introduction of state standards for training organizations, and training programmes. The qualification requirements for entrepreneurship are a necessary component of these measures. Bulgaria should implement them as part of its preparation for membership into the European Union as required by the rules for services provided by nationals of the Union member-countries. Based on solid foundations, the system of entrepreneurial training can promote entrepreneurial culture and managerial skills of the private entrepreneurs, and increase their potential for self-development.

Towards state standards in entrepreneurship training

Two questions remain open in connection with social insurance. The first concerns the behaviour of entrepreneurs as employers that have to insure their employees. The second pertains to the self-insuring behaviour of entrepreneurs.

Having once overcome the psychological barrier of hiring their own workers, petty owners quite often do not sign labour contracts with them. They sign personal services contracts or work on the basis of oral agreements. In this way the employer saves himself the security payments, or at least the unemployment and vocational training instalments. The workers agree to this because of the unfavourable labour market situation, and because of inadequate insurance culture. Often entrepreneurs shun social insurance for their own selves and relatives. Irrespective of the size of remuneration or income, the common practice is insurance based on the minimum working salary.

Indicative of the scope of this behaviour of private entrepreneurs is the fact that the hired labour, employers and self-employed total more than one-third of all those employed, while this sector's contribution to revenues of the State Social Security Fund accounts for a mere 5-6 per cent. One of the reasons for this phenomenon is rooted in the nature of Bulgaria's social security system inherited from the former regime. It was adjusted to an economy characterized by a monopoly of the state ownership and full employment. That is why private entrepreneurs, the self-employed and farmers avoid any contacts with the social security system and bear the social risk themselves. Some join the state social security system only in order to gain some benefits through sham labour contracts for their relatives that face certain social risk. The lack of an adequate health insurance system poses many questions as to the health care for entrepreneurs and petty owners.

In order to adapt itself to the changed employment structure and to the emerging

new forms of economic activity, the social security system in Bulgaria needs deep-going transformations. In view of boosting the development of entrepreneurship and its participation in the insurance system, these transformations should be as follows:

- closer link between the size of instalments and the size of indemnities for short- and long-term insurance;
- participation of those insured by making them pay part of the insurance instalments differentiated according to types of insurance;
- stricter criteria for availability of different payments from the social security system;
- a transition from an expense-covering to a capital-forming social security system.

The further development of entrepreneurship and small business as a „machine for new working places“ also requires alleviating regimes for insurance and self-insurance in this sector. The payment of all or part the security instalments by another source at the initial stage of entrepreneurship reduces labour expenses other than salaries and promotes the development of this sector. Such stimulating schemes lead to employment increase and help legalize the activity of many small companies and self-employed people who now form the shadow economy.

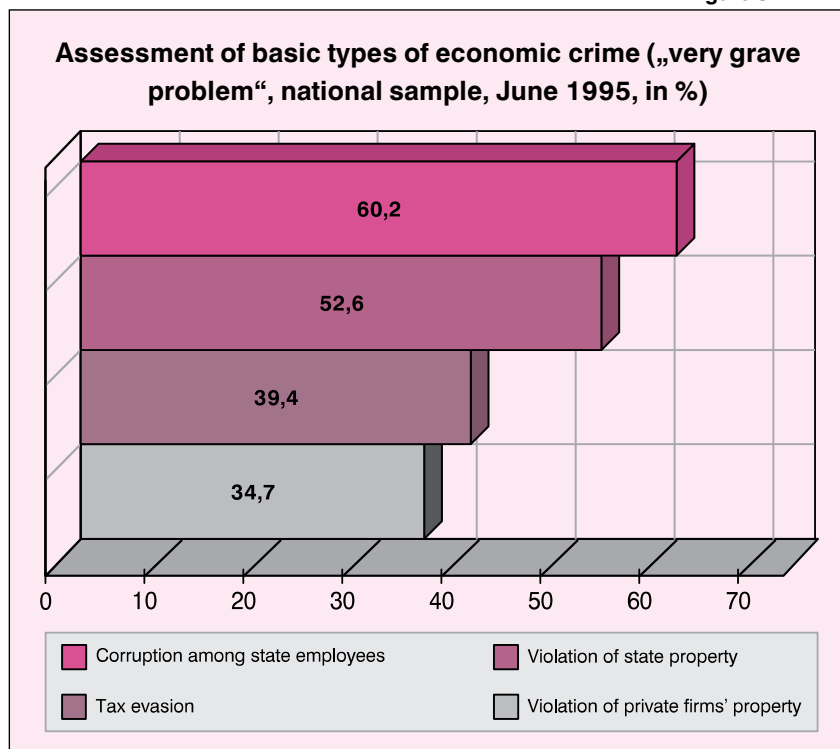
3.7. Economic activity and crime

The transition towards market economy and private entrepreneurship has some criminogenic components that assist the growth of general, and especially economic, crime. The economic crimes detected in 1995 number 9,956, or by 5.4 per cent more than those in 1994. The damage they incurred are to the tune of 18,508 million leva, or by 54 per cent more as compared with 1994. The growth rate of damages outstrips that of inflation. Yet detected

The profound reform in the social insurance system is unavoidable

and registered crimes are only the tip of the iceberg. Public opinion indicates the

Figure 3.2.

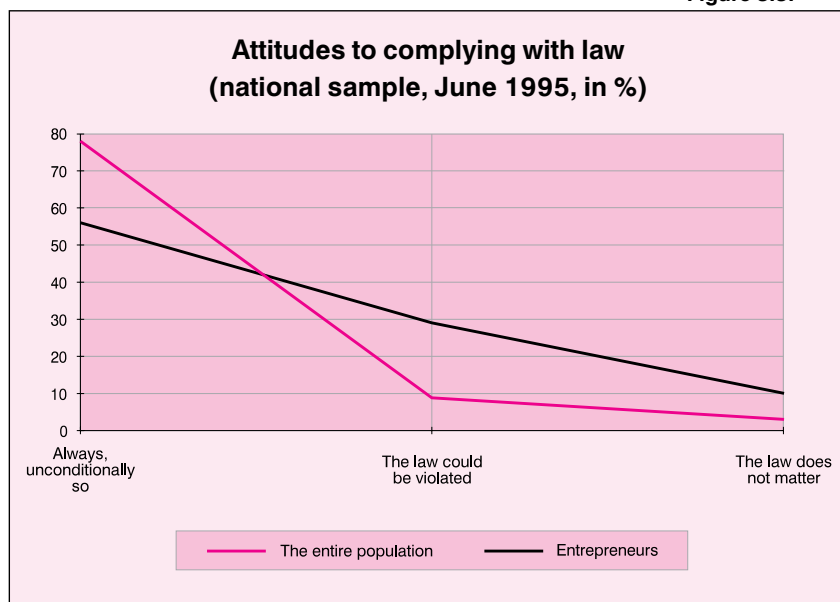


Violations against the state property are frequent

importance of this problem and shows a stable high sensitivity towards it.

The „white-collar crime“ is growing - the number of well educated and high-ranking people that commit economic crimes

Figure 3.3.



has been increasing. Also growing is the gap between the educational status of economic and traditional law offenders. In 1995 documentary crimes, typical of white-collar workers, accounted for the greatest share of economic crimes (25% of all established violations).

Among other offences, the public opinion ranks corruption of state employees as the gravest problem - 29.3 per cent of the population think so. Bribes are common occurrence in contacts between citizens and officials. Yet they are hard to detect and prove, and in practice remain unsanctioned. The 71 proven bribery cases in 1995 indicate the impotence of specialized bodies to combat them. The bribery cases sanctioned by court are ten times less than those detected.

In the course of hidden privatization, funds from the state sector are shifted into the private sector. State capital is leaking out through mixed companies. Managers of state enterprises or their kin develop a similar business of their own, using the most profitable technological solutions and business contacts of the state enterprises, their material and financial resources. State companies are stalked at their entrance and exit by private companies which do not take production risks and do not invest in production, but collect the production profits. The losses are covered by society.

Crimes accompany the development of private business. The latter was undertaken not only by enterprising and capable people, but also by such whose „dirty money“ has come from profiteering, trafficking, and other criminal offences. Others have engaged in small business with the idea that this is a possibility for becoming rich quickly by semi-legal and illegal means.

Part of the private business became both an object and a subject of criminal action. Citizens, state enterprises, private companies have suffered various frauds perpetrated by other private companies. The financial pyramids that have emitted unbacked securities and embezzled billions

became notorious. Documents are being forged - when registering a company, declaring incomes, requesting a loan, importing and exporting goods. Profiteering is in the core of falsified goods, foodstuffs included, and by cheating on consumers unlawful incomes are made. The detected instances of fraud are but a tad of the real number, but their five-fold increase in the last year (from 21 in 1994 to 108 in 1995) might prove to be the beginning of a promising tendency of boosted activity of control authorities.

Unlawful profits are also made by trafficking, illegal import of fuel, alcohol, cigarettes and other goods. The reduced amount of damages incurred by this type of crimes in 1995, while the detected offences have increased from 145 to 177, shows that minor offences only are detected. Large quantities of goods are stolen. They are re-sold to companies that do not care whether their origin is legal or not. There are companies dealing in the purchase and export of non-ferrous metals, car-sale houses, traders in auto spare parts, that encourage or initiate thefts.

Honest businessmen become victims of fraud perpetrated by their colleagues. The stabilization and expansion of private entrepreneurship are jeopardized by the increasing violations of the property of private firms - robberies, thefts, arsons. Black-mail, kidnapping and life threats are growing in number. The low effectiveness of legislative institutions and the mistrust in their capabilities more often than not make people take the law in their hands when settling debt matters and disloyalty.

Economic crime is strongly influenced by the overall climate of randomness and destruction. An integral, purposeful and scientifically substantiated state policy of combating crime and coordination among individual specialized units is still missing. 1995 saw the adoption of a Programme to combat economic crime. Yet it has not been persistently pursued and the results are far from satisfactory. What is needed

is a substantiated national programme for crime prevention that should focus on determining factors and on the system of subjects that are to implement it.

Legislation lags behind the social conditions and requirements. Even if its possibilities are fully utilized, it does not provide for adequate sanctions against law offenders. A step forward in this respect are the changes in the Penal Code, the Penal Procedure Code, tax legislation and other laws. Changes in the Penal Procedure Code have had a favourable effect on penal policy, but those convicted still account for less than 5 per cent of perpetrators of economic crimes. Many offences typical of market economy - abuse of the monopoly status, tax evasion, feigned bankruptcies - still lack their legal regulations.

The analysis of the crime-generating action of present-day social situation points to some basic measures that would help curb economic crime. Now it is particularly important to precisely regulate the interaction of state organizations and private firms, of economic subjects and state bodies, to draft and implement rules and mechanisms for the management of state property that would guarantee its preservation and the protection of state interests. *The bank, trade, customs, tax, environmental and sanitary legislation should be updated.*

The work of the legal system needs sizeable improvement. Sluggishness, that has been current of late, should be done away with, and the number of detected and sanctioned economic offenders must increase sharply. Moreover, the sanctions should be such as to act as real deterrents.

The social-demographic groups exposed to the risk of a criminal behavior should be given special attention. The possibilities to receive lawful incomes would limit the basis for recruiting rank-and-file members of organized crime. Higher labour remuneration of specialists and state employees coupled with a strict control against abuse of official power would also have a

State counteraction to crime is ineffective

Legislation should be updated

positive effect. Though belatedly, barriers should be put to using „dirty money“ in privatization and business in general.

3.8. Women and entrepreneurship

The specific features of entrepreneurship among women are determined above all by this group’s labour market situation. In the last decades employment among women sometimes reached the demographic maximum. Much more often than in Western Europe, the Bulgarian women enter traditionally men’s jobs and professions. In the mid-eighties the women accounted for half those employed in industry and for 36 per cent of engineers and technicians. As a result, Bulgaria that ranks 65 in the world by the *Human Development Index*, according to the UNDP ranking, is 20th by the comprehensive *Gender Empowerment Measure* focusing on the degree of women’s participation in the management of economic, political and cultural life.

Table 3.4.

Employers and self-employed (% from all those employed)			
	Total	% of men	% of women
June 1994	9.9	12.1	7.3
June 1995	10.4	12.9	7.5

Despite the educational and professional advancement of women, patterns of labour segregation are reproduced in society. This is manifest in the feminization of the labour force in the fields of services, trade, finances, education, health care, and in the lower hierarchical positions typically occupied by women. Women’s salaries account for 74 per cent of those of men. Against the background of full-time employment, the double workload of women in office and at home, is also a major problem.

Although in the last five years employment dropped as a whole, the relative share

of employed women is still high - about 48 per cent of the entire manpower. The share of unemployed women is not much bigger than that of unemployed men. Yet in the future women might become more seriously affected by the dynamics of labour market. Social allowances for maternity leave, envisaged by law, would probably lead to a discrimination in hiring women. In addition to problems of promotion and the difficult combining of job and family, these are major factors that make women seek alternative forms of employment, such as self-employment and entrepreneurship.

Women’s ability to adapt to the new economic conditions and their advance into the sphere of entrepreneurship are determined by the nature of professional knowledge, the level of skills and motivation, and by the nature of the structural changes that have taken place in economy. As a whole the entrepreneurial activeness of women is lower than that of men. (See Table 3.4.).

The link between previous employment and entrepreneurial activeness among former trade workers and clerks has proven to be the strongest. The concentration of women in the field of services, trade and finance has coincided with these sectors’ expansion over the last few years, which is due to the low capital consumption and quick capital turnover, typical of this kind of economic activities.

The low level of education is a salient feature of entrepreneurship as a profession at this early stage of reforms. A mere 4.3 per cent of women and 10 per cent of men with higher education have engaged in entrepreneurship. Yet 10 per cent of women and 14.2 per cent of men with primary and less than primary education have become entrepreneurs.

Women-entrepreneurs face specific restrictions in their work, stemming from the stage of their life cycle, family status and number of children. According to a survey of women in entrepreneurship, carried out by the Institute of Demography, the link between family and business cre-

ates problems for 80 per cent of women. They believe that work in both spheres is hard to combine, partially or totally incompatible. Asked if the two types of work can be combined, 35.7 per cent of women aged below 25 answer „yes, fully so“. Yet this view is shared by a mere 8.7 per cent of women aged between 31 and 35, characterized by a high reproducing activeness. This is among the major reasons for women’s abstaining from entrepreneurship (See Table 3.5.).

The group of women-entrepreneurs is not homogeneous from the viewpoint of motives for starting up a private business and as regards strategies for its development. The first group of women-entrepreneurs can be labeled „traditionalists“. In self-employment and entrepreneurship they seek a means of adding up to their family incomes and a flexible combination of work and family. The second group comprises „innovators“. This type of female entrepreneurship is not just a response to economic coercion, but is motivated by a desire to achieve an economic success. It is not just an escape from constraints in formal organizations, but a striving for creativity. Most often these are highly qualified women motivated to create something new, to manage their own life and to utilize their knowledge and skills to the full.

The risk of private business failure is not neutral in respect to gender. Every second male respondent visualizes the „ideal entrepreneur“ as being a man. Only 10 per cent of women see the ideal entrepreneur as a woman (See Table 3.6.) These ideas mirror traditional stereotypes, according to which women are performers rather than innovators; submissive rather than aggressive; emotional rather than rational. These characteristics result in the formation of cultural barriers to the success of women entrepreneurs.

These circumstances increase the risk of failure for women-entrepreneurs. They lead to difficulties in improving women’s qualifications and acquiring managerial

skills, because of their family and work overload, in getting loans because of the higher expectations of failure. Women to a lesser degree can rely on social networks to support their entrepreneurial activity. That is why, besides general measures to

stabilize small business and self-employment, measures sensitive to women’s specific problems are also required.

The establishment of a special *Fund for encouraging entrepreneurship among women* is a feasible task. It would finance projects by granting low-interest loans and a gratis period of repayment. Special attention can be paid to women’s qualification and development of managerial skills.

Women-entrepreneurs - „traditionalists“ and „innovators“

Table 3.5.

Would you like to start your own business? (%)			
	Yes	It depends	No
Men	31.9	26.6	41.4
Women	18.8	27.1	54.1

Table 3.6.

What should the ideal businessperson be? (in %)			
	Man	Woman	Doesn't matter
Man	52	1	47
Woman	22	10	69

Also important are the consultations for business start-up, as well as book-keeping, marketing and technical assistance. Non-governmental organizations are a major tool for establishing support social networks, avoiding isolation and for an intensive exchange of business information.

Pressed by the deep recession and strongly committed to paid labour, women have been making efforts to adapt themselves to the new realities through self-employment and private entrepreneurship,

*What is needed is a
Fund for encouraging
female
entrepreneurship*

to balance between business and family. The establishment of favourable legal foundations and institutionalized support would contribute to the expansion of their capabilities for generating economic growth and personal self-fulfilment.

The municipalities are the basic administrative centres of the economic and social processes taking place in the country. Differences in their state and development standards are something normal. However, these differences become serious social and personal problems, when they go on and are reproduced over a long period of time. The situation becomes even more complicated when the differences intensify in conditions of a critical state of the national economy. In such conditions municipalities form and keep up territorial poles of development which are unequal. As seen from the point of view of the individual, these differences imply unequal living conditions.

In Bulgaria the problems of human development are connected to a high extent to the critical state of a number of municipalities. Thus, the analysis of the socio-economic differentiation of municipalities and of the factors determining it is the basis for the working out of a national regional policy which is oriented to the individual and to the sustainable development of the settlements.

4.1. Characteristics of municipalities

The socio-economic status of the 255 municipalities in Bulgaria will be further analyzed by means of a methodology based on taxonomic principles. It takes into account the age characteristics of the population in the municipality, the arable land and the material assets per capita, the level of unemployment and the revenues deriving from economic activities. Indicators covering the development of the social infrastructure have also been used. The results have been compared to a ‘standard’, whereby the municipalities can be classified according to the degree of their socio-

economic development. On this basis the municipalities have been classified from 1 to 255 and have been differentiated into three groups:

- first group from № 1 to № 42, whose level of development is generally above the average for the country;
- second group from № 43 to № 164, whose level of development is between what is average for the country and what is the threshold of crisis in the development of municipalities;
- third group from № 165 to № 255, whose development level is generally below the crisis threshold.

According to the criteria used, *the overwhelming part of the municipalities are classified under the mean standard for the country.*

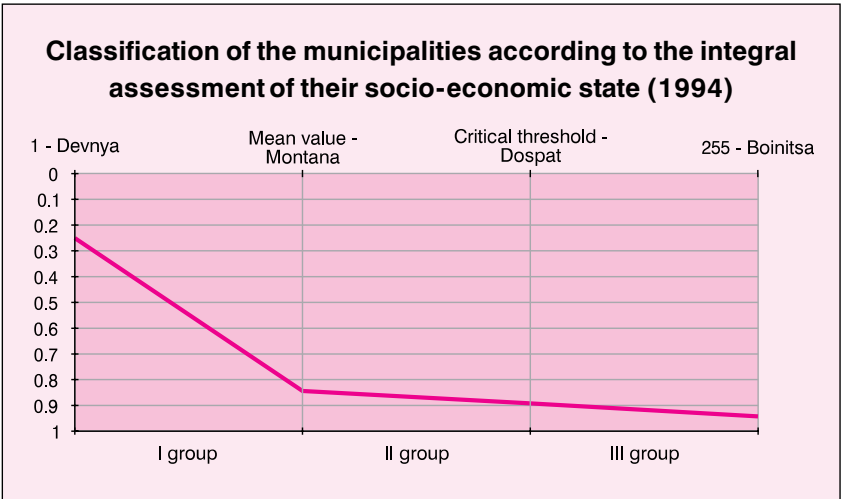
Table 4.1.

Groups of municipalities according to the level of their socio-economic development (1994)				
Groups of Municipalities	Municipalities number	%	Population %	Territory %
First group	42	16.5	44.7	15.9
Second group	122	47.8	41.9	56.5
Third group	91	35.7	13.4	27.6
Total	255	100.0	100.0	100.0

The state and the dynamics of development of the average socio-economic conditions for the country are also far away from the top parameters, characterizing the ‘model’ municipality. This has been due to the grave state of most municipalities and settlements.

The socio-economic stratification of the municipalities has two clear-cut poles. The first consists of the top five municipalities, which have very high values of their integral evaluations. The second pole in-

Figure 4.1.



cludes the three bottom municipalities whose integral evaluations are far below from the 'standard'. The difference between the evaluations of the top and the bottom municipality in the overall classification is

Table 4.2.

First group of municipalities according to the degree of their socio-economic development			
Nº in the classification	Municipality	Nº in the classification	Municipality
1	Devnya	36	Zlatitsa
2	Mirkovo	37	Gorna Oryahovitsa
3	Pirdop	38	Razgrad
4	Radnevo	39	Lyaskovets
5	Chelopech	40	Kazanluk
6	Burgas	41	Dobrich
⋮		42	Montana

3.4:1. When these two extreme values are eliminated, the differentiation is reduced significantly.

The conclusion drawn is that the socio-economic state of the municipalities in Bulgaria is quite similar. Eight out of each 10 municipalities have the development standard below what is the average for the country, which in turn has quite unfavourable characteristics. This makes it extremely difficult to determine which municipalities are at a really critical state.

4.2. The group of the most developed municipalities

The first group is the smallest in number. This is an illustration of the regional aspect of the overall critical socio-economic situation in the country. However, some 44.7 per cent of the whole population live in the municipalities of this group.

There are considerable differences between the top and the bottom municipalities in this group. For instance, Devnya focusses a high economic potential, which is put to comparatively good use. The municipality of Montana is evenly removed from the 'standard' by most of the features studied. Included in the group are municipalities having major industrial agglomerations of national importance as Devnya, Pirdop, Radnevo, Bourgas, Kozlodoui. As a rule, they are characterized by a good economic potential, whose utilization defines the positive parameters in the state of most of the territorial units of this group. The economic potential of some of them has been the result of the concentration of great capacities in municipalities of fewer inhabitants, attracting manpower from neighbouring regions. They can thereby be used as pillars of regional development.

The place occupied by other municipalities in this group (Breznik) is mostly determined by the dynamics of their socio-economic development during the last few years. In the rest of municipalities, the changes in the socio-economic parameters monitored do not manifest any considerable dynamism. The top group includes all municipalities (with the exception of

Haskovo) with cities which are centres of regions. Nearly one-third of the municipalities includes towns, which had formerly been district centres. By virtue of a policy pursued until not very long ago, they focussed a considerable portion of the country's economic potential. This comes to show that the potential of a big part of the largest municipalities and cities has not been exhausted by the economic crisis. They have capacities to adapt to the new conditions.

The good economic state of the municipalities classified in the first group determines a comparatively high degree of their *financial independence*. In these territorial units the share of their own revenues in the local budgets is above the average for the country as a rule. Some of them (Devnya, Radnevo, Mirkovo, Bourgas, Gulubovo, Kozlodouj) almost do not rely on subsidies provided by the budget.

The *demographic characteristics* of most municipalities in this group are above the average for the country. The share of the population under and in working age goes as high as 85 per cent.

This implies a smaller demographic load, a low degree of economic dependence of the generations under or above the working age and a potential of human capital.

In most of the leading municipalities the *unemployment* is around or under the average figure for the country. The individual cases, where it is higher, can be explained by the close-down of production lines (Madan), or by the employment of labour from the neighbouring municipalities (Devnya) in the local economy. The higher than average incomes per capita in most municipalities of this group (the difference in some cases is over 4 times the average for the country) have been the result of their economic state. This fact illustrates the indubitable link between the economic and social development. It proves that the solution of the local and the national social problems crucially depends on

the manner in which the economic and social reforms have been tied up.

The *social infrastructure* back-up of the population in terms of quantity in most municipalities is around the average for the country. Due to the restrictive budgetary policy, the maintenance of the available facilities is insufficient, however. The social services offered are rather limited in volume and unsatisfactory in quality. The low investment activity in the social sphere limits its reproduction. In the bigger cities it is incapable of coping with the growing demand for services resulting from the continuing urbanization. These conditions do not favour the preservation and increase of the human capital, and most of all the development of the younger generations.

The most developed municipalities are evenly located in the northern and southern half of the country (See Fig. 4.2.). *Six territorial concentrations* of this type of municipalities take shape.

The *first* one is located in the north-eastern part of the country along the coast (Varna, Devnya, Dobrich, Aksakovo, Balchik, Beloslav). The structure of this region, which includes branches of the chemical industry, the machine-building industry, the light and food processing industries, and tourism, may be defined as complex. Its relations and role have regional, national and international character. One of the fundamental problems of this and other developed regions is the environmental one. The boundary of 'endurable loading' of the regional eco-systems has been crossed, which is contrary to the paradigm of sustainable development.

The *second* concentration is in the central eastern part of the country - Bourgas, Nessebar and Kameno. The economic structure in terms of sectors of this region is diverse, too. It includes oil refineries, metallurgy, machine-building industry, light and food processing industries, agriculture and tourism. The largest Bulgarian oil refinery, one of the metallurgical centres of the country, a ship-building enterprise, a

The big municipalities manage to adapt to the new conditions

The most developed municipalities are located in six territorial concentrations

big port, a sugar plant and seaside resorts are located in these municipalities. The economic state of this large potential is fairly good, which determines the front places of these municipalities in the overall classification.

The *third* regional concentration is located along the axis of Kazanluk, Stara Zagora, Radnevo, Gulubovo. As seen from the point of view of the structure of the local economy this group is mixed in character. Power production is the major structural sector of the last two municipalities, while Stara Zagora, a former district centre, is characterized by a comprehensive structure of municipal economy.

The group of municipalities in the *western central part* of the country - Sofia, Pernik, Bozhourishte, Breznik, Dragoman, has a similar character. The presence of the last three municipalities in the first group is indicative for the beginning of an encouraging process, namely the expansion of the geography of the relative economic prosperity beyond the traditional centres like Sofia and Pernik.

being primarily specialized in mining and non-ferrous metallurgy. This makes it strongly dependent on the economic crisis. The structural changes in economies of this type are expected to be accompanied by greater shocks in employment and incomes. This makes them one of the serious sources of problems for the national and local policy in the course of the reforms.

The *sixth* territorial agglomeration is along the Pleven-Lovech-Troyan axis. It is made up of a regional centre (Lovech) and what used to be a district centre (Pleven), characterized by a well developed structure of the local economy with economic units and production lines of national importance. On a smaller scale, the economy of Troyan, including some industries of national importance (pharmaceuticals), is also in a relatively good state. This reflects on the positive parameters of the population's incomes and the employment rate.

4.3. Group of municipalities in the middle of the classification

This second group incorporates the largest number of municipalities. Living in them are 41.0 per cent of the country's population. In terms of the nature of the major settlements, the features of the group are the following:

- the centres of major municipalities used to be district towns, which is 10 per cent of all municipalities in this group;
- the predominant part (65 per cent) of the municipalities have centres which are medium-sized towns;
- the rest of municipalities of this group are mostly agricultural and their centres are small towns or villages.

The *fifth* developed region is represented by the municipalities of Mirkovo, Pirdop, Chelopech, Zlatitsa, Panagyurishte from the region south of the Balkan Range. It is characterized rather by a single branch,

What is most characteristic of the municipalities of this second group is their *poor socio-economic state*. Only 4 of them have indices above the average for the country. Nevertheless, the number of mu-

Table 4.3.

Second group of municipalities according to the degree of their socio-economic development			
Nº in the classification	Municipality	Nº in the classification	Municipality
43	Sredets	159	Smyadovo
44	Kavarna	160	Letnitsa
45	Peshtera	161	Rakovski
46	Dobrich rural	162	Strelcha
47	Doupnitsa	163	Berkovitsa
⋮		164	Dospat

municipalities whose *dynamics* is above the average for the country is considerably higher. The economic potential of the municipalities of this group, with the exception of Radomir and other 6 municipalities, is below the average for the country.

For 60 per cent of the municipalities of this group, the level of *durable material assets per capita* is more than two times lower than the average for the country. The differentiation is the greatest in the dynamics of the economic revenues. This is due to the large differences in the economic base of the municipalities and to the specific conditions for economic development. Only 12 municipalities of the group have registered real positive dynamics. What has been observed in the majority of municipalities is a deterioration of the economic state, which can be described as an economic breakdown for General Toshevo, Karlovo and Alfatar.

The economic conditions in the second group of municipalities are quite different and this determines their *further stratification*. Just about 10 per cent of them have real foreseeable chances of outgrowing economic stagnation. The negative processes taking shape in the economic development of the other municipalities are a prerequisite for a deterioration of the living conditions in them. If that trend continues, about one-quarter of the municipalities of this group may slip into a critical state.

This economic situation of the second group of municipalities predetermines the capacity of the local authorities to tackle the problems and the prospects for economic independence. It is only in 13 municipalities that their own revenues exceed half of all required revenues of the local budgets. At the same time, 28 municipalities rely on transfers from the state, whose rate exceeds 70 per cent of the necessary funds for their budgets. In view of the overall financial situation of the country, in such conditions no effective local self-administration can be implemented. The role of the municipalities in tackling the popula-

tion's social problems in crucial spheres as public health, education, culture, social aid and others is greatly restricted and will continue to be restricted further. The problem of investments is particularly grave, as they presently boil down solely to the imminent repairs carried out in some infrastructural objects.

The problems related to the *social infrastructure* are determined by the financial state of the municipalities and by a wide range of other factors. The *demographic factor* has a special relevance among them. The trend towards stabilization and slight increase of the population in municipalities whose centres are relatively big cities continues, along with the slight decrease of the population in the small, primarily agricultural municipalities. Of certain importance has been the demographic structure of the population that has become established in the two types of municipalities. In the first type, it is characterized by a relatively high proportion of the population of active age and under the active age, whereas in the second, the share of the population at retirement age is significant.

The demographic situation in the second group of municipalities divides them almost in two equal parts depending on the level of development of the social infrastructure. The first type, in which the demographic situation is relatively stable, is characterized by a number of hospital beds above the average for the country and class rooms per 100 classes below the average for the country. This has been due to the available organization of public health services and of the territorial localization of the country's network of hospitals, as well as to the relative loading of the schools in these municipalities.

In the second type of municipalities whose centres are small towns and villages, the public health indices are, as a rule, below the average for the country. The local population is serviced by hospitals located in neighbouring bigger municipalities. The mechanical ebb of young people leads to

A quarter of the municipalities of the second group may get into a critical state

the non-traditional use of the available infrastructure of education. What is paradoxical is that in these municipalities the indices of class rooms per 100 classes are considerably above the average for the country.

Box 4.1.

Regional problems of the social infrastructure

The decreasing number of settlements and the depopulation of the small villages engender and maintain social problems. The social infrastructure available and the housing stock are not effectively used. Social welfare facilities like kindergardens, schools and public health facilities have been closed down. The provision of accessible social services, sufficient in volume and quality, is becoming more difficult. The dwindling of the infrastructure actually used, further stimulates young people to migrate to the town or to the bigger villages.

The infrastructure and the housing stock in the settlements to which the flows of migration are directed, are not in a position to take on further loading. The restrictive fiscal policy pursued results in low investment activity and restricts the possibilities of keeping up the social infrastructure. Restitution has proved to be an additional factor for the close-down of social welfare institutions. The human potential both in town and in village clashes with inadequate and low-grade conditions for development and reproduction.

the same time one-quarter of the municipalities have twice lower per capita incomes than the average.

The rate of income may be assumed to be in reverse proportion to the unemployment rate. This is the case in most of the municipalities in the second group. At the same time there are also exceptions in two ways.

First, high unemployment rate and high incomes. Such a combination is typical for municipalities where industry or mining predominate. These municipalities attract manpower from neighbouring municipalities which are usually underdeveloped. This, coupled with the significantly higher remuneration of labour, contributes to raising the rate of per capita income received. At the same time, the distorted economic structure fails to provide enough jobs for women, wherefrom the high unemployment rate comes. A typical example is Devnya, the municipality under № 1, as well as the municipalities of Radomir, Assenovgrad and Zlatograd. The single-sector structure of the municipal economy and the restricted alternative employment opportunities explain the similar situation in municipalities like Chepelare, Luki and others, specializing in tourism.

The *second case* refers to low unemployment rate and low incomes. This combination is most often observed in small agricultural municipalities (Sitovo, Glavinitsa, Dve Mogili, Ivanovo). The explanation can be found in the fact that people do not register in the employment offices, because they do not expect to find jobs through them. Another reason is the high rate of incomes in kind in these municipalities, where the only employment is in agriculture. The low unemployment rate and low incomes are also witnessed in municipalities with a high share of „shadow“ economy or higher seasonal employment for most of the population.

The unemployment rate in the second group of municipalities is below the average for the country in the relatively bigger municipalities where the urban population predominates. It is relatively low also in smaller municipalities with a considerable share of industry. In the other two-thirds of the municipalities of this group, the unemployment rate is above the average for the country. In 55 of them it is between 12% and 20%; in 18 - between 20% and 30%, and in 3 municipalities it is above 30%.

The distribution of per capita income in the municipalities of the second group has considerably worse characteristics in comparison with the first group of municipalities. Only 3 municipalities (Luki, Doupnitsa and Roudozem) have incomes higher than the average for the country. At

4.4. Municipalities in a critical socio-economic state

In line with the method adopted in determining the threshold of relative state of crisis, the municipalities classified from 165 to 255 in the total classification according to their integral evaluation, may be treated as being in a state of crisis. They encompass 13.4% of the total population.

There is minimum differentiation in the state of the municipalities in crisis. A small group of 9 municipalities at the bottom of the classification makes an exception, as they are somewhat different from the others.

The overall unfavourable assessment of the socio-economic development of the third group of municipalities is based on their *low internal potential for development, their poor economic situation and social infrastructure*. Only the municipality of Mizia has potential above the average for the country. The dynamics of the socio-economic processes in municipalities in a state of crisis is considerably better, but it has been determined on a low base.

The economic parameters of the municipalities in a critical state differentiate between two basic types:

1. *Depressed municipalities* as Novi Pazar, Loukovit, Omourtag, Septemvri, Roman, Byala Slatina, Mizia, Velingrad. These municipalities have a relatively high share of industry, but the industrial companies located there are inefficient and in an extremely difficult situation. This is evidenced by the considerably lower results in the economic revenues and especially by the negative indicators of their economies.

2. *Underdeveloped* - mountainous, borderline and farming municipalities. They are characterized by a small share and even absence of industrial production. As seen from this point of view, the assessment of their dynamics is not unambiguous. Eco-

nomie growth has been registered only in six municipalities, but the indicator ‘per capita economic revenues’ is of insignificant absolute value. The decline is particularly noticeable in 13 municipalities, which is an evidence of a break-down of the local economy.

Table 4.4.

Third group of municipalities according to the degree of their socio-economic development			
Nº in the classification	Municipality	Nº in the classification	Municipality
165	Devin	249	Treklyano
166	Kresna	250	Rouzhintsi
167	Oryahovo	251	Rakitovo
168	Rila	252	Makresh
169	Chiprovtsi	253	Nevestino
170	Avren	254	Nedelino
⋮		255	Boinitsa

The differentiation of the municipalities in a critical state in terms of the per capita arable land defines two groups. The first one encompasses 20 municipalities (about 22% of the total), which possess arable land around and below the average for the country. These are mainly municipalities in mountainous and hilly regions. The other municipalities have per capita arable land significantly above the average for the country. They are located in the most fertile regions of the country - the Danubian Plain, the Dobroudja, and the Thracian Plain. The combination of backwardness while the per capita arable land indicator is comparatively good is an evidence of the questionable results of the agricultural reforms carried through so far.

The *financial situation* of the municipalities under consideration is catastrophic. The own revenues of only 5 municipalities exceed 30% of their budgets. The share of state subsidies for more than half of the municipalities exceeds 80%. A complete

Last among equals - depressed and underdeveloped municipalities

financial dependence on the state budget is at hand.

The *demographic structure* of the municipalities in crisis is quite different. It has been the result both of the high birth rate in the municipalities with mixed population in terms of ethnic and religious affiliation, and of the share of urban population in the respective municipalities:

Box 4.2.

Demographic parameters of the municipalities with population having mixed ethnic and religious affiliation

These municipalities are characterized by a better demographic structure, as a rule, due to the high birth rate. The share of people under and at working age exceeds 80%, whereas this percentage is 76% for the country on the average. The differences in the dynamics of the population greatly depend on its composition. Where part of the population is Turkish, there is a significant drop in numbers. In

municipalities like Djebel, Ardino and others, it has dropped almost two times as a result of the emigration waves of 1989 and 1993. There is seasonal migration in the municipalities inhabited by Bulgarian Moslems within the country. This migration has been decreasing in the years of transition, which is due to the crisis that has gripped the regions where that population traditionally found work.

- 25 municipalities (27% of the total studied) with ethnically mixed population have demographic indicators better than the average for the country;

- 14 municipalities have demographic indicators around the average for the country;

- all other municipalities are characterized by a deteriorated demographic structure. The situation is particularly grave in 11 municipalities - Bratya Daskalovi, Nevestino, Treklyano and in almost all municipalities of the country's northwestern part - Boinitsa, Makresh, Dimovo, Yakimovo and others, whose population at retirement age exceeds 50%.

The *unemployment rate* and the *rate of taxable incomes of the population* are derivatives of the economic processes. In only

12 municipalities the unemployment rate is around the average for the country. In most of the municipalities (57%) it has been above 20%, while in 17 municipalities it has exceeded 30% of it. All municipalities have taxable incomes considerably below the average for the country. In 90% of them this indicator is twice lower than the average.

The state of the *social infrastructure* in the municipalities of the third group is similar to that in the second group. The main differences are as follows:

- a considerably greater share of municipalities, where there are practically no hospital beds;

- there are cases where the absence of hospital beds is combined with a low value of the indicator of class rooms per 100 classes (Kresna, Chiprovtsi, Dolni Chiflik, Anton, Chavdar and others);

- the highest indicators concerning the material infrastructure of education have the municipalities with ethnically mixed population, owing to the great population decrease.

The causes determining the critical socio-economic state of the municipalities are the *low rate of industrialization, low incomes of the population and high unemployment rate*. Most of them have propitious conditions for the development of agriculture. A lasting resolution of the current problems is probably to be sought along these lines. All municipalities rely mainly on state subsidies. Their social infrastructure is rather underdeveloped, and wherever there is such, it is inefficiently used.

An analysis of the *territorial distribution* of the municipalities in a critical socio-economic state has shown that they are scattered almost all over the country (See Fig. 4.2.). They are more concentrated in Northwestern Bulgaria, where one-third of these municipalities are located. In the Loudogorie and in Dobroudja there are ten of the municipalities in crisis. Eleven mu-

There are municipalities in a state of crisis throughout the whole territory of the country

municipalities are in the Upper Thracian Plain and in the region between the Balkan and the Sredna Gora Mountain Ranges. With few exceptions, these municipalities are located in plains and generally have very good conditions for the development of agricultural production. They are situated around highly developed economic centres which have gradually attracted their manpower. Another cause underlying their state is that during the past few decades investments have mostly been directed to these centres and currently the opposition „centre-periphery“ on a regional scale is acquiring clear-cut parameters and acuteness.

The mountainous municipalities make up more specific regions:

- the first one is located on both sides of the Eastern Part of the Balkan Range and incorporates ten municipalities. The gravest problems in them are the high rate of unemployment, determined by the drop of the underdeveloped industrial production and the limited resources of arable land;

- nine municipalities are in the Eastern Rhodopes. The region is characterized by underdeveloped industry and greatly restricted resources of arable land;

- ten municipalities are in the Western Rhodopes and along the Mesta River. With the exception of Velingrad, the industry of the rest is almost on the verge of disappearing. On top of these processes in industry comes the continuing crisis in agriculture of the region's agrarian municipalities, due to the cultivation of a single crop (tobacco, potatoes), as well as to the restricted alternative opportunities for development;

- eleven municipalities are located along the western frontier and along the Strouma River. Most of them have an aging population structure, high rate of unemployment and low income. The major problem here is the looming collapse of the local economies.

The results come to show that *approximately half of the municipalities in a critical socio-economic state are located in the mountainous parts of the country*, while the rest are mostly agrarian.

4.5. Conclusions

1. The socio-economic differentiation of municipalities in Bulgaria stands out in conditions of a deep crisis of the national economy. Notwithstanding the signs of reviving, the continuous stagnation, the manner in which the economic reform has been carried out in its sections concerning stabilization and restructuring, as well as the delay in the reform of the local self-administration have been the key factors determining the state of the economy of the municipalities. They have been the main cause for the seriousness of the local social problems and for the limited possibilities of the municipalities to tackle them.

2. The socio-economic differentiation is characterized by:

- (a) great polarization between the development standards of the municipalities 'on the top' and 'on the bottom' of the classification;

- (b) small differences in the development standards of most of the municipalities;

- (c) a small number of municipalities with development standards above the average for the country, where almost half of the population lives;

- (d) a great territorial scope of the municipalities at a critical socio-economic state and a small share of the population living in them;

- (e) emergence of new, non-traditional centres of socio-economic prosperity in the smaller municipalities.

3. Although characterized by a certain regional specificity, *the conditions of living, development and realization of the human*

The conditions for human development are unsatisfactory in most municipalities

The upholding of the centre-periphery opposition is a sign of unsustainable development

potential in most of the municipalities cannot be defined as satisfactory in terms of quality and quantity. In the period of economic crisis and social transformation, this situation considerably complicates the possibilities for stabilization of development on a national and local scale.

4. An analysis and assessment of the differentiation of municipalities in the economic and social sphere brings out several important problems. Depending on the level of development in the different municipalities, they are manifest in a specific manner and affect with differing acuteness the development of man and his environment.

(a) The problem of the *technological restructuring of the economy on a regional scale* is most acute in the big industrialized and integrally developed municipalities. It can be resolved by intensified innovation policy, including the attraction of foreign capital and the establishment of joint ventures. The enterprises in the big municipalities and settlements may have a definite export orientation. Quite a few of the settlements have a potential for the development of services. Part of the prospects for a future revival and development of the municipalities of the second and third group are associated with the transformation of the medium-sized settlements into secondary pillars of development. The production of the small underdeveloped municipalities should be mostly based on local resources and should be oriented to specific regional needs, whereby services and processing related to agriculture should be developed. Efforts along this line could stop the depopulation of large territories of the country and bring about the improvement of employment opportunities in them.

(b) The problem of the *contradiction between economic development and environmental balance*. The high economic standard of the leading municipalities in Bulgaria is most often at the expense of the environment (Devnya, Bourgas, Srednogorie, Sofia and elsewhere). In territorial units where production lines close

down, there is an improvement of the environmental situation. This holds good for municipalities in crisis with localization of depressed productions. Apparently the economic development of all municipalities should proceed within the boundaries of 'tolerable loading' of the regional eco-systems. This would provide favourable living conditions to the people who now prefer to work in highly polluted and more developed settlements.

(c) Greater differentiation of the living conditions and *exacerbation of the 'centre-periphery' opposition*. On a regional scale it is manifested in the form of a highly developed big city, surrounded by underdeveloped territories. It can be seen on the map of the country that the first group municipalities are more or less thickly surrounded by underdeveloped municipalities. This combination is particularly typical in the northwestern part of the country and around the big cities as Sofia, Plovdiv, Varna-Devnya, Pleven and others.

These contradictions have accumulated for decades but they have intensified during the years of transition. This has been facilitated both by the legislative base and by the inadequate policy of regional and local development. From the point of view of conditions for the human development, the 'centre-periphery' opposition is mostly manifested in the great differences in social infrastructure and in the quality of the social services. These prove to be some of the causes underlying the greater migration and the depopulation of the periphery regions. The demographic and social problems of the underdeveloped regions are an additional factor for the ebb in the economic activity and for the lesser opportunities for self-development.

5. The change of the mechanisms of implementing regional policy can no longer be put off. The accumulated experience has to be summed up and the elaboration of new principles and legislative base should wind up; these should determine the strategy of regional development and provide

mechanisms for its implementation. The policy of regional development has a potential to become an initiating, leading and synchronizing factor in the implementation of the structural reform.

6. In the country *there are no economic, social and political prerequisites for the endorsement of a purely market approach to the implementation of the regional policy.* These conditions rather point out to the need of state regulation in territorially defined zones, and in the first place with respect to regions in a critical state. One of the main objectives of this policy is to blunt the impact of the crisis conditions on the local economy and to counteract its complete destruction.

7. The characterization of a municipality as 'mountainous', 'hilly' or 'frontierline' is not always tantamount to a 'critical socio-economic state'. The critical state is above all socio-economic, rather than geographical in nature. This implies at least two things: (a) the need of a „general regime“ of rendering aid to the municipalities in crisis, as

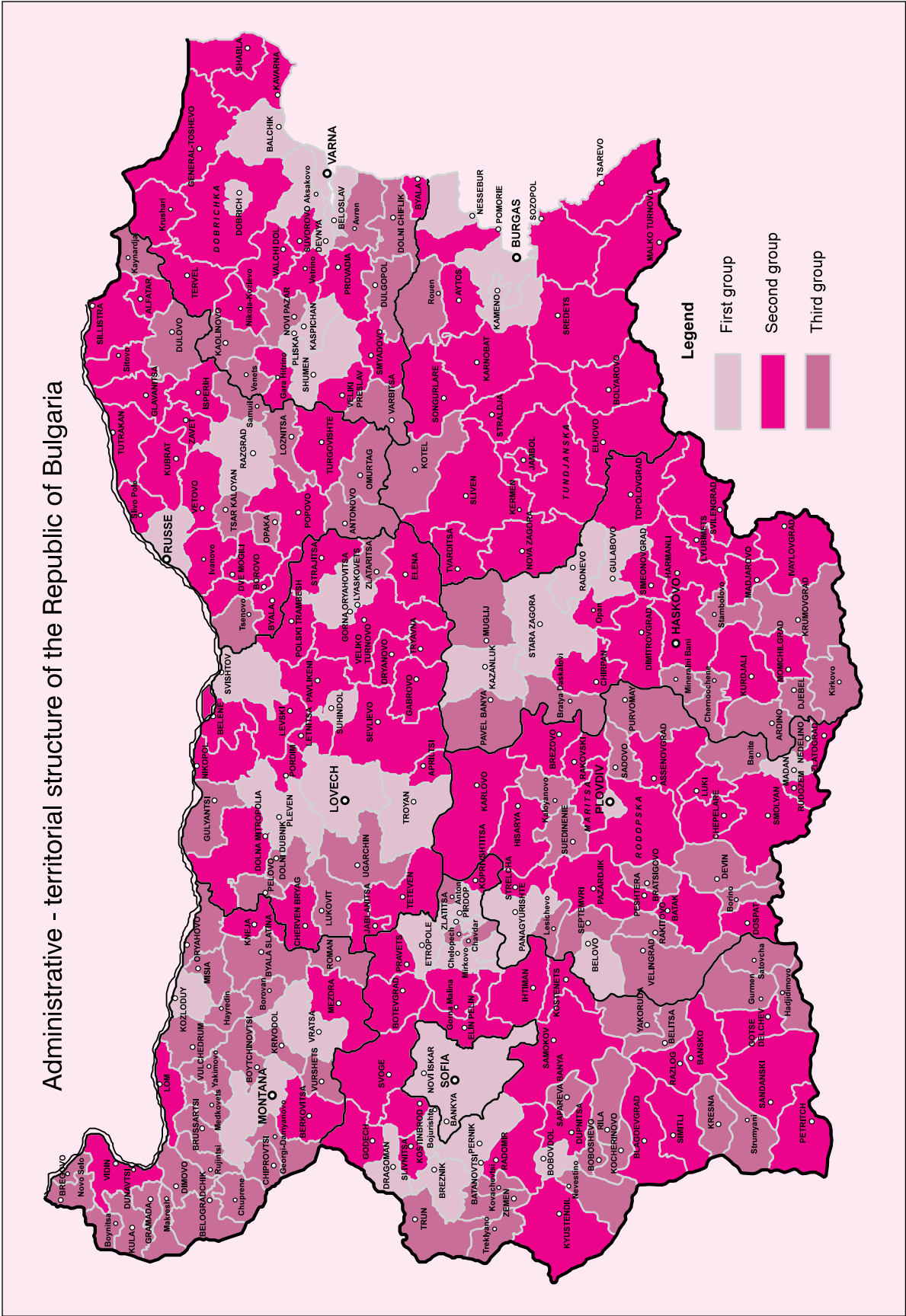
has been, for instance, the regime of additional financial aid to municipalities in a critical state since the beginning of financial year 1995; (b) the need of a 'specific regime' for aiding municipalities, grouped according to similar features (mountainous, agrarian, frontierline, etc.), via programmes, projects, preferences, etc. Those two regimes should operate in parallel and should mutually complement each other.

8. The establishment of a financial base for the state regulation in critical regions calls for: (a) the formation of a special *National Fund for Regional Development*; (b) further specification and synchronisation of the approaches and mechanisms for allocating subsidies for municipalities in a state of crisis.

9. The low development standards as well as the differences in the socio-economic situation of the municipalities justify the need of working out programmes for international aid, which should be conformed to the maximum to the specific needs of each territorial unit

*No regional
development is possible
without state regulation*

Figure 4.2.



The settlement network is the material visage of human society. The network is the result of human activity, as well as a major condition for economy’s effectiveness and quality of life. Most of man’s life is implemented in *settlements*. It is there that he works, lives, relaxes and maintains social, economic and political contacts. *Housing* is a key component of settlements. Providing an adequate dwelling for every citizen is a life necessity and a basic human right.

5.1. Settlement network

The settlement network of the Republic of Bulgaria has been taking shape in the course of millennia under the impact of geographic, economic, cultural, political and other factors. Modern Bulgarian towns and villages bear traces of Thracian and Slav settlements, of ancient Greek and Roman towns, of settlements dating from the time of Ottoman domination, of the industrialization of recent years. The layers upon layers of cultures determine the diversity of settlements’ composition, their unique nature and their affiliation to European civilization.

The towns and villages have a characteristic that is essential for countries in a transition period. This is their inertia and stability that oppose the changing nature of social life. That is why the issue of the settlement network, its state, changes and development prospects is very relevant for Bulgaria, since in the last decades the country has undergone and continues to implement complex and rapid social and economic changes.

Although differing in size, settlements are more or less evenly distributed throughout the country. What is unevenly distrib-

uted is the population in them. As a result of the intensive urbanization and migration, within several decades the majority of people flooded the towns. The villages have been depopulated, and the smallest of them are dying out.

Against the background of the relatively even location of small towns and villages throughout the country, the uneven distribution of big towns and cities stands out. Large parts of the country’s territory are far away from servicing city centers. In 1994, 43.9 per cent of the country’s population lived in 24 cities and towns.

This change has disturbed the dispersion point structure of the settlement network that has been historically determined. The big towns tend to increase in territory and form gravitation fields around themselves. A new type of settlement formations - agglomerations - has taken shape. Many of these formations’ nuclei are areas where

Bulgaria gets urban within the lifetime of a generation

Table 5.1.

Settlement types and their population (1956-1994)			
	1956	1980	1994
Bulgaria’s population	7 613 709	8 876 600	8 427 400
Rural population	5 057 638	3 330 600	2 711 500
Urban population	2 556 071	5 546 000	5 715 900
Degree of urbanization	33.6%	62.5%	67.8%
Number of settlements	5 903	5 368	5 336
Number of towns	112	221	238
Number of villages	5 791	5 147	5 098

many people, production funds and activities are focused. They generate environmental problems and coincide with „burning environmental points“ - the regions of Varna-Devnya, Burgas-Kameno, Dimit-

rovgrad, Plovdiv-Assenovgrad, Pleven-Dolna Mitropoliya, and Vidin-Dounavtsi.

Parallel with the formation of urban agglomerations and their avalanching problems, the problems of peripheral areas that

Box 5.1.

Possibilities for improving the settlement network

The current state of the settlement network requires priority development of small and middle-size towns for the best possible utilization of the available material and human resources, more even development of the entire country's territory and enlivening of the regions that lag behind. It is nec-

essary to more effectively utilize the international transport routes that pass through Bulgaria for the further development of the linear-agglomeration settlement network model. A better usage of national, regional and local transport routes for developing the settlement network is also possible.

are sparsely populated and underdeveloped have become more acute. These regions have further deteriorated in the transition years. The already few industrial enterprises in them were closed down, as were the cooperative and state farms, and a lengthy process of restituting the agricultural land began.

Another specific feature of Bulgaria's settlement network is its development along three main urbanization axes:

- Major settlements of national relevance, that are of a key importance for the country's territory. They are located alongside the national and international transport corridors;
- Settlements of regional relevance, located alongside regional transport routes;
- Settlements situated alongside transport routes of local importance.

Depending on the level of their development the agglomerations are divided into already formed, such in a process of formation, and yet-to-be-developed ones. According to a survey of the National Center of territorial development and housing

policy, the already formed agglomerations number 13 and include 651 settlements and 47.5 per cent of the country's population. The agglomerations that are in a process of formation comprise 330 settlements and 9.4 per cent of the population.

The latest trends in the development of the settlement structure were reflected in the Law on the administrative and territorial structure of the Republic of Bulgaria (1995).

5.2. Settlement development

The period after World War Two witnessed sizeable work on settlement planning and construction. Many towns and villages have developed well-structured central areas, have expanded and improved their residential areas, have built industrial areas. Nearly all towns boasted downtown and out-of-town gardens and parks.

The towns' territorial growth and changes in their structure are mostly due to the establishment and growth of their industrial territories, and the establishment of industrial areas. Given the lack of a land market and real land price because of its nationalization, large areas of arable land around the towns had been allotted for the needs of the nascent industry. In towns with a population above 100,000, the industrial area usually exceeds the residential one. The correlation ranges from 1:1 (Shoumen) to 1:1.67 in favor of the industrial areas (Bourgas). In smaller towns with a population of 30,000 to 100,000 the correlation ranges from 1:0.6 to 1:1.3. But for some towns it has higher values - 1:1.5 (Gabrovo) and 1:1.65 (Kyustendil). In small towns with a population of less than 30,000 industrial zones cover smaller areas and the correlation is within the 1:1 range.

The terrains allocated for industrial and warehouse areas proved ineffective because of technologically outdated productions that consumed much energy and resources. They also consumed land, power and water, while at the same time gener-

ated environmental problems. Yet they provided employment to the growing urban population, as well as economic well-being and satisfactory living standards.

The differentiation of town industrial zones and their distance from residential areas was largely justified by the environmental pollution they cause. But besides advantages, this functional zoning has its negative effects. Like in other countries, the strict separation of industrial and residential areas has made links between them difficult. Deprived of their able-bodied population during the day, the residential areas have become large dormitories whose inhabitants come back only at night. This is especially true of the new housing complexes in the big cities. Many settlements have lost their homogeneity which made them viable and attractive throughout the day and week. That is why in last decades the town-planners resort again to the integrated multi-functional structure that includes habitation, labour, public services and recreation. The extensive use of electric power, coupled with the introduction of new non-waste technologies facilitated this process.

It is typical for Bulgaria that its industrial potential is focused in the large and middle-size towns. In 1989 739 industrial enterprises were located in 38 towns. The attempts to overcome this disproportionate situation by establishing small enterprises during the eighties failed to produce lasting results. Half of the new enterprises were again oriented towards big and middle-size cities. The branch workshops in small towns and villages were often engaged in ineffective production. Yet they helped solve many employment problems and the utilization of building and housing resources. The close-down of these productions in the early 1990s boosted unemployment in many settlements.

After 1989 the industrial regions, their management, maintenance and functioning experienced a severe crisis. Many productions were either downsized or closed

down. Industrial areas proved more difficult to restructure owing to the major changes in them that had occurred in post-war years. Privatization had been delayed. These factors have prevented the improvement of the physical state of industrial territories. Their deterioration affects adversely the environment and the cities' sustainable development.

In the wake of World War Two the middle-size and big cities witnessed the formation of two major types of *housing environment* - street-district and housing-complex. The *first type* comprises the old town regions built before the war. It also prevails in the city expansions in which the private lots have been preserved and the new construction follows the street regulation plan. Housing complexes began to be

The establishment of industrial zones has its advantages and shortcomings

Box 5.2.

Industrial zones need reconstruction

The privatization of industry is expected to enable the reconstruction of industrial zones. They will be subjected to pro-	found restructuring not before the influx of fresh capital and the beginning of their technological renovation.
--	---

built in the fifties. The first major endeavor was the Lenin housing complex in Sofia (Architect V.Vulchanov). In this type of housing environment the terrain is public property, while the houses are privately owned. The majority of dwellings are in multi-storeyed and multi-family prefabs. The last four decades saw the construction of some 120 housing complexes numbering 660,000 prefabs. They are inhabited by about two million people, i.e. nearly one-fourth of Bulgaria's population.

The advantages of the first type of housing environment are rooted in the traditional social importance of street and district space for the urban structure. The private ownership of housing lots ensures that owners take care for their maintenance. Another advantage is the location of shops and community services along the

Streets and districts or housing complexes?

main streets that makes them bustling with life.

Box 5.3.

Improving the street-district housing environment

The street-district construction demands an expansion of the areas for car traffic and parking. Wherever possible solutions should be sought at underground and ground level; internal-district space should be increased by demolishing inferior farm and other buildings and replacing them with greenery and relaxation areas; old buildings and the technical infrastructure should be rebuilt.

The shortcomings of the existing street-district housing environment are the narrow streets that cannot meet the growing needs of the car traffic. It often clashes with pedestrians' interests. Internal district space is also insufficient. It lacks greenery, sun and air. Some of the buildings and the engineering infrastructure of streets and districts, built before the war, are obsolete. The sagging layout of the districts entails inadequate airing of the internal district space, while the street looks like a dull corridor.

Box 5.4.

Improving the environment in housing complexes

The housing complex environment can be improved by completing the construction of the social and technical infrastructure envisaged in projects. The space between the blocks should have a face of its own through small architectural facilities, lawns, ponds, night lights and in a synthesis with other arts. The buildings' functional, heat-technical and architectural characteristics will be improved by their completion, raising additional storeys, changing their facade, etc.

In recent years this type of housing environment has increasingly attracted the new contractors. Through partial district-building and silhouette projects they aim at utilizing the building sites to the utmost so as to make the largest possible profit. The result is ruined greenery, buildings shadowing one another, streets over-

crowded with parked cars and a general deterioration of the environment. Amendments in the normative system have not tangibly changed the situation.

In the *second type* of housing environment - housing complexes - the buildings' location is not restricted by the district framework and the street regulation line. This enables the construction of compositions richer in volume and space. Houses can be removed from the street noise and oriented towards the most favourable exposure. Lawns and playing grounds, where children can play and adults relax, can be built between the blocks of apartments. Housing complexes are free from transit traffic. In many of them pedestrians' alleys are separate from the car traffic which lessens the chance of an accident. Public services are focused in large and well-equipped centers offering a wide range of goods and services. The major advantage of housing complexes is the possibility of a quicker and more effective construction via advanced industrial methods.

In Bulgaria the shortcomings of housing complexes stem mainly from their incompleteness. In most cases only the educational and health-care establishments are built, while many of the shops, public services, cultural and sports centers envisaged by the project are usually non-existent. The technical infrastructure is often also incomplete. Lawns are either missing, or unkempt because the municipalities lack money.

The architectural layout of the housing complexes is often uniform and dull. This is mainly due to the uniformity of pre-fabs. The latter also have many shortcomings, especially in regard to heat and noise isolation. The state ownership of land is a major problem of these complexes. It determines their inhabitants' unwillingness to take care of and maintain the environment.

Recent years have witnessed the birth of a third type of housing composed of big family buildings situated on large area and surrounded by high walls. They are inhabited by the new well-to-do. These houses

are usually built in the outskirts of big and middle-size towns in environment-friendly areas. Due to its isolatedness this housing environment has not yet affected the urban structure in a tangible way.

In the post-war period much work was done to renovate the city centers. All towns had several general town-planning and detailed construction plans, and many national and international competitions were held. However, only a small part of the projects was implemented.

The city center renovation work could provisionally be divided into three periods. During the sixties city center projects and their implementations were characterized by destroying the existing street-district structure and establishing new structures (Dobrich, Montana and others). The next decade was characterized by projects and implementations that preserved individual buildings of architectural and cultural-historical value, while providing for sizeable new construction (Yambol, Lovech, etc.). The eighties saw a time of careful consideration of the architectural and town-planning heritage and a striving to preserve it. The projects of this period, as well as their implementation, preserved and restored the existing street-district structures downtown. A case in point are the towns of Vidin, Pazardjik, Blagoevgrad, Lom, and Varna. Many pedestrian zones were built downtown, coupled with renovation of old streets, squares and city districts. In a short time Bulgaria ranked among the top countries in Eastern Europe in this respect. Yet this construction quite often was just a showcase. It was not accompanied by the necessary reconstruction of the remaining part of the city. Many problems of central city zones remained unresolved - lack of sufficient traffic and parking areas, need of an urgent reconstruction of many private and public buildings, need of updating the technical facilities, deteriorated environmental conditions.

The most tangible change that set in towns following 1989, was the bustle in the

central shopping streets. Within a very short time the shops and restaurants got reconstructed. Big shops were built with large showcases laden with goods and glaring lights. The streets and squares got rife with stalls and vendors, as well as with beggars. The unquestionable architectural successes coexist with the kitsch and imitation of West European and American models. The Bulgarian language disappeared from trade logos. Pornography has made itself at home at kiosks.

In the post-war years major changes have also occurred in the implementation of the recreation functions of the urban environment. City dwellers have tried to make up for the lack of a courtyard of their own and contact with nature by purchasing a second house or a terrain in the city outskirts. This striving, caused by the disturbed conditions and quality of urban life, has grown out of control and given rise to malformations in the settlement structure. As a result, by 1989 in 5485 Bulgarian localities there were 555,235 decares in villa zones and arable and recreational land with 128,041 houses. These areas have proved to be a source of grave tension in the restitution of arable land after 1991. Although they are not included in construction areas, they belong to the urban territory and are a potential reserve for future urban development and low-storey housing construction. Their inclusion in the town-planning projects and determining their purpose and construction regime are imperative. This will ensure their expedient future utilization and development without disturbing the sustainability of the urban structure and the environment.

In the period of industrial development the *mass tourism* has strongly influenced the settlement network and the structure of many inhabited localities. Bulgaria boasts over 200 resort complexes with 221,000 beds in temporary housings. Some of the resorts are small and can house less than 1000 tourists. Others, like Slunchev Bryag, Zlatni Pyassatsi and Albena can accommodate 30,000, thus coming closer to

Preservation and renovation of city centers is necessary

The villa zones create problems

the rank of middle-size towns. Nearly 500 towns and villages with a permanent population of their own offer accommodation to 357,000 tourists. Many of these settlements, mainly small towns, have their own resort areas that shape an essentially new

Box 5.5.

Tourism as a factor for settlement development

Despite the favourable natural and recreation conditions in Bulgaria, tourism is still under-developed and not used to the full for enlivening and stabilizing the small inhabited places. If it becomes a priority sector of Bulgaria's future social and economic development, the market processes can be regulated by the state so as to boost the development of certain settlements, while protecting others against disturbing the environmental balance and sustainability.

settlement structure. But the large number of tourist lodgings often makes life difficult for local population and tourists alike, as well as jeopardize the sustainability of the settlement environment and the normal life in high season.

The inadequate development level of the technical infrastructure and the related difficulties in electric power and resource supply create major problems for the settlements and their environment. Most Bulgarian towns suffer an acute shortage of drinking water. At the same time, owing to the inadequate and obsolete water-mains, water wastes account for half the total amount of drinking water passing through them. The low technological effectiveness in industry and everyday life make settlements a vast consumer of electric power. No power-effective technologies, materials and approaches are used in town-planning, housing construction, industry and daily life. The construction of waste water purifying installations in towns and villages is slow. Town-planning in many settlements has been neglected. The engineering equipment of their territory lags behind, and transport services are inadequate.

By the end of 1994 84.6 per cent of Bulgaria's towns and villages have *water*

supply. Settlements without a water-supply system include small villages located in hard-to-access mountain regions. They have natural water sources and water-supply is economically unjustified at this stage. Water consumption is the largest in Sofia region - 309 l per person, and the smallest in Plovdiv region - 116 l per person. Severe droughts have led to the 1994 water regime in 38.6 per cent of towns and 36.8 per cent of villages.

Towns with a *sewage system* account for 70.2 per cent, and villages - for 2.1 per cent. The lag behind in the construction of sewage networks is obvious, especially in the villages. Electricity is supplied to 5273 settlements, i.e. 98.8 per cent of their total number. This figure shows that the problem has been solved in principle. Bulgaria lags behind in providing *central heating* to dwellings. Sofia has 78.1 per cent of its housing centrally heated, while for the other cities this figure is much smaller. The rest of towns and villages have no central heating. Green areas in the country's towns and villages total 337,000 decares, i.e. 33 sq m per urban dweller, and 36 sq m per villager, which is a very good indicator.

5.3. Houses and housing policy

In the years prior to 1989 houses were built along three parallel lines: state, cooperative and private for the construction of family houses. The state housing construction enjoyed privileges in ensuring the building sites, projects, building materials and manpower. The cooperative and private housing construction were done mainly in central urban regions on individual plots of land, and on a large scale in the villages. An apartment house could have no more than eight apartments. Housing contraction was forbidden. The people had to organize themselves the cooperative and individual construction. The state helped them financially, by granting them long-term low-interest loans and providing them with relatively low-priced construction materials. This was how 2,999,300 houses, i.e. 74.3

The quality of housing environment depends on the infrastructure

per cent of the country's overall housing fund, were built in Bulgaria between 1945 and 1985.

The state housing construction was aimed at goals that stemmed from the principles of the socialist system - to provide every family with a house of their own at prices commensurate with their income. At the same time the state used this construction to keep the citizens in long-term dependence. The distribution of houses became a powerful tool of subordination. It included two major systems: municipal and departmental.

The municipalities provided houses to buy, and departments - houses to rent. Upon retirement the lessee could buy the department-owned house. The housing prices depended not on the real construction cost, but on the people's purchasing power. In practice, the people's problem lay not so much in paying for the house, but in falling into the group that had the right to a house. This was accomplished by a complicated classification system that was socially fair in principle.

The commitments of the socialist state to ensure housing to every family were not fulfilled, despite the sizeable volume of housing construction. Mid-eighties saw the beginning of the housing shortage in big cities. Applications for houses in Sofia only numbered 110,000, and the annual rate of state construction was between 12 and 15,000 apartments. At the same time, villages had a large number of practically uninhabited houses.

The suppression of private initiative and the difficulty in finding building sites and materials limited the share of private and cooperative construction, which nonetheless was impressive (over half the houses built).

Following 1989, the organization of housing construction and acquirement changed profoundly. Previous restrictions on the quantity, locality and disposal of real estate were abolished. Already in 1990

there were potential conditions for developing the housing market, but real processes were contradictory.

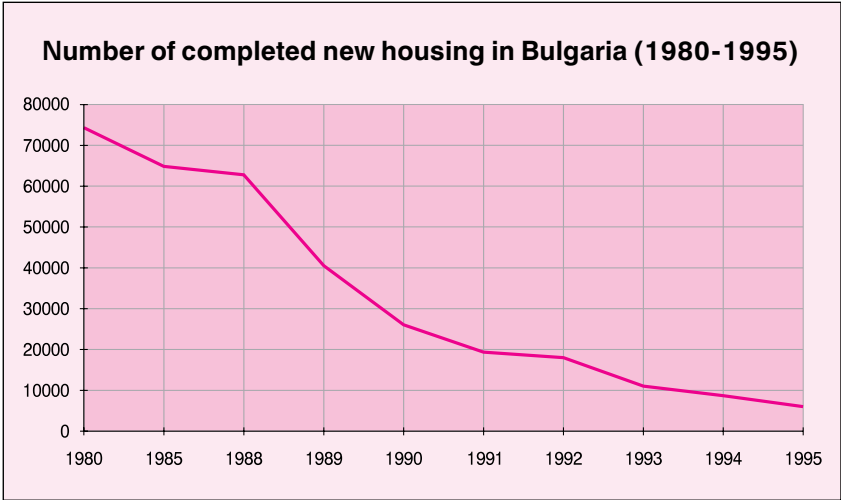
First, the state did not control the prices and the change of the original designation of housing, failed to introduce tax regulations, did not claim the return of subsidies invested in houses that were first privatized and then sold at the free market.

Second, the solvent demand for dwellings for housing needs was far less than that for buildings for non-housing needs (mainly for offices, shops and warehouses). The private business sought to invest the capital it had quickly and easily accumulated. The negative effects of this development were the loss of a large number of houses, the profiteering prices of real estate and the impossibility to buy a house of those who badly needed it.

Third, nationalized real estates were restituted. But according to restitution laws, only those owners whose houses had not been privatized, and whose lands had not been built upon had the right to a restitution.

Overt and covert goals of state housing construction

Figure 5.1.



Fourth, the main interest rate soared: with small exceptions it was well over 50 per cent during three consecutive years (1992-1994). This has practically braked housing credits and hence new housing construction, that plummeted.

Against this background, the hitherto prevailing reform in housing policy can be summarized as follows:

- abolishing all legal restrictions on real estate;

- full abolishment of subsidies for newly arising housing needs;

- completed privatization process;

- a record-breaking value of the price/income indicator: 14/25 as against 3.5/5.0 for Western Europe;

- a limited housing market, covering a mere 10 per cent of potential demand;

- justice has triumphed for a small number of owners of nationalized property;

- awakened hopes for compensating former housing deposits of over 80,000 households under the law of long-term depositors.

Table 5.2.

Usable area of new housing 1989-1995 (thousand sq m)							
	1989	1990	1991	1992	1993	1994	1995
Throughout the country	2 852	1 865	1 377	1 384	850	727	517
In towns	2 369	1 557	1 200	1 251	755	644	426
In villages	482	309	177	133	95	83	91

Box 5.6.

The state beats a retreat from the housing sector

The state policy has shifted from the pole of overall responsibility for housing supply towards the pole of complete lack of responsibility, getting rid of the last vestiges of social housing policy. Bulgaria is a far cry from a balanced housing market en-

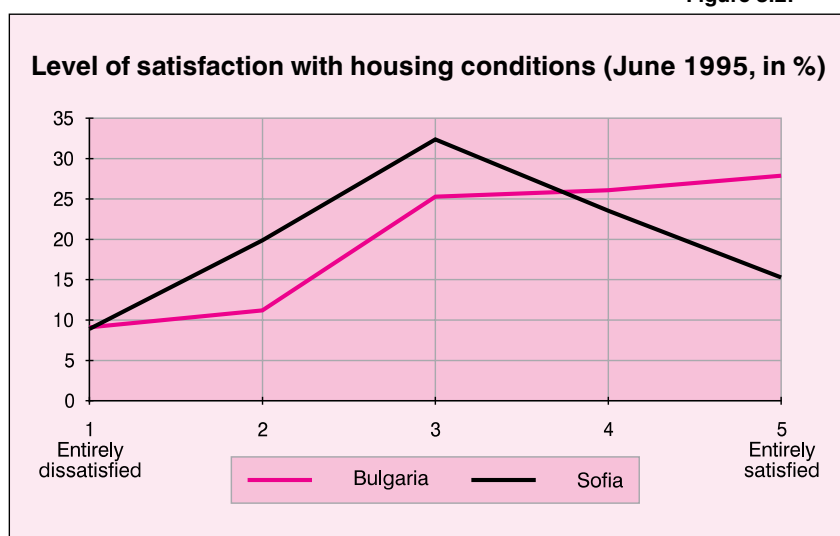
suring the link between needs and possibilities and facilitating labor mobility. The state does not fulfil its basic function to provide legal, financial and organizational conditions to vulnerable population groups for solving their housing problems.

In practice, most changes in recent years have been following the logic of simply negating the old restrictions, mechanisms and norms, without establishing and affirming new ones, adequate to the newly evolved market relationships and protecting both public and private interests.

By 4 December 1992 inhabited dwellings in Bulgaria numbered 2,741,395. By the same date 40.4 per cent of dwellings were overcrowded - the number of inhabitants exceeded that of rooms. This means that by this date 4,744,000 Bulgarian citizens lived in adverse housing conditions. As regards the average housing area per capita, 71.5 per cent of Bulgaria's population occupied less than 16 sq m of housing area. For the sake of comparison, the figure for West European countries is about 40 sq m per inhabitant. The public opinion mirrors this state of housing needs met.

The quality of housing conditions depends not only on the housing area available, but also on the availability of modern engineering facilities: plumbing, drainage, phones, central heating and heated water. According to the last housing census in 1992, 87.5 per cent of Bulgarian dwellings have plumbing. The relative share of urban dwellings with drainage is 97.4 per cent, while that of village dwellings is 77.1 per cent. Dwellings that have heated water (ei-

Figure 5.2.



ther as part of the central heating system, or boiler-heated) account for 82.4 per cent in towns, and 37.7 per cent in villages. Central heating lags behind with only 28.9 per cent of urban, and 1.4 per cent of rural dwellings.

As regards the form of ownership in 1992 93.6 per cent of houses in towns and 98.7 per cent of those in villages were privately owned, and this fact had a negative effect on the population’s mobility. In the last 50 years public housing never exceeded 16 per cent. The transition has caused two main trends of structure changes:

- a growing reduction of social lease housing;
- appearance of rapidly expanding private lease housing, that is still not controlled officially.

The social lease housing fund is owned by municipalities (about 3.5% of the fund), departments (3.0 %) and public organizations (0.2%). The system of its functioning is entirely a past inheritance: with fixed low prices, well-regulated lease rights and clear-cut accessibility criteria.

Despite the lack of reliable statistical information the private lease sector can be characterized as dynamically developing. Experts report that it comprises about 3.5 per cent of housing in big cities. Over 60 per cent of privately leased dwellings are either converted, or originally rented as offices. Their owners usually have more than one house, while big owners are an exception. There are no legal restrictions on the size of the rent. The average private rents are more than 20 times those of municipalities.

The right to purchase houses from the social fund had existed throughout the period of state socialism and during the first four years of the transition (1989-1993). The adoption of a new regulation in early 1994 put an end to the privatization process. This helped preserve the shrinking municipal housing fund that has remained

after the intensive privatization in the last few years. The privatization model allowed for purchasing the houses built before the price increases at the same prices between 1990-1993.

Table 5.3.

Prices of housing and inflation rate (1990-1994)					
	Growth in % over 1990				
	1990	1991	1992	1993	1994
Consumer prices	100.0	438.5	786.7	1228.0	2297.2
Nominal per capital incomes	100.0	267.6	516.2	766.8	1272.9
Housing prices	100.0	156.7	467.7	902.7	1476.4

„Shadow economy“ has played a major role in the housing sector. In the field of transactions its most common manifestation are the prices declared before the notary that are much lower than the real ones. In the field of investment, control on the origin of capital is non-existent. This turns housing into a convenient tool of legalizing „shadow economy“ incomes. Sizeable amounts of rent incomes evade taxation.

Box 5.7.

Affordability of dwellings	
As a result of the total pauperization and the heavily distorted structure of household expenditures the available means for purchase of a house have fallen below the critical	minimum. This precludes credit solvency even for house repairs and improvements. Therefore income deficiency is among the priority aspects of the housing issue.

The classical criteria for *affordability of housing* in Bulgaria are much more unfavourable than that in advanced market economy countries. In 1994 an average household needed six annual incomes in order to buy a house of 75 sq m. For Sofia, the income needed was twice higher.

The model of housing complexes from the recent past tends to die away, as the conditions for their implementation no

Radical changes have set in the utilization of building sites and the type of construction

longer exist. The newly-built housing structures hardly fit the definition of a housing complex. Former construction plans are likewise irrelevant in the new conditions. The new construction plans are drafted on an essentially new principle - all requirements of owners (investors), that comply with the law, are taken into account. This is a precondition for a profound change in both the model of land utilization, and the type of construction.

Although self-construction has sharply dropped in comparison with the total volume of new construction, traditions and its sizeable economic advantages have helped its survival. It is still the most widespread type of construction in the villages.

A telling proof of the collapse of industrialized technologies is the fact that their share in new housing construction in 1993 was a mere 6.9 per cent. At the same time the dwellings built by the public sector account for 75.0 per cent. This practically means that the large housebuilding plants have stopped manufacturing prefabs. They still have their output capacity of over 100,000 prefab houses annually, but it is idle. No alternative has been found so far for transforming them into a new type of housebuilding facility. No new industrialized technology has been introduced. The present technological level of housing construction can be compared to that of half a century ago.

Direct housing subsidies were abolished in 1990. There have remained only some provisional modifications of housing subsidy covering the price difference of houses for non-compensated owners of nationalized estates, for the National Compensation Fund, and for overdue municipal loans.

No reforms have been implemented in the field of housing taxation yet. The key inherited form of taxation is the tax on buildings based on the tax valuation of the dwelling. Usually it is much lower than its market value. The new tax (1996) essentially changed the taxation of dwellings

used for office purposes. The tax levied on sales is 10 per cent of the contract price, which is usually well below the real price paid.

5.4. Towards a new housing policy

The housing sector is a major factor for the country's macroeconomic stabilization. Its dependence on the budget, municipalities, financial sector, industrial sphere and legal system makes it highly vulnerable in view of the deep crisis in them. This necessitates a new housing policy to be based on the following principles:

- The adequate and affordable housing is a premise for the normal reproduction of the nation and the individual and should be regarded as an investment in the country's sustainable development.

- The housing sector is a key component of every economy and can be used as a motive force of the economic development during transition. This calls for integrating the housing policy with the country's overall economic policy.

- Housing policy should enable the balance between economic effectiveness and social justice. In other words, it should provide protection to marginal and vulnerable groups, guaranteed effectiveness and competition among construction companies, state control for maintaining economically objective and affordable prices of sites, credits, building material and construction.

- Housing policy should guarantee the diversity of forms of ownership, their stability, availability and affordability.

- Housing policy should help mobilize both public and private resources, combining them with subsidies.

- Housing market is a unity of the markets of land, credits and housing. The state should make it attractive to investors.

Housing construction is a factor of economic stabilization

- The dwelling is a national wealth which must be preserved for the generations to come. That is why sustainability should be an invariable component of every housing policy.

In view of these formulations and of the housing sector deformations the following *goals* of the national housing policy can be formulated:

1. To overcome quantitative deficiencies in housing consumption, reaching average European indices of 400-410 standard dwellings per 1000.
2. The updating and reconstruction of the housing funds should be regarded as a major reserve for attaining strategic goals.
3. To develop a housing market serving a mass solvency.
4. To improve the housing fund structure so that the correlation between privately-owned and rented housing changes from 90:10 to 70:30.

We must admit that in the conditions of present-day shortages, the goal to create a true housing market cannot be attained. The private market's possibility to provide the mass form of housing is and will remain very limited for long. This means that Bulgaria *urgently needs state-regulated housing policy and public-owned dwellings*. Such approach would correspond to the mass attitude in society.

Most people have urgent housing needs that demand timely, concrete and feasible measures.

1. Help the homeless and vulnerable. The most adequate measure is to introduce a system of housing allowances, as well as

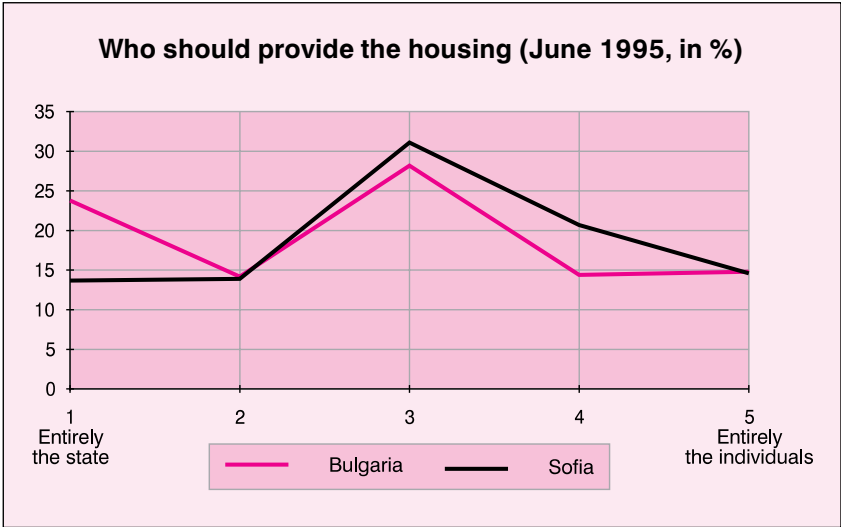
providing an adequate reserve fund to accommodate the homeless.

2. Prevent the loss of housing fund due to inadequate maintenance. Most owners of houses need support. The granting of indirect subsidies in the form of tax reliefs would help allocate sizeable resources for repairs and improvements. A strict legal regulation of owners' obligations is also needed.

3. Prevent the usage of housing for non-housing purposes. The municipal monopoly in the construction permit regime should become an effective tool in the natural transformation of funds in the city centers, but not at the expense of the housing fund. Its losses should be compensated.

The housing policy demands clear-cut goals

Figure 5.3.



4. Ensure the raising of new affordable dwellings. New construction on a mass scale on state subsidies is impossible in the present conditions. Given the low purchasing power, the balance between demand and supply is achieved at levels well below the construction value of new housing. *Supporting self-construction* at adequate localities is a feasible and effective solution.

6

REGIONAL SPECIFICITIES OF EMPLOYMENT AND UNEMPLOYMENT

6.1. Trends in the regional employment policy

During the period of centralized planning regionalism was an important element of administration. One of the objectives of the economic and social policy pursued in the regions was to maintain full employment of the able-bodied population. The political centre determined the production specialization by means of budgetary subsidies and preferences as regards taxation and prices. It secured relatively full employment and guaranteed, though low, incomes. The production specialization enforced, reproduced regional and settlement differences in the quantitative and qualitative parameters of manpower resources.

Regionalism in the economic policy affected the entire chain of reproduction of the manpower resources. Regional preferences were used in the education and training of manpower and in the formation of wages and salaries. Additional incentives were secured for a territorial mobility of manpower. The economic priorities on a regional scale were combined with efforts to level out the social development of settlements. In many cases the effects of this policy were, however, detrimental to the economic efficiency.

During the past five years the development of the regional labour markets has also had some general characteristics:

- Decrease of population and particularly of the able-bodied population;
- An enduring imbalance has become established in the regional labour markets owing to the supply considerably exceeding the demand of labour;

- A high unemployment rate has continued;
- There are structural imbalances between the supply and demand of labour;
- The passive policy with respect to employment and unemployment has predominated.

These negative general trends are manifest to a varied extent on the regional labour markets:

Imbalance in the regional labour markets

Table 6.1.

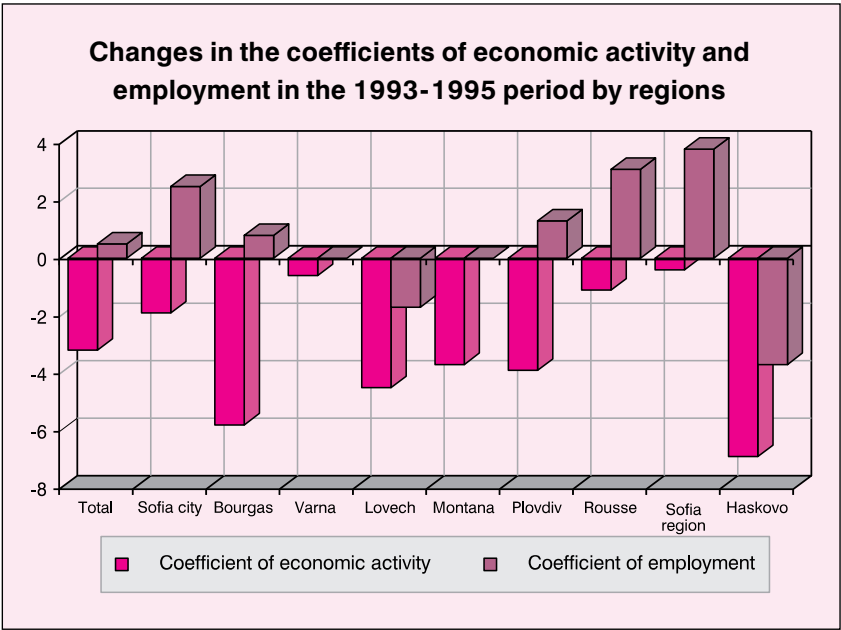
State of the regional labour markets in October 1995				
Regions	Able-bodied population	Employed	Unemployed	People outside the manpower
Total	100.0	100.0	100.0	100.0
Sofia city	14.5	16.7	6.9	13.6
Bourgas	9.9	10.0	10.4	9.7
Varna	10.7	10.9	10.9	10.4
Lovech	12.1	11.6	12.3	12.5
Montana	7.5	6.1	10.3	8.4
Plovdiv	14.3	14.4	14.3	14.3
Rousse	9.0	8.7	10.5	9.1
Sofia	11.5	11.2	13.5	11.4
Haskovo	10.5	10.4	10.9	10.6

The state of the labour markets calls for a reassessment of the labour policy pursued in the modelling of the economic reforms. The extremes in the overall and in the regional economic policy have to be reconsidered. A balance between them should be sought, which would make it possible to step up the economic and social reforms and to reduce their social costs.

6.2. Regional differences in the employment rate

In Bulgaria the reforms set off with the radical elimination of the regional differences in prices, taxes and subsidies from the budget. Placed in conditions of a sharp transition from centralized administration to economic liberalization, the individual regions adapted to varied extents to the local economic conditions. That painful process negatively affected the regional development of the labour resources. Against the background of the drastic drop of employment in the country by 37.7 per cent in the 1989-1994 period, the regional decline of employment significantly varied. Standing out at the one pole was the region of Haskovo, where the drop of employment was the highest. At the other pole was the city of Sofia, where an increase in employment was registered.

Figure 6.1.



What has been common to all regions has been *the drop in the economic activity* of the population. In the region of Haskovo it was by 7.1 per cent, of Bourgas - by 5.8 per cent and of Lovech by 4.5 per cent, while the average for the country was 3.3 per cent in the 1993-1995 period.

Regionally, the rate of employment has been affected by the overall economic and social environment in which the labour markets have been developing. The *geographical features and natural resources* of the territorial systems of settlements stand out predetermining to a high extent the production structure of the economic activity as well as its branch specificities. The natural conditions determine, for instance, one or another rate of labour intensity in agricultural production and the differences in the demand for labour. The nature of the tourist services and of farm work preconditions seasonal employment and latent seasonal unemployment.

The *demographic features* of the regions and the quantitative and qualitative characteristics of the labour resources in terms of sex, age and ethnic background also determine the specificities in the supply of labour. There is a high concentration of able-bodied population in the city of Sofia, in the Plovdiv and Sofia regions. In other regions like those of Montana and Lovech, the predominant share of the population is above or below the active age.

Substantial problems of the regional labour markets become clear when other two indicators are taken into account, namely *the high unemployment rate and the growing share of people who are not part of the labour force*. There are imbalances in the region of Plovdiv, where supply of labour considerably exceeds demand. In October 1995 the region ranks second in the relative share of those employed but has also the highest share of unemployed people - 14.3 per cent of all unemployed people in the country. The regions of Bourgas and Sofia rank next in their high rate of jobless people - 10.3 and 13.5 per cent respectively of the jobless in the country. The relative share of the unemployed is the smallest in the capital city. But the decline of the labour force is likewise the highest in the capital and in the region of Plovdiv. The explanation of these regional states of employment and unemployment should be sought in the economic factors

shaping employment and the labour markets prior to and during the period of transition.

No doubt, of top importance from among *the economic factors*, determining the regional labour markets, has been *the structural factor*. It shapes the production character of a region and determines the demands for manpower. The domestic specialization of Bulgaria's economy was strongly dependent on specialization within the framework of the Council of Mutual Economic Assistance. Individual regions were centres of specialized industries. Mechanical engineering dominated in the regions of Lovech, Varna, Plovdiv, Haskovo and Sofia, the latter accounting for about 14% of its output. The electrical engineering and electronic industry was concentrated in Sofia (21%), the regions of Lovech (20%) and Plovdiv (14%). The region of Bourgas was the centre of the chemical industry (48.5%). The textile industry dominated the production structure of the Haskovo (17.7%) and Lovech (16.4%) regions. The food and beverages industry centred in Sofia (21%), the regions of Plovdiv (15.2%), Varna and Lovech and Haskovo (11% each).

In these structural conditions, employment changed on a regional scale depending on the extent to which a certain market of products had collapsed. Several regional labour markets have an excess of skilled manpower, employed formerly in the sectors of electronics and mechanical engineering, in which Bulgaria had specialized within the CMEA. The unemployment rate among the highly skilled manpower of these regions was particularly high in the early years of the transition to a market economy. The disintegration of the food and beverages industry and agriculture affected the livelihood of approximately one-fifth of the able-bodied population. Economic imbalances and social problems emerged. Large groups of the ethnic minorities in the country lost their jobs.

Investment activity for the country as a whole continues to be low and has been one of the key factors of economic stagnation. On a regional scale, the capital city has been the region with the biggest investments, followed by the regions of Plovdiv and Varna. The structure of investments according to forms of ownership of the enterprises for the country as well as by regions has shown that the investments in state enterprises have been the main investments made in the economy. There has been a very small share of investments in private and cooperative enterprises.

Private investments have been of indubitable importance for encouraging employment and reducing the unemployment rate. So far, however, the rates of private sector's growth have not helped it become a compensating factor with regard to the drastic drop of employment in the state sector. In the 1992-1994 period, the number of private firms in the country had increased almost 2.5 times over. The private investors prefer to open firms in the big cities. The city of Sofia has the highest number of private companies (30 664), followed by Plovdiv (27 707), and Varna (21 081), while Montana has the smallest. The growing share of the profitable private firms from 61.7% in 1992 to 73.5% in 1994 comes to show the trends of stabilization and development of that sector. This has been a precondition for certain optimistic expectations as regards its role in the provision of new jobs. But private capital began to develop in the sector of trade, accounting for 64 per cent of all private companies in 1992, and it continued to be leading in that sector of the economy (70% of the net value of revenues from sales). This trend does not correspond to the anticipated growth of private capital investments in industry and the provision of new jobs, so that a breakthrough could be achieved in coping with unemployment.

The problem has not rested solely in the quantity of investment and the growth of the private sector. The main problem concerns the development of a stable and

There are structural causes of regional unemployment

The private sector does not make up for the reduced employment in state-owned enterprises

The distrust in the labour market has been growing

efficient private sector. In this respect there is a need of streamlining the labour market to the provision of greater possibilities for the private entrepreneurs to improve their managerial skills. Such a programme could be successful in the region of Montana, where the share of profitable private companies at the end of 1994 was the lowest - 66.0% of all private companies. Experience could be exchanged with companies from Pleven, where the share of profitable companies is the highest - 79.4% of all private companies.

The *social policy* pursued in a spirit of the centrally planned economy and of the ideology of general prosperity whereby there was levelling out in labour and distribution, resulted in the effects of slackening on a regional scale. Their direct source was the centralization of profit and its redistribution via the budgetary system. The market should operate in such a way that the mechanisms of distribution could motivate the producers to increase their profits and to reinvest in industries and in the infrastructure.

6.3. Characterization of the regional labour markets

The lasting decline in the population's economic activity from 55.4% in September 1993 to 51.5% in October 1995 had specific manifestations in the regions. The economic activity was lower than the average in the regions of North Bulgaria - Montana, Lovech, Rousse. The region of Plovdiv had a coefficient of economic activity equal to the average for the country. There was higher than the average economic activity for the country in the city of Sofia, in the regions of Bourgas, Varna and Sofia. In October 1993 the economic activity in the Haskovo region had a coefficient higher than the average for the country, while in October 1995 it was already below the average.

The decline in the population's economic activity has been a reflection of the

continuing economic stagnation, as well as of the inconsistency and contradictions of the economic reforms carried through.

The result has been a growing disappointment of the population in the prospects of economic life and a drop in the confidence in the institutionalized labour market. Long term unemployment, temporary employment without a formal job registration, and involvement in illegal economic activities have been growing. The decline of economic activity in individual regions has reflected the complexity of the unresolved problems of the sectoral restructuring of economy. This is more specifically valid for the problems of the incomplete agricultural reform and for the collapse of some agricultural branches like tobacco production. The inflexible policy in the restructuring of the mechanical engineering industry after the disintegration of the CMEA has had its adverse effects as is the case with the region of Lovech.

According to statistics provided by the regional labour markets, the employment coefficient dropped from 43.5 to 41.8 in the 1993-1995 period. Adverse changes set in in the ranking of the regions as a result of the dropping rate of employment. In September 1993, the employment coefficient in the regions of the city of Sofia, Haskovo, Varna and Bourgas was higher than the average for the country. The lowest employment coefficient was registered in the region of Rousse. In March 1995, only two regions had an employment coefficient higher than the average for the country - the city of Sofia and the region of Sofia. The rest of the regions had a rate of employment lower than the average. The lowest rate of employment was in the region of Montana.

Against the background of the *high overall unemployment* rate maintained in the country in the period between 1992 and 1995, the share of the individual labour markets in the overall unemployment rate has presented substantial differences.

In October 1995, the region of Montana had the highest rate of unemployment followed by the region of Rousse and the region of Sofia. A comparison of this ranking of data from September 1993 points to stability of the unemployment rate of the regional labour markets.

The differences in the rate of unemployment, particularly critical in some settlements, are determined by the scale and concentration of the former economic structures and by the specific way in which they have disintegrated under the new economic conditions. The abolition of the co-operative farms and the restoration of the right to ownership of agricultural land have also exerted certain influence. Due to the varied degree whereby the individual settlements, regions, municipalities and areas had been affected by the introduction of economic reforms, their inequality in terms of employment and unemployment, and in terms of living standards of the socially weak groups as well as of some ethnic minorities, has increased.

Whereas the average rate of unemployment was 21.4 per cent in September 1993, 15 out of all the 28 regions in the country had higher than the average unemployment. In October 1995, when the average rate of unemployment was 14.7 per cent, the number of regions with higher than average rate of unemployment was already 19.

In the conditions of transition, unemployment has been made necessary for the elimination of the imbalances of the inefficient full employment by the restructuring of production and technological relations, of the domestic and international markets. When the economic reforms undertaken are not strategically streamlined, when they do not proceed in a comprehensive way and at the necessary rate, unemployment increasingly becomes long-term. The data in the figure illustrate the importance of the problem:

The city of Sofia and the Varna region are the two regions in which the long-

term unemployment rate is the lowest. The capital city and Varna are the most promising in view of finding employment. This

Figure 6.2.

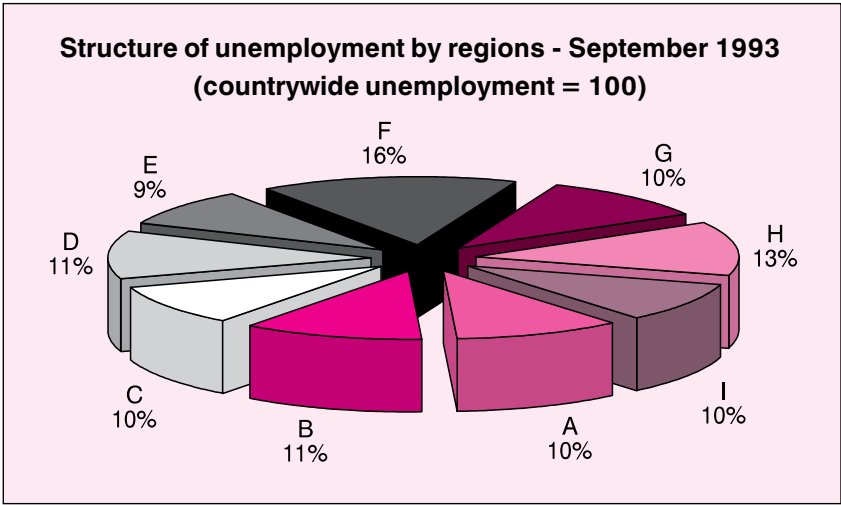
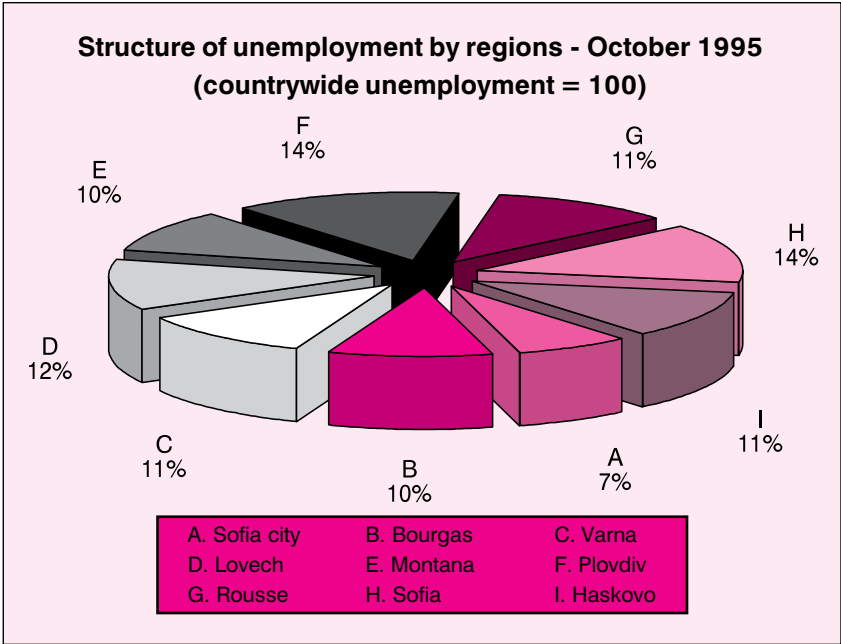


Figure 6.3.



has been borne out by the employment and unemployment rates monitored in view of the causes whereby part of the labour force has remained unemployed.

Staff reduction has been the basic source of unemployment in the country accounting for 66.3% of all unemployed in the region of Rousse and 49.1% in the Haskovo region in October 1995. What is typical of the city of Sofia, the Bourgas,

Long-term unemployment is the fundamental problem of the regional labour markets

Plovdiv and Rousse regions is also the large proportion of unemployed who are school graduates or who have completed their

Box 6.1.

Settlements with a critically high rate of unemployment

According to statistics gathered by the monthly registration at the employment offices, the following settlements had a particularly high rate of unemployment in August 1995:

- above 40% was the rate of unemployment in Samouil - region of Rousse;
- between 30% and 40% was the unemployment rate in Kaolino-vo, Varna region; Ougurchin - Lovech region; in Yakimovo, Dimovo, Rouzhintsi, Koula, Boinitsa, Medkovets - Montana region; in Banite - Plovdiv re-

gion; Loznitsa - Rousse region; Nevestino - Sofia region; - unemployment rate between 20% and 30% was registered in Souvorovo, Dolni Chiflik, Dulgopol, Venets - Varna region; Zlataritsa - Lovech region; Belogradchik, Byala Slatina, Oryahovo - Montana region; Sadovo, Devina, Zlatograd - Plovdiv region; Isparih, Tsar Kaloyan, Omourtag - Rousse region; Gurmen, Belitsa - Sofia region; Harmanli, Bratya Daskalovi, Mineralni Bani - Haskovo region.

is needed for the reduction of long-term unemployment and for the provision of alternative opportunities for employment.

Presented by the registered unoccupied jobs, the search for employment according to regions points to moderate dynamics far below the level of the manpower discharged. This is the key imbalance of the regional labour markets. Current observations of vacancies jobs show that in their structure by regions, the relative share of jobs offered is the highest in the capital city. The regions in which the unemployment rate is the highest are also the regions with the lowest rate of offering of jobs. This comes to show that the source of unemployment has been the stagnating economy on a regional scale. New trends in the development of unemployment are, however, also taking shape. The structural imbalances increase in the labour market of labour. This is an indicator of the shift of emphasis in the policy of the labour market from the opening of new jobs to the qualitative balancing of the available jobs and manpower.

Private employers on the regional labour markets

service in the army. Statistics indicate that the policy with respect to employment and unemployment applied so far has not yielded the desired results. Urgent action

Table 6.2.

Duration of unemployment by October 1995 (%)				
Regions	Less than 1 month	1-5 months	6-11 months	More than one year
Total for the country	2.8	20.0	11.0	65.6
Sofia city	4.0	22.7	14.3	59.0
Bourgas	3.7	26.8	9.9	58.5
Varna	4.0	24.5	12.4	58.3
Lovech	2.6	20.1	12.7	64.1
Montana	0.9	16.1	9.5	72.2
Plovdiv	3.4	16.6	9.5	71.4
Rousse	2.1	17.7	10.4	68.8
Sofia	2.1	16.0	11.2	70.7
Haskovo	2.8	23.9	10.4	62.6

The establishment of an effectively operating labour market in the country presupposes the existence of well functioning regional labour markets, which *promptly and adequately react* to the continuously changing economic and social environment. One of the indicators of adaptability of the market to the new conditions is the diversity in the status of those employed. Data of studies on employment and unemployment have shown that as a whole the labour market is slowly getting out of the stereotype of the centralized control of manpower resources. Five years after the start of the economic reforms, nearly 90% of the labour force is hired labour. About 73% are employed in the state sector. For the time being, the country's labour market is making its first toddling steps as regards the presence of private employers and self-employed individuals. The causes of this are mostly hitched to the unresolved problems of privatization of fixed capital, of investments and the legislative stipula-

tions and incentives for the development of big and medium-sized business in the country, of tax preferences granted to petty producers.

Four regions have registered a relative share of private employers and self-employed individuals above the average rate for the country, namely the regions of Rousse, Bourgas, Plovdiv and Haskovo. In these regions the share of unpaid family workers is also the highest. The developing private business, however, has mostly had one-man character and has not provided many jobs. The relative share of those employed in it is even below the average for the country. The private business in Sofia is totally different. The relative share of hired labour is the highest in the capital.

Overwhelming on all regional labour markets is still the share of those employed in the state sector. The state is still the basic employer and its behaviour has been determining in the balance of the labour market.

A concentration of population with higher education in the capital and a high share of people with primary, elementary and unfinished elementary education takes shape according to the *educational standards* in the regions of Rousse - 54.4%, Montana - 53.4%, Bourgas - 52.4%, Sofia - 52.3%. That potential in terms of education is not a good base for prompt vocational and professional response to the dynamically changing economic environment. The situation of the unemployed is made even more difficult by their slow adaptability, engendered by the low level of their education. In regions where unemployment continues to be high for a long period of time, the share of unemployed with low educational level is the greatest. In the region of Rousse, 53.0% of the unemployed have elementary or lower education. In the region of Haskovo they account for 49.3% of the unemployed. In Sofia the unemployment is one of the lowest with the highest share of unemployed university graduates. This fact comes to show that the problems

of the education and training of the unemployed and their subsequent enlistment in employment should be of primary impor-

Box 6.2.

How do the unemployed look for employment?

For the time being the forms preferred in the search for employment have been registration at the employment offices and applying for assistance to friends and relatives. The registration in the employment offices ensues from the legislative regulations for receiving unemployment benefits, social assistance, enrollment in retraining courses, and the like, but it is a less reliable source of getting a job. The behaviour in the search for employment is more often passive; the personal initiative

in arranging meetings with employers, in publishing or responding to advertisements is a less common practice. The behaviour of the unemployed is an implication of distrust in the market forms of the demand and supply of labour. This prompts whereto the efforts in the employment policy should be directed. A more stringent legislative regulation and monitoring of the abidance by the stipulations of the law in the employment should no longer be delayed.

Table 6.3.

Dynamics of unoccupied jobs (%)					
Regions	1991	1992	1993	1994	1995
Total	100.0	100.0	100.0	100.0	100.0
Sofia city	28.3	27.7	21.3	17.3	28.5
Bourgas	8.3	7.1	7.2	10.4	6.6
Varna	10.7	10.4	13.3	10.0	10.3
Lovetch	7.5	8.4	7.6	7.0	5.9
Montana	6.1	6.2	5.5	5.0	4.9
Plovdiv	11.1	10.7	12.7	11.4	9.8
Rousse	5.8	5.5	6.6	6.3	3.3
Sofia	10.4	12.1	13.3	15.9	17.1
Haskovo	11.1	11.0	11.7	16.3	13.1

tance in the labour policy of some settlements. In other regions, the problems of the rechannelling of the highly skilled labour force and its reintegration in employment should have priority.

Low educational standards hamper adaptation to the changing labour market

6.4. Sex, age and ethnic differences of the regional labour markets

Women predominate among the able-bodied population. Their share in employment during the past two years has shown a stable level of about 46%. In individual regions, this relative share ranges between 45 and 49 per cent. The indices of the relative share of women of the unemployed (48.1% in October 1995) as well as of the people outside the labour force (56-57%) have also been stable. In the region of Varna, the share of women in the overall unemployment is more than half - 52 per cent. The greater part of the unemployed entitled to unemployment benefits in all spheres are women - 57.6% on the average for the country.

Box 6.3.

Economic causes underlying the high unemployment of some ethnic groups

The changes have greatly affected the sectors and manufacturing lines employing labour from the Gypsy and Turkish ethnic groups. These are the subsidiary production lines of mechanical engineering, the textile, tailoring and shoe-making industries, developed in small settlements with the purpose of providing livelihood to the population. Their close-down was one of the first steps taken by the enterprises at the beginning of the economic crisis in 1990. The canning and the tobacco industry, where workers of Turkish or Gypsy origin predominated, were also affected by the dwindling of the external markets due to the disintegration of the Coun-

cil for Mutual Economic Assistance. The liquidation of the co-operative farms and the collapse in agriculture engendered mass unemployment among the population of the Turkish ethnic group, employed in the tobacco industry, and of the Gypsies, who earned their living by farming. In this way the economic breakdown tangibly affected the work force of these two ethnic groups. Their limited opportunities of self-employment have made them a permanent contingent of the labour markets. After the expiry of the period of unemployment benefits provided for by the laws, they pass into the group of the socially weak, supported by the state via social benefits.

The involvement of men and women in the labour markets has the following specific features in October 1995:

- The coefficient of economic activity of women (47.1) is much lower than that of men (56.2);

- The coefficient of employment of women (40.0) is much lower than that of men (48.1);

- The coefficient of unemployment among women (15.0) is higher than that among men (14.4).

The highest relative share of the unemployed women is in the regions of Plovdiv - 14.7% and Sofia - 13.3%.

Youth unemployment has its highest share in the region of Plovdiv - 15.9% of all unemployed young people, in the region of Sofia - 13.6% and the region of Haskovo - 12.3%. An analysis of the group of unemployed, receiving social welfare benefits has shown that the relative share of young people among them is 93.6%.

The ethnic groups make up 14.6% of the country's population. The share of the Turkish ethnic group (9.4%) and of the Gypsy ethnic group (3.6%) is the largest. From the point of view of quantity, the labour force of the ethnic groups does not present any substantial problem to the labour market. The problems ensue from the concentration of that labour force in individual towns and villages. Typically that labour force was employed in industries, greatly affected by the restructuring of the economy and the subsequent high unemployment. What characterizes this part of the country's labour resources is their slow adaptation to the new conditions, owing to their comparatively unfavourable quality. These problems give rise to latent discrimination of ethnic groups on the labour markets. This can become the source of social tensions.

In the conditions of centralized economy, the state pursued a paternalistic policy with respect to the employment of some ethnic groups. That is why the changes in the state's socio-economic function and its giving up the policy of full em-

ployment has affected particularly strongly these groups of the labour force.

The problems of unemployment of ethnic groups have been looming large in the following settlements:

- municipalities with predominant population of the Turkish ethnic group and with high rate of unemployment like the Isperih municipality - 32%, the Ardino municipality - 21.5%, the Kirkovo municipality - 20.2%, the Razgrad municipality - 17.1%, the Kurdjali municipality - 12.2%;

- municipalities with a large share of Gypsy population like the Stolipinovo residential district in Plovdiv, the residential districts of Lyulin and Filipovtsi in Sofia, the towns of Pazardjik, Stara Zagora, Harmanli, Kazanluk, Ihtiman and Blagoevgrad.

Census data show that in terms of economic activity, employment and unemployment of the ethnic groups, the individual regions have the following specific features:

1. The economic activity of the Turkish ethnic group is the highest as a total for the country (49.3%), as well as in all the nine regions of the country. The economic activity of the Gypsy population is the lowest - 44.1% for the country as a whole. In the region of Varna, where the relative share of Gypsies is the highest, the coefficient of their economic activity is the lowest - 42.8%;

2. The coefficients of the economically inactive population bring to the fore the Gypsies again with the highest figure (55.9%). In individual regions it is even higher - 58.4% in the Lovech region and 57.2% in the Varna region.

3. The Gypsies have the lowest coefficient of employment (26.8%). In the regions where the Gypsy population has the highest relative share of the total population this coefficient is as follows: 26.2% for the Varna region; 25.3% for the Lovech region; 24.5% for the Rousse region and 23.6% for the Sofia region.

4. The unemployment is the highest among the Gypsy population - 17.3%, with variants from 21.2% (Rousse region) to 13.9% (the city of Sofia). The labour force of the Turkish ethnic group has a coefficient of unemployment of 12.3% on the average.

5. There is no sharp differentiation by sex of the unemployed and of the economically inactive population for the individual ethnic groups. The adverse after-effects of the economic changes concern the two sexes equally.

6. What characterizes the unemployment in terms of ethnic background and age is that in all ethnic groups, the share of the unemployed aged between 20 and 29 is the highest. This inference holds good for the country as well as for the regions without exception.

7. The situation of the ethnic groups on the labour market is complicated by the significant differences in their quality characteristics. The problems affecting the Gypsies and most of the Turks are particularly complex. The introduction of special educational and qualification programmes for the ethnic groups, which could ease their problems on the labour market started with great delay.

8. An assessment can be made of the quality characteristics of the unemployed of the ethnic groups by the census data from the end of 1992. Out of all unemployed with primary or lower education in the region of Rousse, at the time of the census 55.4% were of the Turkish ethnic group. In the region of Haskovo that share was 41.3%, in the Lovech region - 22.3%, in the Plovdiv region - 20.3%. The Gypsy population accounts for 17.8 per cent of the group of unemployed with primary or lower education in the country and respectively for 24.2 % of that group in the region of Varna, 28.8% in the region of Montana, 18.1% in the region of Bourgas, 18.8% in the region of Haskovo.

There are ethnic differences in the labour market

The labour market policy is most effective on the municipal level

The analysis of the regional labour markets from the point of view of sex, age and ethnic characteristics of these supplying manpower, brings out the specific features of the labour market in individual regions. These are the complexity of the problems of the labour market in the region of Plovdiv, the need of a more active policy concerning entrepreneurship in the Haskovo and Varna regions, as well as more active policies of reintegration of the young people and the ethnic groups into the labour market. The inferences proceeding from these data are related above all with the mechanisms of labour market policy. They should be designed in such a manner as to stimulate the solution of specific labour problems on local administrative level. It is at that level that the state of individual groups can be registered most precisely in the total unemployment and flexible countermeasures can be taken in the specific situation. The government should provide recommendations to the local administrations as to how to act in the presence of a specific labour problems.

6.5. Effectiveness of the regional labour market policy

The policy pursued with respect to employment and unemployment in the 1989-1995 period underwent an evolution. What best characterized it at the beginning of the period was that it followed in the wake of the phenomena, reacting to the changes that had set in. That meant mostly the registration of the unemployed and the payment of unemployment benefits. More vigorous activities have begun since 1992 aimed at directing the policy pursued to the protection of employment via the working out and implementing programmes for making the two sides of the labour market more active. The employers have been encouraged to provide jobs and to employ labour. Those supplying labour have taken an orientation to a greater initiative on the labour market.

Within the frameworks of these specific features of the policy pursued in the sphere of labour relations, its regionalization has been weak. In the long run, too, the regional aspects of the labour markets will be treated within the framework of the general problems. The strategy of the labour market, elaborated by the Ministry of Labour and Social Welfare (MLSW), specifies the priorities of the policy in labour relations as follows: unemployment, restructuring of the economy, legislation. Within the context of these goals and of the means of their attainment, the regionalization of the policy finds an outlet in individual programmes. An important element in the enhancement of the regional approach to the labour policy is the overcoming of the isolation of the bodies of local self-government and of the local administration existing so far. For the time being they have not been bound by the legislation with any obligations in the sphere of the labour market policy. That is why the strategy of the MLSW concerning the labour market explicitly states the need of involving the municipalities for joint actions with the offices on employment.

The strategy worked out in 1995 by the MLSW concerning the labour market, which has been coordinated with the Government's investment programme, envisages several programmes aimed at opening jobs and encouraging employment. The regionalization of the labour policy is also pursued within their frameworks. These are programmes for temporary employment, for youth employment and for the social welfare of the employed.

The specific regional programmes are those of eliminating illiteracy, of training and employment, involving the Gypsy minority and applied in Pazardjik and in the Stolipinovo residential district in Plovdiv. Their spread to other regions is forthcoming.

The working out of regional programmes for a mobility of labour during the restructuring of the economy has been en-

Towards a regionalization of the labour market policy

visaged. In this context the work of the business consultations centre in Blagoevgrad and the business „incubator“ in Lovech, opened within the frameworks of the programmes aimed at making the services of the labour market more accessible with the help of the Know-How Fund, have been a promising beginning.

The establishment of clubs of specialists with the offices on employment in Razlog, Razgrad and Pazardjik to provide motivation to people with higher and secondary education to look for job or to start independent economic activities are also regional initiatives aimed at curtailing unemployment. Meetings are organized between employers and unemployed, as are consultations for unemployed wishing to start up their own business. The establishment of a „job club“ with the employment office in Varna aims at encouraging the unemployed to look for employment. Two teams of consultants are working in Sofia and Montana, which train persons wishing to start their own business. The financing of their activity is along the lines of the PHARE international programme. A programme for a transition from the status of socially weak to that of employed people has been experimented since 1995 in Haskovo, Vidin, Lom and Ispirih.

The basic problems in the development of the regional labour markets stem from the financial restrictions imposed by the centralized budgetary means, assigned to the regions. At the same time, the local bodies of economic management are mostly passive and display a lack of interest in independently taking up the solution of the problems of employment and of unemployment. That is why the efforts over the short, medium and long term should be aimed at granting greater independence to the local bodies of economic management and at their encouragement to tackle the labour problems on a regional scale.

6.6. Prospects of employment and unemployment on a regional scale

The assessment of the variants in the development of the country's labour markets proceeds from the continuing uncertainty of economic development over the medium and the long term. The multiple variants of economic development can be tentatively summarized along two lines:

According to *variant A*, moderately sustainable economic development can be provided with a further improvement of the economic parameters, stabilization and moderate growth. Under such a variant, the problems of the regional labour markets will be focused on the working out an effective application of measures, associated with more vigorous structural and technological changes in the economy. This implies the direction of the efforts to the restructuring of the quality parameters of the labour force via varied programmes of education and vocational training.

Variant B assumes a wavering economic growth, more unstable economic development with declines and stabilizations, more imbalanced development of the labour market. Under such a variant, the policy of the labour markets will preserve its present character of combining passive and active measures. Depending on the period of economic cycle, the ones or the others will have priority. This is a more unfavourable variant for the development of the labour resources, because it assumes that part of them remain temporary outside the labour market with all the negative economic, social and personal consequences proceeding therefrom.

The anticipated demographic influences on the supply of labour both over a medium and over the longer term, show a trend towards the declining supply of

Vagueness of the prospects of the labour market

labour owing to the unfavourable demographic indices in the natural growth rate of the population. The age characteristics of the labour force will worsen. Changes are also to be anticipated in the quality of the manpower, which would be higher for the younger, while the adaptability to the changes among the ageing labour force will decrease.

On a territorial scale, specific labour markets will ever more clearly take shape in the future, following the requirements of the production in the settlements that is taking shape. Some of the frameworks of this process can be outlined: regions where

intellectual labour will predominate; agrarian regions where the demand for labour will be with specialization in agriculture; labour markets with a more tangible presence of manpower from the ethnic minorities; labour markets actively employing female labour. From the point of view of the specific features of these markets and the policy pursued in them, regional strategies should be elaborated of the labour policy. Reckoning with the complexity of the factors affecting the labour market, it should also map out the policies balancing the demand and supply of labour on the regional labour markets.

7.1. Marriages, birth rate and death rate

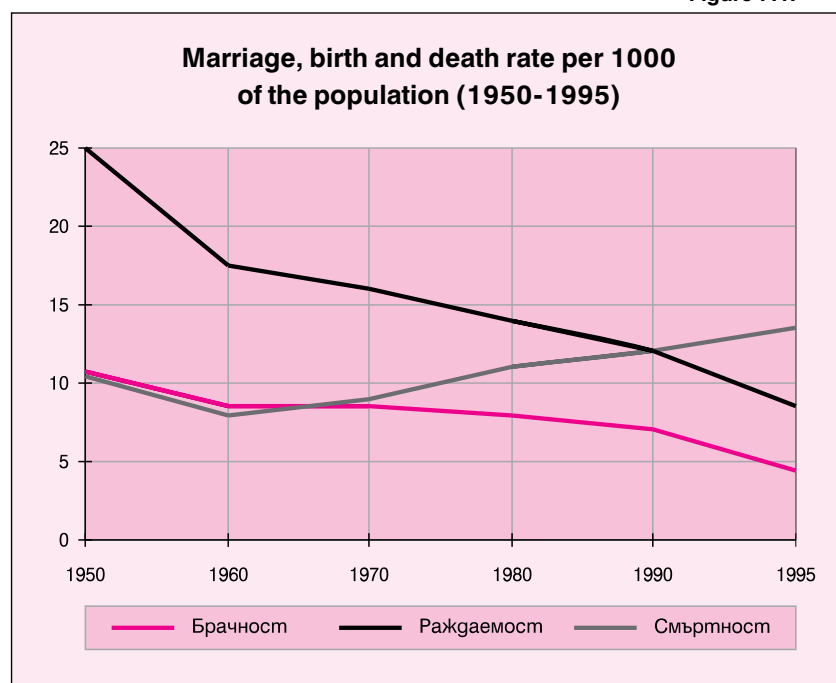
Bulgaria is one of the countries in Central and Eastern Europe with the most clearly noticeable demographic decline. This trend has been long-term. But during the past few years its negative features have become obvious in the basic demographic processes.

The result of this demographic development and of the wave of emigration has been the substantial decrease of the country's population. According to statistics provided by the census held on December 4, 1992, it numbered 8 487 000 000, or by 462 000 less than the population during the 1985 census. Whereas in 1989, less than 8000 were needed for the nation to reach the 9th million, at the end of 1994, the country's population was 8 427 000 000, or by 565 000 less than 9 million. This has been a demographic collapse unprecedented in the history of the Bulgarian nation. The population density has dropped from 81 people per square kilometre in 1989 to 75.9 people in 1994.

What has been characteristic of the 1970s and 1980s was the increase of the death rate and a drop of the birth rate. In the late 1980s, the country was already coming close to the point when the birth rate and the death rate became almost equal. In 1990 the death rate already exceeded the birth rate by 4 000 people, and the country reached a state of depopulation. In 1991 that imbalance already reached 14 000 deaths more than births, which meant 1.6 per thousand, while in 1994 this indicator was already calculated to reach 3.8 per mille, or 32,000 people. These facts are indicative of the continuous depopulation starting from the beginning of the current

decade. At the same time a stabilization of the biological balance has set in most Western European countries and there is even a small increase of the natural growth rate there. Therefore, on that indicator Bulgaria is not in line with the trends characterizing the developed countries of Europe.

Figure 7.1.



The depopulation is higher by several times in the villages. It started there as early as in the mid 1970s. In 1994 it amounted to 10.4 per thousand. In the towns and cities the depopulation became manifest in 1994 amounting to 0.7 per mille. These differences can be explained with the predominance of aged people in the villages. There the birth rate is lower, while the death rate is twice as high as in the urban centres.

In 1994 all regions of the country were in a state of depopulation. It varied from 2.1 per mille in the region of Plovdiv to 9.0 per mille in the region of Montana. Besides Montana, the regions of Lovech and

The nation is experiencing a demographic collapse, unknown in its history

Sofia also have depopulation above the average for the country.

Table 7.1.

Marriages, birth rate, death rate and natural growth per 1000 of the population in 1994 by regions (in %)				
	Marriage	Birth rate	Death rate	Natural growth
Total for the country	4.5	9.4	13.2	-3.8
City of Sofia	5.2	8.6	11.5	-2.9
Bourgas region	4.5	10.4	12.7	-2.3
Varna region	4.7	10.1	12.6	-2.5
Lovech region	4.0	8.7	15.9	-7.2
Montana region	3.8	8.9	17.9	-9.0
Plovdiv region	4.5	9.6	11.7	-2.1
Rousse region	4.4	10.0	13.8	-3.8
Sofia region	4.4	9.2	13.2	-4.0
Haskovo region	4.4	9.6	12.2	-2.6

In these critical conditions the institution of marriage has been the object of special concern on the part of society. According to the Bulgarian legislation, the lowest marriageable age is 18 years. A permit is required for a marriage under that age. During the past few years the share of these

Box 7.1.

Absolute and relative decrease of marriages

Both the absolute and the relative drop of marriages began in the late 1970s. Whereas in the 1970s there were 70 000 marriages a year, in 1991 their number dropped to 49 000, and in 1994 to 38,000. Excluding the war periods and the demographic redress of the post-war

years, Bulgaria has had a stable number of marriages of between 8 and 10 per thousand of the population. In the 1980s, it began to decrease, reaching 7.0 per thousand in 1989, whereas during the past few years it has sharply decreased reaching 4.4 per thousand in 1995.

marriages has been insignificant (less than 0.5 per cent). But Bulgaria is among the European countries where early marriages are typical. The average female age at the first marriage is 22 years. This has been a stable magnitude during the past two de-

cadec. From among the member-countries of the Council of Europe, only in Turkey and in Hungary there is a lower average age at the conclusion of the first marriage by women. A more tangible drop in the early marriages (up to the age of 20) has been noticed among men, whereas among women it has been insignificant. This has been due to the change in the common practice of the past for the rural men to marry older women. This change has been helped by the accelerated urbanization of the country after the Second World War. Now the main cluster of marriages of women is in the age groups between 18 and 22 years of age, whereas among the men it is between the ages of 20 and 26.

Up to the Second World War there was a slightly higher number of marriages in the villages. In 1994, the numbers of marriages were already 3.4 per thousand in the villages and 4.8 per thousand in the towns. This difference has been the result of the decreasing young generations in the villages. The lowest number of marriages has been registered in the region of Montana and the region of Lovech. In these regions the decrease of the younger generations has been most tangible and this has also reflected on the number of marriages.

Among the women as well as among the men, most of the marriages are concluded by those contracting a first marriage. In 1994, they accounted for 89.6 per cent of the women and 88.2 per cent of the men. When compared with 1960, these values have increased insignificantly, and in comparison with 1991 they are almost unchanged.

During the past two decades, there has been a stable and relatively low rate of divorces in Bulgaria, namely less than 2 per thousand. With this rate of divorce, the country is close to most of the countries of South Europe, where the family institution has been relatively stable. The main accumulations of divorces are at the beginning of married life up to the age of 30 or in the interval between 45 and 49 years of age.

Featuring in the first group are the marital relations that had not been well considered in advance and are dissolved. In the second group are families whose children have already grown up. This makes possible the dissolution of unstable marriages.

From among the reasons cited for the dissolution of marriages in 1994, most important has been the incompatibility of characters (32.7 per cent) and unfaithfulness (11.5 per cent). The share of dissolved marriages by mutual consent has been steadily growing and reaching 23.7 per cent.

Up to the mid-1960s, the birth rate was higher in the villages than in the towns. Then a decline of the birth rate in the villages began reaching 8.8 per thousand in 1994 as against 9.7 per thousand in the towns. This has been due to the accelerated aging of the rural population resulting from migration. The fertility of the population, measured by the total coefficient of fertility, is higher in the villages (1.67) than in the towns (1.27). The lowest birth rate for 1994 was registered for the city of Sofia - 8.6 per thousand, followed by the region of Lovech - 8.7 per thousand and the region of Montana - 8.9 per thousand.

Research of the reproductive behaviour does not lead to any optimistic conclusions. The two-children model, characteristic of the country in the 1970s and the first half of the 1980s (2.08 desired children in 1985) was rapidly eroded. The children desired by one woman in 1991 were 1.8. In reality, the figure reached 1.37 children per woman in 1994.

Demographic, socio-economic, socio-psychological and other factors influence the formation of the reproductive behaviour. The fundamental *demographic factors* have already a negative effect on the birth rate. The number of marriages is steadily decreasing, adversely influencing the birth rate. The contingent of women in fertile age was expected to increase, because after the middle of the 1980s it was joined by the generations born in the 1968-

1975 period, where there was a relatively high birth rate - 16-17 per thousand. The rate of that contingent in 1994 was 47.9 per thousand or by 1.5 points higher than that in 1986, although it had been largely swept by emigration. That increase, however, did not bring about a higher birth rate.

Box 7.2.

The birth rate has been decreasing rapidly and significantly

During the past decade the birth rate has been continuously decreasing. Since 1990 it has not been capable of securing a positive natural growth. In 1995 the birth rate reached the point of 8.6 per thousand. Only a few countries of Southern Europe like Italy, Greece and Spain, as well as countries in transition like Lithuania and Estonia have had such a low birth rate among the member-countries of the Council of Europe. In most of the advanced countries an increase or stabilization of the

birth rate was noted in the 1980s. Against this background, the low birth rate in Bulgaria cannot be explained or excused by the world trends. Indicators as the total coefficient of fertility (average number of children born by one woman during her period of fertility), which in 1994 was 1.37, as well as the net coefficient of reproduction (the possibility of the girls born to live to reach the age of their mothers) amounting to 0.68 show divergence from the predominant trend in Europe.

The curtailing of the active fertility period has been characteristic. At the beginning of the century, a considerable proportion of the women bore children throughout their period of fertility. Now most of the births accumulate in the age groups from 15 to 24 years of age. In 1994 the births of this age group of mothers accounted for 65.0 per cent of all live births, whereas in 1901-1905 that percentage was 34.6.

Fertility also depends on the number of children born. Statistics point to a continuous increase of the births of a first child. The leap has been particularly big during the past three decades, when from 40.8 per cent in 1960-1962, the percentage of these births reached 54.1 in 1994. The births of a second child dropped from 38.6 of the total number of child births in wedlock in

The low birth rate has been due to a set of demographic, economic and cultural factors

1963 to 33.5 per cent in 1994. The birth of a third child was stable within the range of 16-17 per cent up to the early 1940s, when that percentage began to decrease to reach 7.1 in 1994. The relative share of births of a fourth, and especially of a fifth and sixth child has tended to be continuously decreasing, which has been particularly clear during the past three decades.

The major *socio-economic factors*, determining the decrease of the birth rate in the conditions of transition, boil down to the following:

- Drop in the real incomes of most of the young families, a change in the structure of consumption, mostly directed to the support of the family, and the rising costs of bringing up children;
- High rate of unemployment and vague prospects for the professional realization of a great number of young people;
- Delay in the tackling of the living and social problems concerning young families, like the provision of housing, and the services provided to the families;

Box 7.3.

Infant mortality is rising

Registering a considerable decrease from 138.9 per thousand live births in 1939 to 13.6 per thousand in 1988, infant mortality has tended to rise during the past few years. In 1990 it was 14.8 per thousand, while in 1994 it was 16.3 per thousand. In this indicator Bulgaria is almost on a par with

Estonia and Lithuania among the member-countries of the Council of Europe. Only Turkey and Romania have considerably less favourable indices. The most advanced countries like Sweden, Switzerland, Denmark, Norway and the Netherlands have about three times lower infant mortality.

- Ambiguity in the system of assistance to the families in the support, upbringing and education of the children.

Socio-psychological factors have also had quite a negative impact on the birth rate under the conditions of transition. The hardships in the satisfaction of basic needs

relegate to the background the needs of having children and result in putting off, and to giving up the birth of the next child. The erosion of the multiple children, and of the two children model, intensifies. The contraction of marriage and the birth of the first child are often delayed too long. The aims of the parents are mostly directed to the search for ways for their own better self-realization and the provision of the conditions for their children's better future, which limits their number in the families.

The family business which could lead to a reproduction of the manpower needed by the family, instead of hiring it on the labour market, has not begun to operate yet. The interest in increasing the family is expected to stabilize with the development of private farming and private business. It should not be forgotten, however, that similar expectations failed to materialize in Hungary and in some countries of Southern Europe.

The rise of the *death rate* has reflected unfavourably on the biological balance of the country. With certain vacillations, this trend has continued throughout the period of the mid-1960s to date. The lowest death rate was registered in 1961 and 1964 - 7.9 per thousand. In 1995 the death rate reached 13.6 per thousand. A share of this increase has been due to the aging of the population. But this cannot give a full explanation to the considerable rise of the death rate. This has also been borne out by the standardized coefficients of death. Among the member-countries of the Council of Europe, the death rate in Bulgaria is exceeded only by the death rates in Hungary, Lithuania and Estonia.

After the Second World War, the main causes of death have changed, too. In the past, the main causes of death were pneumonia and tuberculosis, which ranked second and third as causes of death in the 1939-1949 period after the diseases of the blood circulation organs. At that time, quite significant were also the deaths caused by acute infectious diseases, typhoid fever and paratyphus, scarlet fever, malaria and epi-

demic typhus. During the past ten years, cardio-vascular diseases have become the main causes of death in the country. Throughout the past ten-year period they have accounted for more than 60 per cent of the lethal cases. Among them the share of deaths resulting from diseases of the brain vessels and from ischaemia has been the highest. The causes of death next in importance have been malignant tumours, traumas and intoxications and the diseases of the respiratory system.

The death rate among men is higher than that among women with cases of all socially significant diseases. This difference is more than three times in the death rate ensuing from traumas and intoxications and more than two times from diseases of the digestive system. Like in most of the European countries, in Bulgaria, too, men are more susceptible to the main causes of death. The ensuing result is an increase in the difference in the life expectancy of men and women.

The *types of settlement* also exert an influence on the total death rate and on the deaths resulting from the main causes of death. In 1994, the death rate in the villages was 19.2 per thousand, or nearly twice as high as that in the urban centres, where it was 10.4 per thousand. In Bulgarian conditions, the death rate of all basic socially significant diseases is also higher in the villages than in the towns. This difference is particularly clear-cut in the diseases of the respiratory system, as well as in the cardiovascular diseases. These differences are influenced both by living conditions in the towns and villages, and by the higher health care standards and better health care security in the towns than in the villages. It should also be borne in mind that the rural population is considerably older than the urban. The death rate is the highest in the regions of Montana and Lovech. To some extent the high rate of death in these regions is due to the population that is well advanced in years.

The problem of the death rate is also topical from the point of view of attaining a certain average future longevity. After the end of the Second World War and up to the mid-1970s, Bulgaria had an increase by 20 years of the average future longevity.

Table 7.2.

Relative share of deaths due to basic socially significant diseases (1985-1994, in %)			
Causes	1985	1989	1994
Total number of deaths	100.0	100.0	100.0
Cardiovascular diseases	60.1	61.2	62.2
Neoplasia	13.7	14.4	14.5
Diseases of the respiratory system	7.7	6.3	4.9
Traumas and intoxications	5.3	5.3	5.2
Diseases of the digestive system	3.1	3.2	3.2
Others	10.1	9.6	10.0

ity. This has been beyond any doubt a success of public health, particularly in the treatment of infectious diseases, the diseases of the respiratory system and in the drastic reduction of infant mortality. The opening of public health establishments, the increase in the number of medical personnel, the introduction of new medicines, the raising of the people's educational standards as well as the introduction of free medical aid have played a positive role in the reduction of the death rate and in prolonging the life of the people. After the expiry of that period, however, there has been though slight decrease of the average future longevity of men and of women. In 1994, the average longevity of future life was 67.2 years for men and 74.8 years for women. From among the member-countries of the Council of Europe, it is only in Bulgaria, Hungary and Poland, that there has been a trend towards the stabilization of the average future longevity. In the 1980s and particularly in the early 1990s, even a slight drop in that indicator has been noted in these countries. In the other European

countries there is not only an increase, but in individual cases (the Scandinavian countries and Switzerland) there is future longevity by 5-6 years higher than that in Bulgaria.

Table 7.3.

Migration flows (in %)				
Directions of migration	periods			
	1966-1975	1976-1985	1986-1992	1994
Total	100.0	100.0	100.0	100.0
From town to town	30.2	38.3	44.7	38.9
From town to village	9.9	13.3	17.7	24.2
From village to town	42.7	34.3	22.6	23.9
From village to village	17.2	14.1	13.0	13.0

The negative trends in the development of the death rate and the average future longevity observed during the past few decades, have been exerting a grave impact on the formation of the living and labour potential of the nation. The causes of the high death rate are multifaceted in their nature. In the period of transition, the drop in the living standards and the deterioration of nutrition, particularly in low-income strata has had an adverse effect. Damage to the environment, as well as the distancing of the working environment from the optimum working conditions, which do not harm man’s health also exert their influence. The social environment is also adverse, full of a great number of problems: from unemployment and poor living conditions to the continuous violation of man’s psychological comfort by situations of stress, typical of the crisis period. No positive assessment can be given to the system of public health, which has not outgrown the red tape and suffers from improper provision of the required material base and medications.

7.2. Migration and emigration

The intensity of the internal migration, particularly high in the 1956-1965 period

(18 per cent of the average annual population), gradually dropped to 2.3 per cent in 1994.

The data point to changes in the basic flows of migration. From the middle of the 1980s, resettlement from one town to another occupy a leading place in the flows of migration amounting to 38.9 per cent of the migrants in 1994. For the first time, resettlements from town to village ranked second. This comes to show that the process of leaving the urban centres which started in the country in the 1970s is already underway and encompasses 24.3 per cent of the migrant population within the country. The migration flow from the villages to the towns, which was basic for the entire period up to the mid-1970s, already ranks third, encompassing 23.9 per cent of the migrant population. The last place is occupied by the migration flow between villages (from one village to another), which included 13% of the migrant population over the past decade.

The share of the urban population from the total number of population in Bulgaria was comparatively stable up to the middle of the 1930s. Up untill that time about one-fifth of the population lived in towns. During the subsequent censuses taken, the relative share of the urban population steadily grew reaching 67.8 per cent by the end of 1994.

Since the bulk of Bulgaria’s population lives in towns and cities, its development in terms of size is of special interest. At the end of 1994, the city of Sofia had a population of 1 164 000 people, showing an annual negative natural growth of about 3 000 people for that year. But the capital city has population, which is still, though insignificantly, growing, owing to the positive migration balance which is 5,800 people.

From among the *big cities* with population exceeding 100 000 people, the following cities have positive natural growth and positive migration balance: Plovdiv, Sliven, Stara Zagora and Bourgas. The cit-

ies of Pleven and Dobrich have a positive natural growth but a negative migration balance, exceeding the natural growth and resulting in a decrease of the population.

In Varna and Rousse, the population decreases both owing to the natural negative growth and as a result of the negative migration balance. This comes to show that depopulation begins to be manifest not only in the villages and in the small towns, but also in some of the largest cities, where the age structure favours an increase in the birth rate, while conditions from the point of view of public health care and reduction of the death rate are better. The waning of the domestic migration processes limits the possibilities of growth of some of the big cities, which have started to lose from their population, as well as from the negative migration balance.

One-third of the towns with population below 100 000 people lose from their population both owing to the natural development and the negative migration balance. Only 16.1 per cent of these towns show a population growth resulting from natural growth as well as from a positive migration balance. The rest of the towns of this group (25.8 per cent) have a negative natural growth and a positive migration balance. One-fifth of these towns manifest a positive migration balance and a negative natural growth. As a whole, this group of towns loses from its population both as a result of the negative natural population dynamics and of the migration, the bulk of which has during the past years merged into the migration flow from „towns to towns“, or from the smaller towns to the bigger cities.

Depopulation has particularly intensified in some regions. These are centres of population in Northwestern Bulgaria, especially around Bregovo, Koula, Gramada, Dimovo, as well as in Central Western Bulgaria like Godech, Dragoman, Trun, Zemen, Kocherinovo. The region of the Strandja and Sakar also continues to be depopulated, especially the settlements

around Bolyarovo and Straldja. There is greater depopulation in a number of settlements in Central North Bulgaria and in the region of the Central Balkan Range, like Ougurchin, Souhindol, Apriltsi, Sevlievo and others. There has been a positive natural growth in the regions of Smolyan, Kurdjali, Momchilgrad, as well as in the settlements around Sliven, Kotel, Turgovishte and most of the settlements in the Loudogorie area.

The great internal mobility of the population, brought about during the foregoing decades by the intensification of agriculture and by the development of industry and the services, has evolved into a high intensity of the international migration during the past few years. Emigration has very essential and direct aftereffects on the population and the labour force. It has been the main factor leading the country to an unheard-of demographic collapse, of which it is hard to forecast when and how it would be surmounted. According to current demographic statistics, the number of emigrants in the 1989-1991 period was 406 000 people. In 1992 alone they were 70 000. This is a net loss of human and labour potential at the height of their working ability, and in whose physical growth as well as in whose education and intellectual advancement great funds have been invested.

The major part of the emigrating population is of the age cohorts from 20 to 35 years of age. From among those who emigrated in 1989, 35.9 per cent were of this group, in 1990 - 44.7 per cent and in 1991 - 34.2 per cent. What is noteworthy is that in 1990, when emigration among the Bulgarian population intensified, the share of young emigrants increased by about 9 points. This means still greater loss of human potential, bearing in mind the fact that people of higher educational and qualification standards emigrated.

The human potential that the country loses by that huge wave of migration amounts to 19 628 000 life years, or an average of 41 per person. The labour po-

From intensive internal migration towards intensive international migration

tential of the emigrants amounts to 11 392 000 working years, or an average of 24 years of working life. Predominant from among those who have taken a firm decision to emigrate are young people. Most of the potential emigrants are men. The highest share of potential emigrants consists of Turks, followed by Gypsies. Among the Bulgarians, emigration is planned under certain conditions and for the future. „Die-hard emigrants“ are mostly Turks from the villages. The overwhelming share of them have an educational standard lower than secondary education.

In the period of transition, accompanied with a high unemployment rate, society shows an understanding to those emigrating. This is assumed to be their human right.

Box 7.4.

Directions of the emigration flows

The bulk of the potential emigration (72 per cent) is aimed to the Balkan countries followed by the countries of Western Europe - 18.1 per cent, and to the former socialist countries - 8.8 per cent. The unambiguous potential emigrants are directed above all to Turkey. For those aiming at Western Europe, emigration is not a specific intention, but rather a dream of a fu-

ture, which under the measures of closed frontiers of a great number of the Western countries is becoming increasingly more difficult to accomplish. The basic reasons for emigration are associated with the wish to live and work in conditions of a high living standard, settlement of material problems, and acquiring better production experience.

In the 1990s, after the opening of the country's frontiers, a certain *immigration* has also accumulated whose size has been approximately calculated to be 25 000 people. These have been mostly people from the Arab countries and from the former republics of what used to be the Soviet Union. Some of them have the intention to emigrate to the West, but with the close-down of the frontiers of the Western countries, they have been forced to remain in Bulgaria.

It may be assumed that emigration from Bulgaria will gradually decrease. This trend has been obvious during the past few years, when emigrants have been about 30 000 people a year. The grounds for these forecasts are the prospects associated with the gradual sophistication and utilization of the available machinery in industry, the development of agriculture and of the food processing and light industries related to this, the development of tourism and other sectors of the economy, for which Bulgaria has good conditions and traditions. A necessary condition for this development is the stepping up of the privatization and of the structural reform. The international institutions, as well as the economically advanced countries have a stake in the acceleration of the reform in the countries in transition, as that would create livelihood for the local population and would save the advanced countries from the wave of immigration, creating tensions on their labour markets.

7.3. Sex and age characteristics of the population

In the past there was a predominance of the male population, which with certain vacillations continued to the period of the Balkan and the First World War. After the wars, the female population exceeded the male for some time. Very soon, however, there was again a predominance of the male population. From the middle of the 1930s there was a trend of levelling out the sexes, which in 1956 resulted in a predominance of the female sex. This predominance intensified in the 1980s and 1990s, and in 1994 the ratio was already 1040 women to 1000 men. This has been a trend affecting the population of towns and villages alike.

This transformation has been the result of the higher death rate among men and of their smaller average longevity than that of the women - by about 6 years during the past 10 years. The wave of emigration has also contributed to the greater im-

balance during the past few years, as men joint it on a larger scale.

The demographic transition taking place also determines the changes in the age structure of the Bulgarian population. From a progressive type at the beginning of the century, in which the share of the young generations was high (40 per cent), in the 1970s it became stationary, whereby the young and old generations were evenly distributed. During the past few years there has been a regressive type of the age structure, whereby the young generations (from 0 to 14) are about 18 per cent and the old (50 and above) are already about 33 per cent. The age pyramid has been seriously eroded. In future, increasingly less numerous generations will join the able-bodied contingent.

A forecast of the movement of the different generations envisages a sharp decrease of the youngest generations from 0 to 15 years of age. From 1 876 000 in 1990, they are expected to decrease to 1 638 000 in the year 2000, or to be by 238 000 less. The decrease over 10 years is expected to affect about three generations, according to the birth rate during the past few years. In this demographic situation a decrease both of the young generations and of the able-bodied contingent is to be expected.

The young contingents from 16 to 30 years of age had, under normal conditions, to show an increase at the end of the 1980s and early 1990s, since generations born in the decade from 1968 to 1975 joined them. That natural growth, however, was consumed by emigration. In this way their relative share of the total population remained unchanged - 20 per cent. If emigration is avoided, a slight decrease is expected by the year 2000. After that period, however, a rapid decrease is expected of the young generations as a result of the enlistment of the generations, born during the period of transition.

The relative decrease of the contingent of able-bodied people (16 to 54 years for women and 16 to 59 years for men)

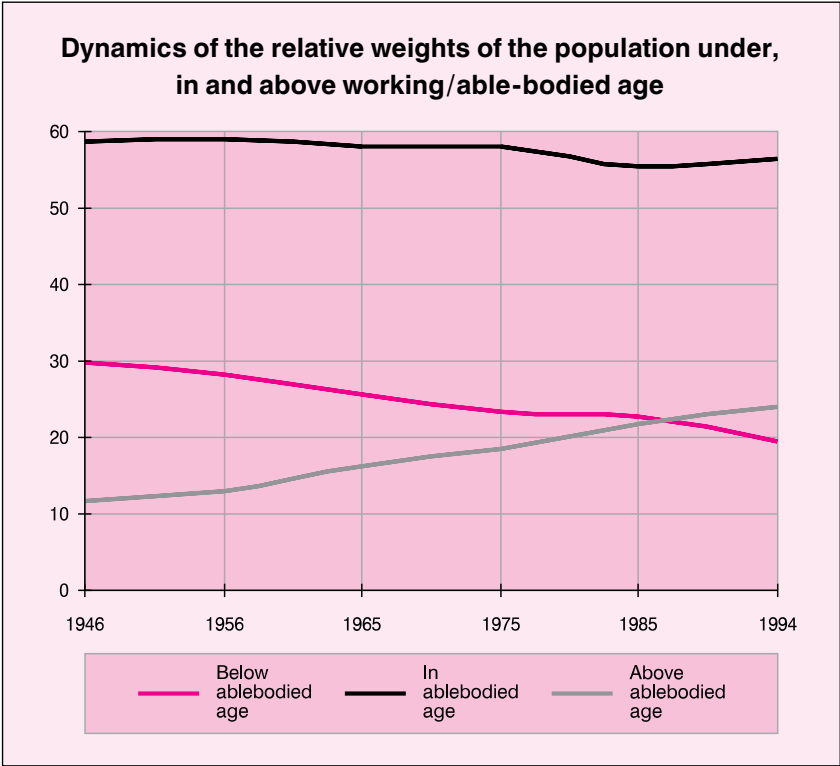
began as early as in the middle of the 1950s. Since 1977 this contingent has also been decreasing in absolute values. Up until

Table 7.4.

Sex ratio of the population			
Years	Women per 1000 men		
	Total	in towns	in villages
1946	999	953	1014
1956	1004	1002	1005
1965	1000	1000	1000
1975	1003	1010	993
1985	1019	1024	1008
1992	1035	1043	1019
1994	1040	1049	1023

1989, the process was mostly determined by the enlistment in the contingent of able-bodied people of ever less numerous young generations and the departure from the contingent of ever more numerous old generations. In 1990 the absolute number of the able-bodied population was calculated

Figure 7.2.



*The traditional
population development
measures are not
effective*

to be 4 806 000 people, or 55 per cent of the population. According to 1994 statistics, it is 4 741 000, or by 65 000 people less. If the wave of migration stops to suck up population of the able-bodied contingent, there are some chances that by the year 2000 it might not undergo tangible changes. Afterwards, however, an accelerated decrease will begin, brought about by the addition of generations, small in number, born during the period of transition. So even by optimistic forecasts, the able-bodied contingent in 2020 is expected to decrease by nearly 4 generations in comparison with 1990.

7.4. Population development policy

In the conditions of transition, a great number of the measures taken to secure the development of the population do not produce the anticipated result. The housing policy, envisaging privileges for the young families in acquiring housing and loans for housing construction does not operate due to the restriction of housing construction and the introduction of market mechanisms in the purchase of a dwelling. The rising costs of housing under contemporary conditions become unbearable for the young families, quite a few of which are part of the group of the socially weak people. The single lump sum assistance and the family allowances do not produce the anticipated effect either, for despite of their increase they are not in a position to cover the higher cost of upbringing of children.

The radical policy of granting 3 year long leaves for rearing children also loses of its impact in the conditions of dropping real incomes of the families. Parents often ignore that privilege, preferring to work and receive higher incomes than the minimum working salary, which is provided during the basic part of the maternity leaves. The higher cost of childcare establishments, of clothes and foods for children and infants, as well as of the services offered to the family, is becoming increasingly more difficult to bear by the young families.

The policy of free medical assistance has detached the physician from the family, resulting in greater red-tape in medical services and failing to sufficiently work towards the decrease of the death rate. On the other hand, paid medical services during the years of transition have been financially unbearable to a great share of the Bulgarian population. The poor state of the health-care establishments should also be added. Conditions in them greatly differ from conditions at home and have an oppressive influence on the sick. In the hospitals modern medical apparatus and the necessary medicines are either lacking or in short supply.

The high rate of unemployment, the insecurity as regards the professional realization particularly of young people and the low pay, encourage potential and real emigration alike. The measures aimed at the development of the private sector, at creating livelihood and at tackling a number of economic and social issues fail as yet to produce the expected results in stopping emigration and resolving the development problems of the population.

The grave demographic situation is one of the most difficult challenges, which Bulgaria has to resolve at the end of the 20th century. What is needed is consensus among the political forces and institutions with regard to the country's demographic policy. *A national strategy and programme for coming out of the complicated and adverse demographic situation must be worked out by common efforts.*

In line with the international recommendations, the demographic policy should be aimed at providing conditions for the normal reproduction and realization of people, taking into account their wishes and possibilities, as well as the needs of society. The activities have to include the pursuit of an effective economic policy providing livelihood, raising the living standards, helping the family in the upkeep and upbringing of children, as well as in housing provision. Social security should cover

to a high extent the needs of the lonely and aged people and invalids.

Maternity and children's health care should secure the birth of a healthy child and the bringing up of a healthy and viable generation, which is a prerequisite for a longer human life. So that an up-to-date family planning might be secured and the massive resorting to abortions, exceeding the number of births, might be avoided, the family must have information and means to make use of the entire range of safe and effective methods of birth control.

In the attainment of family stability, which is also a guarantee for an effective demographic policy, of major importance are family relations, and especially the re-affirmation of the equality of man and woman and their interaction in the upbringing and education of the children.

In order to be effective, the demographic policy must be complex, systematic and must take into account the specificities of the individual regions and social groups, to which people belong. The actions of the institutions which have relevance to the problems of the demographic development should be coordinated. Special attention should be paid to the legisla-

tion relevant to the Bulgarian family and the reproduction and self-realization of its members. What is needed is a well substantiated governmental strategy and a programme which would pool the efforts of the ministries and institutions for the solution of the demographic problems.

The demographic development is directly related also to the implementation of the reform in the country. It is to be regretted that so far it has been operating mostly via its monetary component, which does not sufficiently help the development of production. What is needed without any delay is the intensification of structural reforms, which means development of efficient industries. Serious attention should also be paid to the introduction of new technologies, which will make the Bulgarian economy competitive and will enable it to secure better satisfaction of the domestic market and exports for the foreign market. Privatization, technological innovations and new investments can influence the demographic development. The economic stir, securing more dynamic production, may become a prerequisite for securing the normal reproduction of the country's population, characterized by a moderate growth and slow change of generations.

The key to the successful demographic policy is the success of the economic reform

8.1. Morbidity Rate

The population’s morbidity rate is influenced by a great number of demographic, social and economic factors. The direction and intensity of their impact change during individual periods of the social development. Their influence on the morbidity rate may be positive or negative. Since the influence is comprehensive, the impact of the individual factor is hard and sometimes impossible to measure. There is no doubt, however, that the sharp drop of the living standards in the period of a socio-economic crisis has resulted in a tangible deterioration of the health status of the population. However, even in a small country like Bulgaria, the changes in the health status greatly differ in the individual regions.

The socio-economic changes that have set in reflect in most varied ways on the spread of individual diseases. The total morbidity rate of communicable diseases, for instance, does not cause any special problems for the time being. Some diseases like scarlet fever, varicella, serous meningitis, and epidemic cerebrospinal meningitis tend to decrease. Others have been wiped out or reduced to incidental single cases (measles, encephalitis, malaria, poliomyelitis, anthrax, leptospirosis). However, the morbidity rate of bacillary dysentery and infectious hepatitis is rising.

The epidemic situation widely varies in the individual regions. The local epidemic outbreaks bring about considerable digressions of the morbidity rates from the average for the country. Whereas the average morbidity of scarlet fever for the country was 80.8 per 100 000 of the population, in Sofia in 1994 that morbidity was 187.0. The lowest incidence registered in

the country was in the region of Lovech - 50.8.

The average morbidity for German measles in 1994 was 72.7 per 100 000 of the population for the country. In the region of Lovech that incidence was two times higher or more - 181.9. The lowest incidence of that disease was in the Bourgas and Haskovo regions - 22.6 and 37.8 respectively.

The drastic drop of living standards has worsened the health status of the population

Table 8.1.

Cases of active tuberculosis registered in 1989 and 1994 per 100 000 of the population by regions				
Regions	Total		Of them newly diagnosed	
	1989	1994	1989	1994
For the country	108.1	142.2	25.6	37.5
City of Sofia	99.0	135.7	19.8	31.4
Bourgas	100.9	131.0	26.6	32.8
Varna	89.9	126.3	21.9	30.4
Lovech	128.6	150.9	30.1	40.0
Montana	130.7	198.6	30.4	48.3
Plovdiv	106.9	132.2	30.7	34.9
Rousse	111.8	161.6	23.5	43.3
Sofia	109.5	135.9	23.9	43.9
Haskovo	104.4	132.4	24.4	39.1

Similar differences can also be noted with other communicable diseases. After a long period of decrease, the incidence of tuberculosis has been showing a clear upward trend. The fundamental reason has been the weakening of the population’s immunity under the influence of a great number of economic and social factors. In the 1989-1994 period, the newly diagnosed cases of tuberculosis increased from 25.6 to 37.5 per 100 000 of the population. An increase has been registered in all regions, but at different rates. In 1994, the highest

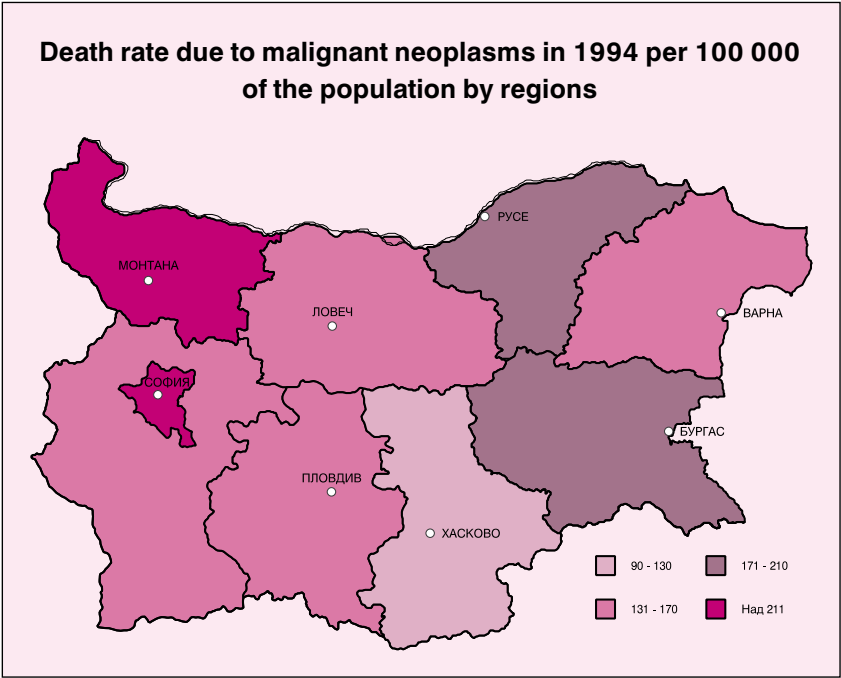
morbidity was registered in the regions of Montana (48.3), Sofia (43.9) and Rousse (43.3). The lowest incidence of tuberculosis has been in the region of Varna (30.1) and in the city of Sofia (30.4).

Table 8.2.

Registered cases of malignant neoplasms for 1989 and 1994 per 100 000 of the population by regions				
Regions	Total		Of them newly diagnosed	
	1989	1994	1989	1994
For the country	1674.0	2040.1	254.4	291.2
City of Sofia	1794.0	2139.6	267.7	307.3
Bourgas	1629.3	2032.0	233.4	264.5
Varna	1537.0	1934.5	244.5	272.0
Lovetch	2019.1	2340.4	321.8	341.7
Montana	1924.5	2185.8	235.1	223.2
Plovdiv	1697.8	2074.9	271.3	299.0
Rousse	1424.0	1779.0	224.7	264.8
Sofia	1558.6	1821.4	250.2	255.0
Haskovo	1480.6	1991.1	217.6	268.5

The malignant diseases tend to increase both in the country as a whole and in all

Figure 8.1.



regions. This process is most intensive in the region of Haskovo where the increase in 1994 is by 518.5 per 100 000 of the population in comparison with 1989. Next comes the region of Varna with an increase of 397.3 cases and Sofia - with 345.6 cases. Whereas the average increase of the newly diagnosed diseases for the country was by 36.8 points in 1994 in comparison with 1989, that increase in the region of Montana was by 88.1 points.

Such differences in the morbidity in individual regions have also been registered in the most widespread localizations - malignant neoplasms of the trachea, the bronchi and the lungs, of the abdomen, of the skin, etc. These differences have been noticed in the morbidity as well as in the trends and rates of change. No higher morbidity of malignant neoplasms of the trachea, bronchi and the lungs has been registered in the regions of the city of Sofia and the region of Varna, while in the region of Sofia there is also an insignificant decrease. Whereas there is a general decrease in the morbidity of malignant neoplasms of the abdomen in the country, there is a doubling of that morbidity in the region of Montana. This is reflected on the essential differences in the death rate due to malignant neoplasms in the individual regions.

The current situation of crisis adversely influences the *psychological status* of the population. The number of people registered for follow-up in the mental dispensaries is steadily rising. From 2529.7 per 100 000 of the population in 1989, their number reached 2771.0 in 1994. The situation varies in the individual regions. During that year the highest rate was registered in the Bourgas region - 4181.4 per 100 000 of the population (1.5 times the average of the country), followed by the Sofia region (1910.7 per 100 000) and the Varna region (2846.4). The city of Sofia (2137.2) and the Haskovo region (2170.6) have the lowest incidence. In most of the regions the number of persons registered for follow-up in

the mental clinics rose in the period 1989-1994.

The share of those registered for follow-up treatment was greatest for cases of schizophrenia, mental deficiency, epilepsy, the syndrome of alcohol addiction and neuroses. During the period under scrutiny, there was an increase of the incidence of such cases registered for follow-up treatment for the country as a whole. The situation varies widely in the individual regions. Differences in the level and incidence as well as in the trends of change, which are not always analogous to those for the country, have been observed.

The morbidity resulting in *lasting disability* (invalidism) has tended to steadily rise during the past few years. In the 1990-1993 period the incidence of primary invalidism increased from 4.68 to 6.33 per thousand insured persons. This trend has been observed in all regions, though at varying rates of growth. In 1993, the highest incidence of invalidism was in the region of Rousse (7.63 per one thousand persons insured) and of Varna (7.23 per one thousand persons insured). That incidence was the lowest in the region of Lovech (5.44) and in the city of Sofia (5.93). No substantial changes have been registered in the ranking by regions during that period. Invalidism increased at the highest rate in the regions of Rousse and Varna. The increase was comparatively small for Sofia and the region of Lovech.

From among the diseases resulting in invalidism, the diseases of the cardiovascular system (ischaemia and disease of the blood vessels of the brain) have occupied the major place causing invalidism in about 1/4 of all cases of primary invalidism. Coming next are the neoplasms, the diseases of the nervous system, psychiatric disorders and others. The nosological structure is similar in the individual regions, too, despite the specificity in the incidence and the rates of change.

8.2. Health care services network and health care personnel

The network of establishments rendering medical services (diagnosis, treatment, rehabilitation, some kinds of preventive treatment) is well developed in the country, having at its disposal the necessary stock of buildings and staff.

Table 8.3.

Health care establishments and stock of beds - 1994		
Kinds of health care establishments	Establishments	Beds
I. Hospitals - total number	294	86092
Of them:		
Amalgamated regional hospitals	30	27435
Municipal hospitals	96	25443
Workers' hospitals	10	1166
Faculty hospitals	12	4660
Lung disease hospitals	14	3466
Paediatric hospitals	3	251
Maternity and gynaecology hospitals	4	1320
Psychiatric hospitals	15	5002
Dispensaries	59	4727
Higher institutes of medicine	5	5059
II. Outpatient polyclinics - total number	3726	2104
III. Other health care establishments	107	55
IV. Sanatoria and health resort establishments	160	18950

The public health care sector has been developed on a national, regional and municipal level. The *national level* of health care comprises the clinics of the five universities of medicine with 12 state university hospitals, as well as the clinics of the national medical centres of cardiovascular diseases, haematology, oncology, treatment of drug addicts, physiotherapy and rehabilitation and the N.I.Pirogov National Institute of Emergency Aid. Included in this level are also the health care establishments of the Ministry of Defence, the Ministry of Transport and the Ministry of Internal Affairs.

The network of health care establishments is well developed

The *regional level* is made up of 30 amalgamated regional hospitals (ARH), each one with an average capacity of 950 beds. This accounts for 31.3% of the national stock of hospital beds. The ARH provide specialized consultations and hospital medical services to the population of the respective region (an average of 330 000) and primary medical assistance to the inhabitants of the municipality in which the respective hospital is located. On regional level there are also specialized dispensaries in oncology, psychiatry, dermatological and venereal diseases, and lung diseases, accounting for 6.0% of the stock of hospital beds. Of regional and inter-regional importance are the specialized hospitals of one single profile (maternity and gynaecological, of lung diseases, psychiatric) accounting for 7.0% of the total stock of hospital beds.

Table 8.4.

Stock of beds in the hospitals and outpatient polyclinics per 10 000 of the population		
Regions	1990	1994
Total	103.9	104.7
City of Sofia	120.0	130.9
Bourgas	81.7	79.2
Varna	99.6	98.0
Lovech	127.0	123.1
Montana	100.8	105.2
Plovdiv	96.3	90.0
Rousse	97.2	101.4
Sofia	93.8	96.0
Haskovo	109.7	112.3

The *municipal level* includes the municipal hospitals (MH) with outpatient polyclinics and an average capacity of 267 beds, which account for a total of 27.6% of the stock of hospital beds. They have at least four specializations: therapeutic, surgical, paediatric and maternity and gynaecological. Village polyclinics with 3 to 6 doctors have been opened in the small municipalities in the villages, along with

village health centres, health care services centres of physicians and doctor's assistants. There are also dentist's rooms in them.

Workers' hospitals and polyclinics provide medical services at major industrial enterprises, having at their disposal 1.4% of the stock of hospital beds, as well as doctors' health centres.

In the public health sector, *primary medical services* are secured by the outpatient polyclinic of most varied categories. In the urban centres they are provided in profiles by general practitioners, paediatricians, gynaecologists, school and workshop physicians. In the villages the physicians are primarily general practitioners. *Specialized medical aid* is provided in the polyclinics of the municipal hospitals in the main specialities, in the polyclinics of the amalgamated regional hospitals in an extended list of specialities and in the dispensaries, in the consultation rooms of the clinics with the medical universities and the national medical centres. *Emergency medical aid* is provided by the regional centres, and urgent health care services - by the outpatient polyclinics.

Dental aid is secured on national level by the clinics of the dentistry departments, on regional level by the dentistry polyclinics, and on municipal level - by the dentists' rooms at the polyclinics of the municipal hospitals, village and workers' health care services.

There are substantial differences in the provision of hospital beds for the population by regions, which is not always associated with higher or smaller needs of health care services. The number of hospital beds ranges between 81.8 per 10 000 of the population (Bourgas region) and 126.0 (Lovech region). These differences have largely been determined by the existence of health care establishments on the territory of the individual regions, which have national and inter-regional functions.

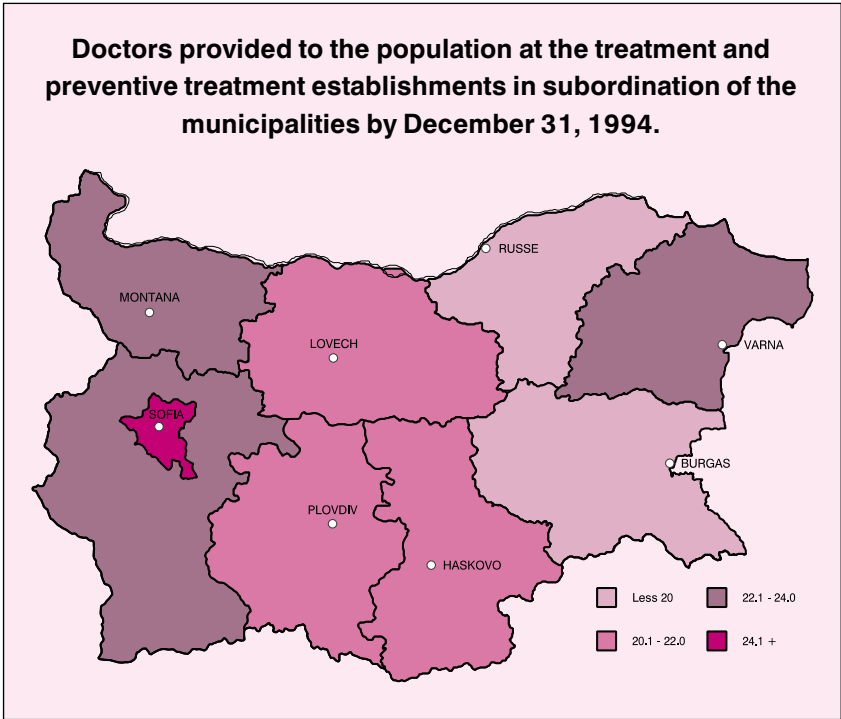
While there is a high number provided per 10 000 of the population of doctors (33.3), dentists (6.6) and paramedical personnel (96.6), in 1994 their break-down in regions was uneven. The provision of doctors and dentists at the health care establishments in subordination of the municipal councils of the regions of Rousse and Bourgas is considerably below the average for the country, as is that of semi-higher education and secondary education medical personnel in the Plovdiv and Varna regions.

The volume of the work carried out by the health care establishments in the country has been decreasing during the past few years. Fewer home visits, fewer prophylactic examinations, smaller number of people that had been taken to hospital for treatment, fewer mothers-to-be and infants followed up by the maternity and child care consultations, fewer occupied hospital beds have been registered in all regions of the country.

The fundamental problems valid for all regions are as follows:

- structures inadequate to meet the needs, especially in the case of hospital treatment, which are an obstacle for their effective functioning;
- underdeveloped economic and financial mechanisms, stimulating the development of the system and the quality of medical services;
- acute shortage of finances, which stands in the way of the supply with medicines, consumer supplies and the introduction of new technologies. At the same time the available finances are not adequately and effectively used;
- unjustified and incidental changes with elements of voluntarism since 1990. Featuring among them have been the rescinding of legislative acts, without their having been promptly substituted by new ones; the break off of organizational, methodological and consultation interrelations

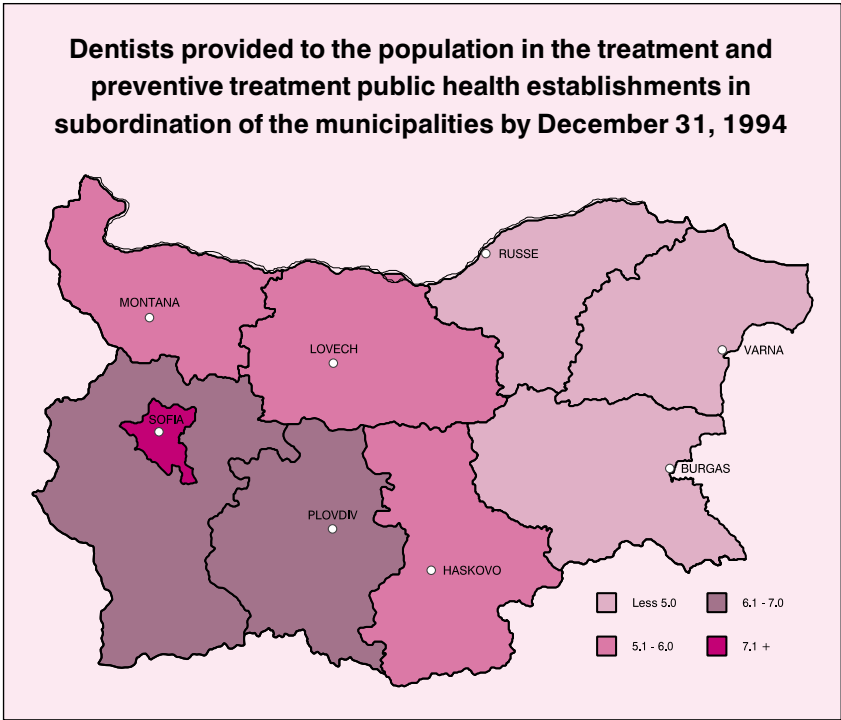
Figure 8.2.



of the levels of health care services; break of the administrative and governing order without the establishment of the mandatory balance between centralization and decentralization; the lack of legislatively established relations between the public

The changes in the health care services have not been guided by a lucid strategy

Figure 8.3.



The renovation of the legislation concerning the health care should be accelerated

and the private sector within the system of health care services;

- no guaranteed possibility of securing the selection of a personal doctor and dentist;
- unsatisfactory quality of the health care services provided, due to the absence of material incentives for the staff and insufficient control;
- narrowing down of the volume of health care services, especially in pre-hospital medical services on the municipal level owing to organizational and financial reasons.

The functions related with preventive health care, state sanitation control and health promotion activities have been within the scope of work of the Hygiene and Epidemiology Department. It is a well structured organization financed by the state budget. The operative network of the HED is made up of 28 Hygiene and Epidemiology Inspectorates, whose activity covers the territory of the whole country. Working on the staff of the inspectorates are 1115 doctors, or 3.9 per cent of all doctors. The territorial location and material and technical base of the HED correspond to the needs. The Ministry of Defence, the Ministry of Internal Affairs and the Ministry of Transport also have hygiene and epidemiology units.

Box 8.1.

Health care services are a national priority

The deepening of the existing trends and the emergence of new negative trends in the health and demographic state of the population, the significant territorial differences, as well as the impoverishment of the population *en masse* make the health care services a priority. The problems of the nation's health can be dealt with only by way of extensive co-operation among the sectors - interdepartmental and with the public.

8.3. Administration of health care services

The administrative system of the health care services was substantially distorted due to the delayed or inadequate tackling of a number of problems. Most of them have been administrative and organizational. With the administrative reform of 1987, the country was divided into 9 regions, each one of which had a different number of municipalities. With the abolition of the district administration, health care services were deprived of regional administration, which greatly frustrated the co-ordination of medical activities. The district administration has neither the rights nor the competence to govern the health care services, while the local bodies set up with the municipalities are not sufficiently trained for the tasks they have to deal with. The two-pole model introduced in the administration of hospitals, polyclinics and dispensaries (management of the medical functions by a medical director, and of the administrative and economic - by an economic director), successfully applied in some Western European countries, has proved unsuitable for Bulgaria.

The handing over of the health care establishment to municipal ownership by virtue of the Local Self-Administration and Local Administration Act has engendered new problems. In the small municipalities, in particular, the local authorities are not competent to manage the health care establishments. The financial resources for their maintenance are mostly received from the state budget through subsidies for the municipalities, where they are located. A number of these establishments, however, provide services to the population of neighbouring municipalities, too. This is continuously giving rise to tensions between municipalities.

Prerequisites were created in 1995 for an improvement of the management of health care services. The newly established 28 Regional Centres co-ordinate health

care activities in the respective regions pooling the efforts of the municipalities for the implementation of the health care programmes and retraining initiatives. Measures have been taken for the improvement of the management of the health care establishments. The legislative base of health care is being updated.

The system of the health care should at this stage guarantee a basic volume of health care services, accessible to every citizen. This is what the mass consumer of health care services expects. For the time being, regardless of the vacillations, his preferences on the average for the country, for the big cities and for Sofia, are for the free-of-charge services provided by the public health care establishments.

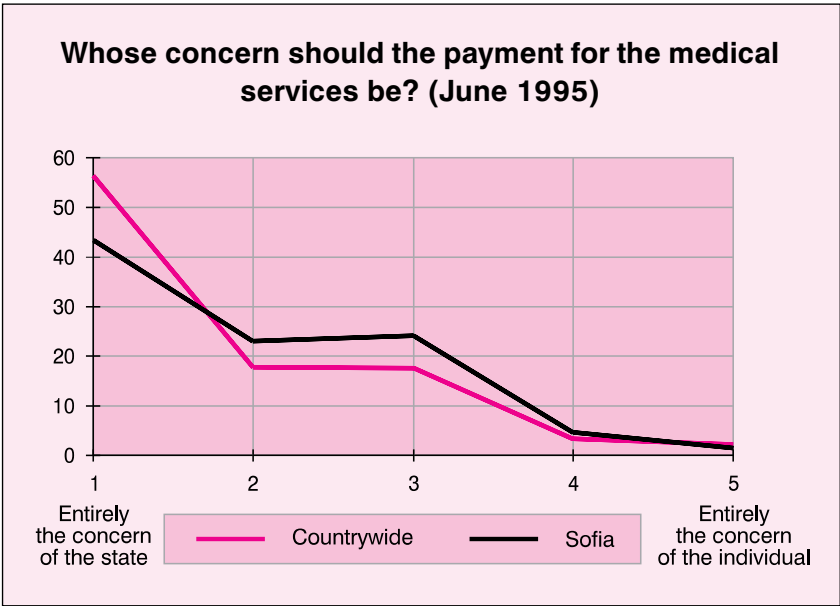
The system of *public health care services* indeed has a material base and cadre resources, which are sufficient in terms of volume. They, however, are not rationally used. The reform in the system should overcome the break-down of the mechanisms of administration and control, the lack of incentives for the cadre owing to the insufficient public appreciation of their labour, the absence of a legislative base for a considerable portion of the medical activities as well as for control over them. These tasks are being resolved in conditions of an acute shortage of finances for public health care services and of their inefficient use owing to organizational causes.

This has made it imperative for the Ministry of Health Care to put in considerable efforts to the working out of a strategy for action. The *National health care strategy* has been the result of the efforts of medical and other specialists, helped on by the active co-operation of the European Bureau of the World Health Organisation, of UNDP, the World Bank, the Council of Europe and other specialists. After extensive discussions, at the end of 1995, the *Health for Bulgaria* project (National health care strategy) was endorsed by the Coun-

cil of Ministers and the National Assembly.

A guiding idea of the strategy is that the effective solution of the nation's health care problems calls for the adoption of both medical and other socio-economic, educational, technical and technological measures based on extensive partnership among the sectors of society. Moreover, the main emphasis in the modern health care policy should be shifted towards the prevention of disease and to work with the healthy contingent of the population. What is needed is basically an improvement of the way of life as well as of the environment.

Figure 8.4.



Containment of the risk factors related to the way of life should be achieved through the implementation of national and regional programmes, committing a wide range of specialists within and outside the sphere of health care services. The programmes of making the environment more healthy could, for instance, yield good results, if they rest on effective co-operation in reducing the most widespread risk factors: toxic substances, noise, poor quality foodstuffs, health hazards in the working environments, radiation. Alongside the containment of the risk factors, a behaviour has to be shaped of protection of those groups which are imposed to intensive

The main emphasis of the health care policy is the prevention of disease

*Urgent regulation is
needed of the private
sector of health care
services*

health hazards. These are mainly children, old people, invalids, the chronically ill, the unemployed.

The relatively limited range of diseases determining morbidity, the death rate and invalidism, makes it possible to channel the prevention, treatment and rehabilitation measures selectively to them. These are the cardiovascular diseases, the malignant neoplasms, the diseases of the respiratory system, traumas and intoxication, tuberculosis, diabetes, the sexually transmitted diseases, the psychiatric disorders, some contagious diseases.

The reaffirmation of the Ministry of Health Care as the carrier of the changes in the system of health care services is part of the necessary changes in the health care system. The regional health care bodies have to be consolidated. An important step in the reform is the elucidation of the rights and obligations of the municipal health care administrations. There is a strong public anticipation that the management of the health care establishments is to be improved. There should be no delay in the regulation of the private sector in health care services. One of the important tasks is the improvement of the training of the managerial cadre of the health care services.

The main emphasis of co-operation among various groups and institutions has been the understanding that the health care system is just the initiator and co-ordinator of actions, committing a wide range of participants for the attainment of the fundamental objectives of the national health care strategy. It is one of the responsible factors for the health of the Bulgarian people. The formulation of an adequate health care policy and its effective implementation call for a close co-operation between the state administration of the health care services with the trade unions and the scientific organisations of the medical personnel as well as with non-governmental organisations on the municipal, regional, district and national levels.

There is consensus in the country about the need of the establishment of *insurance funds* in the sphere of pensions, social welfare and health care services. Notwithstanding the hardships of the period of transition, the objective is the establishment of a national health insurance system which is to guarantee the financial provisions for the needs of the health care services. What is needed is the further development both of the traditional activities related to sanitation and epidemiological control, and of health promotion activities.

The reform of medical services has to respect the citizen's right to a choice of a physician and a dentist within the system of primary medical aid. An important objective of the changes is the gradual attainment of equal status of the public and of the private sectors in health care services. For the time being, however, what is the most important is *not to allow the further destruction of the health care system, the further restriction of the volume and lowering of the quality of the health care services provided*. Within this context, special attention should be assigned to the consolidation of the primary health care services units. The technological renovation of the health care system is of primary importance for the higher quality of the medical activities.

The main objective of the policy regarding *medicines* is to ensure for the Bulgarian people effective, safe and sufficient quantity of medicines at affordable prices. Despite the financial hardships, certain groups of patients or citizens will receive medicines free of charge, or against partial payment, whereby priority will be given to life-saving and life-maintaining medicines.

The development of the *medical education* should comply with the requirements, ensuing from the reform in health care services. The *information system* of health care should be rapidly reorganized in view of the new goals of the health care system. An essential resource for the ac-

celeration of the reforms and for the higher efficiency of the health care system is the *international co-operation*.

The priorities orienting the work in fulfilment of the national health care strategy are as follows:

- reduction of the cardiovascular diseases;
- higher effectiveness of the prevention and treatment of oncological diseases;
- protection of the health and life of children and strengthening of their physical and mental endurance;
- protection of the health of women in fertility age;
- purposeful care taken of the health of old people, invalids and socially weak

citizens.

The implementation of the national health care strategy calls for the most serious attention being paid to the manpower resources and to finances. Not a single problem of the health status of individual groups should be underestimated. The success of the reform of the health care services depends on a multitude of factors: on the trade union organisations, on the work of humanitarian non-governmental organisations, on the support rendered by the international organisations and institutions, on the medical university circles, on the Bulgarian National Academy of Medicine. The task is common, while its resolution calls for combining the requirements of medical, economic and social efficiency with the requirements of humaneness.

*Priorities of the
national health care
services strategy*

10

MEASURES TO REDUCE POVERTY

10.1. Poverty as a component of the social costs of transition

The macroeconomic stabilization policies implemented until late 1994 consisted mainly of restrictive monetary measures which negatively affected the population’s incomes. This resulted in an unbearably high cost of reforms for millions of Bulgarians with the bulk of the population growing poorer in absolute and relative terms and broad population strata living on the edge of survival.

In the first half of the nineties the incomes policies were determined by a situation of economic crisis reflected by a fall in the country’s gross domestic product and industrial output, mass unemployment and high inflation rates. This put the majority of the population to severe trials with large groups losing economic prospects. The population’s impoverishment is clearly outlined by the plunging values of major social and economic indicators.

Public opinion is a clear indicator of the scope of impoverishment as a social problem (See Fig. 10.1.).

Impoverishment during the transition period has developed under specific circumstances whose clarification will help determine the measures to be taken for its reduction and elimination:

First, before the reforms began, the population had reached satisfactory living standards as measured by domestic criteria and in comparison with the other former socialist countries. There were solid social guarantees for education, health care, employment, working salary, and social security. Coupled with a number of other factors, this set of guarantees has resulted in the society’s decay. A profound change of

production relations became inevitable. It is linked with economic stratification and a sizeable drop of living standards for large groups of people. Yet the society lacked the strong political will to implement the changes required by transition.

The bulk of the population grew poor in absolute and relative terms

Table 10.1.

Change in the base minimum income and in children’s allowances (1991-1995)					
Indicators	1991	1992	1993	1994	1995
BASE MINIMUM INCOME					
(Leva)	403	500	885	1225	1600
Real growth as per the previous year (in %)	0.0	-30.9	8.0	-37.6	-1.7
Real growth as per 1991 (in %)	0.0	-30.9	-25.4	-53.4	-54.2
MONTHLY CHILDREN’S ALLOWANCES (Leva)					
	145	185	251	372	480
Real growth as per the previous year (in %)	0.0	-28.9	-17.2	-33.2	-2.9
Real growth as per 1991 (in %)	0.0	-28.9	-41.1	-60.7	-61.8

Second, the restrictive tools of macroeconomic stabilization have reduced all types of population’s protected incomes: salaries, pensions, indemnities, allowances, stipends, as well as people’s savings. The drop in the purchasing power of incomes has affected all citizens - employed, pensioners, unemployed, the disabled, the socially weak, students. The average real incomes plummeted by almost 50 per cent. But pauperization may take different forms. Poverty and impoverishment differ for the groups of able-bodied population and the rest of the people. This requires that dif-

There are different degrees of poverty and impoverishment

ous training. The diversity and quality of the school training can be attained via a balance between the general education and vocational training whereby obligatory and optional subjects are combined. An interaction is necessary between the school and the other social factors influencing education as well.

Table 9.1.

Number of pupils in the secondary vocational schools (by academic years)							
Type of schools	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96
Secondary vocational-technical	103966	113139	111609	110384	107839	100355	88427
Technical schools and art schools	135606	125728	121919	111329	103396	112046	120859
TOTAL	239572	238867	233528	221713	211235	212401	209286

The practical implementation of these principles requires a restructuring of the educational system and changes in the contents and organization of the training process. The objective is to align training to conform to the criteria of an up-to-date type of education, and to resolve the problems that have cropped up during the past few years in the secondary schools.

Alongside the problems of contents, qualitative imbalances also come to the fore in vocational training. In view of the current absence of vocational training in the most general education schools, the *secondary vocational schools* assume great responsibility for the quantity and quality of the new recruits of the labour force. According to their functions, they are divided into two basic types: secondary vocational technical schools, technical schools and schools in the arts. The first type is with a three-year term of training and produces skilled workers. The technical schools and the schools in arts have a four- or five-year term of studies and train secondary school specialists.

During the past few years the number of the secondary vocational schools has been relatively stable. The number of pupils in them, however, decreases. This has been particularly manifest in the case of the technical schools and the schools in the arts. In the 1994/95 academic year, the number of students in them was by about one-fifth smaller than in the 1989/90 academic year.

The ebb from the secondary vocational schools has been due to two basic factors. The first is *the economic recession and the lower rate of employment* connected with it. The drop of industrial production by 50% after 1989, the close-down of enterprises or their subsidiaries results in the release of a great number of workers and specialists. In October 1995 the unemployed having secondary special education were 86,500, or 16.9 per cent of all unemployed. There are no clear prospects for a restoration and development of the industrial sectors, to which training at the vocational schools is aimed. This does not stimulate the young people's interest in specialized secondary educational establishments. That is why increasing numbers of young people opt for getting secondary education at general educational schools.

The *substantial increase of the enrolment in the higher educational establishments* is the other factor reflecting on the vocational training in secondary education. The access to higher education has been extended and the number of university students has sharply increased. This encourages large groups of young people to continue their education at higher educational institutions. Education gained in the secondary technical schools, however, is focused on vocational training. Less attention is paid to the general educational subjects, which are fundamental for the entrance exams of the higher educational establishments. What is more, the term of studies at the technical schools is longer. Under these circumstances, there is understandable preference for the secondary schools, which by their school curriculum

and term of studies give greater opportunities for continuation of the education at the institutions of higher learning.

During the past few years, the number of children and young people leaving school before they have completed their education has been rising. Most of them discontinue their studies as early as at the primary school levels. In 1994, out of a total of 44869 that left school, 27667 were in elementary schools. They join the labour market without the required educational minimum and vocational training. A change is necessary, which is to contribute to the tackling of the acute problem of educational inequalities and should conform to the world trends towards the introduction of mandatory standards of mass vocational training. One opportunity for this is *the development of conditions for vocational training within the frameworks of the elementary school*. The formation of vocational-technical classes in the elementary school course (after the 6th grade) would enable children and young people, who have no wish or abilities to continue their education, to master a certain trade. In this way the vocational and qualification basis can be created for their integration in labour and the social tensions, engendered by the significant distances in terms of educational standards that are currently taking shape, may be alleviated.

Industrial specialities predominate at the secondary vocational schools. In 1995/96, 81.7 per cent of all students of the secondary vocational technical schools and 64.1 per cent of the students at the secondary technical schools were trained in them. Most widespread is the training in the field of mechanical engineering, metal working, electronics and electrical engineering. The share of young people trained to work in the services sector is small.

This structure of vocational training corresponds to the economic structure of the country so far. But it does not correspond to the process of de-industrialisation going on on a world scale and does not

correspond to the future needs of secondary school specialists. Modernization brings to the fore new sector and branch priorities. The vocational training of the labour force should be conformed to their technological and organizational characteristics.

Box 9.2.

For vocational training at the general education schools

The national economy has no other alternative but technological renovation and the development of up-to-date industries. They require specialists of high vocational skills. That is why the organizational, personnel and financial potential of the educational system should be streamlined towards extending the scope of the secondary vocational schools and *the introduction of vocational training to the general education schools*. The consistent implementation of that line in the education policy should eliminate the existing contradiction between the need of personnel of a better vocational training and the decreasing number of secondary school graduates, possessing it.

The solution of this task requires a precise defining of the priority sectors of the national economy. *Guidelines for the restructuring of the educational system should be deduced from the strategy of restructuring of the economy*. This is the way to provide correspondence between the required labour force with a certain profile and level of training and the future skilled workers and specialists trained by the secondary vocational schools.

The *territorial distribution* of the secondary vocational schools is comparatively even. It meets above all the local needs of workers and specialists. The location and sector specificity of the industrial enterprises and services in the regions, areas and municipalities is the crucial factor for the scope and character of vocational training in them. That is why the state and dynamics of the network of vocational educational establishments is directly dependent on the territorial parameters of the socio-economic development. At the same time the demographic trends in the various types of

The restructuring of education depends on the restructuring of the economy

settlements and regions also exert certain influence.

Table 9.2.

Number of secondary vocational schools and students in them by regions (1994/1995 academic year)						
Region	Secondary vocational technical schools			Technical and art schools		
	Schools	Pupils	Teachers	Schools	Pupils	Teachers
City of Sofia	14	11902	576	34	16804	1872
Bourgas	22	10691	668	28	10832	1279
Varna	21	10018	615	32	11961	1305
Lovech	39	13082	826	42	14398	1689
Montana	24	7372	543	17	6747	702
Plovdiv	28	14861	1012	38	15418	1752
Rousse	28	9153	625	28	10229	1122
Sofia	26	12667	745	37	12471	1431
Haskovo	26	10609	830	29	13186	1293

The spatial proximity of the production enterprises and the vocational schools training workers and specialists for them, paves the way for a link-up of training with the needs of the specific technological and organizational structures. Within the context of the legislatively regulated decentralization of administration and autonomy of the separate schools, that interaction is a necessary prospect. It makes possible the functional integration of production and education, the involvement of the employers in determining the quantity and quality characteristics of training and in enlisting the students in the production process. In this way the economic structures become committed to the vocational specialization and to the continuing training. The problems of the imbalance between the theory and practice in training can thereby be resolved, its practical orientation can be enhanced and continuous education secured.

The link-up of the secondary vocational schools with certain industries, developed within the frameworks of a given region or municipality, has another aspect, as well. The pending restructuring of the

economy will make it necessary to reorganize vocational training. In the big cities, focusing most varied industrial capacities and schools of differing profiles, the possibilities of organizational flexibility, rechanneling of resources and mobility of the educational cadre are greater. In the smaller settlements training at the vocational schools conforms to the character of individual enterprises. The local organizational potential for the preparation and carrying through of the necessary reforms is usually not great. That is why in the restructuring of vocational training, special attention and institutional support are needed for the introduction of changes in the secondary schools in the smaller municipalities.

9.2. Higher education

The beginning of the 1990s has been a period of considerable changes in higher education. They have been aimed at aligning education at the higher educational establishments to the new socio-economic conditions, raising the educational effectiveness and making Bulgarian higher education on a par with the leading world standards. The principles of decentralisation of management and of academic autonomy have determined a new organisational structure of the higher educational establishments. A differentiation has been going on in the structure and contents of university education. The forms of training and of integration between the educational and scientific research activities at the higher educational establishments are being diversified. Access to higher education has been extended, including training paid for by the students.

An undisputed result of the reforms that have started has been the impressive quantitative growth and extension of the system of higher education. Within only five years the number of university students increased by 90 076, reaching 223 260 during the 1995/96 academic year. With the two new universities legalised in 1995,

The higher education experienced a considerable quantitative growth

namely the Varna Free University and the Slavic University, the higher educational establishments have become 41. The network of their subsidiaries has been rapidly extended. Now there are higher educational establishments or their subsidiaries in 18 towns. The biggest university centres are Sofia, Plovdiv, Varna and Blagoevgrad.

The *decentralization of higher education* and its enhanced regional orientation is a trend producing positive results in various directions. It provides an opportunity to a greater number of young people living outside the traditional university centres to get higher education. In view of the aggravated financial state of large segments of the population, the high costs of the support of a student in the big cities are an insuperable barrier to the continuation of education at a higher educational establishment. The decentralization of the educational structures is conducive to the elimination or alleviation of these financial restrictive factors. In this way it contributes to a broader access to higher education thereby reducing the possibilities of the regional and economic differences developing into educational inequalities.

The opening of academic centres in different towns makes it possible to bring education and research closer to the regional needs and specificity of socio-economic development. That motivates the pragmatic orientation in the training of university students and gives an incentive to the development of the local potential of lecturers and scientists.

The rapid quantitative growth of those studying at higher educational establishments is accompanied by significant changes in their *distribution in terms of professional spheres*. During the past few years, the most rapid growth has been witnessed of students pursuing studies on university and education specialities. In 1994/95 they amounted to 70053 people, or 35.7 per cent of all university students. Especially high is the interest in the study of law and education. The students at the higher schools

of economics are multiplying. In the 1994/95 academic year their number reached 40948, or 21 per cent of all university stu-

Table 9.3.

Higher education establishments and university students by university cities (1994/1995 academic year)		
Towns	Number of Universities	Number of University Students
Sofia	20	88661
Blagoevgrad	2	14196
Bourgas	2	6012
Varna	3	18052
Veliko Turnovo	1	10003
Gabrovo	1	4140
Pleven	1	1051
Plovdiv	5	20984
Rousse	1	6440
Svishtov	1	9513
Stara Zagora	2	3012
Shoumen	1	7573

dents. On the other side, a lasting ebb from the engineering, technical, agricultural and medical higher educational establishments and specialities has been witnessed. After 1990/91 the students in them diminished

Box 9.3.

Problems arising from the decentralization of higher education

The most serious problem associated with the decentralization of higher education concerns *the quality of education acquired*. So that the planned enrolment of students may be achieved in the subsidiaries of the higher educational establishments, lowered criteria are often applied. Young people lacking the necessary qualities enrol in them. This entails unsatisfactory results in the course of training. The problem concerning the *staff of lecturers* has not been resolved either. There are subsidiaries in towns like Vratsa, Lovech and Montana without a single lecturer on the staff in them. This adversely affects the training process and the formation and reproduction of the potential of lecturers and researchers. At a number of places the *infrastructure of the educational establishments* is underdeveloped lagging substantially behind the standards of modern training.

State criteria are needed for the enrolment, training, evaluation and graduation of university students

The withdrawal of the state destabilized the scientific policy

by more than 10 per cent. Their relative share of all students has been rapidly dropping.

These trends in the structure of higher education engender serious imbalances in the labour market. An excess of specialists with economic and legal qualifications is anticipated in the foreseeable future. At the same time a shortage of university graduates is taking shape for strategic sectors: industrial production and agriculture. Urgent measures are needed for getting out of that situation aimed at a regulation of the enrolment and training in different subjects at the higher educational establishments. By specifying the total number of university students for each higher educational establishment, the state can contain the emerging structural imbalances and could harmonize the quality parameters of higher education with the real needs.

So far the reform in the higher education has mostly had organizational and quantitative dimensions. Few steps have been taken or results obtained in the sphere of the quality of education. The disproportions between theory and practice continue to be reproduced in the educational practice. The low degree of tie-up between the individual subjects and the predominance of passive methods in the training process continue. The differences and inequality in the standards of training at the different higher educational establishments stand out clearly. Following the principle of academic autonomy, each higher educational establishment specifies the number and structure of specialities, the curricula and programmes for training in them, as well as the criteria of evaluation of the achievements in learning. As a result of this, training in one and the same speciality pursued at different higher educational establishments is different in contents and in quality.

The introduction of *uniform state criteria for the evaluation and control of the quality of training in all educational institu-*

tions is imperative in order to implement the new Law on the Higher Education (1995). At the same time, what is needed is the working out and application of uniform state requirements for the enrolment of students for training at various educational levels and specialities and for the graduation of students from the higher educational establishments.

9.3. Institutional and thematic structure of science

The substantial changes taking place in scientific and technological research have been determined by two groups of factors. The *first group* includes the state policy in the 1960-1989 period. At that time, the institutional structure and thematic orientation of scientific and technological research was shaped, determining by and large its present-day character. During these decades the human, financial, technical and information resources for scientific and technological research increased continuously, though in an insufficiently balanced manner.

The *second group* of factors have been related to the radical transformation of society, started at the end of 1989. The withdrawal of the state from its dominant position in society brought about shocks in the scientific policy and in the development of the scientific potential. The allocations from the budget earmarked for the development of science and technologies were abruptly curtailed. The decline of production and the great indebtedness of most of the enterprises have rendered extremely hard the functioning and survival of the research and development units affiliated with them. The shortage of funds practically isolated the majority of scientists from the international scientific community.

These negative influences affected all research and development institutions. They can be referred to four basic sectors:

The *first sector* are the state scientific units, meeting a wide range of public needs, including also the needs of the major state institutions. The means for their financial backup came mostly from the state budget. Included here are the largest scientific institutions, incorporating institutes, experimental stations, laboratories and other units. These are the Bulgarian Academy of Sciences (BAS), the Academy of Agricultural Sciences (AAS), as well as the national centres in the sphere of public health. Referred to that sector are also the units providing the scientific services to the ministries and the central departments.

The *second sector* includes the higher and semi-higher educational establishments, their specialized divisions for scientific research, as well as the state institute hospitals. They are financed through their own funds and through contracts.

The *third sector* includes the organisations, carrying out research aimed at supporting the manufacture of commodities and services for the market. Their financing is based on contracts with those ordering scientific and technological products.

The *fourth sector* encompasses institutes, foundations and other non-profit associations. They have been a new phenomenon emerging in the course of the past few years. Along with their other activities, they also engage in scientific research.

The Bulgarian Academy of Sciences (BAS) has a significant weight in the institutional structure of scientific and technological research, as there are 81 units in its composition. The Academy of Agricultural Sciences has 72 organisations. Thus the academic structures focus one-third of the total number of research organisations.

The decrease of researchers has been most significant in the sphere of higher education. Their share of the total number dropped from 43.2% to 27.5%, while in the state sector the number increased to 57.6%. These statistics are indicative of the

priority of lecturing at the structures of higher education.

During the past few years changes have also set in in the structures of units by scientific spheres. Most clear-cut are the changes in the sphere of the technical sciences. More than half of their total number (56.9%) is focused on the higher education sector. The share of company science has sharply dropped. The research and technological units in most of the enterprises have been closed down. Their number has been reduced almost three

Table 9.4.

Research units and researchers according to institutional sectors (1994)				
Sectors	Research units		Researchers	
	number	percentage	number	percentage
State sector	227	50.4	8177	44.2
Sector higher education	100	22.2	7998	43.2
Sector of company science	118	26.2	2298	12.4
Sector of non-profit Institutions	5	1.1	24	0.1

times. Despite the cuts, the influence of science has to a certain extent been preserved in some sectors of the national economy, which were priority sectors in the period up until 1990. More than half of the units of „departmental science“ (60.2%) have been concentrated in the scientific servicing of the structure-determining sectors. Mechanical engineering and metal working are serviced by 22% of the company research units, electrical engineering and the electronic industry by 15.2% of them, the chemical and oil-processing industry by 13.6%, and transport - by 9.3% of them. The sharp curtailment of industrial production in the 1990-1994 period substantially affected these sectors. Some of them turn out but one-fourth of their 1989 output. This has been the main reason why the enterprises can no longer secure the finances necessary for scientific and technological research.

In the state sector and most of all in the Bulgarian Academy of Sciences are almost all units conducting research in the field of the natural sciences - 93.8%. The units carrying out research in the field of the agricultural sciences are also exclusively concentrated in the state sector - 96.4% (Academy of Agricultural Sciences). This sector has a leading role also by the number of research institutions in the sphere of the social sciences, too - 63.4%.

9.4. Financing and infrastructure of scientific and technological research

The trend of a long term increase of the spendings for science was discontinued after 1988. In the 1979-1988 period that increase was by 2.8 times. Since the early 1990s the share of funds earmarked for research has sharply dropped in relation to the gross domestic product (GDP).

This trend is in striking opposition to the recommendations of the European Union to the countries of the community regarding the allocation of 3% of their GDP for science. The continuation of the trend would bring the country closer to the states of Africa and Latin America, where an average of 0.5% of the GDP are set aside for scientific and technological research.

The important indicator of funds allocated for science per capita of the population has sharply deteriorated. From 44.5 US dollars annually in 1990, this indicator reached \$10.4 in 1994. Quite a considerable difference can be noticed in the comparison with countries close to Bulgaria in territory and population. In 1990 that indicator for Belgium was \$277, in Denmark - \$242, and in Austria - \$236.

In countries in a situation analogous to that of Bulgaria with limited possibilities and interest of companies and other organisations to render assistance to science, the state is involved in its financing with a share exceeding 50%. In Bulgaria that share is 30-35%.

Institutional financing makes up the predominant share of the budgetary funds allocated to science: subsidies for the BAS, the AAS and other units. Projects are financed by the National Fund for Scientific Research, by the Fund for Structural and Technological Policy as well as by funds with the sector ministries. In the 1991-1994 period, the National Fund for Scientific Research financed 2512 projects amount-

Table 9.5.

Share of the means allocated for scientific and technological research as percentage of the GDP (1988-1994)							
	1988	1989	1990	1991	1992	1993	1994
%	2.5	2.4	2.2	1.3	1.4	1.1	0.9

The four institutional sectors have their specificity also in view of the different types of research, in which they engage. In the units of the state sector the pure science predominates - 76.8%. Applied research and development are dealt with in the organizations of the enterprises - respectively 46% and 63.9%. Among the research completed in 1994 by organisations of all sectors, only 11.7% resulted in the development of new and the improvement of already existing technologies.

An analysis of the data concerning the research subjects completed in 1994 indicates a low degree of tie-up of scientific and technological research in the country with research carried out in other countries. Out of all the 4954 investigations completed, only 393, or 7.9% , were along the lines of international scientific and technological co-operation. Barely 1.4% were along the lines of co-operation with the European Union. Similar is the share (1.2%) of the completed new and improved technologies - 7 in number, produced along the lines of international scientific and technical co-operation.

The international scientific and technological co-operation is too limited

ing to a total of 278.6 million leva. Projects for the purchasing or leasing of apparatus, equipment, licences and know-how were financed in 1994 via the Fund for Structural and Technological Policy to the amount of 110 million leva.

The absence of significant market demand for scientific services has had a lethal effect on the research institutions of the company sector. The Ministry of Industry undertakes the elimination of the juridical independence of the research and development units and their incorporation in the composition of the enterprises, which secure between 80 and 100 per cent of the contracts.

So far in Bulgaria there is no practice of foreign countries investing in science. According to statistics of the Agency for Foreign Investments, in 1995 not a single company with foreign participation invested capital in products of the scientific and technological activity.

An indicator of the rather limited financial base of scientific and technological research is the share of the funds for salaries and insurance in the total expenditures of the two biggest scientific institutions in 1994. At the BAS they amount to 55.9% of the overall expenditures and at the AAS - to 44.6%. The salaries themselves are a discouraging factor. The average annual salary in the sector of „Science and Scientific Services“ tends to decrease. In 1989 it was 1.13 times the average annual salary in the country, and in 1993 - 0.99 times.

An enduring trend has taken shape during the past 10 years of a decrease of the share of funds for capital investments in the overall expenditures associated with research. The lowest acceptable value of this indicator is 10-12% of the spendings on research. In 1989 that share was 10.5%, and in 1993 - 3.2%. In 1994 that share in the spendings of the BAS and the AAS had symbolic values - 1.6%.

Against the background of the financial scarcity, the *grave problems in the material and technical infrastructure* of Bulgarian science are not surprising. According to the results of a study conducted at the end of 1992, only one-fifth of the computers and barely 29% of the unique research apparatus were less than 3 years old. With the drastic curtailment of funds, the technological standards of Bulgarian science have further deteriorated. Statistics of the same study also point to the deterioration of the stock of buildings. At the end of 1992, nearly half of the buildings needed current repairs and between 20 and 25% capital repairs. The share of buildings which will soon be absolutely impossible to use is growing.

The spending on science is mainly the spending on salaries

Table 9.6.

Employment in the sector of science and scientific servicing							
Years	1989	1990	1991	1992	1993	1994	1995
Total number of employed	97388	90918	67418	52571	36442	31568	30287
Research workers	31611	31704	29060	26598	26284	25696	24848
Post-graduate students - Bulgarian citizens trained in Bulgaria and abroad	3454	5153	4811	2965	2215	1393	1326
Of them regular students	2055	2286	2272	1425	926	439	440

The restitution of land ownership and of large-scale urban ownership creates problems and tensions in the work of a number of scientific units. Confronted with such problems are the AAS as well as units of the BAS and some higher educational establishments.

9.5. The scientific personnel

During the 30-year period up until 1989, those employed in the sector of Science and Scientific Servicing increased in number at priority rates in comparison with

the other sectors, reaching 97388, or 2.4% of those employed in the country. At the end of 1994 employment in science was 32.4% of that of 1989.

From 1980 to 1989 the number of research workers increased by 40%, whereas their number at the end of 1994 had dropped by 20% as compared with 1989. Since 1989, substantial differences in the number of research workers have also been noticed between the individual scientific spheres. The downward trend has been most predominant in the technical and agricultural sciences.

There are differences in the qualification structures of the scientists from the various fields of science. In the sphere of the medical sciences the share of scientists without scientific degree is 76.1%, whereas in the field of the agricultural sciences that share is 59%, and of the technical sciences - 64.4%. In the natural and agricultural sciences more than half of the researchers have a scientific degree of Dr. and Dr.sc. That percentage is from around 36.9% in the medical sciences to 48.0% in the social sciences.

Table 9.7.

Researchers by fields of science							
Fields of science	1989	1990	1991	1992	1993	1994	1995
Natural sciences	5351	5459	5272	5135	5227	5151	5050
Technical sciences	12799	12905	10541	9339	8583	7743	7125
Medical sciences	4573	4573	4917	4914	4796	4802	4802
Agricultural sciences	2310	2089	1930	1662	1632	1649	1633
Social sciences	6578	6678	6400	5548	6046	6271	6238
TOTAL	31611	31704	29060	26598	26284	25616	24848

These differences are associated with the periodical shift of priorities during the past decades in the field of the scientific and technological research, as well as in the sphere of higher education. The great stress laid in the state policy on some

spheres of science or on the training of university graduates in certain disciplines encouraged the inflow of new researchers and lecturers among the talented young people and stimulated their growth in the scientific hierarchy. The nature of the research also exerts an influence on the qualifications structure. Most of the research workers, employed in the sphere of company science, deal with applied research and developments. The results obtained by them give smaller opportunities to their authors to get scientific degrees, because they are more difficult to fit into the criteria specified for a contribution to science. These criteria give priority to pure science.

Indicative in this respect is a comparison of the *qualification levels* of the scientists of the different sectors. The share of scientists with a scientific degree in the state sector is 61.6%, while in the sector of higher education it is 41.0% and in the sector of the enterprises - 19.8%. These statistics come to show the different weight that the system of scientific degrees and titles has for the professional reproduction of different sectors of Bulgarian science. This makes it imperative to look for alternative approaches and systems for the professional growth of scientists at the different types of research and technological institutions. The mechanisms of promotion of researchers, engaged in various types of research also need reassessment.

Of major importance for the professional growth and for the productivity of the science is the ratio between *researchers and technical and auxiliary staff*. At the end of 1994, the ratio was 0.73 of technical and auxiliary staff per one researcher. This ratio is indicative of the disproportions in the national research and technology spheres. Broken down in sectors, the ratio varies from 1:1.2 in the sector of company science to 1:0.45 in higher education. Both on the national level and in the individual institutions these ratios have been the result of the break-down of the personnel in Bulgarian science. The strongest ebb for reasons of the lower pay occurred among

the technical and auxiliary staff. As a result of errors in the scientific policy during the past few decades, that staff has always been far less numerous than the real needs of the research workers. During the best years for science as a whole, the average ratio between research workers and the technical and auxiliary staff was around the values of 1:2.

The *equal status of men and women* in Bulgarian society during the past few decades, the absence of discrimination determine the place of women in the country's scientific life. During the 25 year long period from 1965 until 1990, the number of women researchers increased almost six times, i.e. twice as fast as the total number of researchers in the country. A trend of higher share of the women post-graduate students has come to the fore - from 28.2% in 1970 to 45% in the period from 1980 to date. This is an evidence of their outspoken endeavour towards gaining professional qualifications. The circumstances conducive to this process have been the social benefits offered to mothers, post-graduate students, which enable them to combine their functions in science with those of motherhood. That is why the share of the women Doctors (38% of the total number of holders of these title) almost corresponds to the share of women in the total number of research workers, too. But in 1990 only 20% of the Dr.sc., 20.4% of the professors and associate professors and 28.5% of the senior research associates of the first and second degree were women. The reasons for these differences are mainly linked to the care of bringing up children and with the duties in the family.

9.6. Regional dimensions of scientific and technological research

Most varied economic, political, cultural, historical, natural and other factors have influenced the formation of the regional structure of scientific and technological research. The state priorities in

policy up to 1990 justified the emergence of centrifugal or centripetal trends in individual periods in the establishment of scientific and technological units. Several centres with high concentration of higher educational establishments, subsidiaries of the

Box 9.4.

A trend towards ageing of the scientific personnel

When combined with the absence of operative mechanisms for accreditation of researchers, the strategy adopted of restricting the quantitative increase of research personnel has been the fundamental cause of the ageing of the scientific cadre potential. The forecasts have materialized that in the early 1990s, the main contingent of scientists and above all scientists with scientific degrees will go into retirement. This process has been additionally influenced by the low social status of the scientists, the dwindling interest of young people in a professional self-realization in

the sphere of research, the emigration waves of young people after 1989, the regime of red-tape dominating advancement in science. The age structure is most unfavourable in the academies. In 1994, at the BAS researchers up to the age of 29 were 0.85%, while those above 60 were 6.9%. No care was taken to stimulate young scholars. In the restructuring of the units of the BAS, the young people were most often dismissed. The inflow of young people into academic science is minimal. In 1994, there was a zero enrolment of young scholars in the BAS.

academies and company institutions took shape. The capital city has had a leading role as the centre of the fundamental cultural institutions, where a major research and technological potential is focused. It sharply differs in quantity as well as in quality from that in the rest of the regions. At the end of 1994, two-thirds of the staff engaged in research and technology was located in Sofia, including 72.7% of the researchers. The capital city is no doubt a leader in the sphere of pure science accounting for 89.4% of the pure research carried out there. The projects of scientists and teams from Sofia institutions account for the predominant part of the projects financed through competition by the National Fund for Scientific Research. In the 1991-1994 period, 2539 of their projects were financed which is 83.7% of the total number of projects

Two-thirds of the scientific personnel are located in Sofia

The implementation of the policy of priority scientific servicing of strategic sectors of the economy, of accelerated technological development and the provision of specialists has been the basic factor, stimulating the development of the regional centres of research and development and of higher education. These have been Plovdiv, Varna, Rousse, Gabrovo, Stara Zagora, Veliko Turnovo, and Bourgas. The thematic orientation of the investigations and of the training of university graduates has been associated with the regional economies. Varna has become specialized as a centre of shipbuilding and of the research, channelled to the study of the problems of the sea; Gabrovo - of the textile machine building, Plovdiv - of agriculture, Bourgas - of oil-processing, Rousse - of farm machine building.

A setback of the established pattern of territorial distribution of scientific and technological resources is that it has taken shape with a view to the sectoral division. The intentions of establishing regional scientific, educational and technological complexes have not been realised. The absence of a tie-up between the sectors has not made it possible to create a sound scientific potential, stimulating the entire economic prosperity of the regions. A prerequisite for the restructuring of scientific and technological resources on a regional scale and for raising the efficiency of their potential is the endorsement of legislative changes. Of exclusive importance is the solution of the problems dealing with municipal ownership and financing of the municipalities. A solid base can thereby be created for effective changes in the regional scientific and technological research.

9.7. Problems of science policy

In the wake of 1989, positive changes have set in in the sphere of scientific work, associated above all with greater freedom of professional self-expression. The fields for contacts with colleagues in the country and from abroad, for publication and up-

holding of one's own scientific stand have been expanded. The exemption of scientific work from red-tape bans, political supervision and acts of nepotism in the selection of the range of subjects treated, the research methods and in the selection of personnel, in determining the parameters of a career in science have no doubt been an achievement.

These positive changes have been due rather to the complete absence of a state policy than to the existence of any state policy in science. Both at the beginning of the changes and in the middle of the 1990s there have been no clearly outlined sectoral priorities for the development of the economy. In such conditions two alternative approaches of the state to the development of the national science have been possible - of conservation and of liquidation. The guideline of the approach of *conservation* has been the preservation of the national resources available in science. The guiding idea of that approach is that after the priorities in the national socio-economic and cultural development have been specified, these resources would be channelled to the tackling of significant tasks. The fundamental idea underlying the *liquidation* approach has been that scientists have to be left to look for their own survival in the conditions of market economy. Those scientific units and types of research, which meet the needs of the market are expected to survive. The state is assigned a minimum role in the development of the national science. What is the most important is not so much the state's financial support to science, as its stepping back in the specification of the priorities of national science.

In the period following 1989, the second approach has gained the upper hand in Bulgaria. The state withdrawal from the administration of science has been the result not only of its general decline. It has proceeded from an understanding of the essential incompatibility between the internal needs of science and the role of the state policy. The assumption has been that the smaller the role of the state, the greater

There is no comprehensive state policy in science

the chances of science to develop successfully. This assumption has determined the absence of any state policy typical of the modern states: the working out of national priorities, programmes and mechanisms for organization, co-ordination and control in the sphere of scientific and technological research. A contribution to the giving up of a national science policy has been the sharp confrontation of political forces and the ensuing lack of prospects and stability in the state policy as a whole. None of the leading political forces has put on the agenda the future of science from the point of view of the national interests. Instead of tackling fundamental problems of Bulgarian science, in which the crisis endured by society is painfully felt, the approach taken to science proceeded opportunistically. Important scientific units were closed down or substantially weakened. A considerable stock of scientific information and documents has been scattered. Valuable highly qualified specialists and young and hopeful researchers left science.

Other factors have also had a negative impact. The personnel vacuum is intensifying, the continuity of generations of researcher has been violated. The low salary has pushed scientists towards the search for opportunities of raising their incomes by engaging in additional work, sometimes far from science. The sharp increase of the number of higher educational establishments in almost all former district cities, as well as the teaching of one and the same subjects in many of these establishments has attracted a great number of researchers to lecturing. They take on a high loading of lectures, which diminishes their potential for full-fledged research work.

These have been phenomena detracting from the motivation of scientists and entailing a loss of scientific qualifications. Their complex impact has been drastically demoting the prestige of science as a profession in the eyes of the young generation. In the period preceding 1990, the spheres of science was the only sphere in society, where highly qualified specialists

of great creative potential could work with relatively the greatest freedom and find self-expression. Though they did not have a high status in terms of incomes, the scientists were acknowledged to be the most important part of the intellectual elite of the nation. During the past few years, science has lost that privileged position owing to the crisis in it and owing to the emergence of spheres for the professional self-expression of the young which are more prestigious both in terms of social status and incomes.

Against that negative background, what needs urgent legislative regulation are:

- the powers of the central and local authorities in the sphere of the formulation and pursuit of the policy in science and technology;

Urgent legislative regulation of science is needed

Box 9.5.

Science and the political conjuncture

The conjuncture character of state interference in scientific life stands out prominently when the legislative work is followed. With the exception of the law, regulating the activities of the BAS, under the new conditions the greatest attention of the legislators and the greatest amount of energy was spent on the part of society in the endorsement and subsequent rescinding of the Law on the Decommunization in Science, referred to as the „Panev“ law. According to that law, scientists who had occupied Communist Party posts even on the level of primary party organizations were deprived of the right to be elected on administrative positions in science from head of a chair upwards, as well as to bodies of appreciative functions - scientific boards, editorial boards of scien-

tific journals, etc. Those who were affected turned out to be established scientists of international renown. Neither the passing of the „Panev“ law in 1992 nor its rescinding in 1995 has been unambiguously assessed by the scientific community. The almost three-year long concentration of the attention of the scientific community on the debates in favour of or against the „Panev“ law has resulted, however, in lasting tensions amidst the scientific community and has side-tracked the attention from the most important problems of Bulgarian science for a long time. The atmosphere of confrontation has contributed to the decline of the national scientific and technological potential and to a sharp drop of the public prestige of science and the scientific profession.

The state has to specify the priorities of the development of science and technology

- the status of the scientific and technological organizations;
- financing of scientific and technological research, including legislative regulation of the funds for research;
- the mechanisms of social supervision of scientific and technological research and of co-ordination of interests, affected by the carrying out of research.

The passing of adequate laws is not sufficient. The state has to take up its role of a main factor in the sphere of the formulation and implementation of the national scientific and technological policy. It has to comply with the restructuring of the economy and with the national priorities in key spheres as education, public health, environmental conservation and defence. The state is the factor, which has to define, by democratic procedures, the national priorities of the scientific and technological development and the means of their attainment.

Box 9.6.

Programme for the restructuring of the Academy of Agricultural Sciences

Some 13.6% of the researchers are employed at the Academy of Agricultural Sciences. The programme for its restructuring aims at preserving to the maximum the available scientific potential and at adapting its work to the diverse forms of management of the land and to the changes in regional specialization. Additional specialization is envisaged of the research along fundamental scientific lines. At the same time units, which have so far specialized in research on individual farm products, will secure a higher degree of comprehensive regional scientific servicing.

It is a task of major importance for the state to guarantee co-ordination between the development of national science, technological innovation and education. In this respect it has been a positive fact that since 1995 the problems of the formulation of the national policy in science and technology have been brought to the fore as an obligation of a state body of the executive authorities, namely the Ministry of Education, Science and Technologies. This

body can synchronize the activity of the state with regard to the main spheres which play important role in the formation of the human capital. The full-fledged work of the Ministry, however, needs special units, which are to feed data about the state and trends in national science, education and technological innovations.

The situation of Bulgarian science makes it imperative both for the state and for the scientific community to be much more active in resolving the fundamental problems of the scholars and of the research units. Some changes in society make it possible to come up with such solutions. It is proper to tie up the privatization with the encouragement of research in science and technology. A certain percentage of the revenues coming from privatization could be allocated to the funds, stimulating research and the improvement of the infrastructure of science. Outstanding inventors, whose intellectual products have contributed to the prosperity of Bulgarian production may be rewarded via the mechanisms of mass privatisation.

Two basic trends have stood out in the sphere of international techno-scientific co-operation since 1989. The first has been conditioned by the international context and by the democratic changes taking place in the country. It finds expression in the establishment of direct contacts by higher educational establishments, institutes, and laboratories with governmental and non-governmental research units in the countries of Western Europe and North America. Action taken in the sphere of international law has also been part of this trend:

- joining the European conventions on the recognition of certificates on completion of education;
- involvement in the West European programmes and structures - PHARE, TEMPUS, NATO, ACE, COPERNICUS;
- assistance in the form of consultations;

- specializations along the lines of bilateral co-operation and the application of the principle of competition in the sending of specialists;

- intensive interactions with foundations like Fulbright, Humboldt, Open Society, John Marshall and the like.

The second trend is related to the discontinuation of co-operation within the comprehensive programme for international scientific and technical co-operation of the Council of Mutual Economic Assistance member-states and of almost all bilateral relations with the traditional partners from this community. It was only in

the beginning of 1995 that more active attempts were made to revive the partnership with the higher educational establishments and scientific organizations from these countries. This has been done on a new basis and with due account being taken of the present-day realities.

The responsible approach to the problems of the national science on the agenda of Bulgaria's socio-political life, the finding and implementation of adequate solutions is the only way to stop the processes of deterioration of the scientific resources and to involve them in the stabilization of the country.

APPENDIX TABLES

Life expectancy at birth (years)	1994	70.8
Adult literacy rate (%)	1992	97.9
Combined first-, second- and third-level gross enrolment ratio (%)	1994	67.5
Real GDP per capita (PPP\$)	1994	4908
Adjusted real GDP per capita	1994	4908
Life expectancy index	1994	0.763
Education index	1994	0.878
GDP index	1994	0.899
Human development index	1994	0.847

1. Human development index

Life expectancy at birth (years)	1994	70.8
Maternal mortality rate (per 100,000 live births)	1994	12.6
Population per doctor	1994	300
Scientists and technicians (per 1,000 people)	1994	4.2
Combined first-, second- and third-level gross enrolment ratio (%)	1994	63.1
Tertiary full-time equivalent gross enrolment ratio		
Total (%)	1994	24.8
Female (%)	1994	29.0
Daily newspapers (copies per 100 people)	1994	17 ¹
Televisions (per 100 people)	1994	17.6 ²
Real GDP per capita (PPP\$)	1994	4908
¹ Single circulation		
² Only registered		

2. Profile of human development

Unemployment rate (%)	1994	20.5 ¹
Youth unemployment rate (%)		
Male (age 15-24)	1994	46.9 ¹
Female (age 15-24)	1994	42.6 ¹
Adults with less than upper-secondary education (as % of age 15-64)	1992	42.1
Ratio of income of highest 20% of households to lowest 20%	1993/94	5.7
Female non-agricultural wages (as % of male wages)	1994	80.1
Average annual rate of inflation (%)		
based on XII.1992	1993	63.9
based on XII.1993	1994	121.9
Injuries from road accidents (per 100,000 people)	1994	100
¹ Labour force survey by October 1994		

3. Profile of human distress

4. Violence and crime

Prisoners (per 100,000 people)	1994	100
Homicides in selected cities (Sofia, per 100,000 people)	1994	4
Drug crimes (per 100,000 people)	1994	13
Total number of reported adult rapes (thousands)	1994	0.375 ¹
Suicides (per 100,000 people)		
Male	1994	25
Female	1994	10

¹Registered rapes committed on persons over 18 years

5. Health profile

Adults who smoke (%)		-
Alcohol consumption per capita (litres)		
Wine	1994	10.2
Brandy	1994	3.3
Likelihood of dying after age 65		-
AIDS cases (per 100,000 people)	1994	0.09
Population per doctor	1994	300
Health bills paid by public insurance (%)	1994	-
Public expenditure on health (as % of total public expenditure)	1994	8.8 ¹
Private expenditure on health (as % of total public expenditure)	1994	3.0
Total expenditure on health (as % of GDP)	1994	3.8

¹ From the state budget

6. Education profile

Enrolment ratio for all levels (% age 6-23)	1994	64.0
Upper-secondary full-time equivalent gross enrolment ratio (%)		-
Upper-secondary technical enrolment (as % total upper-secondary)		-
Tertiary full-time equivalent gross enrolment ratio (%)	1994	24.8
Tertiary natural and applied science enrolment (as % of total tertiary)		-
Expenditure on tertiary education (as % of all levels)	1994	13.6
Public expenditure per tertiary student (PPP\$)		-
Total expenditure on education (as % of GDP)	1994	4.2
Public expenditure on education (as % of GDP)	1994	4.0

7. Employment

Labour force (as % of total population)	1994	43
Percentage of labour force in		
Agriculture	1994	23
Industry	1994	35
Services	1994	42
Future labour force replacement ratio	1994	89.6

Earnings per employee annual growth rate (%)	-
Labour force unionized (%)	-
Weekly hours of work (per person in manufacturing)	-
Expenditure on labour market programmes (as % of GDP)	-

**7. Employment
(continuation
from page 130)**

Unemployed persons (thousands)	1994	740 ¹
Unemployment rate (%)		
Total	1994	20.5 ¹
Male	1994	20.4 ¹
Female	1994	20.6 ¹
Youth unemployment rate (%)		
Male (age 15-24)	1994	46.9 ¹
Female (age 15-24)	1994	42.6 ¹
Incidence of long-term unemployment (%)		
More than 6 months		
Male	1994	71.2 ¹
Female	1994	74.0 ¹
More than 12 months		
Male	1994	57.9 ¹
Female	1994	60.9 ¹
Unemployment benefits expenditure		
(as % of total government expenditure)		-
Total public expenditure on social protection		
(as % of GDP)		-

¹ Labour force survey by October 1994

8. Unemployment

Real GDP per capita (PPP\$)	1994	4908
GNP per capita (US\$)		-
Share of industrial GNP (%)		-
Income share		
Lowest 40% of households (%)	1993/94	19.8
Ratio of highest 20% to lowest 20%	1993/94	5.7
Social security benefits expenditure (as % of GDP)	1994	11.9
Public expenditure on education		
(as % of total public expenditure)	1994	10.3 ¹
Public expenditure on health		
(as % of total public expenditure)	1994	8.8 ¹

¹From total expenditures of the state budget

**9. Wealth, poverty and
social investment**

10. Resource flow imbalances

Export-import ratio (exports as % of imports)	1994	103.2 ¹
Export growth rate as % of import growth rate	1994	134.4 ²
Trade dependency (exports plus imports as % of GDP)	1994	87.0 ³
Terms of trade 1993=100	1994	100.8
Net workers' remittances from abroad (US\$ millions)		-
Government net debt interest payments (as % of total expenditures)		-
Gross international reserves (month of import coverage)		-
Current account balance before official transfers (US\$ millions)		-
¹ Calculated on FOB/FOB basis		
² The Exports growth is calculated as the ratio of average annual growth rate of Exports value indices and average annual growth rate of Exports value indices.		
³ Data refer to exports/imports of goods and services.		

11. Urbanization

Urban population (as % of total)	1960	38.0
	1994	67.8
	2000	69.0
Urban population annual growth rate (%)	1960-1994	1.4
	1994-2000	-0.6
Population in cities of more than 750,000		
As % of total population	1994	13.2
As % of urban population	1994	19.5
Largest city - Sofia		
Population as % of urban population	1994	19.5
Growth rate (%)	1990/1994	-0.5

12. Demographic profile

Estimated population (millions)	1960	7.9
	1994	8.4
	2000	8.0
Annual population growth rate (%)	1960-1994	0.2
	1994-2000	-0.9
Total fertility rate	1994	1.4
Contraceptive prevalence rate, any method (%)	1994	-
Dependency ratio (%)	1994	49.2
Population aged 65 and above (%)	1994	14.9

Land area (1,000 km ²)	1994	111.0
Forest and woodland (as % of land area)	1994	34.3
Arable land (as % of land area)	1994	42.3
Irrigated land (as % of arable land area)	1994	19.9
Internal renewable water resources per capita		
(1,000 m ³ per year)	1994	2.4
Annual fresh water withdrawals		
As % of water resources	1994	18.8
Per capita (m ³)	1994	444

13. Natural resources balance sheet

Production as % of national energy reserves		
Coal		-
Natural gas		-
Crude oil		-
Commercial energy poduction average annual		
growth rate (%)	1994-1990	-12.8
Commercial energy consumption average annual		
growth rate (%)	1994-1990	-25.2
Commercial energy use (kg of oil equivalent		
per capita)	1994	2654
Commercial energy efficiency (energy consumption		
in kg of oil equivalent per \$100 GDP)	1994	221.4
Commercial energy imports (as % of merchandise exports)		-

14. Energy consumption

CO ₂ emmissions by source		
Mobile sources (millions of metric tons)	1994	10.2
Energy transformation (millions of metric tons)	1994	34.0
Industry (millions of metric tons)	1994	15.4
Sulfur and nitrogen emissions (1,000 metric tons of SO ₂ and NO ₂)	1994	
SO ₂		1469.2
NO ₂		298.1
Share of greenhouse gas emissions (greenhouse index) (%)		-
Greenhouse gas emissions per capita (world median=1)		-
Nuclear waste from spent fuel (metric tons of heavy metal)		-
Hazardous waste production (1,000 metric tons)		-
Population served by		
Waste water treatment plants (%)	1994	36.4
Municipal waste services (%)	1994	35.4
Waste recycling (as % of consumption)		
Paper and cardboard	1994	39.8
Glass		-

15. Environment and pollution

16. National income accounts

GDP (US\$ billions)	1994	10.1
Agriculture (as % of GDP)	1994	11.0 ¹
Industry (as % of GDP)	1994	33.0 ¹
Services (as % of GDP)	1994	49.0 ¹
Consumption		-
Private (as % of GDP)		-
Government (as % of GDP)		-
Gross domestic investment (as % of GDP)		-
Gross domestic savings (as % of GDP)		-
Tax revenue (as % of GNP)		-
Central government expenditure (as % of GNP)		-
Exports (as % of GDP)	1994	43.2 ²
Imports (as % of GDP)	1994	43.8 ²

¹ The percentages do not add to 100 because of the adjustments of GDP:
- Imports duties
- Taxes and excizes

² Exports and imports of goods and services

17. Trends in economic performance

GNP (US\$ billions)	1994	9.9 ¹
GNP annual growth rate (%)		
GNP per capita annual growth rate (%)		
Average annual rate of inflation (%)		
based XII.1992	1993	63.9
based XII.1993	1994	121.9
Exports as % of GDP (% annual growth rate)		-
Tax revenue as % of GNP (% annual growth rate)		-
Overall budget surplus/deficit (as % of GNP)		-

¹GNI

BIBLIOGRAPHY

Annual Bulletin of Housing and Building Statistics for Europe and North America (1995) New York and Geneva: United Nations/ Economic Commission for Europe.

The Bulgarian Scientists and the Processes in Science (1993) Sofia: Union of Scientists in Bulgaria (in Bulgarian).

Census of Population and Housing at 04.12.1992. Housing Conditions of the Population (1995) Sofia: National Statistical Institute (in Bulgarian).

Current Economic Conjuncture Monthly (1995-1996) Sofia: National Statistical Institute (in Bulgarian).

Davidkov, Ts. (1993) *The New Entrepreneurs*. Sofia: Sofi-R (in Bulgarian).

Demographic Characteristics of Bulgaria (1993) Sofia: National Statistical Institute (in Bulgarian).

Dimitrov, M., Ed. (1996) *A Comparative Analysis of the Structural Changes in the Central and Eastern European Countries*. Sofia; Goreks press (in Bulgarian)

Dimitrov, A., and Stoichkov, I., Eds. (1995) *Bulgaria at the Beginning of XXI Century*. Sofia (in Bulgarian).

The Economy of Bulgaria till 1998 (1996) Sofia: Bulgarian Academy of Sciences. Institute of Economy (in Bulgarian)

General and Vocational Education - 1994/95 Academic Year (1995) Sofia: National Statistical Institute (in Bulgarian).

Genov, N., Ed. (1995) *Bulgaria. Human Development Report 1996*. Sofia: National and Global Development.

Genov, N., Ed. (1996) *Society and Politics in South-East Europe*. Sofia: National and Global Development.

Health Care (1996) Sofia: Ministry of Health Care, National Statistical Institute (in Bulgarian).

Health for the Nation. Bulgarian Health Strategy (1995) Sofia: Ministry of Health Care.

Higher and Semi-Higher Education 1994/95 (1995) Sofia: National Statistical Institute (in Bulgarian)

Hubenova-Delisivkova, T., Ed. (1996) *The Integration of Bulgaria with the European Union*. Sofia: Bulgarian Academy of Sciences. Institute of Economy (in Bulgarian).

Human Development Report (1995) New York and Oxford: Oxford University Press.

Incomes, Expenditures and Consumption of Households (1995, 4 issues) Sofia: National Statistical Institute (in Bulgarian).

Nikiforov, I. (1995) Streets and Squares. Sofia (in Bulgarian).

Nikitov, E. (1995) Environmental Problems on the Territory of the Republic of Bulgaria. Sofia: Ministry of Territorial Development and Construction (in Bulgarian).

Public Services and Communal Economy (1995) Sofia: National Statistical Institute (in Bulgarian).

Recent Demographic Developments in Europe (1994) Council of Europe.

State and Structure of Crime in the Republic of Bulgaria in 1994 (1995) Sofia: Council for Criminological Research at the Public Prosecutor's Office of the Republic of Bulgaria (in Bulgarian)

Statistical Reference Book of the Republic of Bulgaria (1995) Sofia: National Statistical Institute.

White Book of the Bulgarian Education and Science (1992) Sofia: Ministry of Education and Science (in Bulgarian).

Women in Economic Activity: A Global Statistical Survey 1950-2000. Geneva: ILO