

FOREWORD

It is a real challenge to focus the National Human Development Report *Bulgaria 1997* on problems of social integration and cohesion in the current critical stage of the development of Bulgarian society. The country has to overcome the economic, political and cultural effects of protracted reforms carried out with high social costs. Difficult decisions are to be taken and implemented consequently.

Facing this extraordinary situation, a team of independent experts attempted to analyse the various dimensions of the disintegrating trends in Bulgarian society. As far as possible, prognostic visions are also aimed at in the Report. Moreover, the authors suggest a variety of solutions to problems which have to be dealt with immediately. They include pro-active measures for preventing excessive economic differentiation, long-term unemployment, corruption. Together with the strengthening of the state institutions, the initiative of individuals and groups is seen as a major force for mobilising resources to cope with the accumulated problems.

The ideas of the Report have been discussed in a series of open meetings. The authors could elaborate on their arguments taking numerous critical remarks and suggestions into account. Thus the team of authors headed by Prof. Nikolai Genov is much larger than indicated below.

The underlying idea of the proposals for action is that the future of the country is not predetermined. It should be created by the enlightened and responsible efforts of the Bulgarians. The international community will provide the necessary support. Our common aim is to establish the conditions for a sustainable human development in Bulgaria. This means to attain the highest possible level of well-being, of a free and dignified long life for all citizens and for future generations.



Antonio Vigilante
Resident Representative
UNDP, Sofia

Team of authors:

Nikolai Genov (Editor)

Alexander Dimitrov, Baicho Panev, Blagovest Georgiev, Dafina Gercheva, Dobrin Kanev, Ilona Tomova, Iskra Beleva, Maria Zheliazkova, Mariana Zakharieva, Nansen Behar, Yordan Hristoskov, Zhivko Nedev

Consultants:

Alena Nesporova, Anna Mantarova, Genevieve Domenach-Chich, Kiril Kertikov, Roumen Dobrinski

ACKNOWLEDGEMENTS

The National Human Development Report *Bulgaria 1997* is the product of the joint efforts of many individuals and institutions. In numerous cases it is difficult to establish the authorship of specific ideas or lines of argumentation. Nevertheless, the major responsibility for the content and the style of presentation of the chapters take the following authors: Prof. Nikolai Genov (Chapter 1); Prof. Alexander Dimitrov (Chapter 2, §§ 1,2,3); Prof. Baicho Panev (Chapter 2, § 4); Associate Professor Blagovest Georgiev (Chapter 2, Boxes 2, 3, 5); Senior Research Fellow Iskra Beleva (Chapter 3); Senior Research Fellow Yordan Hristoskov (Chapter 4, §§ 1,2,3,4); Research Fellow Maria Zheliazkova (Chapter 4, § 5); Research Fellow Ilona Tomova (Chapter 5); Associate Professor Mariana Zakhareva and Associate Professor Dobrin Kanev (Chapter 6); Research Fellow Zhivko Nedev (Chapter 6, §§ 1,2,3,4,6); Assistant Professor Dafina Gercheva (Chapter 7, § 5); Prof. Nansen Behar (Chapter 8). Prof. Kiril Gatev and a team of the National Institute of Statistics prepared the Appendix Tables. In various chapters data from the cumulative study *Management of Transformation Risks* were used. The study was carried out by Department *Global and Regional Development* at the Bulgarian Academy of Sciences. Ms. Elissaveta Ignatova was helpful in taking care of the smooth implementation of the project.

In the course of the preparation of the Report its strategy and content were the subject of intensive discussions. They focused on the problems of social integration and the role of the state in the current transition, on the burning issue of corruption, on the factors determining the diffi-

cult path of economic reforms, on the problems and prospects of environmental policies. Besides local experts from the administration and academic circles, many representatives of non-governmental organisations took also part in the debates. Their content was enriched by the participation of experts from international organisations (UNESCO, ILO, the Future Studies Association, etc.).

Important intellectual incentives for the preparation of the Report came from the discussions at the UNDP meeting on the Human Development Reports in Central and Eastern Europe held in Bratislava. The authors are grateful for the support given to the team by the UNDP Regional Bureau for Europe and the CIS and by its Director Mr. Anton Kruiderink. Special thanks should be extended to Mr. Antonio Vigilante, UNDP Resident Representative in UNDP, Sofia, for his understanding of the complexity of substantive and organisational problems facing the team of authors.

The UNDP office in Sofia, together with the Union of Bulgarian Artists, organised a competition for the artistic layout of the Report. The jury awarded the first prize to Ms. Mariana Marinova for her painting *Transition* (first cover of the present publication).

The Report was translated into English by Nikolina Panova (Chapters 2, 7), Ilian Ignatov (Chapters 3, 4 and 8) and Natalia Nikolaeva (Chapters 1, 5 and 6).

***Professor Nikolai Genov, Dr. sc.
National Coordinator of the project
Human Development Report
Bulgaria 1997***

EXECUTIVE SUMMARY

The content of *Bulgaria 1997. Human Development Report* reflects on the state of uncertainty, of tensions and conflicts Bulgaria went through in the course of 1996 and the beginning of 1997. This is a historical moment which urges for an analytical and critical examination. It has to reach the causes and reasons for the dramatic economic situation of the country, for political instability and cultural disorientation. This is necessary in order to provide the background for anticipating future developments which are rather difficult to predict in Bulgarian society. This might help the management of processes which permanently evade an effective governmental intervention.

Chapter 1. *Economic reforms and social integration: the role of the state* systematically presents the difficulties marking the course of the current transformation, in four points.

According to the *first* one, in the efforts to explain and manage the transformation *means and ends are confused*. The ends of the changes of national society after 1989 are usually defined as building up market institutions and a democratic political system. In fact, these are *means* for achieving other ends, namely a higher level of social integration of Bulgarian society as well as a more effective technological, economic, political and cultural integration of Bulgarian society into its international environment. This is the major problem of the transformation. It has been dealt with in a slow and inconsequent way determining the high social costs of the transition period. Fundamental technological and economic relations have been cut. New relations have been established which turned out to be ineffective. The inequality of incomes and property grew sharply. Politics has been

permanently dominated by splitting and confrontations. There is a vacuum of uniting values in national culture. Bulgarian society has been in a state of social disintegration for a long period. The conditions for sustainable human development have been undermined.

Second, the major reason for this situation lies in the fact that *the dissolution of the state domination on society developed into a dissolution of the state integration of society*. Before 1989 the state over-integration of society hindered its innovation. Decentralisation and liberalisation became unavoidable. However, incompetent and irresponsible decisions on the role of the state in this process fostered the disintegration of society. State institutions deserted from responsibilities which are state priorities in countries having long democratic traditions. The bankruptcy of the national financial system in 1996 showed that such policies lead to catastrophe.

This painful experience underlines the relevance of the *third* point: *An effective dissolution of the state centred over-integration of society could be implemented only by means of a state regulation of the transformation*. That is why the stabilisation of the state institutions is the key to a step-by-step solution to the accumulated economic, political and social tensions. This is also the key to the sustainable social, economic and environmental development. It may allow to overcome the deep and widely spread disenchantment caused by the course and results of the ongoing transformation. This might lead to the fulfilment of the hope that a „small“ but well organised and efficient state could be based on strategic thinking and could apply it in an indicative type of governance.

The strengthening of this hope is important since the positive trends towards

economic, political and cultural re-integration of Bulgarian society in 1995 turned out to be short-lived. In 1996 the country became involved in still another cycle of disintegration. In this conditions, *fourth*, the alternatives are the following: *Either state integration of Bulgarian society or long-term undermining of the Bulgarian state*. The spontaneous development of market mechanisms is not able to curb the negative trends menacing Bulgarian society with a lasting anomie. The insistence on an efficient and thus „strong“ state becomes more relevant than ever. In the current situation it implies the following:

- To stabilise the state finances by introducing the currency board *as a means* for recovery of production and export.
- To reach and sustain political consensus as to the measures which are necessary for restructuring of property rights as well as for technological, product and market restructuring of economy.
- To connect economic restructuring with the restructuring of the social protection schemes.

Even in case of an organisational success of the currency board its implications on social integration and disintegration of large social groups are difficult to predict. The major question facing the nation is the following: Shall the Bulgarian state succeed in the re-establishment of social integration and in its development to a higher level of efficiency in the course of the continuing modernisation?

In Chapter 2. *Social conditions and consequences of economic reforms* the link is established between structural changes in economy and the changes in fundamental social relations. During the first half of the nineties the economic processes have been marked by the drop of industrial and agricultural production and by the increase of the share of services in the gross domestic product. The unclear strategy of reforms, the large foreign debt and budget deficit, the high level of inflation, the bad

financial status of enterprises and the substantial drop of incomes also belong to the major characteristics of the current economic situation.

The most prospective strategy for the development of economy should avoid the extremes of both the reliance on spontaneous changes and the return to the directive state interventionism. Long-term trends should be taken into account and state regulation should be performed by using economic instruments.

- Clear and consequent norms of market behaviour are needed.
- It is necessary to pay a special attention to the development of information industry and information technologies.

Complicated processes mark the reforms in *agriculture*. Most indicators of agricultural production are worse in the nineties as compared to the indicators in the seventies and eighties. The major reason for this development is the current legal regulation of the agricultural reforms. It predetermines a complicated and inefficient manner of restitution of land property. It damages production capacities and makes the property structure less adequate to the modern production technologies.

- It is an urgent task to develop a functioning market of arable land.

The application of various organisational forms of agricultural production will involve the land owners in the revival of agriculture. Co-operatives and private farming should not be confronted.

The *service sector* has a strategic importance for the success of the economic reforms. The underestimation of services in the previous decades brought about incongruous interactions among economic actors, resulting in deficits of goods, ineffective use of capital and bad conditions of work and consumption. They imposed limitation on the economic growth. The changes during the last years negatively affected transport, tourism, communal in-

frastructure, science, education and health care. The result is a general worsening of the level of social development of Bulgarian society. Services do not play an adequate role in the transition to market economy yet.

Economic reforms are strongly influenced by *corruption*. It destabilises state institutions and undermines the value-normative system of Bulgarian society. Corruption among civil servants is widely regarded as the most dangerous type of criminal activity. It affects all levels of administration, of the financial, customs, fiscal, price and sanitary controls. We witness a decline of the public capacity to resist it.

Corruption is involved in the radical re-distribution of ownership which took strong criminal features. Political corruption is also widely spread. The link between corruption in the state administration and organised crime leads to the replacement of the state institutions by shadow power structures.

- It is necessary to speed up economic reforms making the privatisation transparent.
- Activities which are incompatible with the status of law makers, members of the executive powers and magistrates should be properly defined.
- The passing of a Law on the Civil Servant should not be postponed anymore.

The society expects stringent and efficient administrative measures against corrupt individuals and groups. In order to approach the task successfully, educational measures are also needed.

Chapter 3. *Long-term unemployment as social exclusion* analyses the character and the consequences of this new phenomenon. It develops in the conditions of an imperfect labour market, thus bringing about social costs of the transition which by far exceed the expectations. Long-term unemployment affects one tenth of the labour force. One tenth of the added value

which society could produce is being lost. Investments in education and vocational training of long-term unemployed cannot be returned. Society makes large expenditures in social support schemes. Long-term unemployment causes various negative side-effects. Social stratification increases, marginal groupings develop and ethnic tensions accumulate.

The problems of the high long-term unemployment among *young people* are especially burning. It provokes social insecurity and the destructive feeling of lack of prospects. It fosters drug addiction and criminal activities. The problems of the long-term youth unemployment reflect on families and communities, on the state and on the whole society.

The change in the social and economic status of *women* appears in the negative effects of long-term unemployment as well. It reaches the level of 55-60% of the unemployed women. Due to the sharply reduced living standard women are prone to accept whatever job. Ambitions concerning realisation in work and improvement of vocational training are neglected. Social contacts and medical prophylactics are reduced.

Long-term unemployment is not regarded as a priority problem facing Bulgarian society yet. Well co-ordinated, complex and stable solutions to it are not asked for. The passive programmes of social support predominate.

- A well focused, active and differentiated policy for reduction of long-term unemployment should be implemented by means of fostering the initiatives of the unemployed themselves.
- An active participation of entrepreneurs in the policies on the labour market is necessary for alleviating long-term unemployment.

Chapter 4. *Growing inequality undermines social integration* presents the national specifics of a global social problem.

The trend towards increasing *inequality of incomes* is particularly important. This is the major factor counteracting social integration. About one fifth of Bulgarian population lives in absolute poverty. It is unevenly distributed along regional and ethnic lines. The Gypsy ethnic group has particularly negative characteristics of incomes. Shadow economy strengthens the income inequality between men and women, the inequality in the fields of social protection, health care and leisure.

Property inequality has already a strong influence on society because of the re-distribution of the national wealth. The ethnic features of property inequality are most visible in the size and quality of dwellings. In this respect the poverty of the Gypsy ethnic group is substantial. The still ongoing restitution is an influential factor for strengthening social disintegration because of property differences. Unemployment causes a growing inequality *on the labour market*. Both the official and the shadow labour markets are rather fragmented. Insecurity of the work place is also a relevant factor of social inequalities.

The major *reason* for the negative impact of inequality on social integration is the over-concentration of wealth in the hands of rather limited groups. Another reason is the declining purchasing power of the vast majority of the population. Practically all pensioners, unemployed and disabled persons belong to the pole of poor people. Inequality is being fostered by the fiscal system. The lacking strategy for reforms in the social sphere is still another factor bringing about inequality.

The programmes which have been prepared and implemented for alleviating poverty have been marked by paternalistic, undifferentiated and passive measures. They offer only partial solutions.

- A reorientation is necessary from alleviating the consequences of inequality towards adequate taxation policies which prevent rather unequal distributions of incomes and wealth.

- Social support schemes should be more differentiated and basically oriented towards people most in need in order to secure at least their minimal living standards.

- Special attention should be paid to fostering the economic initiative of groups struck by poverty.

The *non-governmental organisations* have to play an important role in resolving the above tasks. So far they are concentrated in large cities and copy functions of state institutions. The activities of NGOs are typically focused on philanthropic mediation. The chaos in legal regulations prevents them from taking broader responsibilities. The co-ordination of their activities with the work of governmental agencies is low. It is necessary to mobilise NGOs for developing active measures for alleviating poverty.

Chapter 5. *Ethnic problems of social integration* links the present day state of ethnic relations with the controversial experience from the previous decades. The evaluation of the ethnic conflicts during the eighties leads to the conclusion that „the revival process“ demoralised the whole nation. The experience from the processes after 1989 strengthens the point that nationalism and religious intolerance put obstacles in the way of democratisation of social relations.

Cultural and religious differences bring about persistent stereotypes. They are backed by increasing differences in economic and social status, in employment and in the educational level of Bulgarians, Bulgarian Turks, Bulgarian Muslims and Gypsies. The growing educational and cultural lag of the Gypsies is particularly threatening since it is caused by the stable marginalisation of this ethnic group. Only one fifth of the able-bodied Gypsies have a permanent job.

- In the present day difficult economic conditions fast measures for improving the educational programmes according to the

needs of the various ethnic groups are necessary. The efforts should be mainly focused on attracting Gypsy children to school attendance.

The mountainous regions populated by Bulgarian Turks and Bulgarian Muslims are particularly affected by the economic crisis. Thus, the infrastructural differences between the regions increase. The rather uneven drop in incomes among ethnic groups and the regional differences are often interpreted as forms of ethnic discrimination. This might bring about various forms of social disintegration in the future.

In Chapter 6. *Controversial trends in culture* changes in cultural life are interpreted as part and parcel of the very controversial transformation process. It is marked by the dissolution of old structures and by uncertainties which determine a widely spread crisis consciousness. It is dominated by material values. Expectations are minimised. Survival is the main aim pursued by the majority of the population. These are the cultural signs of a deep social anomie.

Traditional and modern patterns co-exist in the value system. The economic and political conditions do not sufficiently support the modern value orientations stressing entrepreneurship, competence and professionalism. The result is lack of self-confidence and behavioural passivity. The disenchantment provoked by the course of the transformation is strong. Nostalgic moods are influential. The view predominates that the negative trends in social life are long lasting and difficult to overcome. The value-normative disenchantment provokes vacillations between the extremes of individualist liberalism and state-oriented egalitarianism. The preferences to state ownership and state organisations prevail. Private property and civic associations meet a lower level of confidence. It is a commonly shared view that the state has to be the key factor of citizens' social security. The inability of the state to meet these ex-

pectations will cause future disenchantment and value-normative tensions.

Democracy is widely accepted as an ideal but much less as a functioning reality. The trust in major state institutions is rather low. Against this background, both the evolving political aggressiveness and political apathy are dangerous. They support authoritarian tendencies. They might be counteracted by the revival of democratic traditions. However, it is necessary to bring them in accordance with the aims and the organisational structures of the ongoing modernisation.

Chapter 7. *The social context of environmental policies* is dedicated to a topic which substantially lost its attractiveness in the course of the nineties. However, it remains a strategic issue for the development of the country. The major problem in this context boils down to the fact that the economic crisis, the political instability and the changes in the value-normative orientations do not allow an effective environmental policy. Mass preferences favour economic growth even at the expense of the environment. The narrowing of the time horizon of all actions undermines the foundations of a long-term environmental policy. In the present day moment the capacities to implement a policy of sustainable development in Bulgaria are rather limited.

The partial improvement of the environmental situation is mainly due to the decline of production and not to the introduction of technologies which are friendly to the environment. The state of domestic water basins, of the Danube river and of the Black Sea worsens. The problems with the industrial and household wastes are rather serious. The major factors of environmental hazards have not been eliminated. They might be activated in the course of the expected stabilisation of economy.

The disturbed environmental balance affects the health status of the population. New forms of social cleavages appear along the uneven distribution of environmental

risks. The inter-institutional co-ordination of environmental policies is insufficient, especially in the case of long-term projects. The national financing of projects does not secure the solution even of the most urgent environmental problems.

The participation of non-governmental organisations in environmental management is guided by the requirement of the unity of economic and environmental policies as well as by the need for a democratisation of decision-making. NGOs mediate between state institutions and the public at large in the preparation and implementation of environmental projects. NGOs also link the national environmental policies with the efforts of international environmental organisations and movements.

- It is necessary to define the goals of the activity of environmental NGOs in a more precise manner.

- An active partnership is needed between environmental NGOs and state institutions.

New problems facing environmental policy are about to arise together with the forthcoming introduction of a currency board. Careful examination is needed of the infrastructural projects in the fields of power production, gas transportation and transport.

In the concluding Chapter 8. *Which transformation and for whom?* the balance is drawn that the temporal parameters of the change have turned against the expectations of the public at large, the political elite and the foreign partners. Disenchantment prevails in evaluations concerning the processes during the first half of the nineties. The transformation has brought about drop in the living standard and the quality of life, sharp worsening of the social climate and disorientation in the value system. The alienation among individuals and groups became stronger. Individual solutions are sought for even at the expense of interests of other people.

A telling example of the critical trends in society is the current situation of national science. The decline of the expenses on science passed the critical minimum. Scientific research lost prestige. The major reason for this development is not the economic crisis alone, but the lack of clear perspectives for both society and science. On its part, the crisis in science makes the overcoming of the economic crisis more difficult.

The conclusion is that a rather narrow segment substantially gained from the transformation. Representatives of the ruling groups before and after 1989, criminals and the emerging mafiotic circles belong to this segment. All they are marked by a luxury consumption against the background of mass poverty. Their common principle is the disrespect to the legal order. Many of them act in the shadow area of the illegal or half-legal businesses. Now the country has reached the point at which the illegal business is in an active search for its legalisation.

This unhealthy situation urges for an anti-crisis programme in which there should be a clear definition of priorities and of ways for their materialisation. Stimulation of production and export, strengthening of financial discipline, well prepared de-centralisation, improvement of social protection schemes and securing a reliable international support to the reforms should be key points in the programme. In the very fundament of the successful reform measures there should be the fostering of economic initiative and responsibility in the context of a large scale and effective structural reform. Privatisation which really develops and supports a substantial middle class is a crucial aim.

- In the course of the transformation the conditions should be strengthened which guarantee the irreversibility of the transition to market economy and democratic political structures.

1

ECONOMIC REFORMS AND SOCIAL INTEGRATION: THE ROLE OF THE STATE

In the beginning of the nineties the rate of change in Bulgarian society accelerated immensely. Everyday life became full of events. Most important among them seemed to be the events marking the development of the democratic state. Gradually Bulgarians realised the fact that the crucial change concerns the redistribution of property unheard in human history. The restitution of industrial property and arable land, the cash, voucher and other forms of legal privatisation are the events which determine the contents of the new legislation. The transfer of property is the core issue of political programmes. Some forms of privatisation also came about aside of the legal rules and public debates. Nevertheless, their impact on economy, politics and culture is tremendous.

Facing the flood of events happening in a rather short period, public attention is focused on them. Problems related to the strategic aims of the transformation remain beyond the scope of the immediate interest of the vast majority of people. This is the more understandable since the transformation causes mass uncertainty of work places and unemployment, a considerable reduction of real incomes and many other concerns in everyday life. However, even in the very centres of power in Bulgarian society political elites got absorbed by current events and related concerns. The elites turned out to be rather poorly prepared to cope with the complex strategic tasks which society had to deal with during the first half of the nineties. The reforms started without a well thought-through strategy. They have continued for years so focusing on day by day efforts to find out short-term and simple solutions to complicated long-term issues.

Against this background a burning social need has evolved for a sober balance

of the experience accumulated in the course of the transformation. Already, there is the necessary distance from the everyday events. This is not because life has become easier. On the contrary, in the end of 1996 and the beginning of 1997 Bulgarian society got involved in the next critical economic and political situation. It alarmed all the experts dealing with Central and Eastern Europe. In spite of the uniqueness of the failure in transforming the national society, many features appeared in the process which are common to other countries in transition. Therefore, fundamental questions arise which require analytical and responsible answers. What were the major mistakes committed in the course of the transformation? What are their consequences for man and society so far and in the future? What could be done in order to correct the mistakes, or, at least, to avoid the repetition and accumulation of mistakes?

There are no simple and easy answers to such questions. The risk to answer them inadequately is high. However, there is no alternative – the risk should be taken. This is because the time is ripe for changing the concept of change. Moreover, practical implications should follow from the change, since tomorrow is too late, especially for a country like Bulgaria in its present day situation.

1.1. Means and ends of the transformation

At the first glance there is no real problem in defining the means and ends of the transition which Bulgarian society is going through. There is a practical consensus as to the point that the transition has two major aims. *First*, in order to establish an efficient allocation and use of economic

The core of the current transformation is the change of property rights

A sober balance of the course and results of the ongoing transformation is urgently needed

resources the development of a properly working market economy should be aimed at. *Second*, in order to achieve an efficient functioning of the political system, a well designed democracy should be established.

World-wide development leaves no doubts about the proper means for achieving these aims. Following the experience of market mechanisms in advanced countries, in just a few years large scale economic reforms were carried out in Bulgaria. Working relations were established with international financial institutions. The country joined the world markets. Prices, foreign trade, currency regime were liberalised. More or less, markets of goods, services and labour now function in the country. The major economic actors have a high level of autonomy although the state ownership of productive assets still predominates. Despite the complications and delays, privatisation of state property advances at a speed which is not much different from the speed of privatisation in

countries similar to Bulgaria. This comes from the comparison of the private sector share of GDP production in Central and Eastern European as well as in the CIS countries according to the estimates of World Bank experts: (Fig. 1.1.).

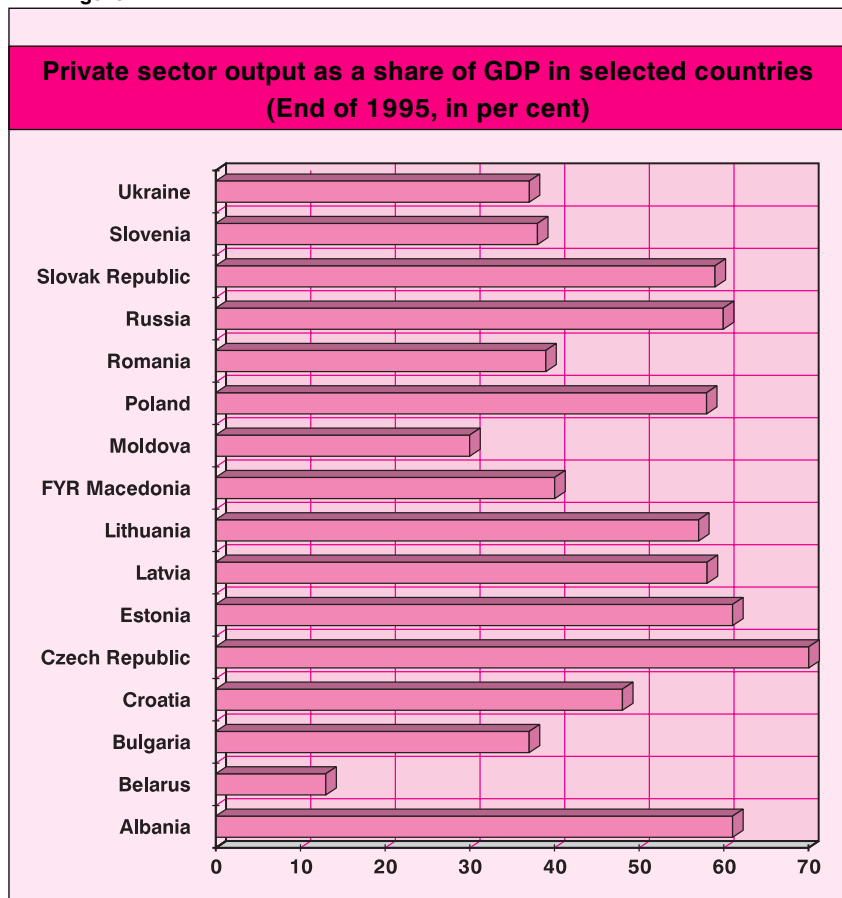
The means for achieving the major political aim are also well known from the experience of traditional democracies. Most of them are already well known in Bulgarian politics as well. The legislative, executive and judiciary powers are divided; free and fair democratic elections have been held; in the country more than 200 political parties and 4000 organisations and associations of civil society are registered. As to the structure and functioning of political institutions Bulgaria has hardly any peculiar feature distinguishing it from other Central and Eastern European countries.

Against this background the problem concerning the means and ends of the ongoing transformation in the country appears to be basically resolved. This is only seemingly so, however. The **first thesis** of the following analysis is that *means and ends of the transformation are confused*. In addition, one might insist on the point that *Bulgarian society is heading towards substantial changes since the most important ends of the transformation still have to be determined*. If they are to be related to the development of market economy and democratic political institutions, the latter can only appear *as means*. The ends in question are connected with the achievement of a higher quality of mutual co-ordination of needs and interests of individuals and groups. They refer to the development of a *more sophisticated pattern of social integration* as compared to the one which was established in Bulgaria after the Second World War, or to the pattern of social integration which is characteristic for the current intermediate stage of the transformation.

That is why the core issue of the ongoing reforms is not just the change of property rights although a desirable transfor-

The problem concerning the means and ends of the transformation has not been resolved yet

Figure 1.1.



mation would not be possible without it. Neither is technological or market restructuring the core issue, whatever their importance might be. In reality, the *core issue* of the reforms is: *What is the extent to which they contribute to the development and functioning of a more efficient type of integration of Bulgarian society?* The point is the integration of society in all its technological, economic, political and cultural dimensions. The point is the establishment of a type of social integration which renders possible *the sustainable development of Bulgarian society in social, economic and environmental terms*. This also implies sustainable development of social groups as well as of individuals, or, in different terms, a higher level of social cohesion.

This statement is crucial, but it does not cover the whole complexity of the topic. In the contemporary social context of progressing globalisation the problem of the domestic integration of Bulgarian society cannot be meaningfully discussed without referring to the integration of Bulgarian society in regional and global structures and processes. That is why the precise formulation of the issue is the following: *Does Bulgarian society succeed in its internal integration to the extent to be able to adapt successfully to the requirements of the international technological, economic, political and cultural integration as well as to the world wide efforts for sustainable development?* Whatever the specific formulation of the major problem of changes after 1989, it is clear today, that in Bulgarian society it has been approached in a slow and half-way manner. It implies rather high social costs of the transformation. What does this mean in more precise terms?

Major technological and economic relations have been disturbed or new relations have been established that do not function effectively. The monopoly of the large state enterprises was preserved in the conditions of market liberalisation. In the same time, because of the decentralisation of economy and politics the capacities of the state to govern its own property were

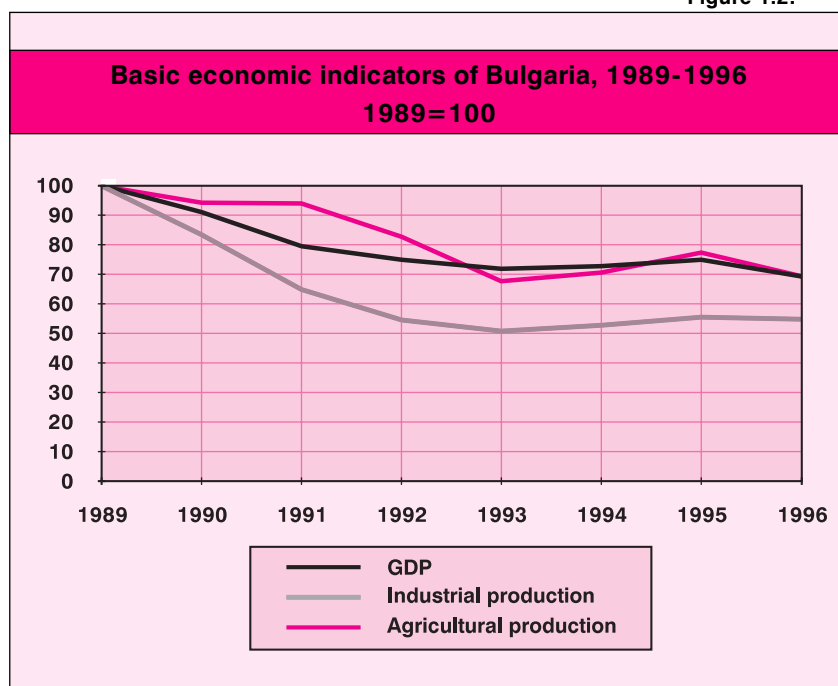
substantially reduced. The financial sector developed its autonomy to the extent that the state control over the credit operations became rather difficult. Following short-sighted legal decisions and their administrative implementation, the agriculture has moved into a blind alley.

The outcomes of this development are obvious. The national economy periodically falls in the state of unmanageability. The first clear signal in this respect was the sharp devaluation of the national currency in 1994. The economic recovery of 1995 turned out to be fragile and short-lived. For the first time in the Eastern European region, after signs of stabilisation of the Bulgarian GDP, it dropped anew in 1996 by -10.9%. Experts forecast a negative growth for 1997 as well. The volume of industrial production in 1996 is close to half of the volume achieved in 1989. The wheat harvest of 1880 kg/ha in 1996 offers an example of how fast the organisational prerequisites of modern agriculture might be destroyed. Reaching the GDP level of the late eighties anew will most probably take at least a decade. After the relative stabilisation in 1995, in the following year inflation skyrocketed to 310.8%.

The major end of the changes is the establishment of a more advanced pattern of social integration

The national economy periodically falls in a state of unmanageability

Figure 1.2.



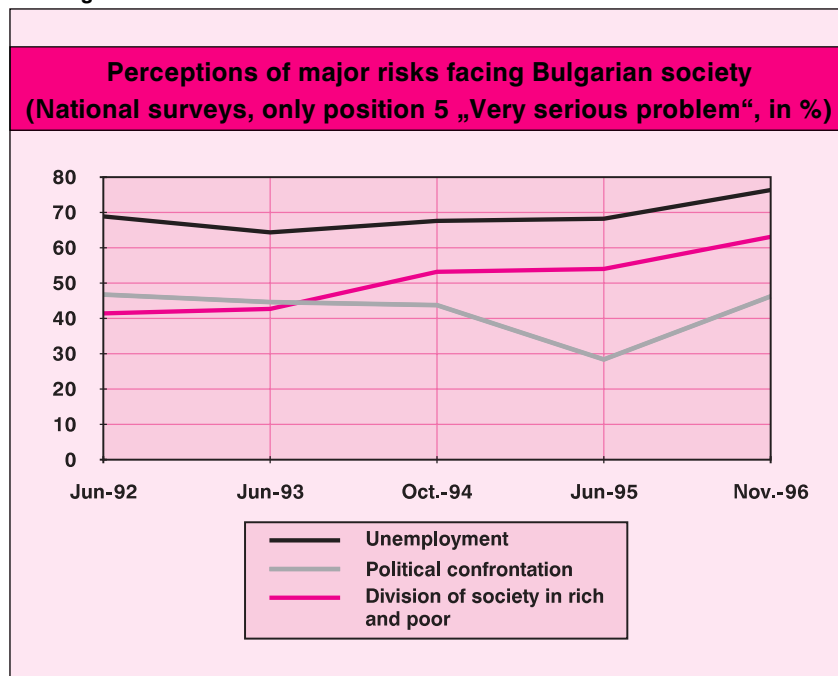
Developments of this type make the national economy a risky place both for foreign and domestic investors. Since the Bulgarian side was not able to keep to the agreements reached with the IMF, a block-

Table 1.1.

Basic data on transition economies (Preliminary data on 1996, per cent)			
Country	GDP	Industrial production	Inflation
<i>Eastern Europe</i>	4.0	7.2	–
Bulgaria	-10.9	-1.0	310.8
Croatia	4.4	3.1	3.5
Czech Republic	4.4	6.8	8.7
Hungary	0.5	3.3	19.9
Poland	6.0	9.1	18.7
Romania	4.1	9.8	56.8
Slovakia	6.9	2.5	5.5
Slovenia	3.5	1.0	8.9
The FYR of Macedonia	1.6	3.2	0.3
Yugoslavia	4.3	6.8	60.3

age of the international financial support to the reforms followed. Without it the country is not able to meet its obligations in servicing the foreign debt which amounts to 1 billion of US dollars per year between

Figure 1.3.



1995 and 1999. Payments on the domestic debt required the major part of the budget revenues. These troubles in the critical 1996 repeatedly substantiated the experience that the negative trends in Bulgarian economy are strong and persistent. The struggle to overcome them will take a long time. It will be difficult and most probably full of vacillations.

According to UN data on the development of Eastern Europe in 1996, the above developments in Bulgarian economy strongly deviate from the overall trends towards economic stabilisation in the region: (Table 1.1.).

Following a moderate drop in 1994 and 1995, in the second half of 1996 unemployment started to rise again. At the end of the year the registered unemployed reached the level of nearly half a million which is 12.5% of the whole labour force. There is no doubt that this share will increase in 1997 together with the unavoidable measures for strengthening the efficiency of the national economy. The problem with the long-term unemployed is particularly serious since the majority of them will most probably remain outside of the labour force permanently. At the end of the year more than a half of the household incomes had to be used for food. This is a very clear mark for a low general level of development of a national economy, or, of an economy undergoing severe crisis. Three quarters of the households have difficulties in paying their expenses for food, heating and electricity.

Property and income inequality increased sharply in the meantime. It doubled in the period after 1989 reaching a ratio of 6.8:1 of the incomes of the 20% richest households to the poorest 20% in 1996. Thus the declining GDP is being divided more and more unequally. Public sensitivity to the rapid economic differentiation increases fast (See Fig.1.3.). It is supported by the strong influence of traditional egalitarian attitudes, by the mass impoverishment as well as by the facts of illegal enrichment of the rather tiny segment of well-

to-do people in Bulgarian society. These are conditions which will foster social tensions in the future.

Fig. 1.3. also shows that the worsening of the economic situation in 1996 has strengthened the political confrontation. After a substantial drop in intensity in 1995, it was revitalised on the occasion of the presidential elections, again reaching the levels of the early nineties. The outcome of this dynamics is the trend of a fast wearing out of governments since the problems are rather complicated and they are typically approached in a conflict ridden way. This also leads to a permanent instability in political institutions and to a low efficiency of their work mainly because the time horizon of governments has been rather short. After 1989 governments change practically every year.

Besides the economic decline and political instability, during the nineties the nation had to face substantial difficulties in the search for commonly shared values as well. In mass consciousness contradictory and mutually exclusive views on the desirable state of society meet. In November 1996 75.3 per cent of interviewed persons in a national survey carried out by a team at the Bulgarian Academy of Sciences stated that they agree with the statement „The Laws should provide for a full freedom of private initiative“. Undoubtedly, this is a strong vote in favour of liberal and individualist value orientations. This is also an indirect support to the market oriented economic reforms. In the same time, exactly 80 per cent of the interviewed also agreed with the strong redistributive intervention of the state which they know rather well from previous decades. They agree that heavy taxation should be imposed on high incomes in order to support people receiving low incomes. This widely shared agreement on mutually exclusive value-normative and practical orientations is no agreement at all. Rather, it is an expression of value-normative disorientation.

These alarming economic, political and cultural characteristics of the current

crisis Bulgarian society is going through only show that it has stayed in a state of social disintegration far too long, thus developing all the features of a lasting social anomie. Such a state is destructive. Why did it become possible?

It is natural to search for the answer with a view to the qualities and the development of the state institutions. The most relevant context of this endeavour is the wide spectrum of economic reforms which have been carried out by the Bulgarian state in the course of the last years.

1.2. The state and the economic reforms

In industrialised countries like Bulgaria social integration is achieved and maintained by means of a number of separate but mutually interconnected mechanisms. The influence of the technological division of labour, of market exchange, political power and widely shared values play crucial roles. The role of the state is particularly important, however. This is because of the tremendous potential of the modern state to concentrate and use resources for maintaining social integration. However, it is also possible that the state is not able to perform this function efficiently. In both cases the state plays a crucial role determining the specifics and the trends of social integration.

The issue is particularly relevant to Eastern European societies. All of them started their transformation from the point of the full domination of society by the allmighty state. This was a typical *political society* meaning society dominated by the state organisation. Using the resources of the nationalised economy, the state determined the structural parameters of economy under the influence of geostrategic and domestic conditions. Due to the coalescence of the ruling party with the state power there was practically no politics beyond the scope of the party-state. The state dominated the official culture. The media-

In culture mutually exclusive trends meet mass support

State-centred over-integration dominated Bulgarian society before 1989

The state-centred over-integration of society prevented its renewal

tors which are typical for a differentiated modern society, namely autonomous market structures, political and cultural associations – were either underdeveloped or non-existent. The possibility to develop personal initiative was typically channelled through the organizational forms of state property, through the party dominated state apparatus and the state controlled cultural institutions. The state had tremendous capacities to influence everything and everybody in the country. This was the strength of the allmighty state, but also its weakness.

For a certain period after the Second World War the state centred over-integration of Bulgarian society has provided for concentration of the rather limited national resources for solving strategic tasks. The transition towards an industrialised and urbanised society was performed. State intervention fostered the rapid increase in the educational and cultural level of large groups in society. The state social security and the health care directly financed from the state budget helped Bulgarians to approach achievements of advanced societies. The state support to cultural institutions secured a relatively high level of cultural integration by means of widely shared values and norms. Under the influence of the state integration Bulgarian society looked like relatively homogeneous and capable of organised pursuit of national goals.

However, the capacities of the state centred over-integration exhaust rather quickly in the modern world. Over-integration increasingly becomes a handicap in the way of the renewal of society. The fairly good rate of economic growth of Bulgaria during the sixties and the seventies gradually declined as was the case throughout Eastern Europe. The over-centralised state did not develop the conditions for a sustainable social, economic and environmental development. One of the many pieces of evidence in this respect is the fact that at the moment the moratorium over the payments on the external debt was intro-

duced in 1990, it amounted up to 10.9 billion US dollars having a rather unfavourable structure of short-term loans from private banks.

This development was unavoidable since no space for a creative variety in economy, politics and culture could evolve under the conditions of over-centralisation. In the given domestic and international conditions there was only a minor prospect for performing this transition towards differentiation of the state from economy and culture after the rapid industrialisation and urbanisation. This historical opportunity did not materialise. The attempt to break the political over-centralisation of Eastern European societies during the second half of the eighties came too late, remained half-way and took place in a rather unfavourable international environment.

The time for solving this absolutely urgent task came at the very end of the eighties. However, a series of domestic and international circumstances accelerated the change to the extent that it became opaque and unmanageable. Some Eastern European societies reached critical points of disintegration in the course of this development. Bulgaria is a typical example in this respect. Instead of the constructive chaos of a well thought-through and efficiently guided process of reduction of the scope and intensity of the political over-integration of society, destructive chaos took the lead in the country. The most visible part of this tendency is the over-hasty and badly prepared desertion of state institutions from responsibilities which are regarded as major state priorities in the advanced countries with strong democratic traditions.

That is why the greatest part of the problems facing Bulgarian society at present are due to a paradoxical development. Its course and results might be presented as the **second thesis** of the following analysis: *The dissolution of the state domination of society developed into dissolution of the state integration of society.*

The dissolution of the state domination of society developed into dissolution of the state integration of society

The turning point in this process is undoubtedly the fast liberalisation of prices and foreign trade in the beginning of the nineties. The reform was guided by the assumption that market forces will *alone* provide the conditions of their own integration in a spontaneous, fast and efficient manner. It was further assumed that market integration will become the fundament for a qualitatively new integration of politics, culture and of the whole social system. In this way a conceptual model was revitalised which had a centuries-long tradition. It focuses on the social integration brought about by means of a market co-ordination of interests. It was forgotten that after the experience of Keynesianism in Western Europe and in North America as well as after the post-World-War-II experience in Eastern Europe the problem of social integration could hardly be dealt with without taking the role of the state into account first.

In the course of the changes it became obvious that the state enterprises did not possess the minimum free capital to function effectively as real market actors. It became also clear that the Eastern European market space has been dissolved and that everywhere else the markets are already occupied. The hope that this was only a temporary problem did not come true. In addition, the legal framework of the various markets was yet to be elaborated. Most managers had to learn the skills for working in conditions of domestic competition and open international market from scratch.

The results caused by the lack of legal protection of Bulgarian producers came very soon. On the other side, state owned enterprises were not put on hard budgets. In conditions of a weakened state they managed to transfer their inefficiency over to the state budget via the mechanism of bad credits. This state of the real economy made the wave of rise and fall of financial pyramids as well as of disintegrating effects of the uncontrolled banking system practically unavoidable. It became also obvious

that the social security system was not prepared to cope with the tensions of mass unemployment and mass impoverishment. Facing this experience it is evident that *contemporary state cannot radically desert from the management of the transformation without undermining the fundamentals of social system integration.*

In the same time, under the influence of domestic and international factors, the *organisational erosion of the state and of its legitimacy* continued. Under these circumstances the motivation of state officers for building developmental strategies faded. The fast change of governments led to narrowing of the scope for decision and action to the level which does not allow any real management of economic processes since they have a strong inertia. The problems of the strategic governmental intervention in the scientific and technological

Without state participation there is no efficient integration of economy and society

Box 1.1.

State strategy for restructuring of economy

At the beginning of the changes the necessary restructuring of economy was mainly construed as a restructuring of property rights. In practice, this meant that the state had to free itself from property and from obligations towards the economy as fast and as entirely as possible. Economic processes had to be left to their own. Already the first sharp drops of GDP by 16.7% in 1991 and by 12.4% in 1992 showed that this strategy was basically false. In conditions of openness to the world market the underdeveloped mechanisms of the national market could not provide an effective integration of economy and even less of the whole society. That is why an active involvement of the state is needed in the whole range of restructuring focused on prioritising tech-

nologies, products, branches, markets, etc. This message was understood by the state administration as late as the mid nineties. At this point the state took obligations to technological development, to industries and markets. It turned out, however, that for none of these directions of restructuring was there strategic vision, that the information channels do not function and that the mechanisms of state influence on economy are ineffective. Nor could a strong political will and broad public concurrence on the paths of efficient restructuring come about. This holds true, first of all, for the sensitive issue of closing large inefficient state enterprises. The international financial support to this painful process was insufficient as well.

development, in investment policies, in the development of towns, villages and regions, in human resources development disappeared both from the vocabulary and from the activity of politicians. The postponed privatisation in all its *legitimate* forms is one of the telling examples of the deficit of strategic thinking and action in state institutions.

Box 1.2.

The crisis of the banking system

The most notable episode which will remain in the national economic history from 1996 is undoubtedly the failure of the first serious attempts at implementing structural reforms. The failure was, to a great extent, due to the collapse of the banking system. The collapse itself has been prepared for a long period by the drop of production, by short-sighted decisions of banking administration as well as by the involvement of criminal groups. But the most fundamental reason for putting 15 banks under conservatorship and for opening bankruptcy procedures

was the very ineffective state management of the economy. The licensing of banks on minimal or fictitious capital, lacking a legal structure for the functioning of bank loans, the practical blockage of the state supervision on banks in the complicated conditions of reforms created the environment which facilitated the collapse of the banking system. It showed that the state cannot neglect the control on the banking system without endangering the internal and international security of the nation. This cannot but put the very state on danger.

An efficient dissolution of the state-centred over-integration of society might be accomplished only by the state

As analysed in a broader perspective, the sharp drop in the GDP, mass unemployment and the crime wave are due to a number of domestic and international circumstances. Among them, the economic consequences for Bulgaria of the Gulf War and of the embargo on Yugoslavia cannot be underrated. However, *the most essential reason* is the weakening of the state institutions.

This is most visible in the dramatic development of the banking sector. It turned to a major source of economic and social instability mainly because for a rather long period it remained outside of the scope of the efficient state control. What happened in 1996 was nothing else than the bankruptcy of the country's bank-

ing system and showed clearly that this situation is harmful for the economy, for politics and for the morale of the nation as well. Indeed, it is harmful for all dimensions of the social integration of Bulgarian society.

These are conclusions which are not valid in the context of the untimely retreat of the state from regulating functions in economy in the specific conditions of the Bulgarian transformation alone. Similar processes took place in all Eastern European countries. However, the negative consequences became most visible in Bulgaria. In fact, they were also prepared by the high level of inherited international indebtedness of the country, by the loss of major markets, by the political tradition and the political culture, etc. Whatever the reasons, one quite important conclusion has been substantiated by this experience. State institutions must take a key role in managing the transition towards the market economy and democratic politics and in developing advanced forms of social integration consistent with them.

1.3. The transformation management by the state

At the first glance one meets a paradox. The major content of the ongoing transformation is the exemption of economy, of civic initiatives, of culture from the state supervision which was typical in the previous decades. But stressing the need to ease the state regulation, we make a suggestion for a state regulation of the transformation process. The paradox is only seemingly there. The real point is that this is the only possibility for an organised and civilised change of the very *type* of social integration under present day conditions. More precisely, the point is *the necessity of transformation of the nature of the state itself*. This is the background of the **third thesis**: *An efficient dissolution of the state centred over-integration of society might only be achieved under state regulation of the transformation.*

That is why the strengthening of state is the key to the gradual solution of the accumulated economic, political and social tensions. It is the key to the sustainable development in social, economic and environmental terms. It is the means for overcoming the deep and widely spread disenchantment caused by the course and results of the current transformation.

The task is more and more difficult to solve not solely because of the exhaustion of economic resources. The very disenchantment put barriers before the mobilisation of political will. The accumulated dissatisfaction pushes towards extremes of apathy, aggressiveness and doubts about the foundations of social integration. The experience from the reforms backs this crisis of legitimacy. In the mid-nineties the hope appeared that finally the economy could be institutionally removed from the „big“ state, namely from the all-permeating state interventionism. That the organised transition to the „small“ but well organised and efficiently acting state which might introduce the indicative regulation of economy was in sight. Some advances in solving the task were even registered. The expectations were positive as well. Of this type were the evaluations of major international financial institutions on the development of the country in 1995 and on the prospects for 1996. Having registered the political and economic stabilisation in 1995, they forecasted a GDP growth of 2.5-3.0 per cent and inflation of 25-40 per cent for 1996.

Reality moved to a different trajectory. The high inflation provoked an interest rate of 300% on bank credits. The hard currency reserves reached the critical threshold of 518 ml US dollars at the end of 1996 with the prospect of outstanding payments on the foreign debt of 992.2 ml US dollars in the coming year. The national currency depreciated dramatically in the beginning of 1997. These all signal the need for a more intensive involvement of the state in economy forced by extreme circumstances. The options of alternative paths for over-

coming the crisis are getting more and more limited, however. Rather important decisions concerning the introduction of a Currency Board are ahead which will take over the management of the emission policies. Decisive measures for speeding up of privatisation are needed by securing transparency and controllability of the privatisation procedures. No delay is possible any more in implementing the painful stabilisation of the banking system. Stabilisation also requires closing of ineffective enterprises which will increase unemployment. The unavoidable restrictions on the budget expenses will have the same effect. Thus coping with the new wave of unemployment will be a most urgent task. Persistent efforts are needed for securing a strong international financial support to the restructuring of national economy and refinancing the foreign debt.

All these difficult and painful measures should be taken in the conditions of traditionally low level of confidence in state institutions. The example of 1996 shows that the credit of confidence to the ruling elite might be exhausted rather fast given the signs of an unsuccessful economic policy:

Rather difficult and responsible decisions are still ahead

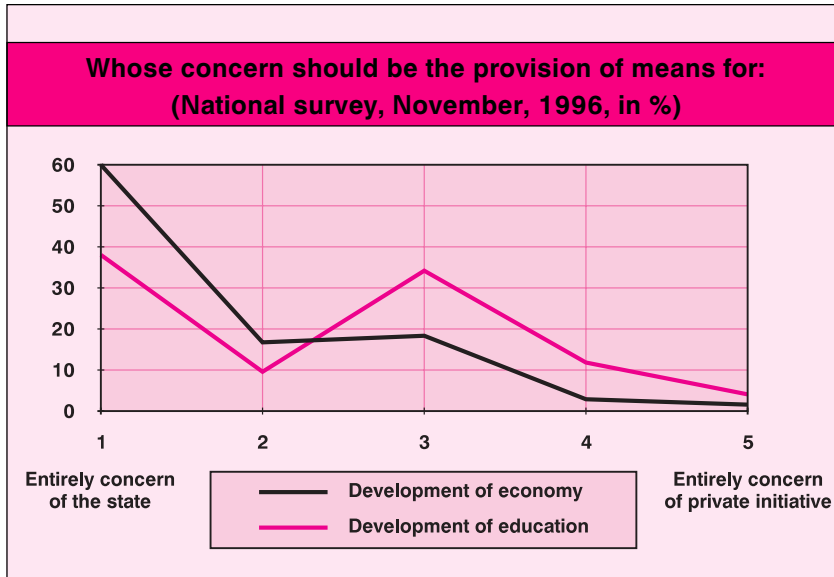
Table 1.2.

Do you believe that the present government: (National surveys, in %)			
		June 1995	November 1996
– Successfully curbs inflation	No	41.4	90.1
	Yes	38.5	3.1
	Cannot say	19.8	6.8
– Supports the national production	No	40.4	73.5
	Yes	28.0	9.3
	Cannot say	31.4	17.2

The so far unsuccessful attempts at a new economic, political and cultural integration of Bulgarian society provoke political innovations. Whatever they might be, it is obvious, that the nation experiences a severe test of its vitality. Given the strong national statist tradition the expectations are once more directed towards the state.

In spite of all the disenchantment, mass attitudes are clearly in favour of the active state not in providing the organisational framework for reforms alone. Public mind is expecting direct economic involvement of the state in solving major problems of

Figure 1.4.



social integration. Some of these normative expectations are certainly unrealistic. However, even they might become a starting point for stabilisation of the state. This could be achieved by introducing new forms of solidarity in Bulgarian society among other things.

In practice, the activation of the state in the current conditions might mean:

- To foster the dialogue between state institutions as well as between state institutions and the public at large on the content and the range of strategic priorities before the nation;

- To focus the work of the legislature on the legal regulation of major domestic and international relations;

- To reduce the intensity of political confrontations which harm the integration of Bulgarian society;

- To mobilise capacities of the executive for an efficient solution of pressing economic issues, namely financial stabilisa-

tion, support for the social groups most in need, privatisation, recovery of production and export, and securing international financial support to the reforms;

- To undertake all legally possible measures to efficiently fight crime and corruption which have permeated all corners of social life including various levels of government.

What are the perspectives for solving these challenging tasks?

1.4. For strengthening of the state in the course of transformation

Keeping the already accumulated positive and negative experience from the current transformation in mind, it is clear today that what must be done is the efficient management of situations marked by very high intensity of risks. That is why the relevance of the **fourth thesis** comes to the forefront: *Nowadays the alternative reads: Either stabilisation of the political and specifically of the state integration of Bulgarian society, or long-term undermining of the Bulgarian state.*

First, it is already clear that no spontaneous development of market mechanisms would be able to break the vicious circle of negative trends which threaten Bulgarian society with a lasting anomie. The insistence on a „small“ state freed from the previous full responsibility for managing economy and culture, but well organised and efficient state becomes more topical than ever before. Provided this vision of a „strong“ state is materialised in practical action, Bulgarian society has an historic chance. If this would not come true, the chance will be lost for a long period.

The experience of potentially efficient but unrealised or badly implemented measures for managing the transformation supports this point. The necessary liberalisation of economy was compromised by the unrealistic expectation of a self-regulating

*The alternative is:
Either stabilisation of
the state integration of
society, or long-term
undermining of the
national state*

balance of the productive and the financial sectors, between prices and incomes, between budget revenues and expenditures. The right moment was missed to start the purposeful selection of priorities of branches, technologies, products, markets, etc. It had to direct the then forthcoming privatisation according to the selected range of priorities. Later on privatisation became a purpose in itself. Moreover, it was practically blocked by the inefficiency of state administration. The reasons were the economic depression, the political instability and the underdeveloped administrative culture. But state inefficiency was also strengthened by influential selfish interests. For important pressure groups, it was more convenient to keep the „big“ state alive having large economic responsibilities for the whole society which it was not able to meet. The attempts to find the way towards an efficient restructuring of the productive and financial sectors in 1995 and in 1996 did not have the necessary political and financial backing and were blocked by the strong inertia of decreasing capital accumulation in national economy. In this conditions the risk of a new isolation from the international financial institutions and of political destabilisation became rather high.

Second, facing this background, the stabilisation of the state finances comes to the forefront. This means to introduce and maintain discipline in managing the state budget first of all. It is the crucial precondition for stabilising the production and the exports. The prospects in this respect are not good so far. The forecasting of GDP growth in the coming years prepared by a team at the Bulgarian Academy of Sciences shows prospects for a slow recovery: (Table 1.3.).

Third, the window of opportunities for handling the difficult situation is rather narrow at present. In the course of the reforms the Bulgarian state has demonstrated that self-discipline is not its strongest point. Therefore, among the few open opportunities the most promising one seems to be the close attachment of the national cur-

rency to one of the world currencies applying the organisational scheme of the Currency Board. The technology of this attachment has been tested in other countries. The key problem is, if it will be able to stop the inflationary financing of the budget and to break the vicious circle of the self-destruction of the state.

Fourth, this complicated task cannot be solved without reaching a certain level of political and cultural integration even before introducing the Currency Board. On the first place, this means to reach an working consensus on the necessity to apply urgent and radical measures for financial

The „big“ inefficient state was and is advantageous to pressure groups

Table 1.3.

Prognosis of the GDP growth rate for the period 1996-1999 (in per cent)			
Year	Low threshold	Mean value	Upper threshold
1996 (estimation)		- 9,2	
1997	- 4,8	- 3,2	- 1,8
1998	2,5	4,3	7,5
1999	3,2	4,2	5,5

Box 1.3.

The Currency Board and the strengthening of the state

The introduction of the Currency Board is a clear confession that the Bulgarian state did not manage to develop the capacity to cope with the problems of the national economy autonomously. These problems have accumulated and there is no possibility to postpone radical actions any more. The Currency Board is an attempt at this type of solution. It imposes severe requirements for financial discipline on the part of the state as well as on the part of other economic and political actors. In practice, this means that consumption should be really restricted to what has been earned,

or should be even more modest. Subsidies to losing enterprises, the inefficient expenditures in administration and in the social sector must be cut. Fiscal discipline must be the rule. In fact, these are common requirements of the stable modern state. They cannot be met in a short period of time. That is why the Currency Board and its restrictions on expenditures should be most probably effective in a longer period of time in order to stabilise its effects. This is a precondition for reaching a lasting integration of society. It is also the precondition for sustainable development of the country.

National consensus is needed on the work of the Currency Board

stabilisation. They are unpopular and need substantial political backing because they will be risky. The open question is, if the representatives of major state institutions and political formations will have the will to enter this type of consensus. It is difficult to expect that influential groups enjoying the lawless situation would easily join the consensus. The very fact that the introduction of the Currency Board has been postponed several times indicates that the latent opposition against it should not be underestimated.

Fifth, even in the case that a working consensus at the level of political centres would be achieved, given the present day degree of disintegration of the economy as well as of other institutions there is no guarantee that the consensus will actually be supported in practical terms. It is still not clear how far the administration will be able to capitalise on the short-term and the long-term effects of the introduction of the Currency Board. It will be a difficult task to stabilise them with mutually co-ordinated reforms in all other action spheres. If the lack of co-ordination between reforms in the productive and in the financial sectors, of the budget and the social security system continues, this would likely undermine the functioning of the Currency Board. Besides that, there is the threat that specific sectors of the state administration would not keep to the national interest but to the particular interests of pressure groups. In the present day conditions of a far reaching de-centralisation of decisions, ineffective control and widely spread corruption in public administration such a development is entirely possible. It would put doubt on the success of the efforts to radically re-integrate economic life. It is still unclear also for how long and to what extent international financial support to the Currency Board could be provided. Key issues in this context are the re-scheduling and the re-financing of the large foreign debt.

Sixth, even the potential organisational success of the Currency Board

project could not make the social integration or disintegration of large groups easy to manage. It is still unclear if the fast speed of economic differentiation will continue after its introduction. The degree of the expected real rise of unemployment is an open question. How will the Currency Board affect the purchasing power of people on pension? What will be its impact on families with small children? On students? The answers to these numerous questions will determine the degree of social bearability of the stabilisation measures connected with the Currency Board. The reserves for this bearability are minimal. Large groups have no reserves any more. To impose new restrictions on their purchasing power means to let them starve. It is difficult to foresee the reaction of such threatened groups. It could evolve into destructive conflicts. Given such a dangerous perspective every step of the Currency Board should be very carefully thought through. The nation could hardly bear more organisational improvisations.

It is obvious that seven years after the start of the social transformation the Bulgarian state is in debt to its citizens with a view to the necessary clarity concerning the direction, content and timing of the economic reforms. It also owes much concerning the efficiency of the transformation management. This is one of the major reasons for mass dissatisfaction with the course of the reforms and with the permanent need to start them anew.

Therefore, the most challenging question to the nation in the present moment is: Shall the Bulgarian state urgently and efficiently intervene in order to reinstate the social integration and to elevate it to a higher level of quality, as it was expected at the beginning of the reforms? Unfortunately, the question is no less appropriate today than it was seven years ago. One could only hope that the ongoing processes will move us closer to a more definite and positive answer.

The nation could hardly bear more organisational improvisations

2

SOCIAL CONDITIONS AND CONSEQUENCES OF ECONOMIC REFORMS

2.1. Structural changes in Bulgarian economy

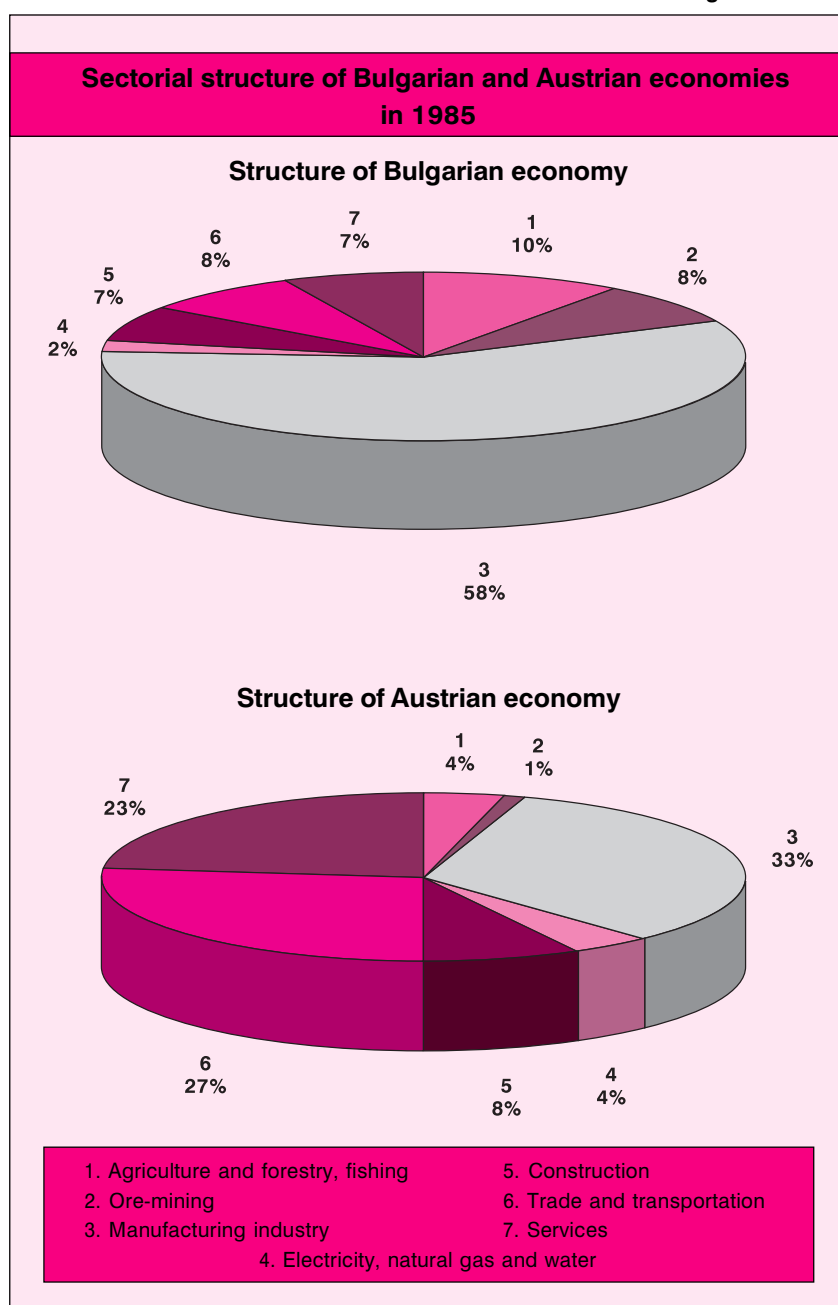
The present day economic structure of Bulgarian society was established after the Second World War under the impact of the Soviet model of industrial policy and technologies. As a result of this influence the fundamental feature of the national economy at the end of the 1980s was its definitely industrial character. To a certain degree, Bulgarian economy was even over industrialised. In 1950, 80% of those employed were occupied in agriculture, while 11% were in industry. At the end of the 1980s, these percentages were respectively 18 and 37. Over the same period the manufacturing industry and production services, agriculture and the extracting branches of industry developed to the highest extent. The share of those employed in the services also substantially increased from 10 to 35 per cent in the post-war period. This percentage, however, is relatively small in comparison with the industrialised countries and with the modern requirements to the scope and importance of services.

Bulgaria's industrialisation after the Second World War was not isolated from the world wide trends. The initial stage of post-war transition was marked by rapid industrialisation based on national resources and on the demand for goods and services within the country. In the course of the industrialisation the export orientation of production took the lead. This reorientation was determined by the limitations of the domestic market and by the need of securing capital goods, raw materials and energy, technologies and production know-how by import. Under these conditions the structure of production developed with priority to power gen-

eration, heavy industry (metallurgy and chemical industry), machine-building (manufacture of capital goods), and to the food processing and light industries, for which there were resources and traditions in the country.

Before 1989: fast industrialisation, slow development of services

Figure 2.1.



This structure of Bulgarian industry in the mid-1980s was somewhat similar to and, at the same time, widely differing from the production structure of the Austrian economy, when a comparison is made by seven basic sectors (Fig. 2.1.).

Table 2.1.

Changes in the structure of GDP in five European countries (in four sectors, 1985-1990, in %)					
Countries	Years	Agriculture industry	Manufacturing	Trade and transport	Services
Austria	1985	4.1	33.4	27.0	23.1
	1990	3.8	31.8	27.4	25.1
Belgium	1985	2.7	29.0	29.5	28.9
	1990	2.2	24.9	30.8	32.9
BULGARIA	1985	9.5	58.0	7.7	7.4
	1990	8.7	62.4	8.0	8.3
Greece	1985	19.5	20.6	23.2	24.2
	1990	17.7	28.4	19.0	32.4
Denmark	1985	7.2	25.1	29.7	27.6
	1990	5.7	24.0	27.9	31.0

*The restructuring of
economy will require a
long period and large
resources*

The dynamics of the sectorial structure of Bulgarian economy is also similar to that of other industrialised countries, which do not essentially differ from Bulgaria in size. This can be noticed in the comparison of changes effected during the late 1980s in four of the above-listed economic sectors (Table 2.1.).

Table 2.2.

GDP growth rate and structure of the Gross Added Value (in %)					
Years	GDP growth rate	Agriculture and forestry	Industry	Services	Total
1991	-16.7	14.4	37.4	48.2	100.0
1992	-7.3	12.0	40.5	47.5	100.0
1993	-1.5	10.6	35.0	54.4	100.0
1994	1.8	11.8	35.5	52.7	100.0
1995	2.6	14.1	34.8	51.1	100.0

The structural changes in production have been associated with changes in the social structure of society, with new requirements to education and skills of the manpower, with changes in the way of life. Structural changes determine also the re-

lationships and interactions among people and social groups, which reflect on family life and on other social relations. Bulgarian industrialisation helped the tackling of problems of employment and urbanisation through the release of those employed in agriculture as well as the dealing with the concealed unemployment among the rural population. The industrialisation fostered the development of education, which, on its part, played an important role in the transformation of the economic structure towards industries requiring educated and skilled labour, thereby changing the social structure.

Strategic mistakes were made in the post-war industrial policy of Bulgaria as well. The policy was characterised by insufficient liberalisation. The establishment of material- and energy-intensive industries prevailed in the country which is poor in raw materials and sources of energy. Technologies were used which entailed considerable environmental pollution. The excessive share of the manufacturing industry, established at the expense of the tertiary sector later turned into an obstacle to the development of production in other sectors. This has been a typical example of an overindustrialised economy, set up with limited resources and having an inefficient structure of production.

The outgrowing of this economic model will require considerable changes, time and funds. The process may turn out to be long and painful, because the social structure of Bulgarian society will be substantially affected. The restructuring will probably take at least ten or twenty years, owing to the considerable inertia of the structures of industry and to the need of making substantial investments, which the country lacks.

The reforms affect all economic sectors and social groups. The economic restructuring initiated in the early 1990s resulted in a substantial drop of production and in the rise of the relative share of services in the GDP. Radical changes have set in agriculture, whose restructuring was

delayed and took uncertain directions. At the same time, its share in the national economy increased. Such a high relative share is typical of developing countries which are exporters of prime and partially processed farm produce (Table 2.2.).

In the course of the continuing reform of the economy, industry will probably increasingly opt for high technology branches, requiring smaller expenditures of raw materials and energy. The changes are expected to go along the lines of development of flexible industrial systems, based on the computerisation of the main phases of production, as well as to meeting environmental protection requirements.

The changes in the sectorial structure will gradually affect the microeconomic structure. The parameters of endurance, weight, functionality and other technical and technological features of the goods and services will change. The range of products for which there are available national resources, traditions and guaranteed external markets will be preserved and extended. This will further reflect on the macro-economy and sectorial structure, with tangible effects years later. All this cannot be accomplished within a short time, although external influences accelerate the processes in small countries like Bulgaria. But it is difficult to analyse and forecast this process over the medium and particularly over the long range.

In the primary sectors of Bulgarian economy, the drop in the share of mining and extracting industries will proceed faster than that of the share of agriculture. This will be determined by the need to protect the non-renewable resources of the country and to make more rational use of the renewable resources. In the manufacturing industry, the share of ferrous metallurgy should be reduced, whereas the non-ferrous metallurgy will by and large keep up its relative share. This corresponds to the requirements for available national resources and to the need for manufacturing of high quality goods, which are to be part of the chain of production in the country

or well received in the foreign markets. The decrease of the share of engineering and electronics at the start of the reforms was in the context of the overall drop of production and the loss of foreign markets for

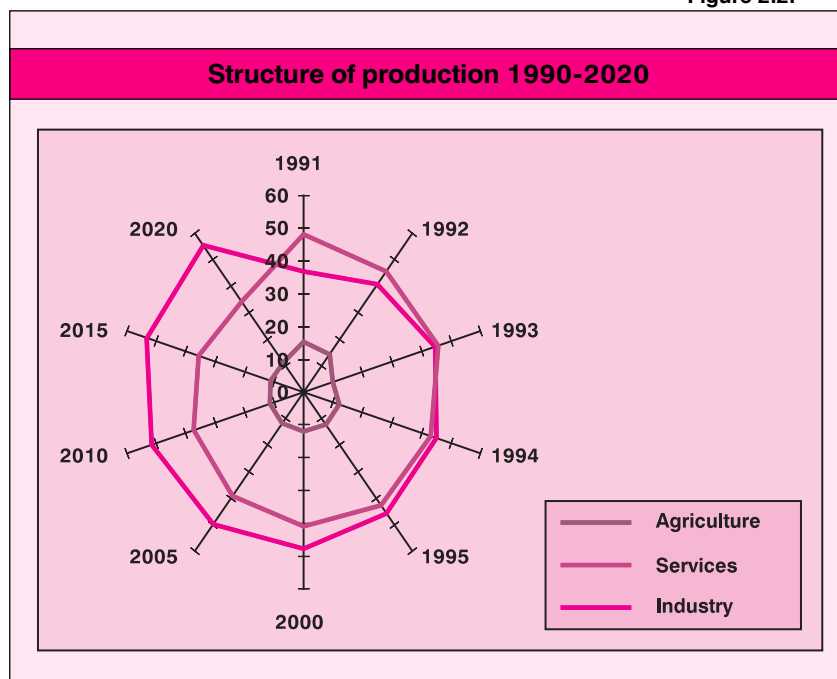
Box 2.1.

Prospects for economic restructuring

The restructuring of the economy will increase the demand for investment goods, which can be met both by local production and by import. According to UN estimates, in the year 2000 the production of capital goods in the countries of Central and Eastern Europe will come up to about 44%, as compared to 55%

for the industrialised and 33% for the developing countries. The share of transport and the other branches of the services will go up. Together with the situation of the early 1990s, this variant of a probable macro-production sector of industry of the Bulgarian economy has been outlined in the following chart:

this kind of output. A modern economy calls for the more rapid development of these industries. This corresponds to the needs and capacities of Bulgaria (available experience, skilled labour and the need to

Figure 2.2.

provide employment). The same holds good for the textile, knitwear and food and beverages industries. There are resources and traditions for them. The development of the primary sectors and of the sectors of

There are alternative paths of economic restructuring

the manufacturing industry will be accompanied by an accelerated development of the sector of services, which besides stepping up the other sectors, will moreover have an independent economic significance for the country. The changes in the structure of the tertiary sector will take place in favour of the faster development of transport and of the non-production services.

There are two alternatives for the transformation of the production structure of Bulgarian economy:

(1) Structural changes are possible in an uncontrolled market manner due to autonomous decisions of economic actors. This is a theoretical alternative since it can only be realised in practice in economies of a developed market structure, competitive economic environment and the functioning of an up-to-date capital market. This path is impossible or hard to materialise in a developing economy, particularly in a period of crisis and in a transition to the establishment of a modern market infrastructure;

(2) A neo-Keynesian road of state involvement in the establishment of the production structures is the next alternative. It could be materialised without paying any special attention to the stimulation of production, to the balancing of demand and supply through consumer choice in a wide variety of goods and services.

The two alternative strategies have already been applied in individual phases of the economic and political development of Bulgaria, whereby there have been lapses in either extreme. The merits and imperfections of either approach have become clearly manifested. In the infatuation with the tackling of current problems, local and foreign experience was in most cases ignored. The economic structure was developed on the basis of conjuncture considerations, without any clear-cut strategy. The best path of structural changes, as well as of rational economic policy is probably the middle one between these two extremes, whereby the actual economic situation as well as the medium-term and long-term

prospects should be precisely taken into consideration. This calls for the active involvement of the state, which can and must regulate the economic development by economic means, and proceeding from a well-formulated future strategy. The state's relations with big business and its role in implementing the medium- and long-term industrial policy are particularly important. The social and economic role of the state in economies in transition, however, has not yet been sufficiently elucidated. The attempts to revive centralised directive planning or to incorporate market models borrowed from the industrialised economies have proved inadequate and erroneous in Bulgarian conditions.

Though repeating the general trends manifest in all countries in transition, the structural reform in Bulgaria has its own specific features. The outlining of the macro-economic trajectory and policy of the country during the next century should be based on an analysis of the present-day problems and of the possible alternatives for future development. The assessment of the foreseeable future horizon includes the influence of the key domestic and external factors at the moment. These are:

- unclear structural strategy;
- drop of production;
- deteriorated financial state of the enterprises;
- limited investment demand;
- high level of inflation;
- rapid development of the private sector;
- sharp drop of incomes and consumption;
- increasing economic differentiation;
- adverse demographic characteristics of the population;
- large budget deficit;
- diminished currency reserve of the country;
- payment of the considerable accumulated foreign debt.

From the point of view of using the instruments of economic policy, the carrying through of the agrarian reform, privatisation of the industrial sector, privatisation of enterprises in the sphere of tourism and services, the pursuit of a new industrial policy and production restructuring are of essential importance for the country's future development. The alternatives of macro-economic policy will emerge as the consequence of the different models of behaviour of the economic actors. This will influence the parameters of the future structure of Bulgarian economy.

On this basis the strategies for the development of the production structure can be specified, which would be taken into consideration in the structural programmes of the governments, pursuing the industrial policy:

(1) In the conditions of a protracted economic crisis, the output of most of the branches sharply drops not only because of the low domestic demand, but also because of the considerable reduction of the export of Bulgarian goods and services to traditional foreign markets. Under these conditions the same micro-production structure cannot be preserved; the relationships and interactions of the sectors are broken; changes set in the macro-production structure. These are oriented to the close-down of inefficient industries as well as to the manufacture of goods and services primarily on the basis of domestic resources and according to the demand of the domestic and international markets.

(2) The rise of the share of agriculture will most probably prove short-lived. The predominant trend will be towards a drop of that share and attainment of a level higher than that of the industrialised countries at the beginning of the next century, but approximately below the average for the sector in the developing countries. The development of agricultural production and of the branches of the extracting industry will require considerable capital investments and an increase of marginal capital intensiveness. These branches will help the

development of the rest. On the other hand, the tertiary sector will accelerate its growth.

(3) The share of industrial production in the GDP will not regain its former figures, but will continue to decrease. This share will probably attain the share of industry in the industrialised countries at the beginning of the next century. The end of the first and the beginning of the second decade of the next century may be expected to be the turning point in the attainment of relative stabilisation of the economy and of completing the initial period of economic transition towards a new economic trajectory. Then the share of industry in the GDP structure will come up close to one-third. Significant changes will take place in the internal structure of industry. The manufacturing industry will become stabilised at a share of one-quarter, which is character-

For a clear and consequent strategy of economic restructuring

Box 2.2.

Restructuring of economy and problems facing the labour force

The introduction of a currency board will facilitate the privatisation. Its both forms, namely cash and by vouchers, will be carried out fast. However, the change of ownership does not exhaust the structural reform. It has other dimensions as well which concern the production structure, its technological parameters, the educational level and vocational training of the labour force and its distribution. Thus the problems facing the labour force are strategic ones: – it has a high level of vocational training if compared to the qualities of the old production complex and the old structure of economy;

– unemployment will sharply increase after closing the inefficient enterprises;
– as a result of the restrictions on the budget expenses for education the unified educational system of matriculation and evaluation of students is threatened. It will not be able to secure the correspondence between the teaching programmes and the restructuration of economy. Besides the new wave of unemployment in the near future lasting problems in social security will appear. Thus the conditions of serious social conflicts are evolving.

istic of the advanced countries, as well as of those developing countries, which have a substantial industrial potential.

(4) The higher share attained by the services in the GDP will continue to grow. This will determine another macro-eco-

Box 2.3.**Stabilisation programme and lack of confidence in institutions**

Economic stabilisation requires a rising confidence in institutions. However, the very measures for stabilisation undermine the confidence in institutions.

The stabilisation programme opts for a reduction of trade deficit. Usually this effect is searched for by means of a devaluation of the national currency. In this way both the national expenses and the savings are reduced. A wave of mistrust in financial and other institutions is the effect of such policies.

The desire to change large amounts of leva into foreign currency after the introduction of a full convertibility of the national currency will be an expression of the current mistrust in the national financial institutions. However, together with the introduction of a currency

board the population will meet a limited access to financial institutions performing the exchange. This will be another reason for mistrust to institutions. Foreign investors should be stimulated by the measures of economic stabilisation. However, their interests clash with the local market actors. It is realistic to assume that the speculative pressure on the national currency will continue under the conditions of currency board. This would favour the state budget, the banking sector and the exporters of Bulgarian production. Every increase of the interest rate caused by the devaluation of the national currency would be a signal to the foreign investors to limit or to withdraw their investments and thus to bring about a new wave of mistrust in Bulgarian institutions.

economic feature of Bulgaria which will be different from the model adopted years ago. That result cannot be spontaneously achieved. Active economic policy of the state is needed, including the active attraction of foreign resources. This is so be-

country's production resources. Such branches and activities will thereby be developed, which emphasise the quality of the country's growth and its efficiency. The vacillations by years may prove significant, which will not be in line with the requirement for sustainable growth. Such a result is inevitable at the start of the economic stabilisation. The yearly vacillations are hard to predict for such a long and relatively vague period of time. This is particularly relevant for agriculture and for other branches of the primary sector, the services not excluded.

When the future of a country is determined, the achievements and prospects of other countries are also taken into consideration. If the need for the attainment of goals that the industrialised countries set themselves is not reckoned with, our country will always be in the group of those catching up. Bulgaria has taken the road of industrialisation and modernisation, embarked upon by the modern Western countries centuries ago. However, the political and social conditions in the country stand in the way of the attainment of the standards of the advanced countries.

Since the need to develop market economy in Bulgaria has been acknowledged, what economic strategy is necessary for the attainment of this goal? The market has institutions, which have to be developed over a long time. What is needed are norms of market behaviour and laws, reaffirming and upholding these norms. All these changes cannot take place overnight. No matter how good the law, if it does not have political backing and public understanding, it is but a prescription which just establishes how far life can go astray from it. Thus what is needed is the combining of market mechanisms with state planning. This is particularly needed for the former centrally planned economies. Optimum relationships ought to be sought in them between the public and the private sector. But each country has its own histori-

cause of the specificity of the tertiary sector. Some of its components are highly capital-intensive and produce delayed effects. This will be reflected on the faster development of transport, communications, the tourist industry, the non-productive services. At the beginning more significant development can be expected in the sphere of transport and communications.

This assessment is based on the assumption of relatively low – an average of 4-5 percent annually – but sustainable rates of growth, corresponding to the

The development should aim at the achievements of the advanced countries

cal, religious, cultural and economic environment. Therefore, foreign positive experience can only be tapped in most general terms. The nature of the economy has to be in compliance with the national history and specificity.

The matter boils down to the question, whether it is a feasible strategy to accomplish this within two or three decades? The answer is negative, as the reforms of the Bulgarian economy begin at a critical state. Inertia is typical both for the people's way of thinking and for their actions, for the ways in which they measure, determine and compare the characteristics of society.

The modest rates of growth of the GDP, the changes in the structure of the sectors, the characteristics of a fairly small, but efficient accumulation, will be the hallmarks of future economic results. The rising investment efficiency in the consumer branches and in the services, which have a shorter investment cycle, will accelerate the rates of growth. Under these conditions Bulgaria may attain the economic development level of the USA from the early 1970s in half a century. However, the quantitative characteristics are not the most relevant on their own. What is more important and has to be achieved is liberation from social fatalism, from the tendency to discuss natural, as well as social phenomena as predetermined.

The changes in the productive structure will reduce mostly the relative importance of industry. This process is often construed as tragic, because of its practically uncontrollable social consequences. It is associated with considerable structural changes, helping above all the development of the tertiary sector. Foreign trade and foreign economic relations will continue to play an accelerating role in the growth of the national economy. The regional and geographically close markets are most promising in this respect.

The structural changes of production have been and will continue to be accom-

panied by structural changes in employment. They will come to the fore in conditions of an unfavourable demographic picture in the country. That is why the sustained high level of unemployment

Box 2.4.

For priority development of information technologies

If the future post-industrial society could be characterised above all as *an information society*, then the state and development of the information industry and information technologies will characterise future Bulgarian society, too. The accumulation of infrastructure and capital will be superseded by the accumulation of knowledge. From the present

day point of view, this would mean priority development of the tertiary sector in the economy. The consequences of the development of the tertiary sector, however, should not be exaggerated, particularly in cases when basic material conditions have not been secured for the development of production and for consumption.

may not bring about lasting social conflicts. At least till the end of the century the stabilisation of inflation will be hard to achieve. Considerable cyclic vacillations in the development trend cannot be ruled out in the first decade of the next century.

Box 2.5.

World trends and the restructuration of the national economy

Bulgaria entered the epoch of new technologies and world markets of high technologies having an outdated structure of the national economy. It is typical for the classic industrialisation which is dominated by resource and energy consuming production. Besides that, in the strategic branches the state owned enterprises prevail. These circumstances hinder the participation of the country in processes which mark the contemporary world, namely:

- deregulation of economic relations with world markets of capital and technologies;

- export of polluting production lines, technological innovation and rise of the service sector;
- attainment of a new quality and structure of the labour force;
- development of a diversified secondary market and participation in the world markets;

That is why in the near future Bulgaria will stay aside of world processes characterised by deregulation of economy and concentration of capital and technologies in supranational organisations and markets.

Table 2.3.

Indices of the Gross Added Value in agriculture, industry and services in the 1992-1995 period (as percentage of the preceding year)					
Sectors	1991	1992	1993	1994	1995
Agriculture	–	85.2	69.8	109.5	116.3
Industry	–	93.6	93.8	106.0	101.7
Services	–	73.1	100.6	96.5	94.2
Total	–	82.5	94.1	101.4	99.4

Table 2.4.

Output of farm crops, stock-breeding products and number of animals and fowl in the 1991-1996 period							
Crops, products, animals & fowl	1991	1992	1993	1994	1995	1996	max. 1970-1985
<i>Farm crops (000 tons)</i>							
Wheat	4497.0	3442.6	3618.2	3754.3	3438.2	3435.3	4912.6
Maize corn	2775.2	1742.3	983.3	1383.6	1792.2	1088.5	3417.7
Sunflower	434.4	594.7	432.1	601.6	760.8	529.9	510.9
Sugar beet	856.0	303.9	95.3	111.6	155.8	86.6	1758.2
Oriental tobacco	56.9	52.7	36.2	25.6	11.7	30.7	140.8
Tomatoes	610.2	413.2	324.6	460.7	514.5	307.1	917.2
Potatoes	497.6	566.2	357.1	497.2	655.6	648.7	468.8
Apples	145.1	221.2	109.9	76.5	146.1	188.5	526.0
Grapes – total	747.9	787.2	482.4	515.7	692.3	589.0	1246.2
<i>Animal products</i>							
Milk – total (million litres)	2005	1806	1531	1421	1403	1387	2513
Eggs – total (ml units)	1866	1639	1624	1751	1996	1734	2781
Meat ('000 tons slaughter house weight)	659.3	650.1	565.5	445.5	481.3		737.1
<i>Farm animals and fowl on January 1 of the next year ('000)</i>							
Cattle	1310	974	750	638	632	582	1807
Pigs	3141	2680	2071	1986	2140	1500	3912
Sheep	6703	4814	3763	3398	3383	3020	1097
Fowl – total	21707	19872	18211	19126	18609	16227	43078

2.2. State and prospects of the agrarian reform

What has characterised the development of Bulgarian agriculture in the 1990s have been the substantial wavering, engendered by economic and political influences, as well as by climatic factors. This is evident from the statistics on the gross added value of that sector for the 1992-1995 period, compared with the statistics for industry and the services (Table 2.3.).

A more comprehensive picture of the present state of agriculture can be obtained if the output of agricultural and stock-breeding products is analysed (Table 2.4.).

The data come to show the small volumes and number of the animals and fowl in 1991-1996 as compared with analogous indicators of the 1970s and 1980s. With the exception of potatoes and sunflower, all other figures for the volumes in the more recent period are lower than the maximum figures shown. The comparison is tentative in character, for in agriculture the climatic conditions are of special importance. But the differences are substantial – particularly for the stock-breeding indices.

These differences indicate that in the 1990s the reforms in agriculture have not secured what is the most important, namely production results of the sector, which would guarantee the feeding of the population and raw materials for the food processing and beverages industry. This also determines the country's limited resources for export. Therefore, the reforms carried out entail results which further intensify the crisis in Bulgarian agriculture.

One of the key causes for this negative development has been the endorsement and application of the Law on the Ownership and Use of Farm Lands. It has predetermined a complicated, difficult and inefficient way of restoration of land ownership in the country. This has resulted in

the elimination of key production structures in Bulgarian villages, in the destruction of the production potential of farming. Underlying the future difficulties is the structure of ownership, now taking shape, which will be a lasting impediment to the modernisation of agriculture.

One of the main objectives of the reform in the agrarian sector was to soften these contradictions and to encourage the provision of conditions, favouring agricultural production. The reform of agriculture, however, did not take the right direction. The agrarian reform is being implemented slowly and tortuously. Changes are needed in it in order to redress the owners' attitude to the land, whereby they themselves determine how to receive it and how to manage it.

What is above all needed is the establishment of a real land market, which would make possible the purchase and sale of plots of land without any restrictions and at real market prices. There should be economic coercion for the development of that market. The nature of landed ownership offers, at the same time, opportunities for preserving the right of ownership, but the land should be cultivated by other persons on the basis of leasing relations. The employment of various forms of land cultivation will enable more owners to take part in this process, whereby the obstacles will be eliminated or reduced and favourable conditions will be created for that. Such forms can be conducive to the provision of farm equipment, seeds, pest control and plant protection chemicals, and to the establishment of specialised agencies for land cultivation.

There are opportunities of attaining these objectives with the assistance of co-operatives. Bulgaria has long-standing experience in this respect, which produced good results in quite a number of years even before the Second World War.

The agricultural co-operatives should not be opposed to the private ownership of land and to its cultivation by private

owners. Indeed, the results of the private sector of agriculture cannot but be considered positive. In 1995, 3/4 of the farm out-

Box 2.6.

The agrarian reform is worsening the structure of ownership

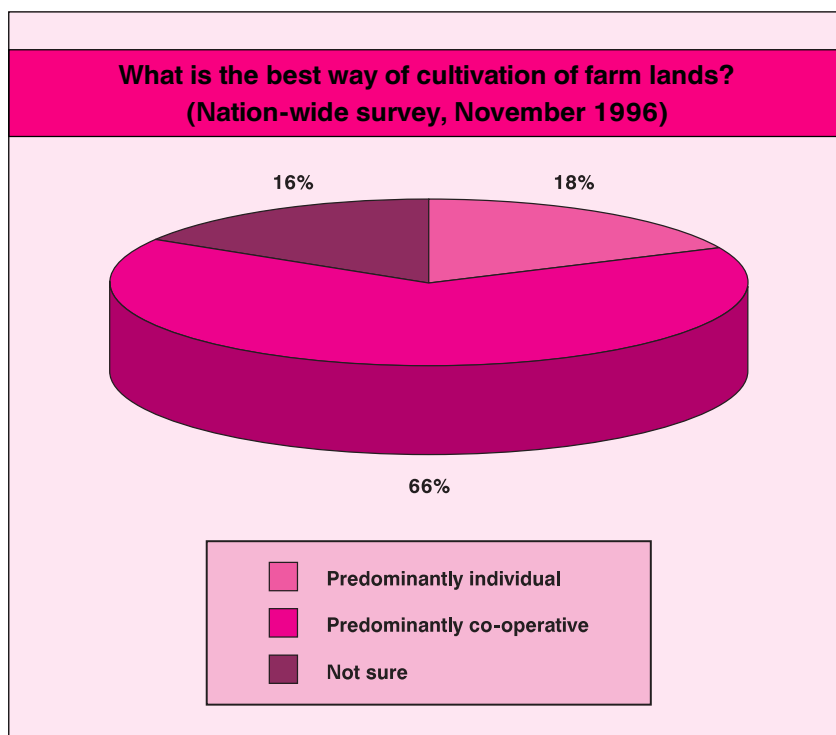
Prior to the Second World War, there were about one million private farm owners, possessing 12 million plots. As a result of the reform currently implemented in agriculture, the owners of farm lands are expected to exceed 4 million and to possess more than 20 million plots. The structure of land ownership predetermines the inefficiency in the application of up-to-date farming technologies. The owners lack motivation to manage

and farm their lands. The causes are in unsettled matters related to ownership, in the lack of experience and means, as well as in the historically evolved alienation from the farm lands and farm production. The latter has been fostered by the working conditions in the sector. Labour productivity in the agriculture is very low as compared to other sectors. This is discouraging and the results should not be surprising.

put was produced in the private sector, whereas in 1990 that share was barely 1/3. These were years of continuing drop in agricultural production. The inertia has also been powerful in the orientation to the collective forms of agricultural production.

For a real land market

Figure 2.3.



Numerous negative consequences of the underdevelopment of services

This has been borne out beyond any doubt by public opinion polls (Fig. 2.3.).

It would not be correct to associate the decreasing volume of agricultural production only and solely with the development of production in the private sector. The causes should be also sought in the economic and political environment conducive for such a negative development. The capital intensiveness and risk in agriculture had to bring about the establishment of a business environment which would foster the attainment of economically favourable results in agriculture. This has been a normal practice in the industrialised countries. But this also requires resources, which are lacking in the economies in transition and have to be supplied by foreign sources. Under the present conditions, this is a task difficult to resolve.

2.3. The service sector in the transition period

In conditions of an underdeveloped economic structure, the strategic importance of the services is often underestimated. In the period of transition, attention is most often focused on current tasks, whereas the strategic tasks recede to the background. However, economic growth cannot be secured and accelerated without the development of roads, transport capacities, repair infrastructure, modern commercial network, sophisticated communications, a system of education, public health, financial institutions, insurance activities. The overcoming of the crisis in production can be prepared for and guaranteed mostly through the provision of conditions for the faster development of the tertiary sector. The underestimation of this sector practically results in:

(1) Restriction of national economic growth resulting from large losses of output and a tangible increase of production costs;

(2) Disruption of the interaction of the economic actors, owing to the poor quality

of communications, inadequate co-ordination and control, underutilisation of the production capacity;

(3) Difficulties in deliveries owing to the backward trade network, the accumulation of excessive reserves, shortage of goods in the shops and higher cost of turnover;

(4) Insufficient storage facilities and available commodity stocks, necessary to promptly meet the demands of foreign contractors, when contracts offer favourable prices and other conditions;

(5) Unfavourable conditions for the manpower engendered by transport difficulties, poor services in the commercial network, poor quality of educational and health care services, poor housing conditions, low quality administrative and banking services;

(6) Inefficient use of capital, despite the ever greater concentration in the real sector; insufficient capital allocations to the tertiary sector. Even under a low rate of accumulation, as is the case in Bulgaria now, the competitive allocation of investments among the three major economic sectors should be regulated in view of the priority of the tertiary sector. There are two favourable conditions here: priority orientation of the foreign investment funds to the tertiary sector and the growth of the private initiative in the sphere of services and the infrastructure. This paves the way for the accelerated privatisation of services;

(7) Drop of consumption and of the living standards, since the share of services in consumption is rising. A number of infrastructure projects have indirect influence on production and consumption (roads, transport communications, telecommunication networks);

(8) Restriction of the influence of the long-term factors of growth. The infrastructure is the key determining condition for the development of technological progress, which will ultimately result in the lasting revitalisation of the economy.

The economic crisis strongly affected the transportation services

In the country the economic crisis has had the greatest impact on the reduction of freight transported and the work accomplished in *transport*. After the minimum reached in the volume of work accomplished by transport in 1992, there followed a gradual increase but the results are below the 1990 level. The volume of the transported cargo in 1995 was almost two times lower than the 1991 level, and barely 28 percent of that of 1990. In the passenger transport services, the passenger-km figure for 1995 was almost two times lower than in 1990, and in the transported passengers the drop was more than two times. The greatest volume of cargoes and number of passengers were transported by the road transport. But it also exerted the strongest influence on the drop of transportation. Private transport activities have been acquiring increasingly substantial importance.

Tourism is also part of the tertiary sector. In 1990 travels abroad by Bulgarian citizens increased 2.6 times in comparison with 1989. In 1995 there was a drop in comparison with the preceding years; but nevertheless the increase was by more than 47 percent in comparison with 1990. The causes for the fluctuations have been economic and political, whereas the initial boom was due to the liberalisation of the passport regime and of emigration. Foreigners visiting Bulgaria decreased by 23 percent in 1995 in comparison with 1990.

What is essential in the tertiary sector are the economic results, which find expression in a comparison of the revenues and expenditures included in the external transfers in the balance of payments. The balance of payments has been negative for some services like transport and tourism. The economic crisis and the liberalisation of travelling have resulted in that adverse situation. It would possibly persist, but further on it should change, if the country receives greater revenues from services than the expenditures abroad.

The indirect results of services are also of major importance. They can hardly be assessed. The expenditures which have to be

made for the tertiary sector are considerable, while the indirect results come with tangible delays. That is why the development of the tertiary sector belongs to the concerns of the medium- and long-range economic development. What can only be done now is to as-

Box 2.7.

Prices of goods and services

What has been characteristic of the prices of the services offered to the population was that up until 1993 they grew faster than the prices of goods. Given the positive growth of the GDP in 1994 and 1995, the prices of services were below or almost on a par with the prices of goods. Under the negative growth in 1996, the prices of services rose

faster again. Presumably, this trend will persist, because the services have been underestimated. What is more, a number of services were not paid for. Funds were received for them directly from the budget without the active involvement of the consumers in the reimbursement of the capital and current expenditures associated with them.

sess its importance and to prepare the future conditions for its development.

As this has been shown on Table 2.3., the drop in the growth rate of the services in the country's GDP has been considerable. It has been due above all to the item „Others“, which include business services; housing and public utilities and communal services; science and scientific services; education; culture and the arts; public health, sports and tourism; finances, credit and insurance; administration; other branches of the non-productive sphere. These branches characterise the social advancement of society.

The state of the tertiary sector is one of the major indicators of the people's economic and social status, since the confinement of mass consumption within the frameworks of prime necessities is indicative of mass poverty. The positive development of the services sector entails an improvement of the social status and of the economic state of the consumers. The tertiary sector does not yet succeed in playing the important and active role it should have in the period of transition of the national economy to market conditions.

The drop in services is a loss of civilizational achievements

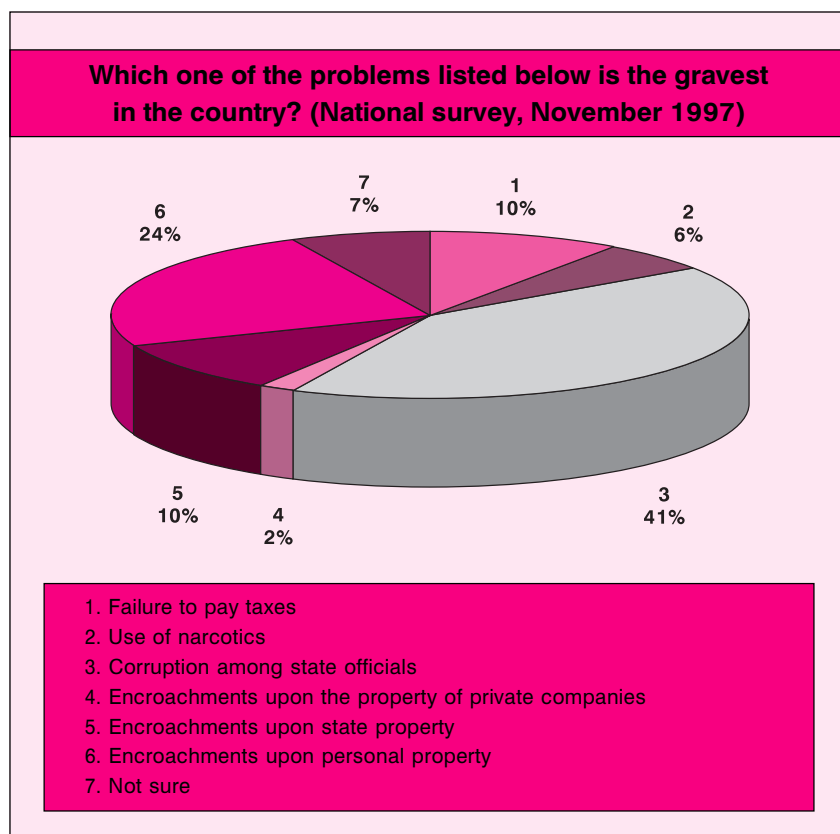
Box 2.8.**Corruption is a phenomenon of a high degree of concealment**

Criminal statistics do not provide even an approximate picture of the spread of corruption. In the 1991-1995 period the institutions of the Ministry of Interior registered a total of barely 370 acts of bribery, i.e. an average of 74 a year. The bribes registered in 1987 alone were 420 in a considerably smaller volume of actual criminal corruption. The judiciary is even more helpless. In 1995

some 17 persons were sentenced for bribery in 16 law-suits, whereas those found not guilty were 11. The penalties were small and were often below the minimum established by the law. The registered crimes on the job and document forgeries were more in number, but the share of concealed crime in them was very high, whereas the interference of the judiciary was very feeble.

2.4. Economic reforms and corruption

The spread of corruption undermines the effectiveness of the economic reforms, destabilises the state institutions, puts to the test the moral integrity of officials and citi-

Figure 2.4.

zens. The specific nature of the misappropriations on the job and document forgeries makes them hard to unravel and punish.

The actual spread of corruption can be judged by the findings of two special commissions of the 36th and 37th National Assembly, by operative checks of the police, by reports of financial audits, findings of bank audits and of the Chamber of Accounts. Public opinion surveys confirm the conviction of Bulgarian citizens that there is widespread corruption. What is more, corruption among the state officials has been construed by mass consciousness as the gravest problem among the most widespread crimes:

The administration, the institutions of the financial, customs, tax, banking, price, sanitary and veterinarian control have been most affected by corruption. In surveys, nearly 60 percent of those polled place these institutions at the top of this non-prestigious rating. There have been quite a few opinions regarding corruption in court and at the prosecution (43%), in the police (33%), at auctions, the placing of state orders, the allocation of export quotas (32%), in public health (24%), in the settlement of housing problems (23%), etc.

The social resistance to the acts of corruption is weakening. According to a criminological investigation from 1996, only 22 percent of the polled citizens definitely show their disapproval of bribery; 43 percent would, though unwillingly, have given a bribe in the tackling of important problems in life, while the rest have no compunctions whatever. In polls conducted in 1981 and 1984, those rejecting the practice of corruption were 66-69 percent, those reconciled to it despite their inner resistance – 18-19 percent, and the rest were 10-14 percent. Within a very short historical period, the sweeping scope of corruption has rapidly and rather negatively been reflected in the mass consciousness.

Under the former regime, corruption was mainly the result of the individual citizen's dependence on officials and of-

fices in the stratified economic and social life. The highly bureaucratic administrative bodies, the omnipresent deficits, the privileges enjoyed on the basis of party membership and political affiliation, the acts of nepotism and other setbacks typical of the regime, fostered bribery. The restricted freedom of the press and of other mass media were instrumental in its cover-up.

However, there were no prerequisites characteristic of the states with market economy for the mass spread of corrupt ties between the private business and the state apparatus. Organised crime as a means of corrupt infiltration of high structures of management, of administration, the police, the control bodies, the judiciary, the trade union management, the mass media, etc. was not existent as well. After the change of the end of 1989, these conditions for the development of corruption were also rapidly created.

Alongside the prerequisites for corruption newly emerged in the wake of 1989, vestiges of the past red tape administrative system continued to operate as an additional aggravating factor. The specific nature, differentiating the reasons for bribery and other criminal transactions in Western Europe from those in Eastern Europe, is above all in the fact that struggle is being waged here for the redistribution of the enormous state property. The interests in that struggle underlie a considerable proportion of the acts of corruption. Privatisation is not carried out in a just and socially acceptable manner. The public property, accumulated with the labour of Bulgarian citizens of several generations is misappropriated by rather limited groups.

That redistribution cannot help being interpreted as criminal. Of the same kind is the embezzlement of the results of the economic activity of state enterprises by private entrepreneurs, whereby they are not bound with acquiring the property, neither have they to invest in these enterprises. Parallel private companies are established, which drain off the revenues of the state enterprises. Local or foreign businessmen

are promoted as preferred partners in deals profitable for them. The economic results of the state enterprises are deliberately worsened, the ultimate objective being that they may be bought out at a low price. Corruption raged in the management of state and co-operative ownership during the abolition of the co-operative farms. Unwarranted credits are received through bribes or with „the exploitation of influence“. State companies are privatised in an underhanded manner through the buying out of shares by „insiders“, through the unwarranted emission of shares or „provisional certificates“, so that the basic capital of the joint-stock companies and banks may be increased at the expense of the state participation; deliveries and other economic activities are monopolised; auctions for the export quotas are manipulated, unlawful benefits are granted to officials prone to bribery in the issuing of licenses, permits, etc.

Parallel to the establishment of the legal regulations for privatisation, more sophisticated forms of corruption are also applied. State-owned enterprises, included in the list of enterprises subject to stabilisation, are taken out of it, in order to be bought „in the dark“. During the cash privatisation of major enterprises, the economic groups use undeclared commissions and offers of faked contents. The new owners often fail to discharge the obligations undertaken for investments, the introduction of new technologies, the upholding of the character of production, the increasing or keeping back of the employed workers. Through bribes they side-track control and the seeking of responsibility.

During the mass privatisation, licensed and unlicensed privatisation funds have been detected, which collect vouchers from the population without having the right to do so. Managers of enterprises and organisations force their blue- and white-collar workers and the members of their families to hand over their vouchers to specific privatisation funds, with which these managers are tied by vested interests. The selection of proxies and the election of mem-

The social resistance to corruption is weakening

Corruption mediates the redistribution of property

Corruption is widely spread in the state administration

bers of the auditing and managing boards are manipulated.

During the past few years, the criminal methods have been exposed of more than 20 „financial pyramids“, which have robbed investors and owners of what has been referred to „provisional certificates“ of millions of leva. The heads of these structures (Bulgarian citizens and foreigners) have enjoyed the dubious benevolence of high-ranking institutions and officials. Some have been directly related with companies of high officials or their relatives.

Box 2.9.

Corruption in customs and border check point control

Statistics presented by the economic police give an idea of the rate of corruption in the system of customs and frontier check-point control. A group of customs officials from Bourgas were accused of a major crime to the tune of 150 million leva in violation of the regime for the export and import of to-

bacco products. Other customs house and frontier checkpoint officials were arrested for involvement in the illegal traffic of stolen cars via the Kalotina frontier check point. It is common practice for the customs officials to receive bribes for each truck which crosses the frontier.

The acts of corruption in foreign trade have often been accompanied by the collaboration of officials from the customs houses and border check points. They acquired great scope during the period of the Yugoslav embargo. It inflicted thousands of millions of losses on the Bulgarian economy but increased the number of „underhand deals“ and corrupted a great number of state officials.

There are numerous indications of corruption in the general and tax administration, in the control institutions, in the sector of domestic trade and services; in leasing or renting of state property; in the delivery of goods in short supply to private companies; in the transfer of goods, designed for state firms to private traders; in the securing of middlemen and the purchase of goods to be resold at a higher profit; profiteering from metal scrap; sale of goods on consignment with delayed pay-

ment; purchase without an auction or the fake dejection of goods, materials, vehicles and other equipment; the instalment of telephone posts; the conclusion of unprofitable deals; the failure to draw up statements by control bodies, etc. There have been proven cases of bribery in the judiciary and in the police. The same holds good for the public health, social welfare, education (higher education, in particular). In 1995 and 1996 a slight tendency towards a higher rate of uncovering of bribery has become manifest: 76 and 110 bribes were registered respectively. But this is just a drop in the widespread corruption sweeping the country.

Not unknown to Bulgarian reality is also political corruption: *nepotism* (officials of high rank appoint their close relations instead of candidates of better qualifications), *patronage* (the substitution of the staff in ministries, departments and organisations after a certain party or coalition has gained power), underhand forms of financing of election campaigns, conflict of interests of the legislator, actions incompatible with the job of the official. Lobbying in protection of certain economic groups infiltrates the bodies of the legislative, executive and judiciary power. An expression of political corruption is also the unprincipled preference for factious interests rather than the national interests.

The spread of corruption has been facilitated by two important circumstances. The first has been the demoralisation of considerable segments of society as a result of the abrupt change of world views and moral values as well as of the downfall of the hopes for a rapid transition to a democratic society of high material well-being. This negative trend has encompassed wide strata but as yet it does not hold dominant positions in the mass consciousness. Sociological, socio-psychological and criminological studies have shown that the moral potential of the nation has not been exhausted despite the grave damage that the crisis of transition has inflicted. Even the growing tolerance to corruption has been an expression of a reluctant ac-

There are dangerous forms of corruption in politics

quiescence, of uncertainty that the individual citizen could successfully oppose it, rather than an inner conviction. But this reserve of forces of resistance is diminishing. It can be salvaged and mobilised only through swift, uncompromising and successful measures aimed at counteracting corruption.

The second factor facilitating and violent spread of corruption has been the weakened state system and inefficient social control.

Any attempt at the prevention and control of corruption is associated with extreme difficulties. A comprehensive approach is required in a well worked out anti-corruption strategy, which is part of the national programme for crime control. The main guidelines of such a strategy are the following:

1. Faster economic reforms in the conditions of a precisely determined legislative basis, transparency of the privatisation processes and of financial operations, real defence of competition and of the socially underprivileged strata of the population, more justice and a wider access to each Bulgarian citizen to the transfer of the national wealth from state to private ownership.

2. Discontinuation of the relations of corruption between the political parties and the economic groups, clearly defined criteria with respect to the financing of the activities of parties and coalitions, supervision of their revenues and expenditures. The activities of the trade union organisations, the professional unions, the civil non-profit societies, the editorial boards of the mass media are to be subordinated to the same lawful rules of control.

3. Precise formulation of each activity which, in the meaning of Art. 68 of the Constitution, „according to the law is incompatible with the status of a national representative“. The same refers to the ministers, other high ranking officials, as well as to the entire administration. The criterion of determining the range of these occupations and professions will be the

presence or absence of collision in the interests of the legislator or of the official.

4. Bolstering the stability of the civil servants through legal protection against arbitrary dismissals and demotions, ad-

Box 2.10.

A new stage in the development of corruption

Under the impact of numerous crime-inducing factors, corruption has entered a new, much more dangerous stage of development. In Bulgaria as well as on a world-wide scale it can no longer be regarded as a multitude of „criminal deals“. It has been gradually turning into a system of the organisation of society. Its close tie-up with organised crime, and with the structures of the mafia at all levels has been conducive to its getting incorporated in the institutions and activities of public administration.

– By corruption pressure and infiltration, the state administration can be completely substituted by „dark“ power formations.

– The legal system both as legislation and as the enforcement of the law loses its qualities of a regulator of social relations. If this dangerous process is not cut short, it will remain just a fa-

cade, behind which criminal rules are operating.

– Even if they continue in existence, the mechanisms of the civil society will find it ever more difficult to compete with the power of the corrupt circles from the economically powerful top crust.

– Public morality in its positive dimensions till now ceases to be a regulator of the behaviour of broad social layers. A new system of values is shaped, in which greed and unscrupulous selfishness are dominant features.

– The consciousness of the individual is burdened by hesitations at the daily encounters with prospering dishonesty. The grave crisis and poverty in which millions of Bulgarian citizens are vegetating are favouring degeneration in their self-preservation.

In this way the outlines of an anti-society and an anti-man take shape, if prompt counteraction is not taken.

equate payment, strictly defined rules and responsibilities in their job characteristics, the immediate dismissal and handing over to the court in established cases of corruption. The status and sovereignty in the activities of all control bodies should be reinforced in the same way. The uncovering of acts of corruption should be included in the range of their check ups and audits.

5. The profits deriving from acts of corruption are to be confiscated, while the damage incurred and benefits lost should

There is an urgent need of a Law on the Civil Servants

For a co-ordination of legal and educational measures against corruption

be reimbursed. Contracts concluded through bribery or through any other form of criminal gains should be declared null and void.

6. Licenses should be withdrawn and companies struck off the list when corrupt practice has been proven in their activities. Guarantees should also be envisaged, however, against the discrediting of companies, when misuses have been proven of individual employees of these companies.

7. Implementation of a well-conceived programme of „clean hands“ not only in the police, but in the judiciary, in the security services and in the control bodies, as well. Effective in-house control should be organised within the framework of the programme, against the leaking of confidential office information, as well as against the admission of corrupt persons to work in these organisations.

Box 2.11.

Measures for the implementation of a strategy of combating corruption

Measures taken in the implementation of an anti-corruption strategy were individual governmental initiatives in 1995-1996 like the restrictive measures against perversion in the banking system, the declaring bankrupt of 13 banks, the closing down of 40 financial and brokerage houses and of more than 30 exchange offices, in-house audits in the Ministry of Interior and Regional Directorates of the Interior for the cleansing of personnel from corrupt policemen and other officials, and as from the end of 1996 also the

more comprehensive carrying out of the „clean hands“ campaign, the audits of the Chamber of Accounts made in the customs houses and other departments, for which there have been warnings about corruption, the specialised investigations by the Committee on Prices aimed at following the legality of the relations between producer, merchant and consumer. Some measures of this nature are extremely necessary. But without a comprehensive strategy of prevention and control, they would not yield any significant results.

8. Improvement of the Penal Code and the Code of Penal Procedure towards: a wider coverage of the topical and concealed forms of corruption (particularly in relation to privatisation and organised crime); introduction of additional relief for criminals, who facilitate the court in proving acts of

corruption; the arrangement of some methods, recommended by the UN, the Council of Europe and the European Security and Co-operation Organisation as significant for the procedure, like the electronic tapping of telephone calls and other communications, opening of letters and posted packages, the use of audio and video tapes as evidence, whereby guarantees should be provided against distortions and violation of rights.

9. Resolute improvement of the training of policemen, examining magistrates, prosecutors and judges in criminology and crime persecution. Raising to a higher level the co-ordination in their work, as well as their co-ordination with the control bodies. Establishment of specialised units to combat corruption.

10. Stepping up of the educating role of the family, the school, the public organisations, the media, literature and the arts, to encourage the rising generations to be honest and to actively oppose corruption. Mobilisation for this purpose of the mechanism of the civil society: associations, trade unions, free press, protests, messages addressed to the control and right protection bodies, co-operation with them in the prevention, uncovering and exposure of acts of corruption.

11. Carrying out of persistent criminological surveys, study of the international experience in combating corruption, the working out of forecasts and programmes for combating it.

12. Active co-operation on international, regional and bilateral basis between Bulgarian and foreign bodies for combating corruption. Participation in international programmes for containing the operation of its social determinants.

The existing anomie should be overcome for the required comprehensive counteraction; integrity in society should be bolstered as well as the mutual assistance of its members on the basis of the traditional universal human and national virtues, in order to protect the interests rallying the overwhelming majority of the nation.

3

LONG-TERM UNEMPLOYMENT AS SOCIAL EXCLUSION

Unemployment is a major incentive to economic action in a market economy. However, it brings about manifold negative social and economic consequences as well. They are most visible in developing or inefficiently operating labour markets. The larger and longer the unemployment, the deeper and more complicated are the social and economic problems it causes in society. The existence of stable long-term unemployment extracts a segment out of the labour force and isolates it economically and socially. Long exemptions from labour life and labour environment lead to losses of professional qualification. For society this means a loss of economic and social gains and no return of investments made. Re-integration of unemployed into working life requires new investments. Moreover, unemployed people represent a vulnerable economic and social group. In their struggle to survive, they are inclined to join the shadow economy and to conduct criminal and violent behaviour. Many consequences of unemployment are manifest in psychological and behavioural deformations of personality.

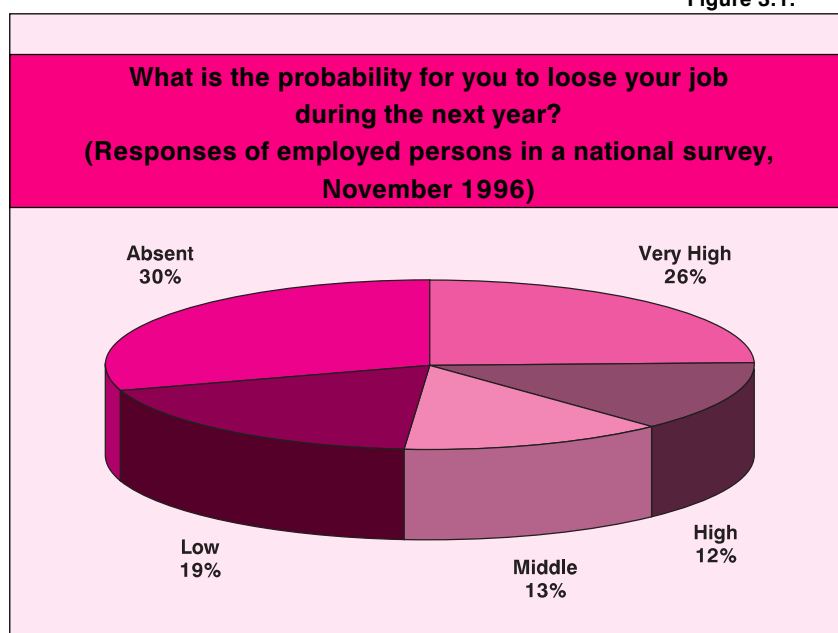
The negative effects of long-term unemployment are rather relevant when the model of management of economy is being changed as this is currently the case in Eastern Europe. The mechanisms of labour market in the region are still evolving simultaneously with the structural adjustment. This brings about difficulties in the adaptation of economic actors to long-term unemployment. The slow and painful reforms in Bulgaria offer a typical example of such a development where the economic and social costs of the transition by far exceed the expectations. The isolation of large groups of the able-bodied population from labour is a portion of these costs.

On the other side, a substantial part of the employed are suffering job uncertainty. They have the feeling of potentially jobless people.

Thus job uncertainty, unemployment in general and long-term unemployment in particular have become central issues in Bulgarian society which are related to various economic, social, cultural, political and ethnic problems.

Long-term unemployment turns into psychological and behavioural deformations

Figure 3.1.



3.1. Long-term unemployment: parameters and effects

The level of long-term unemployment in Bulgaria significantly exceeds the level of long-term unemployment in other countries in transition as well as in countries with developed market economies. The regular statistical monitoring of employment shows that the level of unemployment in the period between 1993 and 1996 varies between 21.3% and 13.5% of the entire labour force. The share of long-term unemployed during the same period vac-

illates between 12.3% and 8.7% of the labour force. This means that in Bulgaria the long-term unemployment alone has the level of the general unemployment in Eu-

Table 3.1.

Dynamics of labour force, unemployment, and long-term unemployment in Bulgaria								
Indicators	Sept. 93	June 94	Oct. 94	March 95	June 95	Oct. 95	March 96	June 96
Labour force (Thousands)	3,809.3	3,676.1	3,608.9	3,566.8	3,602.6	3,552.3	3,512.4	3,626.0
Unemployment	814.7	734.1	740.2	683.6	564.6	520.8	536.1	488.7
Long-term unemployment	438.2	439.9	444.4	432.2	378.3	341.9	339.1	316.3

The key problems of unemployment are those of long-term unemployment

ropean countries which are classified as economies with a relatively stable high rate of unemployment. This fact indicates the enormous burden of long-term unemployment on Bulgarian society during the transition period.

Figure 3.2.



The data of Table 3.1. lead to the conclusion, that *the key problems of unemployment in Bulgaria are those of long-term unemployment*. Undoubtedly, the economic development during the last years led to the establishment of large segments of the able-bodied population staying aside of employment for prolonged periods of time. Figure 3.2. presents the high level and the stable character of long-term unemployment.

Some accumulated negative effects of long-term unemployment are already visible. Others are to be expected in the years to come. The major economic effect is the exemption of ca. 10% of the labour force from labour for a period longer than one year. In this way society loses one tenth of the added value to be produced. After one year of unemployment most unemployed lose their professional skills. Simultaneously, society invests further in unemployment benefits, social support benefits for long-term unemployed, and in expenses for their reintegration in employment. In addition to the economic burden of long-term unemployment, social, cultural, ethnic and political effects show the real costs of unemployment covered by the entire society and by unemployed individuals. Long-term unemployment deepens the stratification in society, dividing it in numerous poor and few rich people. A new social structure emerges. The moral values of social groups change. The impoverished part of society, which includes long-term unemployed, gets more and more isolated and demoralised. The long-term unemployment affects compact ethnic groups and brings about a deep ethnic division in society thus causing ethnic tensions and undermining the national integration.

The outlined problems of increasing economic and social disintegration could be elaborated in more details when exploring the main groups of long-term unemployed. In Bulgaria, the problems of unemployed youth and females are most relevant.

3.2. Long-term unemployment of young people: aspects of social damages

Young people are a major part of the unemployed in general and of the long-term unemployed in particular. They comprise approximately one third of the unemployed countrywide between September 1993 and June 1996. The core of this group is filled in directly by secondary school leavers and university graduates as well as by dischar-



gees from the compulsory military service. For 29.7% of the unemployed young people in June 1996 unemployment has started immediately after the accomplishment of secondary or higher education and for 27,4% after military service. During the last several years this unemployment rate of young people remains high and stable. Obviously, in the period of transition the state is not capable of providing a variety of jobs. In fact, it cannot offer any jobs to large groups of young people.

As seen from the point of view of long-term unemployment of young people, the period of transition does not bring the benefits of market economy and causes hesitation in young people to support it. Staying out of employment at the time they should start their working life, young people cannot reach self-fulfillment in the way which is typical for a democratic market economy. They cannot improve their professional qualification on the basis of the preceding theoretical education in schools and universities. Usually, they cannot be competitive at the labour market because of the lack of professional experience. However, staying out of the labour environment they cannot establish contacts with people having professional skills and acquire the skills when working together with them. Thus the break in the transfer of professional qualification in society is another dimension of the negative impacts of unemployment.

The labour market is not simply unfavourable to young people. The unfriendly situation is long lasting. One quarter of long-term unemployed are young people. They stay very long in the position of job-seekers. This seems to be paradoxical since the young segment of manpower is better educated. It is more adaptable towards the changing environment and prone to mobility. These are important prerequisites for adjustment of the labour force to the economic restructuring. However, in the Bulgarian conditions the major shortcoming of the young labour force, namely the lack of professional experience, seems to be most important.

The negative indicators of unemployment among young people have another dimension as well, namely the specifics of long-term unemployment. This is one of the most disturbing developments in the Bulgarian version of economic transition.

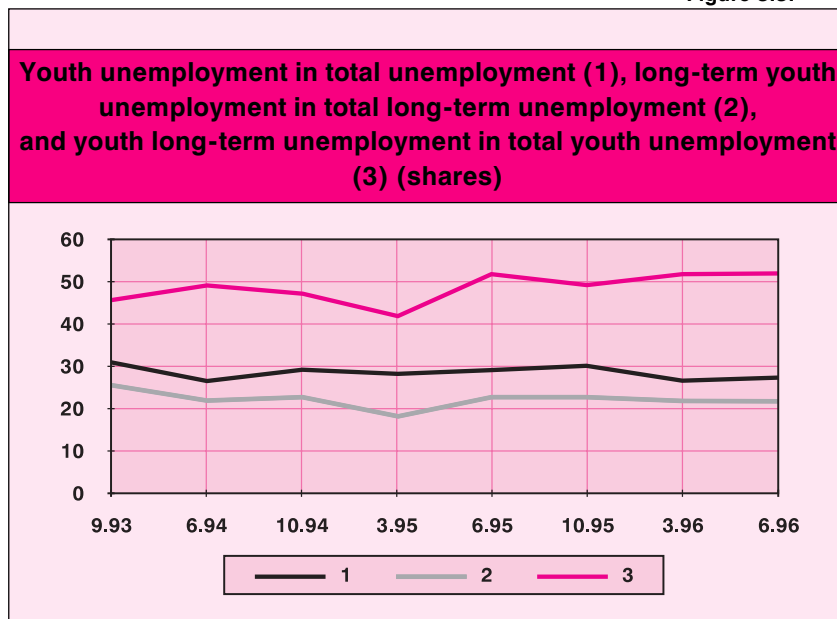
Table 3.2.

Relative share of the unemployment of young people in general unemployment and in long-term unemployment								
Indicators	Sept. 93	June 94	Oct. 94	March 95	June 95	Oct. 95	March 96	June 96
Unemployed	814.7	734.1	740.2	683. 6	564.6	520.8	536.1	488.7
Unemployed youth	248.8	197.3	214.8	190.1	163.8	157.3	142.7	135.0
Long-term unemployed	438.2	439.9	444.4	432.2	378.3	341.9	339.1	316.3
Long-term unemployed youth	109.2	97.1	102.1	99.9	84.7	77.2	74.4	70.1

Within the group of young unemployed, those without qualification score highest – 46.6%. The largest part of them (78.4%) have only primary education. A significant part of young unemployed have passed a course of vocational education – 38.9% by the end of October 1996. A large portion of unemployed youth have attended comprehensive secondary schools – 27.5%. These data reveal educational and vocational preconditions for unemployment and

Mass unemployment among young people breaks the continuity in developing labour skills

Figure 3.3.

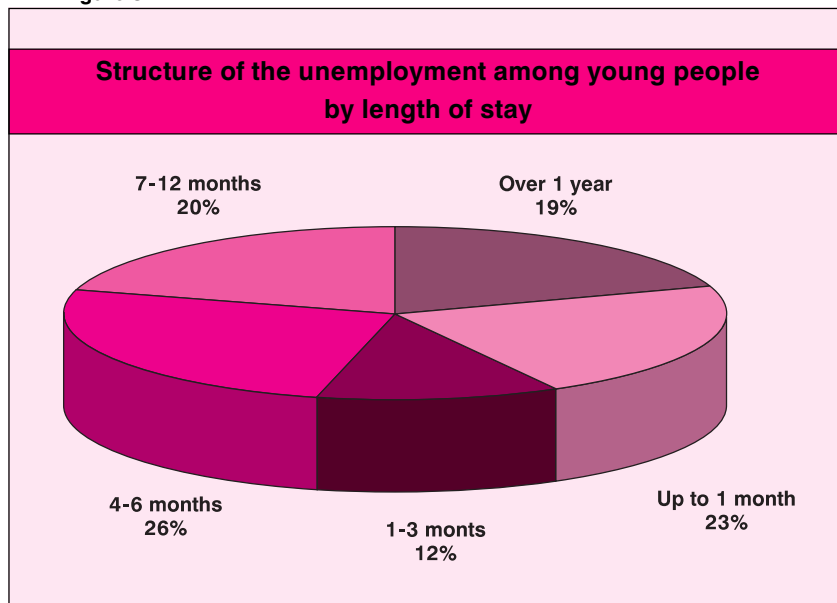


The transition period is characterised by a high and stable unemployment among young people

particularly for long-term unemployment among young people. Lack of proper vocational training, unsatisfactory levels of education and qualification, which do not provide for higher flexibility in the changing economy prevent the smooth adaptation of young people to the present day working conditions. They drive young people out of economic and social life for shorter or longer periods of time.

The consequences for marginalised young people are manifold yet interconnected. Without occupational status and earnings, they fall to a low social position. In a survey conducted by the National Sta-

Figure 3.4.



Long-term unemployment induces a passive social position.

tistical Institute and the Institute of Demography of the Bulgarian Academy of Sciences among young unemployed, 56,3% of the interviewed said, that the most important consequence of unemployment was the drop in their living standards. When lacking earnings, young people are dependent on their parents. Thus their material and social problems are transferred to other members of the household. Jobless young people are abstaining from marriage and rearing of children. They have low self-confidence. Young people who lack the influence of a healthy labour environment, dispose of limited incomes and are financially dependent, develop and manifest

numerous problems in their adaptation to the social environment. They are socially unstable and disintegrated to a high degree. Those, who enter the long-term unemployment and therefore stay for a long time in economic and social isolation, are disposed to mental illnesses. The years of economic transition are marked by increasing drug abuse on the part of young people. Unemployment is one of the basic factors for the stress, which causes this development. In their attempts to find employment young people often contact the underground world of the shadow economy.

All these problems are transferred directly or indirectly from the individual to the state and to the entire society. The passive attitude towards life and the acceptance of a model of marginal labour and social behaviour are synthetic expressions of the socio-economic consequences of unemployment among young people.

3.3. Long-term unemployment among the women

The shift to market economy is a challenge to the position and the role of women in economic and social development. For almost half a century, in the conditions of a centrally planned economy, women have enjoyed a relative equality in social life. During the transition period their social positions and roles are changing substantially.

A positive feature of the new model is the variety of choices concerning spheres and forms of work. Women may prefer to join the public sector, to start their own businesses, or to stay at home and devote themselves to the family and to the children. In parallel to this variety of valuable possibilities, the new model of the role of women in the socio-economic development contains some negative sides as well. The most significant one is the simple fact that the multiple offers, which emerged during the last years, are hardly accessible. In the conditions of reduced incomes of house-

holds, increased prices of services and damaged social infrastructure, women could only join the employed or be among the active job-seekers. In this way, women become actually more discriminated and restricted, than in the conditions of compulsory employment. Surveys on employment and unemployment indicate a share of women with primary education between 43,3% and 47,7% in the female labour force. This is the major reason for longer unemployment and lower professional competitiveness of women.

A typical element of the transition and of the economic crisis is the increased social instability of women in the labour force, especially in case of maternity. The low incomes and the high expenses on health care, on education and social protection undermine or entirely eliminate a series of social benefits of females which were acquired during the previous decades. The typical effects are the lower rates of marriages and births, and the orientation to one-child family. The increasing difficulties in rearing children, in securing their nutrition and education are shocking developments which put women under strong pressure simultaneously with the difficulties they experience at the work place.

The changes in the socio-economic role of women are predominantly determined by their position in employment and unemployment in the new conditions of labour market. The indicators of female unemployment and long-term unemployment are as depressing as those of the unemployment among young people. Female unemployment varies between 48.2% in September 1993 and 46.8% June 1996.

The increased share of long-term unemployed women in the general female unemployment reveals rather limited opportunities for employment. The relative share of long-term unemployed women in the entire female unemployment during the last four years has increased from 53.4% in September 1993 to 65.0% in June 1996.

Two major socio-economic issues become clear when female unemployment and the female long-term unemployment are considered. The former one is related to the absolute and the relative increase of the number of women, who remain outside the labour force in the period from September, 1993 through June, 1996. There is a clear tendency to change the model of female participation in social and economic life. In the given period, the relative share of women outside the labour market has increased from 49.4% to 56.5%. In absolute figures this is a change from 1,750 to 1,851 thousands.

The economic reforms have narrowed the space for participation of women in labour and in social life

Figure 3.5.



This change in the labour status of women occurs in the conditions of drastically lowering living standards. Therefore, its nega-

Figure 3.6.



tive impacts on women strongly prevail. The decreased demand of labour is forcing women to leave the labour market against their will. That is why women are prone to take over any job suggested. This new type of economic activity of females was imposed. It is not a result of their free choice.

The idea is widely spread, that the burden of employed females has been alleviated by the increased supply of household commodities. To some extent this is true since the supply of some commodities really exceeds demand. The positive effect is the elimination of some deficits and cues which were typical for the centrally planned economy. However, the reduced household incomes make a substantial part of these goods not affordable. Large price differences force women to spend more time in searching for cheaper foodstuffs. The only change which occurred, is the shift from one type of difficulties to another: instead of waiting long cues towards spending more time in looking for lower prices. This change is not a benefit for women, since their problems with maintaining the family remain.

The involvement of women in working life is being replaced in the emerging model by the household or by the small family business. In these new conditions the striving for improvement of professional qualifications is rare. The social contacts and the cultural interests are shrinking. This change, combined with the collapse of the former pattern of health-care, deprives female work-force from the basic prophylactic services. The result is increased malignancy.

Out of the labour market, part of the female work-force goes to the informal sector. The years of transition became a period of increasing prostitution, and of export of „white bond-slaves“.

3.4. Possibilities for limiting the social and economic damages of long-term unemployment

The recent history of market economy confirms that the social and economic dam-

ages of long-term unemployment are unavoidable, although their dimensions might differ. The key issue is, what is to be done in order to alleviate the negative impact of long-term unemployment on individuals and on society. In societies in transition and especially in Bulgaria, problems are rather intensive because of the strong presence of long-term unemployment among specific groups of the work-force and because of the territorial concentration of long-term unemployment. Attempts to reduce it and to alleviate its socio-economic consequences do not foster optimism. There are diverse reasons for this state of affairs:

- long-term unemployment is not considered to be a priority concern of society;
- the design and implementation of social support programmes do not correspond to the complexity of goals;
- the implementation of social support programmes does not involve all relevant institutions, the structures of the central and local governments, organisations and associations, clubs, etc.

The most important nation-wide programmes to promote employment are those which have been launched by the National Employment Service of the Ministry of Labour and Social Affairs. They combine pro-active and passive measures. The emphasis is increasingly shifting towards active measures creating conditions for employment or self-employment.

In the framework of the passive programmes for alleviating difficulties and rendering assistance to job-seekers since the end of 1994, the eligible long-term unemployed have been receiving a dole which amounts to 60% of the minimum wage.

The number of long-term unemployment beneficiaries varied in 1995 around the average of 26 thousands. In 1996 this number was relatively stable, which could be explained by the very character of long-term unemployment. The cash transfers amount to 7.1% of the expenditures from the Vocational Training and Unemploy-

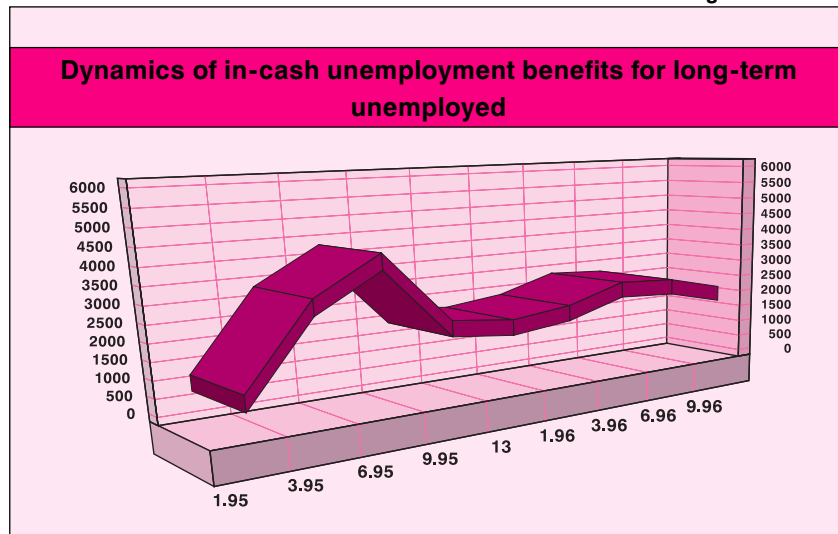
ment Fund. The amount of the average dole varied between Levs 1,286 and Levs 1,656. This is equal to ca. 20% of the average wage in the country. The data indicate that the amount of doles are rather modest to motivate a passive behaviour of job seekers. The passive policies which predominantly include a disbursement of doles to this group of the unemployed is a palliative measure. It is intended to alleviate keen economic and social issues of beneficiaries and their families.

Only well targeted pro-active policies for promotion of employment could be successful. Programmes which are intended to promote employment of long-term unemployed should have priority. Numerous and diverse programmes should be implemented to address the various specific parts within the larger group of the long-term unemployed.

Up to now, long-term unemployed have not been treated as a specially vulnerable group on the labour market by the pro-active policies of the National Employment Service. The involvement in pro-active measures occurred within regional programmes for promotion of employment and self-employment. The initiatives to support long-term unemployed in seeking jobs with the assistance of non-governmental organisations like unions, clubs, associations or foundations are underdeveloped. The activities of the job-clubs to support job-seekers have had local effects. The clubs should perform some social functions in addition to job-brokering. They could offer opportunities for contacts between employers and unemployed. Relations with orphanages, pensioners' clubs, with companies which offer employment abroad or temporary employment, and with vocational training providers are another type of potential activities. It is worth to establish contacts with representatives of governmental agencies. They can inform the unemployed about possibilities for job-creation, about positive effects of private entrepreneurship, about legal provisions for promotion of self-employment, etc. This is

only part of the wide range of possibilities which unfortunately are not fully utilised. Offering additional opportunities to unemployed and long-term unemployed aims at enabling them to select jobs or to maintain

Figure 3.7.



social contacts. Another aim is to strengthen their feeling that society is not indifferent to their fate, that it has not bailed them out. All these are strong incentives for improving the integrity and the accelerated reintegration of long-term unemployed in labour, in social and cultural life.

Ineffective coordination between institutions, organisations and associations dealing with the problems of long-term unemployed young people, women, ethnic and professional groups makes the problems even more complicated.

There is a need for well targeted pro-active policies for promotion of employment

Box 3.1.

Promotion of the entrepreneurship of young people

In order to facilitate the economic and social integration of young people into the labour market and in connection with the launching of the Programme for Youth Employment, a Fund for Promotion of Youth Employment has been established in 1995. The rules and criteria for supporting projects have been elaborated. The

schemes of the establishment of business incubators and business consulting centres as supportive structures for promotion of entrepreneurs were approved. On the basis of the results of sociological surveys districts and quotas for pilot implementation of measures of the programme have been determined.

Ineffective co-ordination harms the programmes to combat long-term unemployment

The active involvement of employers' associations in labour market policies aiming at the stimulation of job-seeking or at the creation of individual businesses is of utmost importance for overcoming the crisis in finding jobs. The offices of the National Employment Service offer psycho-analytical consultations which aim at alleviating the socio-psychological problems of long-term unemployed. In 1995 the regional labour offices rendered the following services:

– individual consultations	5,824
– telephone consultations	846
– selection, assigned on behalf of an employer	840
– psychological test for admission to training	472

It is difficult to estimate if this services suffice, as no data of preceding years are available, and a quantitative and qualitative analysis of the services is still not possible. Nevertheless, experts estimate the services as minimal concerning their volume and efficiency. Many of the regional offices have vacancies for full-time psychologists. In 1995, one of every 55 jobless has used services of this kind. The figures indicate the unsatisfactory level of the services provided, which results in increased morbidity rate. The establishment of a wider and more comprehensive network of this kind of assistance would help long-term unemployed to more easily sustain the burden of unemployment.



The analysed damages of long-term unemployment to the economic, political, and cultural life in the country are not the sole factors eroding social integration in

the long run. The awareness of society as to the harmful effects of this phenomenon and the means for putting it under control should be developed. Economic reforms should be accelerated but also better coordinated in order to render broader possibilities for preventing long-term unemployment. The difficult problems of unemployment are a consequence of unclearly defined objectives of the economic transition and of improperly chosen means to achieve them. The dramatic delay of the structural adjustment of economy, with the purpose to avoid mass unemployment, in effect led to a higher registered and to a large hidden unemployment. At the same time, employment paid at the level of social assistance does not stimulate labour and social activity in favour of reforms. Keeping the level of employment stable without introducing serious structural and technological changes is only possible by reducing the remuneration of labour. In this way, the policies pursued converted the prevailing part of employment in the budget sector in hidden unemployment.

Keeping in mind these this groups include the best educated and skilled part of the nation – teachers, medical doctors, scientists, etc., negative effects of the wrong policies could be expected. This is a vivid example of the impossibility to carry out effective reforms without clearly defining their goals and without acting consequently for their implementation. The lesson is that no substantial socio-political and socio-economic changes could be implemented without a social consensus concerning the fundamental objectives of the reforms. These objectives should serve as a focus to unite and integrate Bulgarian society.

4

GROWING INEQUALITY UNDERMINES SOCIAL INTEGRATION

The complicated relations between inequality and social integration manifest themselves in various ways, depending on the national conditions. What is their Bulgarian specificity? *The individual perception of well-being or of deprivation is determined by the mentality of the Bulgarians and by their historical tradition.* On the eve of the 21st century, in the conditions of globalisation, Bulgarians form their criteria concerning social inequality and social integration mostly focused on the national conditions and thinking retrospectively. They are only rarely looking ahead and outwards.

The value system of Bulgarian society is strongly influenced by the inheritance of the outgoing socialist social order. Following the ideology which predominated cultural life during the past decades, many people identify social integration with social homogeneity in socialist society and consider it as an alternative to class inequality in capitalism. The way of thinking which regards society as divided in exploiters (all rich people are classified in this category) and sufferers of the exploitation (the employed) remains rather influential. It predetermines the perception of private entrepreneurship. Equality in poverty is often preferred to any form of inequality. The impact of this philosophy on public mind orients the use of specific means for counteracting social inequality.

The changes which came about after the end of the eighties brought about a new notion of social inequality. The attention of the intelligentsia and of young people was redirected towards the world and the future. Representatives of these groups gave up the idealised perception of inequality and social prosperity. The desire to oppose inequality and to achieve social integration is already perceived as a part of the common efforts of mankind to meet

the new century with dignity. The illusion, that democratisation of public life and the transition to market economy would automatically secure for every Bulgarian a living standard, which is similar to those in Western Europe, disappears gradually. There is a widely spread opinion, that market economy and private property could be converted from a prerequisite for social inequality into a tool for putting limitations on inequality.

These two philosophies are nowadays confronted. The first one rests on a cultivated socialism, or on the idea of a market economy, which should preserve large portions of state property and the economic functions of the state. It is supported by parties and ideological currents in the left political space. The philosophy of the second type is bound to free economic enterprise, although with the assumption for an active role of the state and for the participation of non-governmental organisations and individuals in maintaining social integration. This view is present in the programmes of the political centre and of the right-wing parties. Due to the permanent political instability in Bulgaria and to the frequent changes of governments, neither of both philosophies could be embodied in a consequently implemented strategy. Each one of them strongly influences the evaluation of social inequality in Bulgaria, the legislation, institutions, and the policies for social integration.

4.1. Types of inequality

Inequality appears in different spheres of life and at various levels – in the life of individuals, in family life, in schools. It causes serious problems on the way to social integration when evolving on ethnic, racial or religious grounds. Many countries

The perception of social integration is related to the notion of social homogeneity

Market economy may put limitations on social inequality

There is an alarming trend towards a rapid increase of inequality in incomes

face problems of gender inequality. However, most clearly inequality is manifested in economy. The high sensitivity to social inequality in Bulgaria is predominantly based on the perception of *differentiation of households along the lines of incomes and property*. In general terms, inequality in market dominated societies is basically expressed in the following ways:

- inequality in incomes and in consumption;
- inequality in property, differentiation in dwellings included;
- inequality in employment.

There are various types of mutual influence between the various forms of inequality. People who cannot adequately participate in production and consumption due to long-term unemployment or because of occasional employment, usually have problems with incomes and property as well as problems with family, education, and health care.

Table 4.1.

Ratio between the incomes of the richest 20% and the poorest 20% of the households		
State	Years	Ratio
Bulgaria	1980 – 1992	3.5
	1992	4.8
	1993	5.1
	1994	6.0
	1995	6.5
Hungary	1987 – 1992	3.9
	1992 – 1994	4.3
Japan	1980 – 1992	4.3
Belgium	1980 – 1992	4.6
Sweden	1980 – 1992	4.6
United Kingdom	1980 – 1992	9.6
USA	1980 – 1992	8.9

4.1.1. Incomes based polarisation:
visible and hidden
consequences

The polarisation of society along differences in incomes and consumption is the most visible and alarming factor preventing social integration. The trend to-

wards deepening inequality in incomes during the years of transition is rather disturbing. Most impressive is the *pace of polarisation of incomes in a short period of time*. In addition to this, the differentiation occurs in a period, when egalitarian thinking of people is widely spread. All these circumstances influence the efforts for social integration.

Another criterion, confirming the tendency to rapid stratification of households, is the coefficient of Gini. It measures the level of inequality in incomes within the range from 1 to 100. Changes of the values of this coefficient for Bulgarian society during the nineties are as follows: 1990 – 22.8%; 1991 – 23.5%; 1992 – 33.1%; 1993 – 33.7%; 1994 – 36.6%; 1995 – 37.8%.

A survey on poverty conducted on behalf of the World Bank shows that in June 1995 the richest 10% of the population have made 22.1% of all expenses of the households (with exemption of those for rents and investments), and the poorest 10% – 3.4% of the expenses. The fact notwithstanding that consumption has been the subject of the study (the products from the family farm including) the ratio between the level of consumption in both groups is 6.5:1. This points out at a strong polarisation of households.

The polarisation has its regional, ethnic, demographic, etc. features which strongly erode social integration. According to estimates of the above mentioned study ca. 19.1% of the Bulgarian population live in absolute poverty. In Sofia the share of poor is 9.8%, and in Varna and Lovech regions – 30.2% and 29.7% respectively. Poverty in the Haskovo region is also above the average for the country. 29.1% of the residents in villages belong to the poor. In the cities (without Sofia) the percentage is 15.5. Large differences are connected with the ethnic characteristics of households. The category of absolutely poor include 13.8% of the Bulgarians, 36.9% of the Bulgarian Turks, and 76.1% of the Gypsies. Poverty is growing in line with the number of dependants in

the family. In households, where all members are between the age of 14 and 55, the poor are 11.2%. The share of the poor households among these with 4 and more dependants is 69.5%.

In addition to these manifest features of the incomes' inequality, there are numerous hidden effects of it. One of them is the participation of a large part of the population in the informal economy. An analysis of the Institute for Market Economy shows that almost one third of the employed are hired in the conditions of the black or grey economies. Every tenth employee gets from the employer informally and in mutual agreement a monthly increment of Levs 4,500 (by June 1996). More than 23% of the employees have been hired for additional activities, for which they have got additional earnings by ca. Levs 6,300. Almost 80% of private entrepreneurs (farmers including) earn additional undeclared incomes of ca. Levs 10,500. The share of unemployed who have been hired in the last week before the survey is approximately 13%. They have been employed predominantly without a labour contract and mostly for up to one month.

It is hardly possible to discover gender inequalities in remuneration or abuse of child labour in the formal economy. However, in the shadow economy these phenomena are present. *Inequalities between the employed within the formal and the informal economy* exist in the social insurance, the occupational safety, the hygiene of labour, the use of paid annual leave, and even in guaranteeing the payment for the work done.

The mass involvement in the informal sector of economy and the earnings from it arise still another kind of inequality between households. These incomes are hidden entirely or partially thus strengthening the perception of inequality in society. As a general rule, the incomes from the informal economy are being hidden by richer households, while by the poor this is rarely the case.

4.1.2. Inequality in property

Restrictions on the personal and the family property in former decades and its limitation to the dwelling, rest home, furniture, car, and personal belongings distorted strongly the criteria for material inequality.

From a formal point of view, the differences in possession of dwellings are not as strong in Bulgaria, as it is the case with incomes' inequality. From a total of 3,419,937 dwellings in 1995 3,167,409 (or 92.6%) are privately owned. This means that almost all households possess their own homes. Inequality appears when comparing the floorage and the interior conditions. The incomes' inequality is not yet manifested in a substantial polarisation in housing.

There are significant inequalities in the shadow economy

Box 4.1.

Psychological opposition against inequality in property

With the elimination of the restrictions on the right for obtaining private property and private capital, keen contradictions arose between those, who possess, and those who do not possess real property, capital, and state securities. A strong reason for the opposition is the historically rooted attitude against private property. Another reason was motivated by the prevailing consumptive attitude of the new

economic elite to the possession of material property and capital. The psychological opposition against this form of inequality is magnified when observing the ways of obtaining property. The establishment of elitarian districts with perfect infrastructure and the negligence towards the „dormitory districts“ of common people strengthens their feeling of inequality and seriously undermines social cohesion.

The survey of the World Bank of 1995 stressed the point that the per capita housing space for the poor is 0.8 rooms, while the per capita space of not poor households is 1.1 rooms. However, the *polarisation in housing is strongly expressed with a view to the ethnicity of the head of the household* (Table 4.2.).

The data indicate that in average 2.6% of the population dispose of less than 4m²/person, although in such conditions Gypsy households accommodate 20.1% of their

inhabitants and Bulgarian households – only 1.6%. Similar contrasts are observed on the other side of the property scale as well. Dwellings with a floorage above 20m²/person are inhabited by 18.7% of the Bulgarians, 11.9% of the Turks and only 3.9%

Table 4.2.

Dwellings by ethnicity of the head of the household and by the floorage			
Ethnic group of the head of the household	Total number of dwellings and inhabitants	Number of dwellings and inhabitants up to 4 m ² /person	Number of dwellings and inhabitants above 20 m ² /person
Total			
Dwellings	2,773,833	38,172	838,222
%	100.0	1.4	30.2
Inhabitants	8,390,245	222,170	1,465,320
%	100.0	2.6	17.5
Bulgarian			
Dwellings	2,479,721	21,539	782,548
%	100.0	0.9	31.6
Inhabitants	7,193,541	113,995	1,344,816
%	100.0	1.6	18.7
Turkish			
Dwellings	197,504	7,288	41,532
%	100.0	3.7	21.0
Inhabitants	784,655	42,701	93,559
%	100.0	5.4	11.9
Gypsy			
Dwellings	61,211	8,605	5,149
%	100.0	14.1	8.4
Inhabitants	299,526	60,203	5,149
%	100.0	20.1	3.9
Others			
Dwellings	29,524	403	8,638
%	100.0	1.4	29.2
Inhabitants	83,494	2,168	14,310
%	100.0	2.6	17.1

The housing conditions of Gypsies are marked by deep poverty

of the Gypsies. One of the basic reasons for this ethnic polarisation is the composition of the Gypsy households. Nevertheless, Gypsy dwellings are generally smaller and worse laid out. For example, 8% of the Gypsy households have a floorage of up to 15m², while this holds true for 2.8% of the Bulgarian households. To the contrary, 22.6% of the Bulgarian households and 2.6% of the Gypsy households are laid out with water supply, drainage, and central heating. Only 0.9% of the Bulgarian households live under the worst housing conditions without potable water and drain-

age while this holds true for 53.6% of the Gypsy families.

Social integration is also undermined by measures intended to restore of justice, namely the restitution of urban real estates and of industrial property. The number of restituted property and of the persons affected is relatively low. However, the cultural reaction of Bulgarians to the measures of restitution is rather negative, than positive. They are perceived as profiteering which is not based on labour. On the other side, the new owners do not regard the restitution as an obligation to manage the property taking all the ensuing risks. Due to the same reasons even the restitution of arable land is interpreted differently by owners and people who do not possess land.

This gives the ground to conclude, that property inequality and especially the strong polarisation within it is a sensitive topic. It will negatively influence social integration of Bulgarian society in the years to come.

4.1.3. Inequality on the labour market

The qualitative and the quantitative aspects of unemployment indicate growing differences in the position of various groups on the labour market. Long-term unemployed, handicapped, young people are negatively affected by this type of inequality. The group of desperately unemployed grows.

Another type of inequality in employment concerns the strong segmentation of the labour market. The demographic and the professional characteristics of individuals participating in institutionalised and non-institutionalised employment as well as in self-employment indicate the segments in the formal and the informal labour markets.

The *formal labour market* is clearly divided in internal and external ones. Due to the economic crisis and the restrictions in the budgetary sphere the majority of

vacancies are occupied by means of internal redirecting of employees or by exchange between institutions and enterprises. The chances of unemployed and of new entrants in the labour markets (young people) to take up such vacancies are rather limited. In the cases of dismissals the principle „last hired – first fired“ is applied as a rule.

The *informal labour market* is also fragmented. People with broad professional experience and higher incomes occupy niches of higher paid fees, working on additional, non-institutionalised employment – consulting, design, architecture, education, health care, and other services. The representatives of this particular sector of the labour market are employed predominantly with the public sector. The cases are rare of involvement of free lancers or unemployed, even with high qualifications.

The other pole of low qualified labour provides opportunities for sporadic non-institutionalised employment in construction, husbandry and tourist services. The actors in these markets are predominantly low-qualified long-term unemployed. Involvement of students, retired persons, and specialists with college or higher education is a part of their struggle for survival but not the rule.

These two polarised markets are also ethnically earmarked. The low-quality informal employment is usually occupied by Gypsies and Turks, and recently also by travelling migrants.

The uncertainty of employment is deepening because of the *uncertainty of specific jobs*. Not only the traditionally disadvantaged groups, but also highly qualified experts in state institutions feel uncertain because of the frequent government crises and the absence of legislation on the civil servants. They could be dismissed on other but professional criteria. In this respect the most disadvantaged are the civil servants and the managing teams in the public sector. The perception of inequality even among the best qualified part of the labour force is influencing badly the policies for the achievement of social integration.

4.2. Causes and reasons for social inequality in Bulgaria

The basic reason, which is intensifying the negative impact of the incomes' inequality on social integration, is *the reduced purchasing power of the population due to the inflation*.

Almost all pensioners, unemployed, handicapped, etc., who rely solely on the basic types of incomes, belong to the pole of poverty. *The share of the population, living with incomes bellow the social minimum, increased from 31.7% in 1990 up to 92.5 in 1996*. The public opinion reflected adequately the changes in the objective parameters of incomes (Fig. 4.1.).

Both the formal and the informal labour markets are segmented

Table 4.3.

Levels and structural characteristics of unemployment				
Years			Indicators	
Labour force surveys	Coefficient of unemployment	% of long-term unemployed – idle over 1 year	ratio of desperate to jobless	% of unemployed youth (up to 24 years)
Oct. 1993	21.4	55.4		47.0
June 1994	20.0	61.2		42.2
Oct. 1994	20.5	61.2		44.9
March 1995	19.2	64.1		42.2
June 1995	15.7	67.6	32.5	37.9
Oct. 1995	14.7	66.2	37.6	37.7
March 1996	15.3	64.2	36.4	36.8
June 1996	13.5	65.8	38.3	33.0
Oct. 1996	13.7	65.3	40.1	33.5

Another reason for the increased inequality as a barrier preventing social integration is the presence of *not yet filled in segments in the social structure*. Stable links between the social and demographic groups could be established only when these empty positions are occupied. This is especially valid for the middle class. It is still rudimentary due to the unfavourable economic environment and the inefficient reforms. Bulgarian society is divided in hired labour and upstarts. This is valid for rural areas too. Despite the land reform, peasants still

The uncertainty of employment is a strong factor of inequality

keep to the mentality of hired employees and not to that of owners. Real farmers are rather an exception than the rule in many agricultural districts. The low status of the intelligentsia is pushing the development in the same direction of undermining social integration. Pensioners are a synonym of paupers. The majority of the youth are in a blind alley.

Table 4.4.

Changes in the basic types of incomes in 1996 (in real terms)			
Type of incomes	Change in incomes for 1996/1995 (annual average)	1996/1995 (at the end of the year)	1996/1990 (annual average)
Minimum wage	- 29.0	- 43.3	- 71.0
Average wage	- 18.3	- 26.2	- 51.3
Basic minimal income	- 26.0	- 42.3	- 59.6
Monthly child bounties	- 29.0	- 45.3	- 62.8
Average pensions	- 21.6	- 41.8	- 64.4
Minimum social pension	- 31.3	- 49.8	- 71.9

The inequity in taxation is still another obstacle in the way of social integration. Rich people use more intensively the social benefits – training, health care, sports, subsidised prices of electricity, fuels, and foodstuffs. At the same time, due to the economic status as entrepreneurs and self-employed, many of them make use of the

gaps in the taxation and insurance legislation, and avoid their obligations towards the state budget and the insurance funds. On the contrary, people with low incomes use the social infrastructure rarely, and they are usually more disciplined tax payers. The socially unfair tax-scales and delayed reforms in the social and health insurance provoke conflicts due to this asymmetry, which leads to disintegration of society.

The growing inequality is due to many faults of political, legal and institutional type. Firstly, a clear strategy for reforms in the social sphere is absent. The prevailing part of the platforms of the left political parties and coalitions contain social-democratic ideas, which give an expression of egalitarian leaning. Another part contains proposals for measures which are typical for liberal programmes but mixed with ideas of conservative corporativism or of social democracy. Actually, in the evaluation of inequality and of the policies for its overcoming, a vacillation between the paradigms of the *monopoly* and the *specialisation* could be observed. In some specific cases elements of the *solidarity model* are present as well.

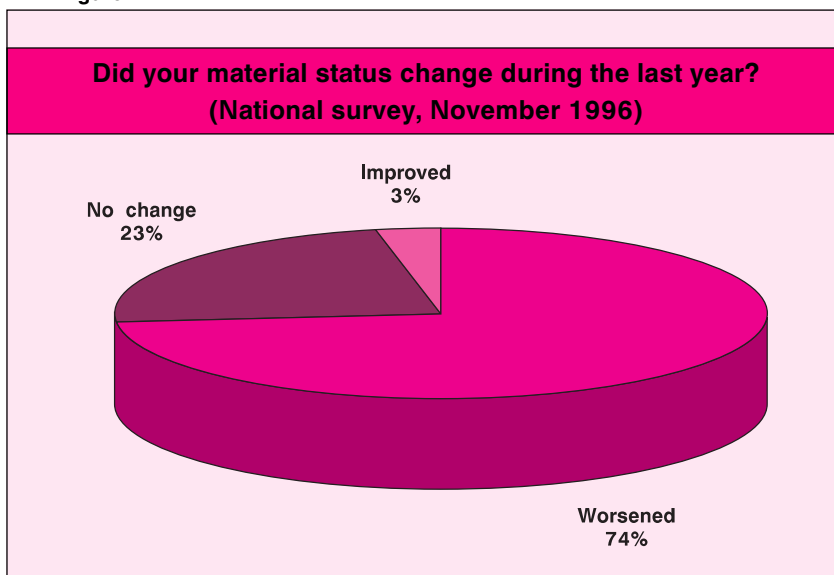
4.3. Evaluation of governmental programmes for reduction of social inequality

The state policies for reduction of inequality are reflected in the National Programme for Social Development which followed the Declaration of the Social Summit in Copenhagen. The particular tasks of the government institutions for reduction of inequality as well as for social integration and reintegration are divided into the following packages of measures:

First, *measures for evaluation and reduction of poverty*. The activities pursued to this package are directed towards:

– application of mechanisms for updating of protected incomes (minimum wage, minimum pension, basic minimum income, etc.) with the aim for protection against the inflation and for creating closer

Figure 4.1.



links to the minimum living standards of the respective groups of population;

- reforms of the system of social insurance and assistance;

- saving and broadening the access to social services, health care, and education.

Second, *measures for the achievement of higher employment and reduction of unemployment*. The state policies in this respect are concentrated on:

- improvement of the macro-economic environment for maintaining and increasing employment;

- introduction of a system of measures for promotion of employment and self-employment;

- improvement of the labour market and achievement of a growing efficiency of human resources;

Third, *measures for social integration and reintegration of dependant groups of the population*. These measures are directed especially towards overcoming of inequality, and social integration and reintegration of adults, children, women, handicapped, and the ethnic groups.

The inadequacy of this Programme to the real macro-economic conditions and predominantly the lack of the necessary financing for its implementation convert the measures listed in a good intention.

The governmental policy for reduction of inequality has some *basic faults on the level of implementation*.

First, the effectiveness of the applied programmes and measures for social integration is low. The significant expenditures of funds and human resources (part of which comes as non-refundable foreign aid) for the design and the launching of programmes produce unsatisfactory results as a rule. Very often, the integration programmes are implemented only in the pilot phase and involve small numbers of persons, or the implementation on national level lasts for years.

Box 4.2.

Economic polarisation is a barrier in front of social integration

It is not the reduction of earnings, pensions and other social payments which is most disturbing to the sentiments of equality and undermining social integration. The major factor eroding integration is *the plunder and redistribution of the national wealth*. Members of „friendly circles“ with decisive role in political life stay in the background of this robbery and redistribution. They wilfully delay the reforms or lead them in directions

which are advantageous to them. There is a symbiosis of groups and persons, running half-legal businesses. Thus an over-concentration of public wealth is evolving through outflow of capital and robbery of state and municipal property, through speculations in the banking system and through financial „pyramids“. This is one of the major reasons for the social and political polarisation of society which is hindering social integration.

Second, the period between the emergence of a problem in the field of social inequality and social integration, and the real implementation of counter-policies, is rather long. The programmes and the measures for social integration of handicapped, for the employment of young people, for social protection of long-term unemployed are typical examples in this respect.

Taxation injustice promotes inequality

Box 4.3.

Lacking strategy for reforms in the social sphere

Since the very beginning of the reforms, different governments, parliamentary groups and individual members of the Parliament introduced various versions of social laws (on the promotion of employment and on unemployment insurance; on social assistance; on social insurance; on the compulsory health insurance, etc.). Neither of them has been passed. The Parliament passed solely amendments to currently valid laws (the Law on Pensions, the Labour Code, and the Decree for Promotion of the Birth

Rate). The Law on the Protection of Handicapped could not enter into force because of the absence of related regulations. The current state of the national legislation, which determines the framework of social integration could be characterised as inadequate to public needs. There is an urgent necessity for legislation on social and health insurance, social assistance, employment and unemployment, protection of the family and children and protection of consumers in response to the European standards.

The restructuring of economy should go in parallel with restructuring of the social sector

Third, in the programmes for the reduction of inequality and for social integration the reactive approaches and the partial solutions are prevailing. There is no coordination between programmes in the fields of employment, education, vocational training, social care, social insurance. The strategies designed in each of these spheres did not receive the necessary legal support and consensus on behalf of society so far.

Fourth, programmes and measures for the reduction of inequality are strongly influenced by political preferences. In pre-election periods problems of inequality and social integration are typically present in all political platforms and statements. The political load prevents the clear determination of priorities and disturbs the daily routine work for the implementation of the programmes. It distorts the estimates for effectiveness and efficiency of the specific measures for social integration.

4.4. Suggestions for policies alleviating inequality and fostering social integration

The alternatives of the prevailing policies for alleviating inequality and for switching over to social integration could be sought in the following directions:

A) Changes in the approach to social integration, namely:

- The barriers imposed by the current inequality in front of social integration indicate that the stabilisation and adjustment policies should go in parallel with stabilisation of the social sector. They should also include restructuring of the labour market;

- The reactive approaches should be substituted by active measures for restriction of inequality according to a model having the widest possible support;

- Adoption of a more pragmatic approach is needed for the implementation of reforms through short-term changes

which should contain a package of interrelated and balanced measures for preventing the growth of inequality. These changes could be understood as a basis for consequent implementation of strategies and programmes for social integration.

B) Far reaching changes are needed in the policies for curtailing the growing inequality. Progressively, as a *principal approach to social policy the elimination of the causes for inequality and not the treatment of consequences of them is to be introduced*. This means to establish close links between economic and social reforms and to create mechanisms, which should not allow polarised redistribution and robbery of national wealth.

C) Clear messages of the policy for social integration are required:

- Elimination of the paternalistic model for uniform social protection and directing the efforts towards the establishment of a favourable legal, economic, fiscal, information, and institutional environment, where all people will be able to guarantee their dignified life with the means of their own labour and initiative;

- Overcoming the psychological inclinations against private property, fostering the development of entrepreneurial skills, cultivation of economic attitude towards property, promotion of participation in the voucher and the cash privatisation;

- Progressive reduction of unemployment up to the socially bearable limits through the creation of jobs and conditions for productive employment by means of private initiative;

- Guarantees of social security by means of reforming the system of insurance in the direction towards the establishment of independent and financially stable insurance funds, and their stepwise transformation into capitalisation funds. The individual participation in the insurance systems should be increased by developing the schemes of professional, voluntary

For transition from softening the consequences towards eliminating the causes of social inequality

and private insurance. The principles of social insurance should be observed by binding the amount of the pensions and other social payments to the insurance contributions and the working record. The introduction of a health insurance is an urgent task;

- Elimination of some uniform social transfers and *redirecting the social assistance to really needed* for maintaining their minimal living standards. Supplements in the scheme for incomes support of poor should be introduced by means of specific programmes for the support of vulnerable groups of the population (old people, handicapped, children, large families);

- Launching alternatives to the state red-tape and programmes for social support through *activation of households with the aim to support their social self-integration* (support for family business, providing the landless with arable land, etc.);

- Introduction of a new system for family protection, for upbringing children, measures for persuading young people not to leave the country in order to achieve a gradual improvement of the demographic processes.

4.5. The non-governmental organisations and the efforts to alleviate poverty

Approximately half of the legally registered almost 4,000 non-governmental organisations in Bulgaria are involved in activities which are related to economic inequality and poverty. Their contribution to the „anti-poverty“ programmes is influenced by two contradictory trends:

A/ The strengthening of the legal and institutional recognition of structures of civil society as mediators for representation of individual, associative and national interests as well as factors of social integration. The public structures raise expectations for transition from recognised social rights, through the political ones, to-

wards the civil rights. Thus the conditions for democratic development evolve.

B/ The concentration of wealth and the decline of economy which lead to mass poverty. The absence of clear norms and the strive to present the over-concentration of national wealth in private hands as a normal economic process are the major causes and reasons for this trend. The mass impoverishment, the unemployment, the loss of economic and social status, the absence of a middle class erode the benefits, obtained in the process of industrialisation. The real absence of rights is a fact which is in a sharp contradiction to the constitutional provisions of rights and freedoms. The over-concentration of wealth and the establishment of a mass pole of poverty have disintegrating impacts on society. They affect not the economy alone, but all other spheres of social life. They are manifest in the obvious absence of elaborated ideas concerning the interests, the wealth, the elite, the culture, and the history of the nation.

The social integration is infringed not solely by the increasing inequalities. In fact, *for large groups inequality is reduced because of their concentration on the social bottom*. On this basis social life is getting fragmented into micro-communities which shall unavoidably push society towards disintegration. In this situation the efficiency of the efforts which aim at strengthening the national integration is low.

The contradiction between the conditions for democratic development and the actual concentration of wealth and political power determines the background for the development of non-governmental organisations which bear their own responsibility for combating poverty. However, the organisations, which implement the anti-poverty programmes, do not make the policy for alleviation of poverty.

Non-governmental organisations in Bulgaria cannot come across the political, ethnic, and religious limitations in public mind. As a rule, Christian Gypsies and

Democracy clashes with consequences of mass impoverishment

NGOs are underdeveloped and depend on scarce financing

Moslem Gypsies do not establish united non-governmental organisations. This is crucial for the prospects of their development. The possibilities for social integration could be implemented rather as an interaction, co-ordination, common operational directives, etc. of different non-governmental organisations, than within the framework of one of them.

Non-governmental organisations acting in the field of poverty alleviation are mostly focused on problems of specific groups defined by demographic characteristics like age, sex, ethnic and religious affiliation. The priorities of the sponsors are another determining factor. Against the background of the common impoverishment this leads to competition between non-compatible groups, magnifies the age, gender and ethnic profile of poverty and unemployment, and causes conflicts.

organisational networks. Regions in deep economic crisis have none or only few NGOs due to the scarce awareness of their abilities and the lack of skills and experience. That is why the network of local organisations is underdeveloped and needs incentives.

Other typical features of NGOs are the low level of institutionalisation and the lack of differentiation in the scope of problems addressed. This is caused by the necessity to follow the opportunities for funding. Often organisations are established for the solution of rather specific issues. Their active life is short. It is obvious that training for preparing and implementing projects is necessary. Clear indicators for the evaluation of projects are often absent. Among the sponsors, especially among the internal ones, a centralisation of decisions around closed circles of experts is observed.

The activities of NGOs in the field of poverty alleviation follow the lines of the traditional type of social protection, pursued by the state. The anti-poverty programmes of the NGOs are predominantly oriented towards charity. The lack of a governmental strategy is the basic problem in the development of the non-governmental organisations. Palliative measures are applied to support the solution of particular problems. Action is typically directed towards adaptation to the current situation, rather than to overcome the existing critical situation.

The main direction of activities is the distribution of funds, foodstuffs, and clothing. The aid reaches poor and underprivileged segments of the population, instead of providing strategic resources to cope with the situation. In this way, the social-protective functions of NGOs have basically supportive and much less re-integrative role in society.

Even at the current stage, there are elements of spontaneous evolution. A study among representatives of NGOs involved in alleviation of poverty, was conducted by

Table 4.5.

In which direction should develop the activities of NGOs for the alleviation of poverty? (in percent)	
- Towards the protection of infringed social rights	76.0
- Towards improvement of the current legislation	68.0
- Towards economic initiatives and increasing incomes	52.0
- Towards alleviating particular cases of poverty	44.0
- Towards other activities	12.0

The development of NGOs is uneven with a view to regions and types of settlements. The greatest part of them are concentrated in the capital city and in other big cities. Only few national organisations have established their own regional networks. When lacking funds, they eliminate the regional organisations first.

Functions similar to those performed by NGOs are simultaneously performed by neighbours and networks of friends. The potential for financing the activity of NGOs is larger in the capital and in big towns because of the concentration there of social resources like educational facilities and

fellows of the Bulgarian Academy of Sciences and Sofia University in June 1996. It indicates some reorientations towards another type of action strategy.

The concentration of priorities on the protection of social rights could identify the NGOs as an actor in a sphere which is not covered by the state. In this way they could be opposed against the trend, supported by the survey data, that poverty is caused and accompanied by infringed social rights.

The necessity of a common strategy of non-governmental organisations for the design of anti-poverty programmes is evident. Different sponsors are financing projects with the objective to reveal fully the causes and reasons of poverty and the capacity of NGOs to contribute to its alleviation. Organisational, educational, and institutional leverages to address them are sought for. The development in this direction is facing difficulties which are typical for the practical work of the NGOs.

The lack of a detailed legislative basis for the activities of the NGOs, involved in alleviating poverty, is a major problem facing their existence. The legislative chaos hinders the development of civil society. The need to overcome it reveals an extremely wide field for action of NGOs. It is of an utmost importance for the development of the state as well.

The *lack of information* about the third sector and about the organisations dealing with poverty and with underprivileged social strata is another significant problem. There is no information gathered about the organisations, their areas of activity, procedures and sources of financing. The absence of transparency for the activities of NGOs blocks the effectiveness of their specific efforts and converts them to a matter of private interest. However, the rationale of the development of civil society is different – emancipation, legalisation, and protection of group interests through their representation in public debates.

There is no co-ordinated interaction between NGOs. The low level of their development is the reason for their involvement in overlapping activities in the struggle for combating poverty. There are also trends towards centralisation instead towards co-ordination.

The desirable *relationships between state institutions and NGOs* on the basis of mutual assistance, respect and equality are still underdeveloped. A joint document of NGOs and the Ministry of Labour and Social Affairs has been elaborated, which emphasises the need of bilateral dialogue concerning social policies.

The overall negative public opinion does not stimulate the activities of NGOs. The public became aware of frauds, committed on behalf of endowments benefiting from tax exemptions. This is not supporting their image. Only occasionally positive messages about activities of NGOs appear in the mass media. In fact, in the most difficult cases of poverty only social services organised by the state are really effective. That is why they enjoy public confidence. The bulk of the poor and underprivileged social groups have no idea of NGOs or have no confidence in them.

The transition from passive to pro-active measures for combating poverty and the strengthening of NGOs in the direction towards „social enterprise“ structure are unavoidable developments. They are fostered by the international experience since the national traditions are still underdeveloped and in many cases the activities of NGOs are financed from abroad. The prospects for worsening of the economic and social indicators of the country do not suggest an optimistic vision of overcoming poverty and unemployment. One might hope that this trend will strengthen the solidarity and the mutual assistance at the local level, which will create a natural ground for development of local non-governmental organisations. The concentration of social activity in micro-communities and the fragmentation of society will probably continue.

The legislative chaos hinders the work of non-governmental organisations

Pro-active measures for combating poverty are needed

Box 4.4.**Final document of the Conference „Non-governmental Organisations and State Institutions against Poverty“
(Sofia, June 1996)**

The participants in the session found that during the years of transition poverty and impoverishment in the country are evolving in a permanent process showing no prospects for solution.

The need for broadening the set of tools to meet the challenges of this process is predominantly oriented towards self-mobilisation and self-organisation of civil society. This means to convert non-governmental organisations into a key factor of the process.

The major direction for activity of the non governmental organisations is the design and maintenance of legal provisions which are tightly connected to impoverishment and poverty. The main groups of norms are those, which define: a/ economic rights, rights on possession including; b/ social rights, which are differentiated for various risk groups on the basis of specific laws; c/ civil rights.

It is necessary to develop legal regulations of the activities of non-governmental organisations. Taxation exemptions for donors and sponsors are needed. The regime for receiving foreign humanitarian aid should be elaborated. Interactions with foreign partners and guarantees for fund savings in banks have to be legally regulated.

An important perspective for fostering the activity of NGOs

is the improvement of the interactions between them and state institutions. This will provide possibilities for a complex and combined use of two types of resources and policies: First, the state policies which are based on the need for economic growth and distribution of material benefits. Second, the policies of the third sector which are oriented towards the protection of social rights. For this purpose legal regulation of the relations between them is needed which facilitates the selection of specific forms of activities guided by mutual respect and equal rights.

The condition for the implementation of these tasks is the better co-ordination between NGOs by means of strengthening their national network and improvement of the exchange of information between them. The relations with international NGOs should be further developed together with the strengthening of local organisations. The continuous practical training of their representatives in a close correspondence with the rapidly changing social situations is another condition for strengthening the NGOs. Monitoring of poverty and violation of social rights, the exchange of experience and the rapid dissemination of new ideas and practical approaches should be stressed.

Thus the need of a new strategy for alleviating poverty requires special conditions for strengthening and enriching the activities of NGOs. This means that a broad range of needs of the national non-governmental anti-poverty network should be addressed: co-ordination of activities by avoiding over-organisation and rigorous control; operational aid for the design and implementation of projects; training of representatives of non-governmental organisations; establishment of data bases; support for the interactions of Bulgarian NGOs with European anti-poverty networks and strengthening the links with other international organisations. The development of a „small“ yet „strong“ state goes through an efficient and stable third sector. It should be capable of delivering adequate responses to the challenges which come from disfunctions of the economic and political spheres in a rapidly changing world.

5

ETHNIC PROBLEMS OF SOCIAL INTEGRATION

5.1. Consequences of the ethnic conflict during the eighties

The changes after 1989 were accompanied by powerful processes of approbation of national identity and national sovereignty in all Central and Eastern European countries. This natural aspiration mobilised thousands of people in their struggle for political changes. However, the striving for national sovereignty often acquired the manifestations of chauvinism and intolerance towards minority groups. It deteriorated into demands and practices of „ethnic cleansing“ of territories. Nationalism, ethnocentrism, religious intolerance and separatism turned out to be some of the most serious obstacles before civic peace and democratisation processes in the Eastern European region.

The danger of the outbreak of grave ethnic conflicts in Bulgaria in the beginning of the nineties was prepared by the assimilation policy towards Bulgarian Turks, Gypsies and Muslims during the previous decades. The Bulgarians who inhabit regions with mixed population will bore the marks from the events of the eighties for a long time. The period of coercive changing of Muslim names in 1984-1985 and the abrupt restriction of ethnocultural rights of Bulgarian Muslims and Bulgarian Turks was very hard for them. By means of political propaganda they were persuaded that Bulgarian Turks were steered by separatist goals and that they seriously threatened civic peace and national integrity of Bulgaria. Given as a proof were cases of terrorist actions, committed by Bulgarian Turks during the period 1983-1985. Production breakdowns in regions with mixed population were presented as acts of economic diversion and sabotage, committed by Bulgarian Turks. The statement, that according to interna-

tional conventions an ethnic minority of over 10% of the population automatically receives the right of territorial and political autonomy and the right to join another country, was being widely spread. It was claimed that clandestine organisations of Bulgarian Turks have been established in order to prepare the joining of Bulgarian territories to a neighbouring country.

Thus, the fragile proximity and confidence between Bulgarians and Bulgarian Turks were replaced by fear, suspicion and alienation through the eighties. In the name of the preservation of Bulgarian national interests and of the integrity of the country, Bulgarians did not protest against the coercive „revival process“ of changing the names of Bulgarian Turks. It was a hard and demoralising experience for the whole nation.

The „revival process“ demoralised the whole nation

Box 5.1.

The emigration wave in 1989

The departure of 370 000 Bulgarian Turks in the Summer of 1989 brought about grave economic problems that mostly affected the population in the mixed regions. State plans for industrial and agricultural production had to be fulfilled. This led to prolonged working times, to the restriction of the right to rest on week-ends and to cancellation of annual leaves till the end of the year. Physicians, architects and teachers were compelled to provide for the raising of domestic animals and the gathering of crops. They had to substitute the departed Turks in construction organisations, in the extracting and processing industries. Pro-

duction accidents and breakdowns frequented. This created a powerful discontent directed against Bulgarian Turks. Serious problems also arose in connection with the buy-off of the property from those who had departed for the Republic of Turkey. Those who had not paid off their loans for housing, or owed money to banks or to the State Savings Fund were forced to sell their dwellings to the municipalities at a very low price. Immoral people profited by the fear and confusion of the emigrees and went on buying their movable property and domestic animals at a knock down price.

*Nationalism causes
alienation from the
state*

The peaceful protests of Bulgarian Turks, demanding the right to choose their names freely, the right to use their mother tongue at public places, the right to study their native language at school, the right to develop their culture and the right to profess their religion, were met with violence by Bulgarian authorities. A massive emigration wave was provoked.

After almost half of those who had moved to Turkey had come back, all those who had illegally benefited by their property expected their economic interests to be harmed and their responsibility to be demanded. A substantial part of them became active members of the newly-established nationalistic parties and organisations. Former rulers responsible for the violence during the „revival process“ and educationists who used to be engaged in the steering of the assimilation policy on the ground of their official position were among them. They all counted on the inflammation of nationalistic passions as a means to maintain their leading positions.

These fears were re-inflamed in the end of 1989 when the reinstatement of the rights of Bulgarian Turks began, and thousands of Bulgarians participated in the protest actions.

The activity of the nationalistic parties and organisations led to the rising of inter ethnic pressure in the course of the election campaigns for a new Parliament, for new municipal administration and at the introduction of Turkish language in the school schedule in 1991. They contributed to the deepening of the alienation among the major ethnic and religious communities. The reaction of the Bulgarian Turks came right away. They enclosed in the capsule of their own community. Some nationalistic-oriented persons emerged among them and rushed for a performance on the political stage. Thus, the activity of the nationalists from both ethnic groups *turned out to be a significant obstacle in front of the fast re-integration of Bulgarian Turks in the social life of the country. It blocked*

the attempts to speed up the economic reform in the regions with mixed population. It contributed to the deepening of the alienation of a considerable part of the Bulgarian Turks from the state.

Nationalistic passions and fears used to be further mobilised by representatives of political parties and movements in support of their party interests through the years of transition to a democratic society. Still, a part of the new political elite realised that the search for a way out of the ethnic conflict is the most serious challenge facing the civic peace and the democratic development of the country. These Bulgarian politicians took the fact into account that the gradual national integration of the Muslim community and the Gypsies, the overcoming of their alienation from the state and the development of a Bulgarian national identity in these groups require considerable efforts. This could be achieved only when they were convinced that their rights and their equality with the representatives of the ethnic majority would be guaranteed.

That is why some of the political activities in the beginning of the changes were connected with the reinstatement of the rights of Bulgarian Turks and Muslims. The restrictions before the free profession of Muslim religion, before the obedience of religious rituals and holidays, before the distribution of religious literature and before religious education were abolished. The Law on the names of Bulgarian citizens from 1990 arranged the procedure for the restoration of Muslim names and guaranteed the parents' right of a free choice of names for their children. The free use of Turkish language at public places was permitted.

Article 6 of the new Constitution adopted in 1991 proclaims the principle of equality and non-discrimination of all Bulgarian citizens. At the same time, article 11, paragraph 4 of the Constitution prohibits the formation of political parties on ethnic, racial or religious basis. They

are given the same status as the parties that aim the violent seizing of state power. According to this order, representatives of ethnic and religious groups in Bulgaria have the right to establish their own cultural, social, educational and other organisations and associations, excluding political parties.

The Constitution guarantees the right of freedom of mind, conscience and religion; the right of representatives of minority groups to dispose and develop their culture freely; to use and study their native language. In correspondence with that constitutional arrangement, the Ministry of Education, Science and Technology is obliged to organise and steer a facultative education for 4 hours weekly, from 1st to 8th grade, for those students whose native language is not Bulgarian. Such an education is organised in Turkish, Hebrew, Armenian, Romany and Greek. The education in mother tongue, as well as the school books and appliances needed for it are financed by the state. Four Muslim secondary religious schools and a Muslim religious college where Muslim priests are educated have been opened. The restrictions on the cultural performances of different ethnic communities and on the publishing of newspapers and magazines in their languages have been abolished. Nevertheless, the state does not engage itself with a financial support to them.

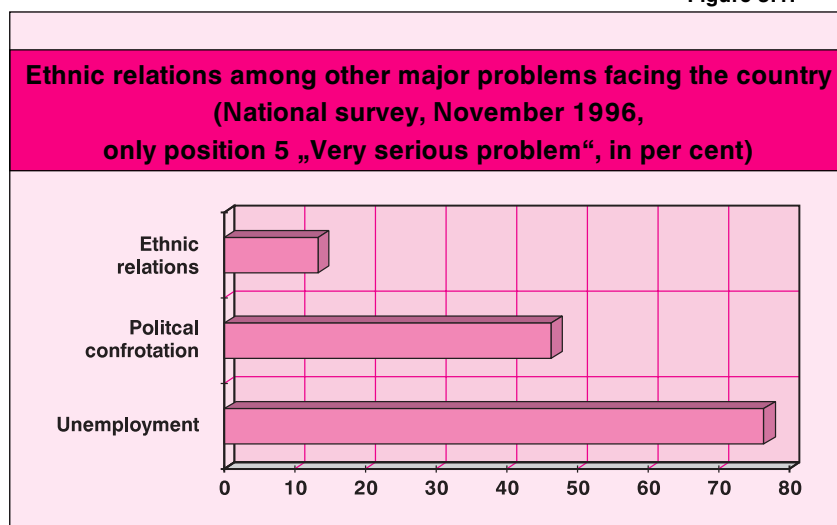
According to the active legislation in Bulgaria, if a side in a court trial does not speak the official Bulgarian language well enough, the court is obliged to provide him/her with an interpreter free of charge. All political prisoners until 1989, including the ones convicted for their opposition against the realisation of the assimilation policy, have been liberated and rehabilitated. Decrees of the Council of Ministers from 1990 and 1991, and a particular Law after that form the normative basis of the restoration of the immovable property of Bulgarian Turks who have sold their dwellings on leaving for Turkey in 1989.

In 1990 Bulgarian Turks together with a part of the Bulgarian Muslims and the Muslim Gypsies established their own party – The Movement for Rights and Freedoms (MRF). It actively joined political life in the country. Members of the movement were elected Members of Parliament at all three parliamentary elections since the beginning of the democratic changes. At each of the two elections for municipal administration MRF won over 1 000 seats for municipal councillors and tens of seats for mayors of localities and municipalities. One of the governments was elected with its mandate.

As a result of this development *the inter ethnic pressure in the country gradually decreased*. The good interpersonal relations in the regions with mixed population were re-established quite fast. The social and psychological mechanisms for the maintenance of a good co-existence among representatives of different ethnic and religious groups, that had been elaborated for centuries, went into power once again. An objective proof to that statement is the rapid decrease of participants in nationalistic actions – meetings, processions, blocking of streets, railways and public edifices, motivated by nationalistic inspirations. The manner of the central and local daily newspapers, of radio and television programmes devoted to the problems in the mixed regions is much calmer.

The national integration of ethnic groups is a prerequisite for a democratic development

Figure 5.1.



The relations among ethnic communities are historically determined

The basic factor that can lead to the sharpening of the inter ethnic relations is *the unequal distribution of the burdens of the economic crisis that now the country is going through*. There is a permanent danger of certain ethnic or religious groups being used as a vent for the dissatisfaction of millions of people from the hard economic situation.

5.2. Cultural and educational status of ethnic groups

According to data from the census of Bulgarian population in December 1992, 85.7% of the 8.5 million population have claimed themselves as ethnic Bulgarians, 9.4% (800 052 people) as Bulgarian Turks, 3.7% (313 396 people) – as Gypsies, and 1.3% as representatives of other smaller ethnic communities – Russians, Armenians, Wallachians, Karakachans, Greeks, Jews, etc. This ethnic diversity is accompanied by a religious heterogeneity. 86% of the whole population have declared their affiliation to the Eastern Orthodox church, 0.6% – to the Catholic church and 0.3 % – to several Protestant churches. Muslims represent 12.7% of Bulgarian citizens (12% – sunits and 0.7% – sheits). There are also small Jewish and Buddhist communities in the country.

Ethnic and religious heterogeneity of the nation are sometimes considered a threat to the security and stability of the Bulgarian state. The most serious apprehensions in our new history are connected with the abundance of numerous Turkish ethnic groups, concentrated in North-East and South-East Bulgaria, that have preserved strong adherence and links with neighbouring Turkey. These fears to a great extent have determined Bulgarian governmental policy that has led to repeated departures of considerable parts of Bulgarian Turks, and to slowing down the rate of economic and cultural development in the regions where they are concentrated. Measures for the preservation of the cultural identity of Bulgarian Turks and for the improvement of their educational level and economic status were taken after World War II. However, there haven't been gradual and long-term programmes for a comprehensive integration of their ethnic community in the social life of the country, for the formation of a sustainable Bulgarian national conscience in their representatives.

The relations between the two communities are burdened by the memories of the 5-century Ottoman rule, of the massacres at the quell of the revolts for Bulgarian national liberation and at the realisation of Turkish geopolitical plans in 1913. The memory of similar, though smaller in size actions on behalf of the Bulgarians during the Russian-Turkish war of 1877-78 and the Balkan Wars is still strong. On top of these memories are fears, provoked by the rulers in order to motivate the necessity of an assimilation policy towards the Turkish population. All this is complemented by the concern about the demographic threat coming from Bulgarian Turks and Gypsies. The higher birth rates in these two communities, the concentration of Bulgarian Turks in some municipalities, intensified by the migration of Bulgarians, together with the tendency towards a permanent decrease of natality of Bulgarians, are often interpreted as a threat to the integrity and security of the Bulgarian nation.

Table 5.1.

Part of Bulgarian Christians sharing stereotypes about the other ethnic groups in the country (in per cent)	
Stereotypes	1994
– the Turks are religious fanatics	51.8
– the Turks occupy too many key positions in the governing of the country	42.1
– the predominant part of the Gypsies are prone to crimes	68.1
– if the Gypsies live badly, it is because they are lazy by nature, they are ignorant and they lack self-control	56.6
– Gypsies should live separately and should not mix with us	43.8

Cultural differences influenced by the increased sensitivity towards the ethnic peculiarities of the two groups are made dramatic. Religion, being the most evident difference that determines the cultural identity of Bulgarians and Turks, is being additionally overestimated and has a decisive influence over the assessment of the group of the „others“. Many Bulgarians regard Bulgarian Turks not as „persons of different faith“ only, but rather as religious fanatics. In reality this holds true only for a small part of this ethnic group in the country. Religiousness gives reasons for the image of Turks as conservative people and a negative colour to the attitudes about their unity and reticence. The demonstrations of religiousness by Bulgarian Turks and part of Bulgarian Muslims in the beginning of the nineties – a result of their long-restricted right to express and profess their religion – confirmed these stereotypes. The stereotypes of the ethnic majority about the Gypsy ethnic group are also strong (Table 5.1.).

The suspicion towards Muslims leads to a closure of the Bulgarian ethnic community and hinders integration processes.

Serious problems, connected with social status, economic welfare and employment in different ethnic groups are due to the substantial differences in the educational and qualification level of the representatives of the major ethnic communities in Bulgaria. As a rule Bulgarian Turks and Gypsies have a lower level of education than Bulgarians, Armenians and Jews. According to data from the Central Statistical Department, in 1946 82% of Bulgarian Turks were illiterate, and more than half of them did not speak Bulgarian at all. Illiteracy among the Gypsies was even higher.

During the following decades a great success was achieved in the massive introduction of literacy among the representatives of the two ethnic groups, but their educational and qualification level keeps lagging behind in comparison with the one

of the vast majority of the population. The educational structure of the active population (18-60 years of age) of the largest ethnic groups in the country in 1992 was rather different (Table 5.3.).

Table 5.2.

Bulgarian Christians who do not agree on other ethnic groups having the following rights (in per cent):	
Rights	1994
– to establish organisations and associations for the preservation and development of their culture	15.8
– to publish books and other printed materials in their native language	14.7
– to study their native language at state schools	12.6
– to have all subjects on school schedule taught in their native language	12.2
– to have their representatives in the Parliament	13.4
– to have their political parties	12.0

The high level of education is among the priorities in the value system of the Bulgarians. It is a significant criterion for the social status of the personality and the groups. The lower level of education of Bulgarian Turks and Gypsies positions them into an inferior situation compared to the other ethnic communities in the country. But the usual imputation of negative intellectual and cultural characteristics to the two mentioned ethnic groups is not only a reflection of the consequences from the long-standing discrimination policy regarding education. It also serves as a subconscious excuse for this policy

Table 5.3.

Educational structure of the active population of different ethnic communities (in per cent)			
Level of education	Bulgarians	Bulgarian Turks	Gypsies
University or college	20.2	2.0	0.9
Secondary	54.0	24.6	7.8
Primary	22.6	55.0	46.2
Elementary	3.0	16.0	36.7
Illiterate	0.2	2.3	8.5

*Economic conditions
devalue education for
the Gypsies*

(„education is not highly valued by the Gypsies and the Turks“), and as a justification of other types of social discrimination – „Gypsies and Turks have to be ruled by the better educated and better cultivated Bulgarians“.

The worsened economic condition of over 4/5 of the Bulgarian population also reflects on the possibility of families to provide their children with education. This is particularly true for Bulgarian Turks, Bulgarian Muslims and Gypsies. Bulgarian Turks and Bulgarian Muslims represent rural population mainly. The access to a good education in villages is limited. The number of pupils in these villages rapidly diminished during the last years as a result of the migration process. Economic

Box 5.2.

Trends in the education of the Gypsy ethnic community

The tendencies in the education of the Gypsy ethnic community are the most alarming ones. According to data from the sociological survey „Gypsies in the transition period“ conducted in 1994, 52% of

Gypsy children from 7 to 16 years of age that should undergo obligatory education have never attended school. This tendency hardened in the course of the following years of crisis.

*A new educational
drawback of the
Turkish ethnic
community is
developing*

difficulties make it impossible to support schools and classes of only a few children. Hundreds of schools in the regions with mixed population will have to be closed down. Transportation problems and financial hardships in the families will hinder the education of many children. Parents in those villages, where there are only 8-grade schools, will more and more often refrain from sending their daughters into towns in order to continue their education. Sometimes they are neither able to provide a higher education to their sons. These circumstances and the ongoing emigration of the best-educated and best-qualified among Bulgarian Turks to the Republic of Turkey will probably make us witnesses of a new falling behind of the educational development of this ethnic group.

The main reason for the rapid decrease of school attendance by Gypsy children is the dramatic aggravation of the economic conditions of this ethnic community. Unemployment in it exceeds the average level for the country by several times and covers over 3/4 of the Gypsies at working age. Parents are often unable to provide their children even with food and clothing. Many of them are dissatisfied with the fact that during the last years the practice of their children receiving free food at school was cancelled, especially at the moment when they cannot feed themselves. They consider that thus the state has broken its obligations to provide normal conditions for education to their children, and so they can break their obligation to send them to school in return.

The grave economic state of the vast majority of Gypsy families will influence the possibility of parents to provide their children with proper education for a long time. The rapid narrowing of labour market and the increase of discrimination attitudes towards Gypsies would make the maintenance of jobs very hard even for those who have the necessary education and qualification. The chances of primary and secondary school Gypsy graduates to start any kind of job rapidly diminish. This fact additionally demotivates a part of those who can support their children from sending them to school.

The share of Gypsies at auxiliary and other schools for mentally and physically retarded children alarmingly increased during the last years. While in previous decades their larger presence at these schools was interpreted as an expression of discrimination towards Gypsies, such a conclusion would not be correct at the present moment. A great part of Gypsy parents in the villages where these schools are located insist on their children being admitted in them, for the state still keeps providing free food and clothing for them. Every third child there is already a Gypsy. As a result of the „special education“ they actually fall behind in their development

and they have no chances to continue their education and to acquire a prestigious occupation.

The main reason for children not going to school for a smaller group of Gypsies is the specific system of values. School is regarded as a threat to the preservation of group values. That is why children of wealthy families, especially from the groups of the Kardarashs and the Lovars untimely quit their education.

The expectation that the impoverished state would continue supporting schools and classes of only a few children in the mixed regions, that it would pay the inter town transportation costs of the students, that it would cover the food expenses of socially inferior children, are unrealistic in the nearest future. Still, there are defects of the educational system itself which can be reduced. The educational programme does not envision enough the fact that for a large part of the children of Bulgarian Turks and Gypsies Bulgarian is not a mother tongue. Financial difficulties again stop the predominant part of Turkish and Gypsy children from attending kindergarten, where they used to study Bulgarian and prepare for school. It is high time to introduce an obligatory 1-year pre-school preparation for all children. If schools do not dispose of the infrastructure for that purpose, they could use the facilities of kindergartens.

Possibilities for utilisation of teaching programmes in accordance with the necessities and interests of different social and cultural groups have not been established yet. The system of education is still dominated by the Bulgarian cultural model. History and literature are taught in a way that promotes the romantic presentation of national history, which strengthens the negative stereotypes about neighbouring peoples and causes painful experiences in the children of the Turkish community. At the same time there is nothing in the school books that would imply that there are Gypsies living in the country as well, and that they have participated in the building of

Bulgarian material and spiritual culture for centuries. In order to overcome these defects, lessons in cultural and economic history of the country and the Balkans where Turks and Gypsies can be presented in a balanced and positive manner, apart from

Box 5.3.**Marginalisation of the Gypsy ethnic community**

The additional worsening of the low educational level of representatives of the Gypsy community leads to its progressing marginalisation. A large part of the Gypsies will not succeed to integrate in the economic and social life of the country – even after it starts its recovery from the crisis.

Social distances between Gypsies and the rest of the Bulgarian citizens will deepen. Negative attitudes and discrimination practices against them will strengthen, which will lead to an increased deviance in their behaviour and to broader possibilities for outbursts of acute inter ethnic conflicts.

political history, should be included in school programmes. A more frequent insertion of historic parallels with the development of Western European countries during the Medieval ages and the years of the primary accumulation of capital would also be useful. That would help to prevent the view of Bulgarian history as an entirely unique phenomenon, and to counteract to the interpretation of national history as a consecution of historical injustices.

It is necessary to strengthen the working contacts of the Ministry of Education, Science and Technology with non-governmental organisations which are willing to co-operate in the handling of ethnic problems, and to broaden the participation of educationists in advisory and working organs at the Ministry.

5.3. Ethnic aspects of unemployment and impoverishment

The delay of the transition to a market economy and the deep economic crisis gravely affected the regions with mixed population, the mountainous regions

Changes in educational programmes are necessary

where Bulgarian Muslims and Bulgarian Turks live, and the Gypsy population. The regional differentiation, existing at the beginning of the reforms, still deepened. The

Box 5.4.

How to keep Gypsy children at school?

In 1994 a start was given to a joint project of the Ministry of Education, Science and Technology and the International Centre for Minority Problems and Cultural Interactions, financed by UNESCO. It aimed at keeping Gypsy children at school. Children study the cultural traditions and the habits of the different ethnic groups in the country through complementary classes in music, choreography, art and crafts. A special attention is paid to the establishment of a good psychological climate in the mixed classes. From their youngest age children are taught to perceive ethnic differences calmly and to avoid violence when conflicts arise. There is a possibility that teachers of music, choreography and professional training are outstanding musicians or craftsmen from the Gypsy community that have passed special qualification courses.

The „Inter ethnic Initiative for Human Rights“ foundation is accomplishing another project on multicultural education, fi-

nanced by the PHARE programme. Teaching materials for the education in native language, literature, history and music, including positive information about the culture, traditions and history of the Gypsies have been developed. In this way school contributes to the enhancement of prestige and self-respect of Gypsy children and becomes more attractive for them. Unlike other similar projects, the content of the new teaching material is addressed not to Gypsies only, but to all children. One of the main goals of the project is the gradual overcoming of the negative stereotypes and prejudices about Gypsies and the formation of tolerance and humanism in the children. Special efforts are pointed at the additional qualification of teachers for the work with children of different ethnic communities and for the raising of their competence for civic education of the young generation. This project is meant to expand and to cover other ethnic communities in the country as well.

leys. Economic hardships first of all reflected on the close-down of these local productions. This to a greatest extent is the source of the high and lasting unemployment among the Turkish population and the Bulgarian Muslims. On the other hand, the processing of raw materials produced in these regions was moved to the centre, which deprived the local population of jobs and incomes. The lack of investments and the unjustified delay of a programme for alternative development of the crisis-struck regions incur deepening destruction processes in their industrial development.

Bulgarian Turks and Bulgarian Muslims who are the major tobacco producers in Bulgaria suffered deeply from the crisis in this so far profitable sector. The production of tobacco in the last several years decreased by two times. In some regions in the Rhodope Mountains which are characterised by mono-crop agriculture, it decreased by 4-5 times. This had a negative impact on the employment and the income of tens of thousands of households. The crisis in the sector is mainly beared by the tobacco producers. The monopolist in the purchasing and processing of tobacco „Bulgartabac“ not only offered extremely low purchasing prices, but also paid the purchased raw tobacco with years' delay, when inflation had already melted a considerable part of this hard money. This doomed the Rhodopians to misery. It was one of the main reasons for the continuing economic emigration of Bulgarian Turks during the years of transition. The practice of delayed payment was changed only in 1996, but then the earnings were melted by the galloping inflation.

The economic crisis increased the impact of regional differences on the ethnic communities

economic structure, created during the past decades in the regions with mixed population, crashed, because it was not accorded with local resources and interests. Peripheral productions and activities of big industrial enterprises were moved to those regions in order to use the unoccupied labour force and to slow the migration processes from the mountainous and semi-mountainous regions to the val-

Unemployment in mixed regions and in Gypsy neighbourhoods is the highest for the country in the recent years. According to data from the census in 1992 and from sociological surveys, although over 100 000 Bulgarian Turks left the country during the mentioned period, the level of unemployment substantially diversifies upon an ethnic indicator.

The data from the survey „Gypsies in the Transition Period“, covering 1844 Gypsy households, show that in 1994 only 19% of the Gypsies at working age had a permanent job. According to data from the National Statistical Institute from March 1996, unemployment in the country was 15.3%, while in the regions with mixed Bulgarian and Turkish population it was considerably higher: in Dobrich – 25.1%, in Razgrad – 24.8%, in Silistra – 21.1%, in Haskovo – 20.2%, in Rousse – 19.6%, in Shoumen – 18.3%, in Targovishte – 17.0%. The results from the observations of the National Statistical Institute over labour force reveal a lasting tendency towards a drop in the economic activity and employment of the population in the mixed regions. The actual situation is even worse than the picture presented by the national statistics. A considerable part of the respondents who are enrolled in statistical reports as „employed“ spend months in compulsory stays, without receiving any salaries or amends.

Mass unemployment and low social insurance that a large part of Bulgarian Gypsies counts on position them at the social bottom. The high level of unemployment (evident or hidden), the delayed payment of remuneration to tobacco producers and the extremely low salaries in agriculture and forestry sectors are indicators for the rapid decrease of real income of Bulgarian Turks and Bulgarian Muslims.

Infrastructure in the regions with mixed population is at a deplorable state. There is a high share of villages and neighbourhoods inhabited mainly by Bulgarian Turks and Bulgarian Muslims, that lack water supply. The predominant part of Bulgarian villages lack drainage. Bulgarian Turks and Muslims, over 2/3 of them living in villages, are especially affected in this respect. The situation with Gypsies is even worse. If they live in villages with water supply and drainage networks, they usually occupy wrecks that are not included in the plan of the village, and that predominantly lack water supply and drainage.

The housing and living conditions among Gypsies are the worst in the country. A Gypsy dwelling is inhabited by an average of 6.9 people, while the average

Box 5.5.

The Law on Tobacco

Beginning in 1991 the tobacco producers held a number of protest actions against the low purchasing prices of tobacco, the delay of payment for the purchased production and the terms of its qualification. The forms were various – strikes, burning of packed tobacco, blocking of roads. The most radical form of protest was the departure of tens of thousands Bulgarian Turks during the period between 1990 and 1996. Governments, politicians and mass media did not pay the necessary attention to these protests until the narrowing of tobacco production seriously affected the economic interests of powerful groups and of the country as a whole. It was only in December 1996 that the Parliament adopted the corrections to the Law on Tobacco and To-

bacco Products, required by the tobacco producers. According to these complements and corrections the qualification of tobacco will be committed both by the producer and the purchaser, or by a third person authorised by them. Two additional alternatives for expert handling of arising disagreements before an indict is necessary, are also envisioned. The deadline for the payment of the purchased tobacco will be negotiated between the two sides, but it could extend no further than 30 days starting from the date of acceptance of the tobacco. The minimum purchasing price of different brands and classes of tobacco will be determined by the Council of Ministers by January 31, and will be adjusted to the announced inflation in July and October.

for the country is 2.6 people. The average Gypsy disposes of 7.1 sq.m. housing area, while the average Bulgarian including Gyp-

Table 5.4.

Structure of unemployment upon ethnic indicator			
Source of information	Bulgarians	Turks	Gypsies
Census -December, 1992	14.4	25.2	39.1
Survey „Links of Compatibility“, 1994	15.7	28.5	45.8

sies disposes of 16.9 sq.m. One third of the Gypsies dispose of less than 5 sq.m. of housing area. In 17% of Gypsy dwellings there is no furniture, there are even no beds.

The rapid drop in the living standards of Turks and Gypsies is regarded as ethnic discrimination

The bad housing conditions, the inadequate feeding and the unhygienical way of life are major factors for the bad health condition of the Gypsies. There are chronically ill persons in almost half of the Gypsy families. They should be added to the cases of disability, reported by 13% of the Gypsies. Health care workers warn about the increased frequency of tuberculosis cases in this ethnic community. The health status of Bulgarian Turks and Bulgarian Muslims is lower than the average for the country. Their access to medical services is obstructed because of the fact that the predominant part of them lives in villages. According to data from the National Statistical Institute, child mortality in the regions with mixed population is higher than the average for the country. Life expectancy of Bulgarian Turks and Gypsies is substantially lower compared to the one of the ethnic Bulgarians. According to data from the census in 1992, 22.2% of the Bulgarians reach 60 and more years of age, compared to 11.6% of the Bulgarian Turks and scarcely 5.1% of the Gypsies in the country.

Box 5.6.

From "Memorandum of the Coordinatory Council of Gypsy Organisations in Bulgaria"

„Unemployment among the Gypsy population in some villages reaches 90% (in the Muglitzh county, in Dolni Tsiber, Sotirya and other localities – 100%).

About 30% of Gypsy children do not enrol into 1st grade each year, and over 60% do not attend school classes regularly.

Studies of Gypsy language, Gypsy culture, traditions and habits are still a mere wish, sustained by international conventions and organisations.

The Gypsy topic is „terra incognita“ to the electronic media, and their privilege when nega-

tive actions of Gypsies are concerned.

The mass media speculatively multiply the circumstances in which the Gypsies survive and often rely on unfounded information thus provoking ethnic intolerance...

Morbidity and mortality are increasing day by day. Crime committed by Gypsies increases which is a consequence of their miserable life.

Year after year the Gypsies have been regarded as voters and only as voters which violates basic constitutional rights, namely the right to be elected“....



The comparative analysis of the situation of different ethnocultural communities allows the conclusion that Gypsies have the lowest social and economic status. Their educational and cultural level is the lowest in the country. They have the worst health condition and the shortest life expectancy. They have the highest level of unemployment and the lowest level of income. Representative sociological surveys show that the Gypsies who have some savings are the least part of the respondents. Most of all they admit debts to the State Savings Fund, to banks, relatives and acquaintances. Practically their whole community (93%) remains excluded from the process of land restitution, for Gypsies haven't owned any land in the past. The negative attitudes and stereotypes about them are the strongest ones, and the social distances between them and the rest of the Bulgarian population are the largest ones.

The social and economic status of Bulgarian Turks is also considerably lower than the one of the Bulgarians. The gap has deepened during the last years. It is being painfully experienced by Bulgarian Turks and Gypsies as ethnic discrimination. Their alienation from the Bulgarian state is increasing, which leads to permanent emigration aspirations among Bulgarian Turks and to frequenting deviation acts among the Gypsies. This development can transform the social and economic tragedy into ethnic conflicts. That is why the broader participation of Gypsy and Turkish intellectuals in the discussion and development of social programmes for the improvement of the social and economic state of their groups is very much desirable. The fast implementation of such programmes in social practice should be among the priorities of Bulgarian governments in the forthcoming years.

6

CONTROVERSIAL TRENDS IN CULTURE

Changes in culture are a substantial part of the current social transformation. They are connected with reforms in all other spheres of social life. However, they have their strongest interaction with economy and politics. The dynamics of economic relations and political institutions plays a decisive role in the formation of mass cultural orientations. At the same time, the establishment of a differentiated and socially coherent society presumes the existence of a certain unifying cultural potential. The character of the dominant cultural models to a great extent determines both the present state of economic and political reforms and their perspectives. Regarding this bilateral dependence, the condition and the tendencies in culture demand particular attention. Their analysis enables the better understanding and the more precise prognostication of processes in Bulgarian society. Furthermore, it makes possible the grounding of values, attitudes and patterns of behaviour that are necessary for managing the changes.

6.1. Parameters of crisis consciousness

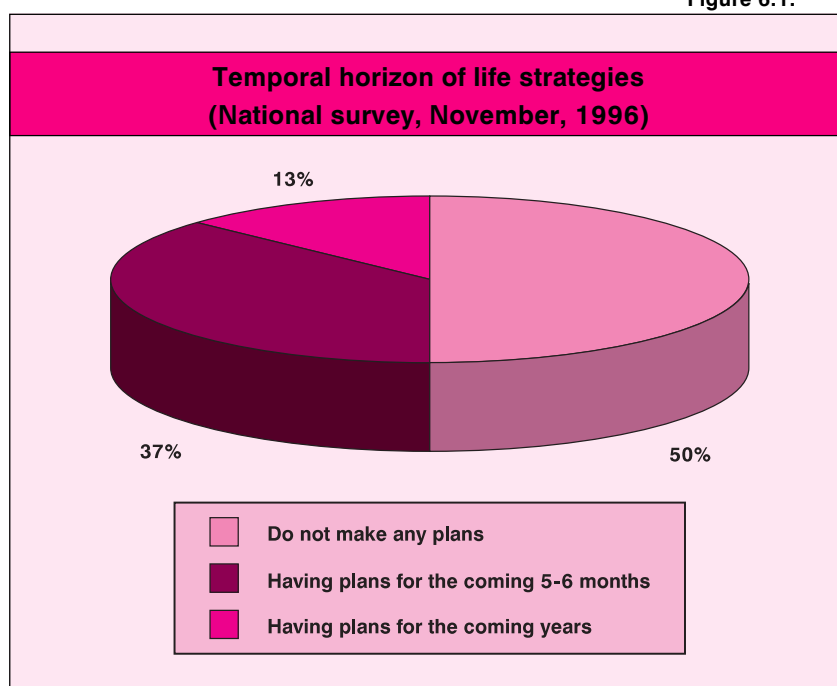
The deep economic crisis, the decomposition of the old social structures, the transformation of social relations, the uncertainty of the present and the unpredictability of the future contribute to the formation of a mass crisis consciousness. It characterises the way of thinking and acting of broad segments of the population. This consciousness is marked by the dominance of material values, minimisation of expectations, limitation of personal goals and aspirations and by resignation and passiveness. The problem of individual survival turns into an existential one. This leads to a closure into the narrow frames of everyday life, to personal and group isolation,

to social alienation and to distancing from macro social processes.

Mass expectations for fast achievement of a high standard of life, of unfolding of individual initiative and of personal success developed in the beginning of the nineties. The inconsistency of these expectations is obvious nowadays. Hopes are being replaced by disappointments with present day realities and by skepticism regarding the perspectives. Instead at considerable personal achievements and sustainable prosperity, the majority of people now aims at coping with everyday problems and at mere survival.

Crisis consciousness is a sign of social anomie

Figure 6.1.

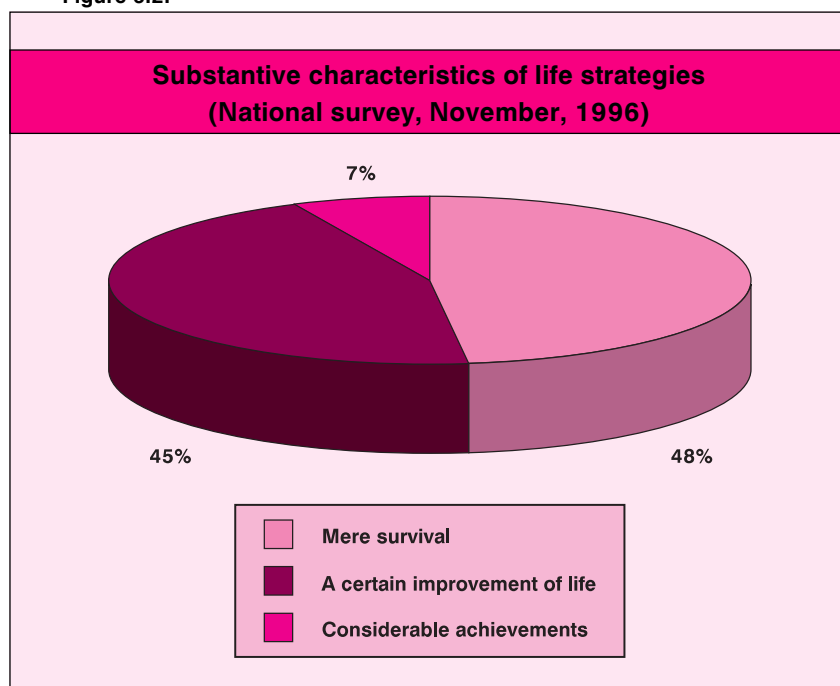


The uncertainty of social processes and the insecurity of social life leave a deep mark on the outlook of personal orientations. The lack of a thorough and long-term perspective for social development impedes the formulation of long-term personal aims. The strategy of partial decisions which dominates on macro social level, acquires

Individual goals are short-term and minimised

even more radical forms in individual behaviour. It is situationally determined and most frequently directed by the necessity to solve vitally important problems "here and now". This is particularly true of the persons and groups that are in an unfavourable economic and social position. The low paid segments of society and the unemployed are typical examples. The predominant part of them does not make any plans and lives according to the "day by day" rule.

Figure 6.2.



The substantive horizon of life strategies is also extremely limited. Survival is the main goal that most people aim at. Ambitions are strongly lowered and the value of considerable success is rather symbolic.

The general risk situation in society has the strongest stagnating impact on individual life strategies. Its complexity and its dimensions position large segments of the population in a critical situation. Impoverishment, unemployment and the high level of crime are only few of the parameters of the macro-social environment which limit the attention and the efforts of the people in the sphere of everyday life. The chances for getting out of it are low. There are few opportunities for choice and

realisation of the personal potential. There are no clear rules and stimulating value-normative conditions. In such an environment only a small proportion of Bulgarians base their life strategy on the achievement orientation. Those who face only the present and live with the aspiration for survival are many times more. This is most frequently observed among the elderly people, among the people with a low level of education and among groups with a low economic status. As a rule, the younger, better educated and better paid people have a broader temporal perspective of decisions and actions and a determination towards achievements which is based on knowledge and personal initiative. These are features that are to a great extent equalised with the orientations needed under the new conditions. That is why the efforts for the improvement of the economic situation of considerable segments of the population and for increasing of their educational level are actually efforts for the building of important cultural preconditions for the success of the reforms.

The clearest example of blended traditional and modern patterns can be observed among the values which have instrumental importance for the achievement of personal goals. Both types of attitudes have their place in the value system of people, but the priorities in it are visibly changing. At the beginning of the nineties, mass consciousness used to be dominated by traditional value affiliations. Nowadays the accent falls on values connected with the modern individualistic culture.

Traditional values connected with labour are often defined as a synthetic cultural characteristic feature of the Bulgarians. It has deep historical roots since it is the basis of their survival in dramatic circumstances. To a great extent it is now linked to the expectations for overcoming the current social crisis. However, the lack of real incentives for work, typical for the last decades, gives an unfavourable reflection on the attitudes of the people. Nevertheless, the concept of labour as a para-

mount value is still widely spread. This is a chance for overcoming the current stagnation and recession. But it can only be approved in combination with other factors. The expanding influence of competence, professional skills and entrepreneurship plays a significant role among them. These are qualities which are associated with the new models of effective activity and development under the conditions of market economy and democratic political system, starting from the macro-level of economy and politics, and ending at the level of personal life. They are typically internalised by the younger and better educated people. According to them, the value characteristics of intellectual potential, erudition and initiative occupy the leading positions among personal qualities. The elderly and the less educated people mold their vision of the ways for achieving success in life in accordance with outgoing social conditions which place diligence on the leading position. The central question is which of the two types of value orientations is the leading one. The answer to it is an indicator for approaching to the modern reference points of thinking and acting.

Social conditions and legislation have provided weak incentives for the realisation of the modern value-normative potential during the last years. The ineffective functioning of basic social institutions, the disturbed co-operation among them, the lack of active control mechanisms and the defects in legislation and its implementation offer opportunities for a broad range of illegitimate activities. Corruption and illegal enrichment are but a few examples of behaviour which is contrary to moral and legal norms and remains unsanctioned. They undermine the confidence in the legitimate ways of prosperity.

Organisational dysfunction and contradictions have a strong destructive effect on the value system. They feed up the widely shared conviction that success in life is guaranteed not by individual qualities, but rather by connections and loyalty to high-standing people. This draws the

attention of many people towards the sphere of informal relations, leaving behind the development of personal resources. Yet, the subjective reaction of considerable groups of people is the lack

Box 6.1.

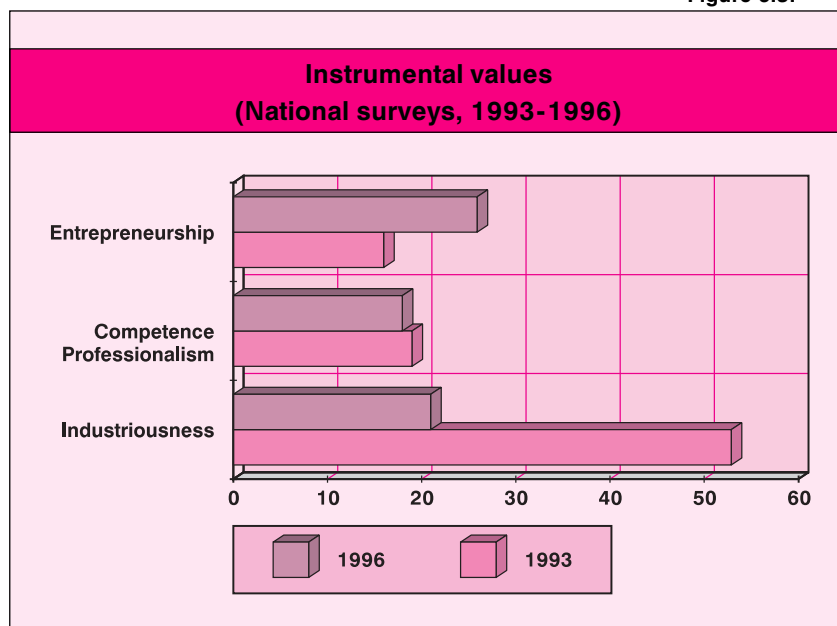
Peculiarities of value orientations

Economic risks, together with the political, cultural and environmental tensions in society form a situation of multidimensional crisis. It even questions the satisfaction of basic human needs. In these conditions living standard, employment, order, security and calm are becoming main reference points of people's aspirations. They turn into a dominating part in the value system and determine the typically material character of mass attitudes. There is a

large distance regarding values of higher level, such as self-realisation and self-confirmation, influence on governmental decisions, freedom of speech, humanised ways of communication, harmonious relations between man and environment. They do not play a significant role in the mass type of behaviour. The prospects for bringing them into a leading position depends on the development of the economic and social crisis.

of confidence into one's own abilities, the feeling of helplessness and dead-lock, the behavioural passiveness. A study, conducted by a team at the Bulgarian Academy of Sciences in the end of 1996, found out that 62.6% of the interviewed individu-

Traditional and modern patterns co-exist in the value system

Figure 6.3.

Mass attitudes stimulate resignation and passiveness

als evaluate their own financial state as very serious. At the same time, those of them who have taken any action for the improvement of their material situation are very few in number. The explanation to this is both in the limited opportunities for finding a better paid job, for additional work and for starting a private business, and in the mass inclination towards resignation and passiveness. It dooms large segments of society to marginalisation. In that way it turns into one of the main obstacles before the integration of Bulgarian society.

Understanding and support for the rational and complex handling of problems are difficult to form in such a situation. They require a high information level, assessment skills, strong will and activeness on behalf of the people. Many of them cannot cope intellectually and emotionally with the rapid and radical changes. Fear of the future is widely spread. The inclination towards risk taking is low. The consequences are a controversial state of acceptance of the new and an opposition against it, the paradoxical combination of activeness and passiveness, of tolerance and intolerance, of continuous silence and of loud spontaneous protests.

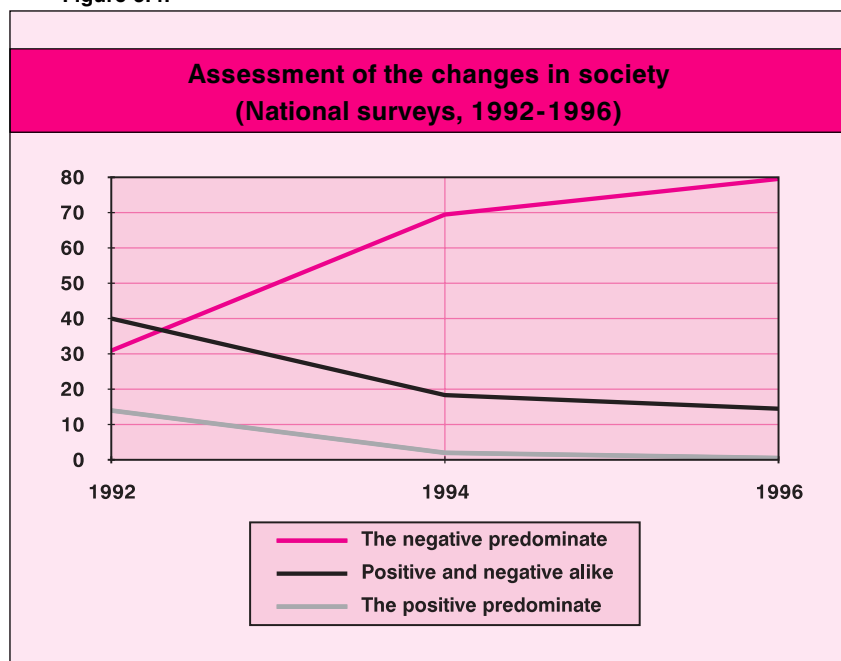
6.2. Pessimistic assessments of the present and the future

The end of the eighties came under the sign of mass expectations for a fast and radical change. High standards of living and democracy in its most developed forms were expected in the nearest future. There was a predominant socio-psychological climate of mass emotional attachment to change. The forecasts about the difficulties and the slow realisation of the transition had a limited influence. The sobering expert prognoses about a complicated, difficult and prolonged transition were matter of discussion in professional circles and a lot less – matter of public debate.

The first significant steps towards the transformation of the economic and political system were made in this cultural context. As a process and as a result they immediately promoted the necessity of realism in expectations and in the assessment of short-term effects and long-term perspectives. A tendency towards a differentiation of opinions about the various reforms appeared in the comparatively homogenous mass consciousness. Positive reactions are mainly associated with the dynamics of political realities. The establishment of political pluralism, the holding of free and democratic elections for Parliament and President, the separation and autonomisation of the legislative, executive and judicial powers are elements in the process of building democratic institutions which receives a wide support.

Together with these processes there are changes realised in society that are rather remote in character and deviate from the mass expectations. Economic reform is their common frame. Its pace has so far incurred mass criticism and negativism. The deep economic recession, the destruction of agriculture, the drop in industrial production, unemployment and mass impoverishment are realities that strongly influence the attitude towards the changes. There was a profound turn in this attitude. The tendency heads towards the predomi-

Figure 6.4.



nance of negative assessments of the macro-social processes (Fig. 6.4.).

The expectations of large groups of the population for a fast transition towards market economy and for an approximation to the standard of living in the developed countries did not come true. The difficulties and the contradictions of the transition have posed and continue posing challenges which most people are not prepared for. There is a lack of resources and of a clearly expressed will for handling problems under the conditions of the ongoing modernisation. The disappointment with the reforms and their results predominates in mass consciousness. It arises nostalgia for the recent past in many people. The dissatisfaction with the grave conditions of life, with the deepening social differentiation and with the growing crime are rather often linked to a rosy memory about the former order and stability. It is being fed up by the comparison between the individual situation of life before and after the beginning of the changes, and by the overall assessment about its dramatic worsening of the situation.

The crisis in society, the lack of a clear cut strategy for getting out of the economic catastrophe and the continuing political confrontation arise mass pessimism. It displays itself in the assessment of the present and in the expectations for the future. There is a dominating conviction among large groups that the negative tendencies shaped in social life have a considerable inertia and are difficult to overcome. There is also a widely spread supposition that the piling up of negative consequences of reforms carried out so far is already too large, and that their overcoming would require serious and continuous efforts. This weathers the faith in the approaching positive changes and strengthens the contradictions in mass consciousness. Torn by nostalgic moods and hardly adopting liberal values, today it has a favourable disposition towards the fast and determined actions for getting out of the acute social crisis. Only a policy, directed

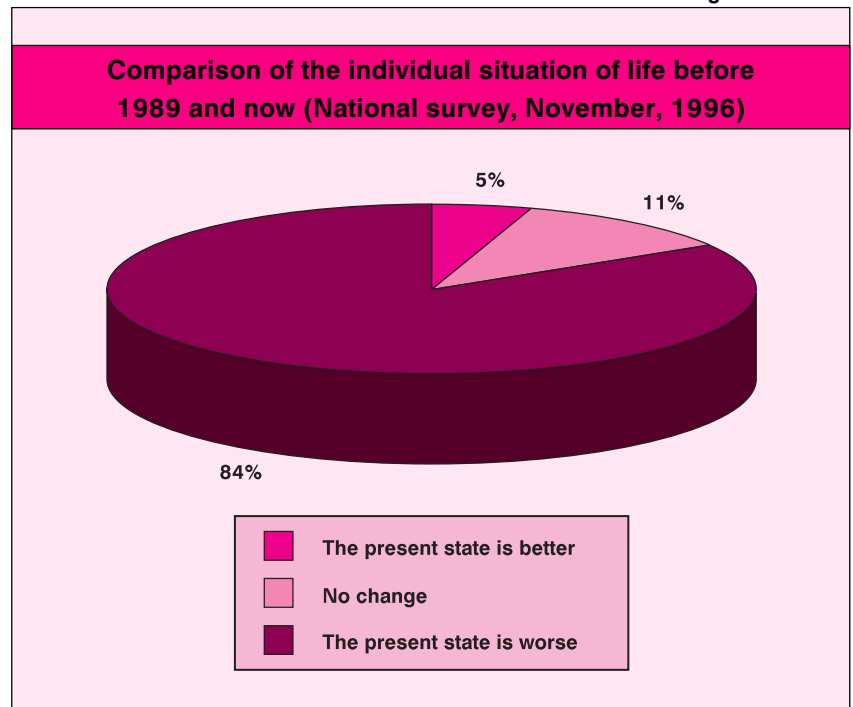
at ceasing the destructive processes in society and towards its stabilisation can stimulate the development of mass positive attitudes towards the reforms and of mass support for them.

6.3. Between individualism and egalitarianism

Social cohesion in a market society depends on the achievement of a certain cultural homogeneity. The achievement of such a state is most often estimated by the level of confrontation between two basic value orientations – the one of individual freedom and the one of social justice, equality, security and order.

Nostalgic moods are lasting and influential

Figure 6.5.

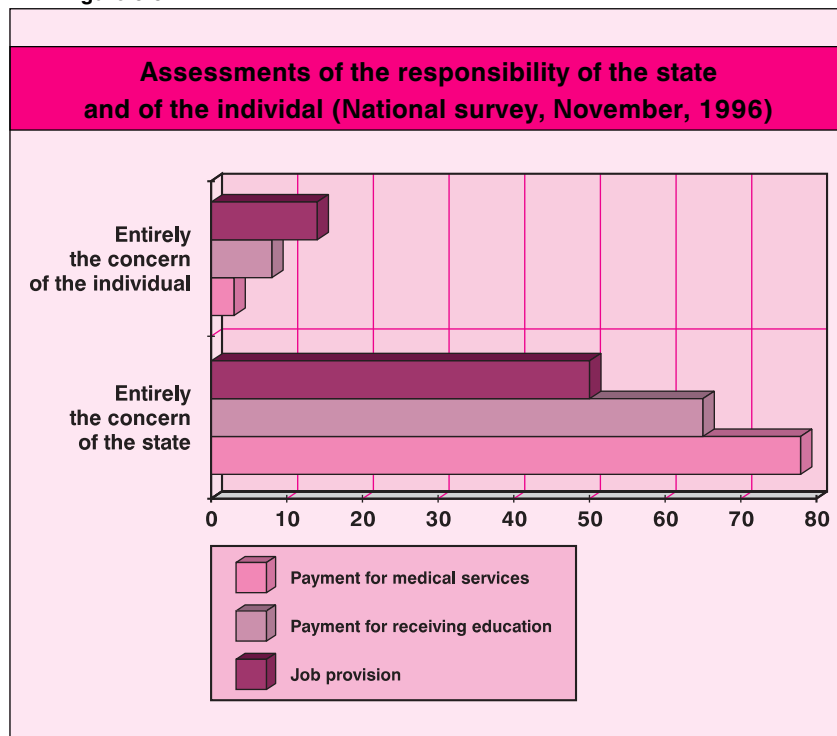


Liberal ideals hardly make their way in the conditions of social pessimism, existential uncertainty and retro moods which are widely spread in Bulgarian society. Individual freedom, being the most important value, is mainly apprehended as an abstraction. The practical values of liberal democracy remain alien to the mass consciousness. They have a comparatively low relative weight in the axiological complex of the Bulgarians. The low social con-

Mass consciousness is strongly influenced by egalitarian attitudes

confidence in civil associations is an evidence to that fact. The preferences towards the prevailing role of state institutions and state property predominate. The considerable stratification and the increasing economic differentiation are unacceptable for large segments of the population. At the end of 1996, 63.2% of the interviewed individuals in a nation-wide sample evaluated the division of society into rich and poor as a grave problem facing the nation. This comes to show that the traditions of social egalitarianism have left a deep and lasting mark in mass consciousness. They occupy a significant place in the value systems of people with different ideological convictions and among the supporters of various shades in the entire political spectrum.

Figure 6.6.



The heritage from the past is one of the major factors which explain the dynamics and the contradictions in the concepts of social equality and individual freedom. But the disappointment with the current extreme commercialisation of private interest which destroy the illusions from the beginning of the nineties is not less important. Unrealised hopes, dramatic realities

and traditional attitudes, all in one, create strong egalitarian and etatist moods. There is a stable mass conviction that the state is not only capable, but also responsible for handling the major problems of society and of individuals. The state is expected to steer a strong social policy and take continual protectionist measures regarding persons and groups in an unfavourable social position. But together with it, a broadening of individual rights and creating of opportunities for an unlimited freedom of private initiative are demanded. In this sense, the state is faced with mutually controversial expectations. It is expected to increase its social functions and to withdraw from the handling of economic and social problems at one and the same time. This unresolvable dilemma reflects upon the level of political culture in a paradoxical manner.

It is virtually a common sense that the state should guarantee a definite social minimum to every citizen. Its actions are directly linked with the achievement of social security desired by the vast majority, the elimination of big differences in incomes and the guaranteed standard of consumption. This attitude towards the role of the state clearly evidences the vitality of the traditional paternalistic orientations. It also shows that the predominant part of the population has quickly abandoned the external labels of socialism, but "internal communism" is by far more stable and sustainable.

People's expectations concerning the satisfaction of their basic needs are nowadays mainly oriented towards the state. But in the new type of social organisation the state keeps a distance from the principle of total domination and responsibility. It does not dispose of the resources to meet such expectations in the conditions of a transforming society. This disparity brings about the great risk of new disappointments, resignation and protest. It hides a serious potential for a latent or open crisis in the legitimacy of the democratic system in Bulgaria. The further pace of economic changes could also be questioned because

market economy creates social inequality. This is a tendency which is opposed by the influential egalitarian attitudes.

6.4. Culture of mistrust in the conditions of social crisis

Social and economic insecurity, mass impoverishment and the threat of losing the achieved social status often arise extreme individualism and withdrawal in private life. The confidence in basic social institutions rapidly diminishes in the context of a continuing social crisis and the lack of a clear perspective for coming out of the critical situation. The majority of people is obsessed by social skepticism. This leads to a closure in the circle of family or friends and to a decline in the engagement with social responsibilities.

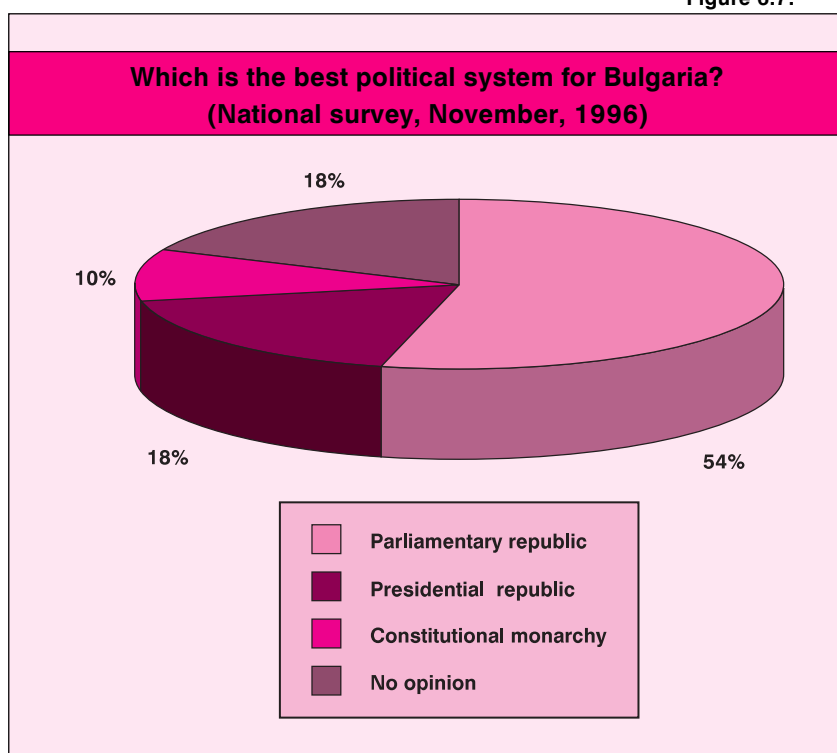
The share of people who adapt with difficulty or are not capable of adapting to social changes at all is alarmingly high. The primary enthusiasm about the reforms is exhausted. Large segments of the population hardly apprehend what is happening and adapt to it even harder. Key social values, such as the role of labour in society and criteria for the distribution of social positions are weathered. The chances for success are more and more frequently associated with fraudulence, ruthlessness and unscrupulousness. This condition explains the negative assessment of the state of public morality. For 57.6% of the people the impossibility to distinguish good and bad is among the gravest problems facing the country. This unambiguously speaks for cultural contradictions and for deepening value disorientation.

The attitude to the form of governing is an important indicator for the political culture of the nation. It is associated with the general acceptance of the political order both from the point of view of the values and norms it embodies and of the major institutional decisions. In this respect the attitude towards the parliamentary-democratic system is of greatest importance.

Although tired and rather disappointed, Bulgarians do not seek for alternatives to democracy, but rather for guarantees for it. Observance of human and civil rights, political pluralism and freedom of the press receive a stable support in the mass political consciousness. Although generally approved, the positive social attitudes towards the democratic political order are rather oriented to "democracy as ideal", than to "democracy as reality". It is a desired perspective, but it retires before such values as security, tranquillity and material prosperity.

The parliamentary-democratic system enjoys a broad public support

Figure 6.7.



The level of confidence in the basic institutions of the new democratic political system has diminished in the last years. Despite of some fluctuations, this is a lasting tendency. In 1996 the rating of Parliament, President, government and judiciary system reached critically low levels.

The confidence in basic democratic institutions is low

The political sphere is not the only one to lose support in the mass consciousness. The same tendency is observed in the attitude towards non-governmental organisations and institutions. Furthermore, the institutions that are elements of civil society

(political parties, syndicates, civic associations) dispose of even less support than the state ones. This comes to show that there is a disparity in society between the general support to democratic principles and the specific support to newly established political structures. The dominance of negative attitudes towards the major po-

litical institutions stands for a crisis in the legitimacy of the system. The question whether the basically positive attitude towards the democratic order would be strongly shattered by the acute economic and social problems, or the people will continue holding on to the values of the democratic model, has not received a clear answer yet.

Figure 6.8.

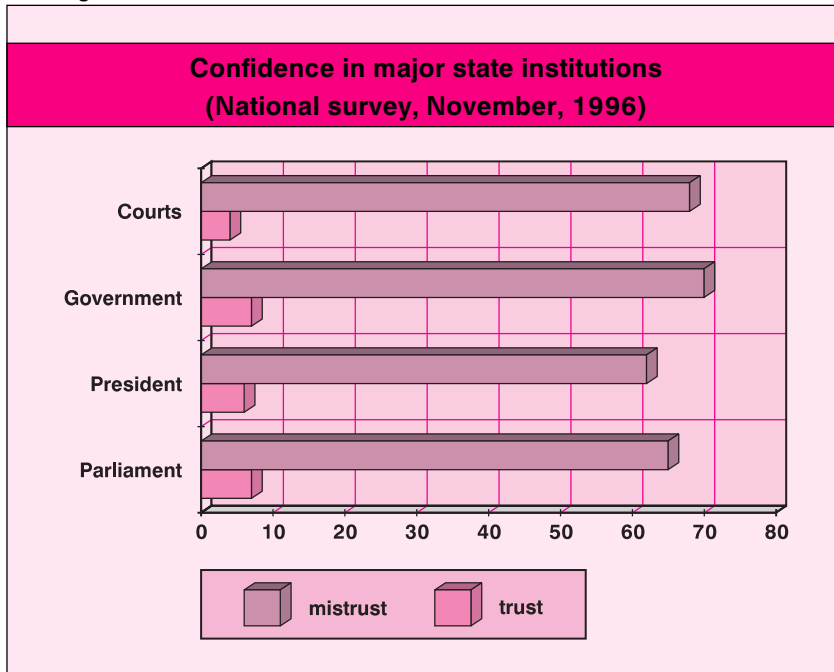
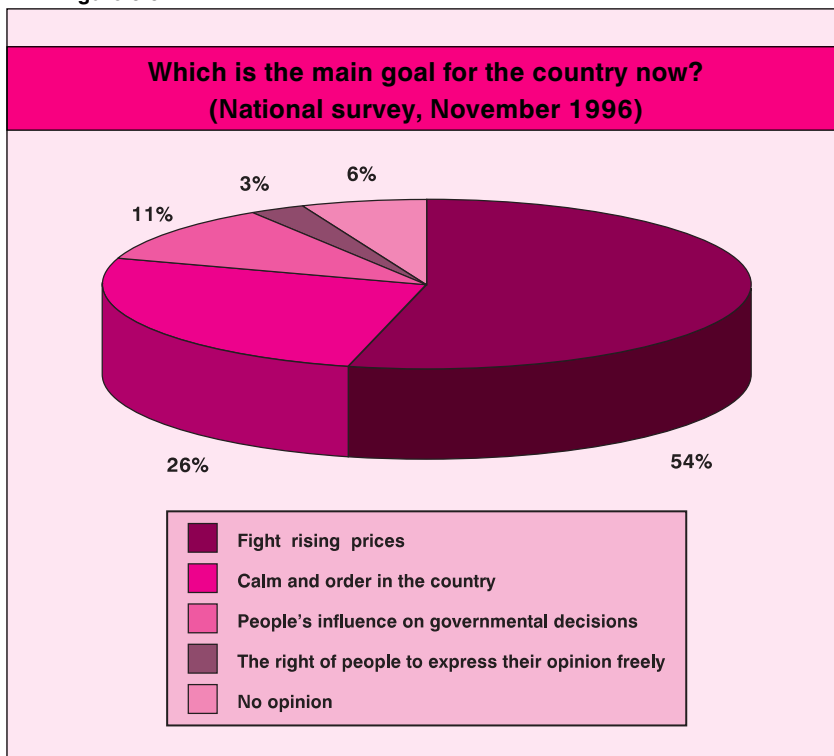


Figure 6.9.



6.5. Dynamics of political attitudes

In the last years Bulgarian society is characterised by political insecurity and confrontation, connected with the fragmentation of political culture. People are divided and confronted according to their political, religious, or other value orientations, as well as to their social and economic status. There is no unifying goal which would integrate the efforts for an active support of political decisions and actions. There is no established basis of commonly shared values, attitudes and orientations which would help in handling the acute problems of social development. Mass commitment and devotion to political life is rare. The loss of illusions and the disappointment with the economic and political realities lead to mass frustration and apathy. Immediate economic necessities take a leading position, giving advantage to economic security before political freedom.

Value insecurity and indefiniteness lead to instability of the electoral basis of Bulgarian political parties. Another turn in the preference of the voters was observed in 1996. But the border lines of political alternatives are not clearly defined in society yet. The change of political moods is most frequently a consequence of the change in the conditions of life. People sanction the rulers by their votes thus paving the way of the opposition to the power.

Notwithstanding the momentary manifestations of political mobilisation, the attitude of large groups of the population towards political life is passive and formal. The share of participants in elections on a

local level at some places reaches 1/3 of the voters. The withdrawal from the political process is influenced by the disappointment with the political reality, with the competence and morality of the politicians and with their capability of solving social problems. The underdeveloped conditions for democratic procedures are not less important in this respect. There is a common understanding that the capacity for political influence is only connected with the high ranks of power. The contradiction between the great expectations for approaching positive changes and the deep crisis, even regress in some important spheres of life, form attitudes of passiveness and disinterest in large segments of the population. They are most directly connected with the processes that are going on in the course of the social transformation, but they are also linked with the practice of political alienation which used to dominate social life in the last decades.

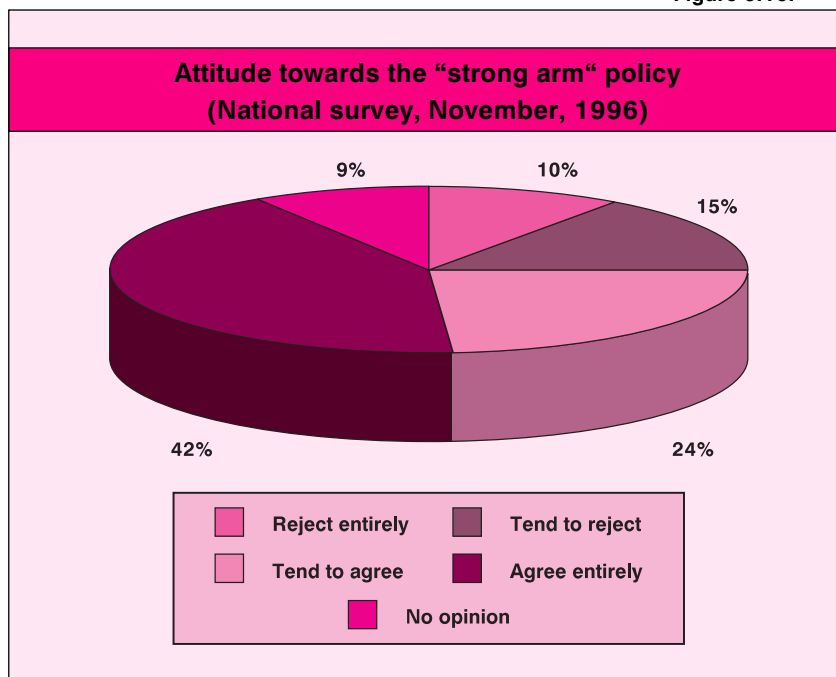
The potential of negative trends in political culture requires special attention. Both momentary outbursts of political aggressiveness and political apathy are dangerous because they are manifested in the conditions of instability of the whole political system. The problems of physical survival, the crash in the standard of life and the lack of a clear perspective make the ground for the development of populist and authoritarian ideas. Spontaneously, or under their influence, the orientation towards a "strong arm" government is strengthening in mass consciousness, and many democratic values are being relativised.

The authority of democratic principles and institutions is questioned even before it has been stabilised. There is a certain potential of authoritarian temptations and dangers. Their neutralisation is difficult in the situation of an acute economic crisis, rising crime and lack of clear rules in social life. That is why there is a need of urgent measures for the improvement of the economic standard of the population and of radical actions for the reinstatement of the supremacy of law.

6.6. Potential for the development of a democratic culture

The controversial tendencies in culture are directly linked with the problems and contradictions in the general social context. The transitional situation allows the co-ex-

Figure 6.10.



istence of stereotypes from the past and patterns that are characteristic of modern society. The concept of individual freedom and the strong etatist orientation are combined in a peculiar amalgam. Support for market economy and dominating egalitarian concepts, general approval of democracy and desire for a "strong arm" are blended together. Democracy, constitutional state and social responsibility are endangered of becoming abstract and apparent norms in the hardly managed process of establishment of market relations. The population experiences the contradictions and the extremes of early capitalism after being socialised under the conditions of entirely different principles and relations. All this leads to an internally controversial blend of attitudes. People are irresolute in their orientations between polar values – between common and private wealth, between solidarity and selfishness, between state dominance and personal responsibility.

There is a cultural potential in support of an authoritarian rule

Democratic culture has strong national traditions

In spite of the controversy and the ambivalence of cultural models, there is a certain potential for the development of democratic culture. It has its roots in the historical past and in the present day political practice. The tradition of skepticism, isolationism and alienation from the state is a fact. But at the same time there is a large experience of democratic forms of governing in the past and in the present. The negative experience from the suppression of democracy at different periods of national history is also important.

The goals of modernisation require changes in mentality

In developing democratic culture, the political elite of the country is faced with the difficult task to elaborate generally acceptable goals and principles of action. In this context, value orientations which would integrate society, form a new identity and vitalise the democratic structures should be fostered. Nevertheless, it is hard to develop capability and willingness for an active political involvement without clearly and strictly observed rules in social life, without social security and normal material conditions of living. It can only be achieved with the fast improve-

ment of the standard of living of largest segments of the population.

Social transformation in post-socialist societies demands specific decisions, which would correspond to the peculiarities of the national situation. This is especially true for culture, because the strategic goals of modernisation require a considerable change in the mentality of the population. It is necessary to form a system of values, which is adequate to the spirit of reforms, and which would combine traditional attitudes with modern and perspective orientations. The intellectual and political elite of the country bears the main responsibility for that. It should establish social conditions and cultural climate which would stimulate the development of new values and attitudes. Important roles in this process could be played by the education system, by the mass media, by different state institutions and non-governmental organisations. Their gradual and synchronised efforts could contribute to the approbation of cultural models, which correspond to the aims of the social transformation and which co-operate for the increase of social integration in Bulgarian society.

7

THE SOCIAL CONTEXT OF ENVIRONMENTAL POLICIES

In the conditions of a grave economic, political and cultural crisis environmental protection and reproduction have been relegated to the outskirts of public interest. The state environmental policy is being formed and implemented practically outside the range of vision even of the citizens who take an active part in political life. The arguments in favour of or against nuclear power stations, the unequivocal demands for closing down hazardous metallurgy and chemical productions that happened everyday in the early 1990s, are but a memory today. Compared to the daily concerns of making a living and job preservation environmental issues have become a luxury that can well be ignored. The environmental movements which used to be among the motive forces of social changes have gradually lost their wide public support.

This does not mean that environmental issues have been forgotten. On the contrary, they are widely believed to be a major problem facing the country, being even more important than national security and inter-ethnic relations. But in the late 1996 by their intensity as matter of public concern, they lag far behind inflation and crime.

The positive component of this development is the drop in the degree of politicising environmental problems. However, in this way tasks of strategic importance for the future of Bulgarian society are edged out of the centre of the public space. The explanation of these contradicting tendencies should be sought in the characteristics of the social and environmental situation in today's Bulgaria.

7.1. The social context

The social conditions in which the national environmental policy takes shape

and is implemented have both internal and external aspects.

The **internal political scope** comprises important processes that have a major impact on the formation of the state environmental policy:

- the state institutions of the legislative, executive and judicial systems have weakened;

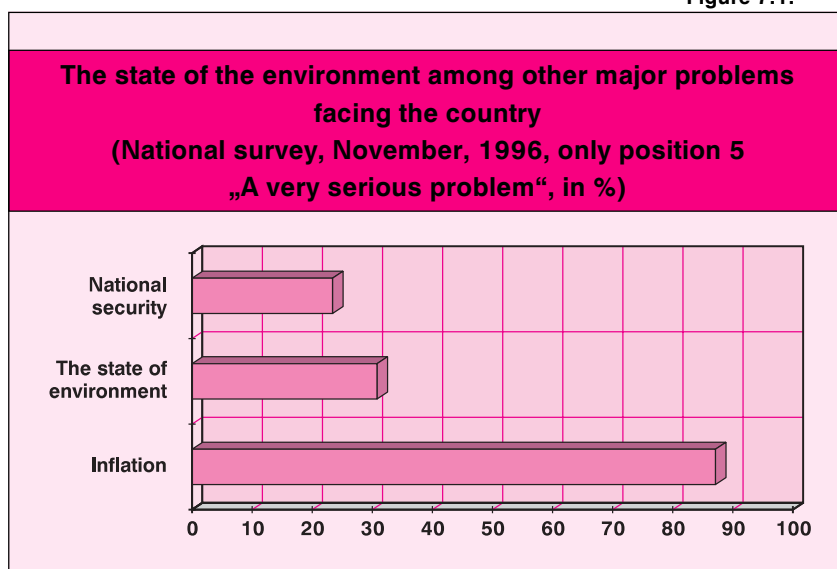
- the country has undergone a period of a long political instability as the political parties and movements plunged in interparty conflicts and intraparty strives;

- the political parties have focused their attention more on problems pertaining to the past than on the country's future development;

- a long-term environmental policy is practically impossible considering the fact that neither any Parliament nor any government has carried through its full term, while the political process has been continuing under the banner of preparations for yet other elections;

The economic crisis pushed environmental issues out of mass consciousness

Figure 7.1.



The political instability does not allow for an effective environmental policy

– the lack of a constructive political dialogue has resulted in a deficit of concurrence on the main directions of the country's development, including the environmental protection and reproduction;

– crime has become rife in the institutional and ideological vacuum that has set in, permeating the power structures and jointly with the corruption has blocked the activities in the field of environmental policy too;

– these weaknesses in the work of political parties and state institutions hamper the development of the weak traditions of civil participation in identifying the goals and means of environmental policy.

Economic life has likewise witnessed processes that directly or indirectly exert a negative impact on the formation and implementation of environmental policy:

– production has lastingly plunged, thus sizeably reducing the possibilities for accumulation and investment needed to solve the environmental problems;

– the shaping of the new relations of ownership was accompanied by contradictory tendencies in the development of the private sector as well as in the status of state enterprises in the conditions of market economy;

– the economic structure that has thus evolved is characterised by a large share of losing state enterprises, a weak legitimate private sector and a prospering shadow economy which have brought forth a never-ending investment crisis;

– the burden of the foreign and domestic debt, coupled with the restraint of foreign businesses to invest in Bulgaria, has disabled the implementation of major environmental-friendly technological and organisational innovations;

– the impoverishment of large groups of Bulgarian society forms negative attitudes towards any economic and political

initiative that goes beyond the frame of daily survival.

Certain specific features of **cultural life** also play a major role in identifying and implementing environmental policy:

– the changes following 1989 have devaluated a large part of the social experience of the past decades, including the post-material environmental models of thinking and behaving;

– the unstable and contradictory situation determine lasting cognitive, value and behavioural deficits and malfunctions among large population strata, as well as among the rapidly shaped group of professional Bulgarian politicians;

– the expansion of economic crisis and mass pauperisation has forced an increasing number of people to reduce their concerns and time horizon of their behaviour to the most immediate daily concerns. This tendency runs counter to the long-term nature of environmental problems and policy;

The narrowing of the time horizon of everyday life jeopardises the long-term environmental policy. Given the mass expectations that the state should take care of the environmental quality of life, and the state's obvious inability to meet these expectations, the strategy of seeking individual solutions to problems, even to the detriment of the environment, is becoming even more popular.

This crisis economic, political and cultural situation explains the prevailing traditionalist value-normative orientation towards economic growth and its relation to environmental protection (Fig. 7.2.).

As a result of all these influences in the second half of the 1990s the social milieu of environmental policy is characterised by strong tendencies towards malfunctioning, conflicts and disintegration. They form a barrier to the successful coping with problems related to the use, protection and reproduction

There can be no successful environmental policy without large long-term investments

of the environment because of their specifics and the principles of effective work in this sphere:

- as a rule, environmental problems are complex and demand that the unity of their natural, technological, economic and social aspects be always taken into account;

- both the effects and the efforts for solving environmental problems are of a long-term nature as a rule;

- the successful solution of environmental problems requires co-ordination between the work of different institutions and organisations on a local, national and regional level, coupled with a sound public support;

- long-term and often large investments are needed, provided that positive changes usually occur well after the beginning of a given project;

- the best solution of every environmental problem is not to allow its appearance or to solve it as soon as it appears;

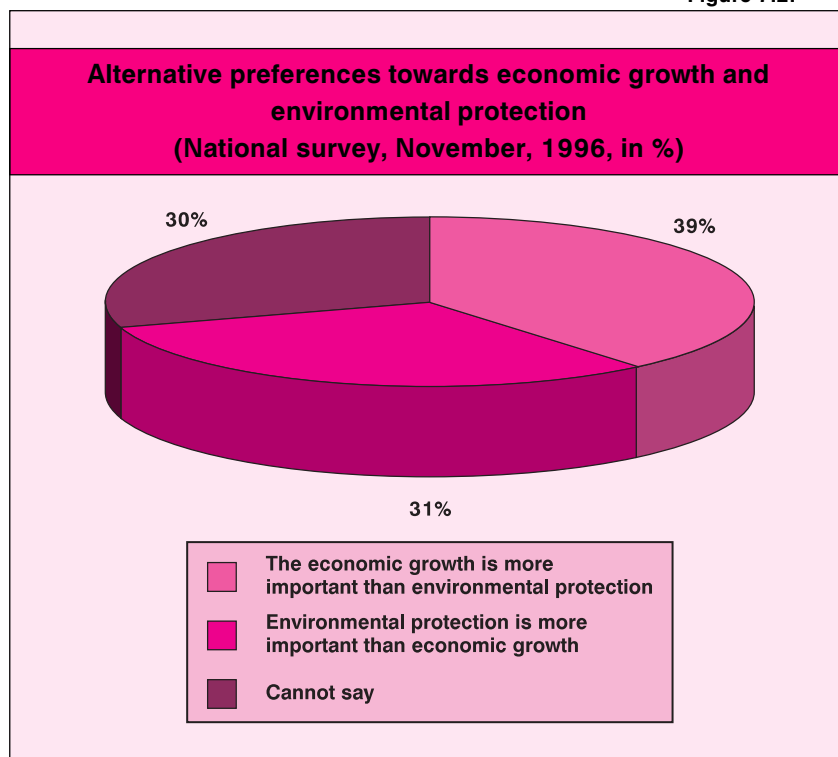
- there is a tendency towards expanding the scope of environmental problems through internationalisation of the problems themselves, as well as of the efforts for their solution on a regional and global scale;

On a **foreign-political scale** Bulgaria is influenced by neighbour countries situated either in the Balkans or in regions related to them geographically and economically. First among these are the Balkan states. The stand of Western European countries – both their apprehensions of the scope of environmental problems in Bulgaria, and their capacities to render an expert and financial assistance for solving at least some of them – has a major impact on Bulgaria as well.

Despite the unquestionable impact of external factors, the main social barriers to Bulgaria's environmental policy are internal in nature. The situation in the coun-

try during the 1990s provides small possibilities for the implementation of the principles of sustainable socio-economic and environmental development. Their affirmation and accomplishment are also hampered by the Bulgarians' ongoing attitudes

Figure 7.2.



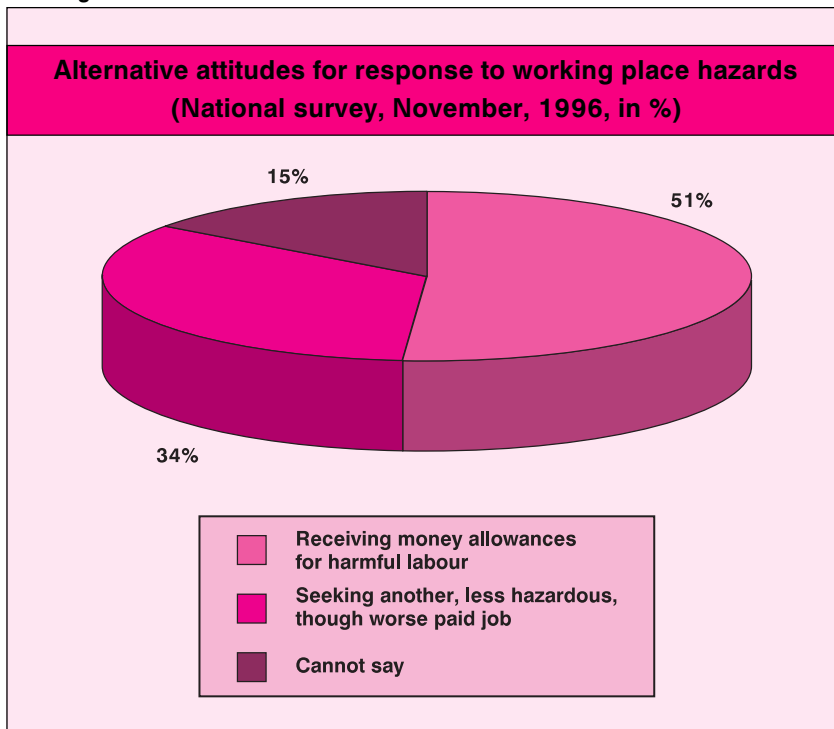
towards environmental problems. For decades on end these attitudes have taken shape in the conditions of scarce information and intensive ideologisation. Most Bulgarian citizens are still unaware of the social and personal effects of environmental hazards. Environmental values rank low among their value preferences, especially in the conditions of economic crisis. This is reflected in attitudes that essentially run counter to effective environmental policy (Fig. 7.3.).

This type of daily attitude of under-rating environmental problems in favour of a marked interest in burning economic issues is also manifest in the field of national political decisions. This has been repeatedly noted by international experts in their attempts to explain the minor attention paid by Bulgarian politicians to environmental issues both in

Today Bulgaria has rather limited capacities to pursue a sustainable development policy

legislation and in the executive power. Yet the country's environmental situation and individual environmental „hot spots“ demand essentially new political behaviour.

Figure 7.3.



There is a trend towards **lower air pollution** with dust, sulphur oxides and lead aerosols. This trend could continue up to the year 2000. But the number of regions, where the rates of the highest admissible concentrations of noxious substances in the air are exceeded remains high. The problems of air pollution persist in a number of the most dangerous „hot“ environmental spots like Devnya, Bourgas and Sofia.

Notwithstanding the adverse hydrological situation in the country, due to prolonged droughts, the **quality of the surface waters, of underground waters and of the waters along the Black Sea coastline tends to improve**. Particularly in the case of the surface waters, the higher rainfalls in 1996 created conditions for the enhancement of that favourable trend. Constant exceeding of the highest admissible concentrations of lead, cadmium, arsenic and phenols are registered in sections of the rivers Iskar, Maritsa, Yantra, Kamchia, Beli Lom. The two most busy regions of the Black Sea coast – the bays of Varna and Bourgas can also be described as zones of distorted environmental balance.

7.2. The environmental situation

In conditions of an economic crisis there is a trend towards reduced consumption of energy, drop in the generation of some kinds of solid waste, smaller use of chemicals in agriculture and drop in industrial construction. These are the fundamental factors of the trend, having taken shape during the past few years, towards an improvement of basic parameters of the environment.

Unlike air pollution, the levels of **soil pollution** change more slowly. There is no doubt that about 1% of the country's arable land has been polluted over and above the admissible levels by heavy metals. What is most alarming, however, has been not so much the percentage of polluted lands, as their lasting damage and the long period of their reclaiming. A serious problem is the growing acidity of soils. The main anthropogenic source of the changes has been the intensive and imbalanced use of nitrogen fertilisers during the past decades. The situation is particularly alarming in the region of Plovdiv. In it 41% of the soils have acidity above the accepted level. A topical problem is the salinisation of the soils, the result mostly of incorrect irrigation. Most affected has been the region of Bourgas, where about 60% of all salinised soils in the country are located.

Soil erosion is also a grave problem caused by water and winds. More than

The state of the environment is improving

Box 7.1.

Salinisation of soils

Salinised soils make up about 0.6% of the arable land and 2.4% of the irrigated areas, included. Despite their relatively small share, they are important since they are in plain terrains and are suited to the intensive

mechanised agriculture. Most of them are close to natural sources of water and can be easily and economically irrigated. That is why their dropout from the effective stock of arable land is a significant loss to agriculture.

1.7 million hectares of the agricultural areas are exposed to wind erosion. The Varna region has been most affected, where that environmental hazard threatens nearly two-thirds of the agricultural lands. Subject to water erosion are more than 90% of the arable lands in the region of Rousse.

Noise pollution is mostly concentrated in the bigger cities. In the cities with population exceeding 200 000 people, the noise level persists in predominating noise levels between 65 and 70 decibels.

The radiation situation has become normalised after the Chernobyl disaster in 1986. No changes in the quality of the environment, due to the operation of the nuclear power plant have been registered in the 30 km zone of the Kozlodouli Atomic Power Station. Higher values of radiation have been registered in the monitored depots of waste products resulting from the extraction of uranium.

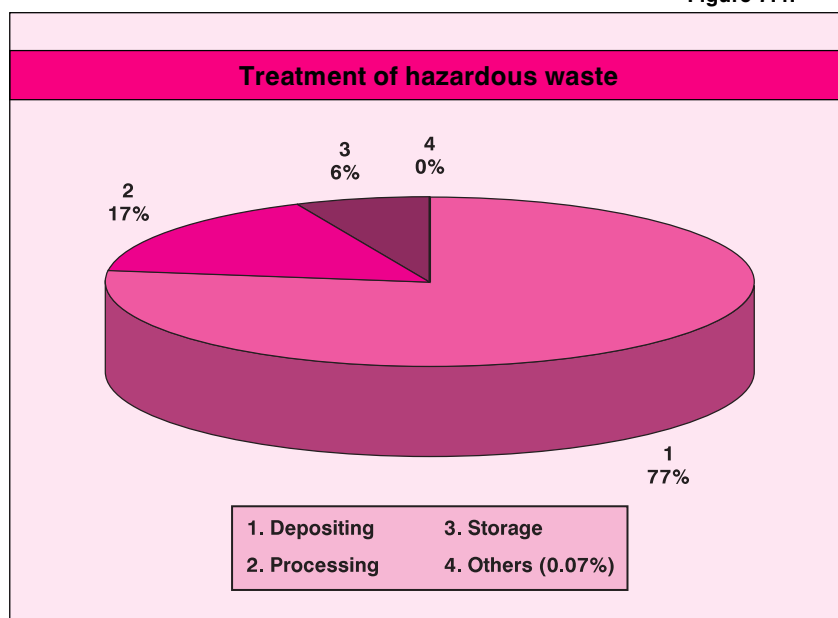
The various kinds of **solid waste** engender essential problems. This is the household waste, construction, industry and the hazardous waste. Household waste is collected without any separation. Notwithstanding the trend of a decrease of the total quantity of household wastes, the areas of the dung-hills is continuously growing. In 1991, the garbage collected was 947 kg per capita. In 1995, the figure was 536 kg per citizen. At the same time, the total area of the dung-hills increased from 71 000 to 87 060 hectares. There are particularly grave problems in the big cities like Sofia, Plovdiv, Varna, Shoumen, where the quantities of household wastes generated is great, whereas the territories around the cities for the building of new depots are limited, unsuitable or lacking. Practically close to every settlement there are dung-hills. Only half of them are monitored.

The degree of **recycling of industrial waste** is low, barely 8.8%. In regions like Sofia, the regions of Pazardzhik, Stara Zagora, Smolyan, where their quantity is

growing, just 0.2% are put to use. Nine-tenths of the industrial waste is accumulated in depots, belonging to the enterprises.

The hazardous waste, whose composition, quantity and properties pose risks to human health are quite unevenly distributed over the country's territory. Half of them are located around Sofia, Plovdiv, Varna and Rousse. The main manner of their being rendered safe is their deposition. Depots are exploited which do not match the requirements for the storage of hazardous waste. The few installations for burning can hardly meet the requirements of the companies at which they have been built.

Figure 7.4.



The pollution of the atmospheric air, of the waters and soils **has a destructive effect on the forests**. Statistics collected after 1988 about the defoliation of 12 basic tree species indicate a deterioration of the state of each one of them.

The stocks of the **main kinds of game** are dropping. The springtime stocks of game in the mid-1990s were twice smaller than at the beginning of the decade. The natural **fish resources** are worsening. The main underlying cause of this has been the weakness of the law, which allows large-scale and indiscriminate poaching.

The thermo-electric power plants are the major air polluters

Notwithstanding the financial and organisational difficulties, efforts are being made for the preservation and expansion of the **protected natural territories**. By the end of 1995 the number of these territories was 3818, including 90 nature reserves, 12 national parks, 2234 natural sights and 121 protected localities with 389 protected plant species and 473 protected animal species.

In the public mind, the **hazards of power generation** have been associated most of all with the operation of the Kozlodouli Atomic Power Plant. However, the greatest real damage to the environment is in-

Table 7.1.

Generated industrial and hazardous wastes by branches of industry in 1994 (in 000 tons)		
Branches of Industry	Industrial Waste	Hazardous Waste
Generation of electricity and heat	6000.2	24.8
Ferrous metallurgy	3960.3	92.2
Non-ferrous metallurgy	2698.4	125.9
Machine building and metal processing	56.3	90.5
Electrical engineering and electronics	5.6	1.1
Chemistry and petro-chemistry	829.1	99.8
Timber extraction and timber processing	87.8	9.6
Cellulose and paper	19.1	7.3
Glass, porcelain and faience	14.0	8.9
Textile	5.6	21.6
Tanning, fur and shoe-making	3.9	12.4
Printing	5.9	0.02
Food and beverages	957.4	200.3
Other branches including:	1.5	599.7
Coal industry	215217.4	–
Building materials industry	2309.7	–
Tailoring industry	2.1	–
TOTAL	267819.6	1294.1

flicted by the thermo-electric power plants. They are the basic polluter of the air with sulphur oxides – over 85% of the overall pollution – mostly due to the use of local, low grade coal with a high content of sul-

phur. There is an enormous volume of solid waste (fly ashes and cinders), which are produced by the burning of coal. The problems associated with their utilisation are burning.

Industry is the source of most varied hazardous pollutants of all components of the environment. Among the most polluting branches are the chemical industry – sulphur dioxide, nitrogen oxides, sulphur-hydrogen, carbon oxide; the metallurgical industry – dust, lead aerosols, sulphur oxides, aerosols of sulphuric acid; the building materials industry – sulphur and nitrogen oxides, carbon oxide, rock refuse. Industry generates the bulk of the solid refuse in the country. It is also the main source of hazardous wastes. About 90% of it is generated by 50 enterprises in the country.

Transport is also exerting a powerful influence on all components of the environment. It is the basic source of noise pollution. The natural environment is particularly threatened by the road transport and by the construction and exploitation of a network of roads associated with it. The poor maintenance of the existing network of road transport and infrastructure results in noxious consequences for the environment. Railway transport is a considerably smaller pollutant. Its emissions of harmful gases into the atmosphere make up just 1.5% of those of the road transport are permanent grave water pollutants. The ballast waters of the tankers directly released into the sea are permanent grave water pollutants together with the release of insufficiently purified refuse waters from the ships. The incorrect performances of the operations of loading and unloading entail oil slicks and break-downs, which pollute the water mainly with oil products.

The substantial drop in **agricultural production** has brought about a tangible reduction of the use of artificial fertilisers, pest control and plant protection chemicals. But their excessive application during the foregoing decades has inflicted lasting damage to the soils. Via the under-

ground waters, pollution is transferred from the soil to different water basins and water arteries. During the past few years, the problem of the storage and destruction of unused pest control and plant protection chemicals has been growing increasingly acute. The country does not have equipment for the safe burning or some other processing of the unused pest control and plant protection chemicals whose term has expired.

Construction has also been creating problems by the waste materials it produces, as well as by the destruction of the surface of the earth. A number of failed construction and city planning decisions related to the establishment of a transport network and in industrial construction increase environmental pollution and the hazards for the human health.

Some **services** also contribute to the aggravation of the environmental problems. In the absence of control on the significant private sector in the commercial network that has come into existence, products distributed via it which contain ingredients, hazardous for the natural environment and for human health, or which have already become hazardous because their term has expired. Running of hotels and restaurants contributes to the greater garbage pollution.

The low standards of the **industrial technologies** will have enduring negative influence. The majority of the industrial enterprises have been equipped with obsolete technologies. What is typical of them is the high rate of consumption of resources and the great environmental pollution. The transporting equipment is also greatly worn out. The equipment supposed to prevent pollution and to clean pollution already caused is even in a less satisfactory state.

The **human factor** also has a great contribution to the damage caused to the environment: starting with the incorrect decisions in the higher sphere of administration and going down to the uncultivated or irresponsible actions of individual citizens. The change in the sphere of consciousness

and of the institutions is difficult and questionable in the unstable situation of the country.

Generally speaking, the environmental situation in Bulgaria can be characterised on two levels. The first one is the optimistic level which is associated with the short-term, frail and unstable trend towards a certain improvement of the state of the environment. The second level is the medium-term trend, which is more pessimistic. It is determined by the fact that the main generators of hazards for the environment have not improved, but in certain respects, the situation there has even deteriorated.

The obsolete industrial technologies will have a lasting negative impact on the environment

Box 7.2.

Stages of depressive environmental developments in cities

In a study of the Ministry of Regional Development and Construction (1995), experts made an overall assessment of the state of major cities and the regions around them, in order to establish stages of environmental depression. Six groups of centres of population have been differentiated:

First group – in an extremely critical depressive state – Sofia and Bourgas;

Second group – in a particularly critical depressive state – Zlatitsa-Pirdop and Plovdiv;

Third group – in a very strongly depressive state – Nikopol, Maritsa-Iztok, Pernik, Varna-Devnya, and Kirdzhali;

Fourth group – in a strongly depressive state – Pleven, Pazardzhik, Vratsa, Dimitrovgrad, Stara Zagora;

Fifth group – in a moderately depressive state – Vidin, Silistra, Haskovo, Elisseina and Sevlievo;

Sixth group – in a weakly depressive state – Veliko Tarnovo, Gorna Oryahovitsa, Montana, Rousse, Bobov Dol, Razlog, Blagoevgrad, Zlatna Panega, Gabrovo and Svishtov.

7.3. Social consequences of environmental risks

The accumulation of environmental problems leads to the increasing deterioration of the medium inhabited by man. The natural cycle of energy and substances is broken and hence the natural mechanisms of reproduction of the environment have been undermined. The self-reproduction of the environmental balance comes

The critical state of the environment adversely affects the health status of the population

more and more difficult the leading to a state of depression.

The general state of the environment and the state of the production technologies additionally aggravate the working conditions, which are not good anyway. In 1995, in 56% of the production enterprises monitored, violations of the norms and requirements of sanitation have been established. The most adverse values have been found with respect to the micro-climate (pollution with noxious gases, dust, noise, vibrations), toxic substances and lighting. Despite the slowdown of production activity, a rise in production accidents has been noticed.

The worsening of the living and working environment reflects on the **state of the health** of the population. In comparison with the average values, the population has been most affected in regions where enterprises of the chemical industry – Devnya, Svishtov, Dimitrograd and Vratsa, and the enterprises of metallurgy – Assenovgrad, Kirdzhali and Pernik, are located. The health risk for children has also been enhanced in the regions polluted with heavy metals.

Box 7.3.

Economic stratification and environmental hazards

In the conditions of increasing property stratification and massive impoverishment of the Bulgarian population, a secondary dimension of economic inequality has been emerging. The environmental good and the environmental hazards are redistributed. The drastic difference between the quality of the environment of the domiciles of the small stratum of very rich people and that of the vastly overwhelming majority of the Bulgarian citizens, whose economic status moves to the ever lower storeys of the social

pyramid, has become obvious. The drama results from the rapid and sweeping degradation of the living environment of the common citizens, due to the poorer upkeep of towns and villages. The representatives of the community of Gypsies in the big cities are in a particularly grave situation. With the deepening of the economic and social crisis and with the declining upkeep of the settlements, their residential areas have reached a catastrophically low level in terms of life style and environment.

The slackened state control allows the emergence and spread of environmental risks, which threaten even those Bulgarian citizens, who enjoy a relatively better material well-being. The markets offer fruit and vegetables with very high contents of nitrates, products of the household chemicals industry, the cosmetic and pharmaceutical industry, foods and beverages, which are considered to be too hazardous to be accepted in the industrialised countries.

7.4. Environmental policies

The environmental policy requires close co-ordination between different powers as well as between the different departments of the executive. Co-ordinated by the Ministry of the Environment, various ministries and state agencies work out joint standards for the different kinds of pollution, elaborate rules and regulations for the use of the natural resources, instructions for the transportation and storage of dangerous substances. However, the co-ordination rarely concerns medium- and long-term programmes for interaction, and is rather dedicated to operative work on the settlement of current problems. This has been due mainly to two circumstances. The first is the contradictory and ineffective legislation concerning the environment. The second is the lack of an overall national development strategy.

In recent years the National Assembly passed the Law on the Modification and Supplementing of the Law on Environmental Protection, whereby the establishment of new environmental funds has been regulated; the Law on Clean Atmospheric Air and the Law on Taxes on Liquid Fuels. Several international conventions and agreements were ratified, which provided the frameworks for the working out of internal principles and norms of regulation in compliance with the international standards. However, as a whole, the legislation with respect to environmental protection was sporadic. The Parliament has not yet approved important draft bills, submitted

by the Ministry of the Environment, like those of the protected territories, of waste, of the sea environment, of noise, of the medicinal plants.

All this has been the result of the small significance, that the majority of politicians attach to the range of problems related to the environment. The most important cause, however, has been the absence of a clear-cut national strategy of development in the sphere of economy, politics, culture and the national security. Only when the national priorities have become clear as well as the means for their attainment, it will be possible to build up a realistic national environmental strategy.

The implementation of the adopted strategy of the Ministry of Environment is closely associated with the financing of the activities for the preservation and reproduction of the environment. It is materialised by using the following sources: state budget, municipal budgets, the National Fund for Environmental Protection (NFEP), municipal funds for environmental protection (MFEP), finances of the enterprises, bank credits and external sources of financing of most varied nature and origin of the finances. During the past few years, it has only been the municipalities that have been getting budget subsidies. The amount of these subsidies is continuously decreasing.

Bank credits are unattractive, because of the high interest rates and the crisis in the banking system. The finances coming from external sources reflect, as a rule, the interests of the donor country and do not always coincide with the most pressing environmental problems of the country.

The budgets of the municipalities and the funds of the enterprises make up the greater part of the sources for financing the expenditures on protection of the environment – 82.1% of all expenses for 1994. However, the finances are distributed quite unevenly. Most of the Bulgarian enterprises are in a difficult financial situation and have no practical possibility of making alloca-

tion for environmental protection. Funds are set aside by the few successfully operating enterprises like the Non-Ferrous Metals Combined Works – Plovdiv. There are substantial differences also between the individual municipalities.

Box 7.4.

Major directions in the activity of the Ministry of Environment

The absence of an adequate legislation and the limitations, imposed by the economic crisis, make possible only a strategy of reaction. It directs the efforts towards partial measures aimed at coping with the gravest hotbeds of environmental tensions. That is why the Ministry of Environment has also targeted its activities mostly along two lines:

- tackling of fundamental environmental problems: pollution with heavy metals; air pollution with lead, with dust particles and sulphuric dioxide; improvement of the purification of sewerage waters in the towns; establishment and completion of places for the depositing of solid household wastes;

- development of the set of instruments conducive to the formulation and pursuit of an up-to-date environmental policy; completion of the legislative base for the administration of the environment in conformity with the international standards; tapping of external and domestic financial resources for the implementation of the programmes and investment blueprints for the environment; development of prevention control and of the National System of Environmental Monitoring; establishment of the democratic principles of partnership with the local authorities, with the general public and non-governmental organisations in decision-taking and in the implementation of environmental policies.

A promising source of funds for environmental protection are the different **eco-funds**. Through them resources outside the budget are mobilised, supplemented by

Table 7.2.

Subsidies from the state budget for the municipalities on projects on environmental protection (in million levs)		
Year	Absolute figure	Percentage of the budget
1993	371.13	0.37%
1994	301.8	0.23%
1995	507.97	0.19%

environmental taxes and fees for direct cases of pollution or for the use of products, creating hazards for the environment. The funds enable the flexible management of the money flows and the incessant control on their use.

Table 7.3.

Projects financed in 1995 by the environmental funds of the Ministry of Environment, in million leva				
Forms and directions of financing	Number of projects financed	Total	NFEP	FEPMR
1. Interest-free credits of companies, on components of the environment incl.				
– for purification of water	7	96.9	77.6	19.0
– for keeping the air clean	11	203.0	99.0	104.0
– for refuse depots	1		6.0	6.0
– for soils	1	19.0		19.0
– for ecological agriculture	10	66.6		66.6
– for ecological stock-breeding	3	83.3	83.3	
2. Free assistance to the municipalities on elements of the environment				
– for purification of waters	17	175.9	150.1	25.8
– for keeping the air clean	2	32.7	32.7	
– for waste depositing sites and waste materials	4	8.1	7.2	0.9
– for soils and landslides	2	29.8	4.8	25.0
– for protection of biological diversity	1	0.1		0.1

The earliest eco-funds at national and municipal levels were initiated in 1992. The revenues of the National Fund for Environmental Protection (NFEP)

Table 7.4.

Lawsuits for forest damage and for poaching						
	For forest damage			For poaching		
	1993	1994	1995	1993	1994	1995
Total number of lawsuits	8	23	59	9	11	21
Of them ending by:						
– verdict of guilty	2	11	17	4	6	12
– suspended sentence	6	11	40	5	5	9
– verdict of not guilty	–	1	2	–	–	–

derive mostly from the privatisation of the state enterprises, from import taxes and from penalties for harming and polluting the environment. The municipal funds rely on revenues from the privatisation of the municipal enterprises and from penalties and fees for ecological violations.

In 1995 a National Trust Eco-Fund was also established to manage the funds incoming from the swap deals „Debt for Environment“, „Debt for Nature“, as well as from governments and international financial institutions, designed for environmental protection in Bulgaria. By this fund, environmental projects of national and international importance are financed. During the same year a Fund of „Environmental Projects in the Mountainous Regions“ (FEPMR) was set up with the Ministry of the Environment. Besides the finances for the protection of various components of the environment, this fund pays special importance to the development of environment-friendly agriculture and stock-breeding.

An important aspect of the environmental policy is the introduction and use of different kinds of regulators of the ecological behaviour of citizens and organisations. Economic levers (sanctions, taxes, customs fees, charges) are an essential part of them. Although the sums collected through sanctions have been growing after the adoption of the Law on Environmental Protection in 1992, their actual sanctioning force is extremely limited, due to the inflationary processes and due to the inability of a number of enterprises to pay the sanctions anyway. The introduction of taxes on the import of used cars has a minimum effect on keeping the air clean.

The procedure of evaluation of the impact on the environment (EIE) is an administrative regulator whose basic purpose is the prevention of cases of pollution and damage to the environment. Subject to such an evaluation are projects at the stage of

designing on the plans of regional and urban development, construction plans and town planning, designs of new projects or for their extension. The projects already existing are subject to the EIE, when they pose considerable danger to the environment in the change of ownership and in the existence of potential hazards should there be a breakdown and natural calamities. The procedures of the EIE have proven their effectiveness. They involve the investors and the competent state bodies, as well as the general public into the discussion of the potential environmental after-effects and into the search for acceptable solutions.

Co-operation with foreign partners plays an important role in the improvement and the implementation of the state's environmental policy. It develops mostly along two lines. The first is the attracting of knowledge, experience and investments on projects for environmental protection in Bulgaria. The second trend is co-operation in the tackling of problems with neighbouring states, with the states of the Black Sea Basin and along the Danube.

General environmental standards should be shaped within the **system of secondary education**. For the time being, in its nature, contents and scope, the environmental education at the secondary schools does not correspond to the environmental situation in the country and to the needs for the development of environmental standards. The environmental knowledge and value orientations have not been adequately included in the educational process. The ways of carrying out the environmental training of students do not correspond to the modern standards of environmental education. The environmental problems often feature just formally in the school curriculum.

Disciplines, dedicated to the protection of the environment have recently begun to feature in the curricula of the Bulgarian higher educational establishments. The interest in these subjects has been ris-

ing. In the period between the academic years 1991/92 and 1995/96 the number of newly enrolled students on subjects, associated with the protection of the environment increased more than 4.5 times. This interest inspires hopes for the surmounting of the shortage of cadre of high qualifications in the sphere of the protection of the environment.

Box 7.5.

Environmental legislation and its implementation

Concerning the protection of the environment, Bulgarian legislation is to a great extent in compliance with the international standards. Subject of legal persecution are:

- the contamination of waters, air and soil which makes them unusable by man or which exposes the health of the people and the existence of animals and plants to a risk;
- the contamination of waters with petroleum products and derivatives;
- the improper exploitation of industrial plants and nuclear power stations;
- the hiding of information, or the proclaiming of incorrect information about the environ-

ment or its components, which incurs damages to individuals or society;

- the breaking of the rules for work with nuclear materials, nuclear devices and other sources of ionising emanation, which cause damages to the environment or threaten the health of the people;

– The real legal problems concerning the preservation of the environment originate from the way the legislative norms are implemented. The demand for penal amenability for damages on the environment is an exception. There are two sentences passed on dangerous contamination of waters, air and soil for 1993, 1994 and 1995 together.

Box 7.6.

Third Ministerial Conference „Environment for Europe“

The conference took place in Sofia in October, 1995. It was attended by more than 70 ministers of the environment, of finances and of industry, heads of international organisations, representatives of financial institutions, parliamentarians, representatives of business circles and of non-governmental organisations. The main emphasis in the proceedings of the

conference was laid on the East-West co-operation and on the implementation of the agreements reached at the second conference in Lucerne. The documents adopted were „Strategy for Safeguarding the Biological and Landscape Diversity in Europe“, „Programme for the Environment in Europe“ and a Declaration of the Ministers.

7.5. Non-governmental organisations in the management of environment

Difficulties of the transition and lack of experience for the establishment of links between the Government, the business and the civil society slowdown the integration of economic and environmental policies in

Box 7.7.

Efforts to improve the quality of the environmental education

The co-operation between teachers from Bourgas and the environmental movement „Blue Flag“ which is a member of the European Foundation of Environmental Education is a posi-

tive example. The result of this co-operation is the range of teaching materials prepared for the lessons on nature for children from kindergardens to 13 years of age.

Bulgaria. Only few people would prefer long-term environmental results to material benefits now. The majority of people like to benefit living in a better environ-

Table 7.5.

Student enrolment on subjects dedicated to the protection of the environment				
Academic year	total	Students direct education	Of them newly enrolled	
			total	direct education
1991/1992	212	212	192	192
1992/1993	902	673	545	400
1994/1995	1976	1397	727	467
1995/1996	2673	1885	880	544

ment, but successive to resolving economic problems. Few people do understand the unity of economic development and environmental protection. To seek solutions of this task is a prospective field for activities of non-governmental organisation (NGOs).

The updated Strategy on Environment for Bulgaria outlines the importance of a decentralised approach to managing the environment. Particular attention is given to the right of the population to be informed

about projects and activities with an impact on environment, and to take active part in decision making. This right includes also the possibility for objection and appealing in the court against administrative decisions, triggering environmental imbalance.

The direct involvement of society in the management of environment is typically implemented by non-governmental organisations. In March 1988 the first environmental NGO of the new wave – the Citizens' Committee for Environmental Protection of Rousse was established. This was a spontaneous reaction against the transboundary chlorine pollution from the chemical plant in Gyurgevo, Romania, which caused increasing lung morbidity by 2000% in the last 15 years.

In the course of the democratic changes, the „Greens“ became an important political force. However, after 1991 their influence continuously declined in line with the fading of the public interest in environmental problems. The main reason for this development is the severe economic crisis and the burden of the transition to market economy.

During the second half of the 1990-ties, the environmental NGOs have a difficult time. Many of them dissolved. The number of newly established is insignificant. The state has not introduced sound procedures and mechanisms to support the institutional development and the operation of NGOs. They mainly run granted funds – predominantly of foreign origin.

In 1996, ca. 140 environmental NGOs (associations, unions, endowments, centres) were active. They could be classified in three types by the character of their structures and subject of activity:

- national, with nation-wide structures;
- regional, covering with their structures certain geographical areas;
- local.

The goal is: Economic and environmental policies – well concerted

In 1993, 27 organisations, parties and associations established „The Green Parliament“ which is a permanent forum for treating problems of management and safeguarding the environment. This initiative caused contradictions about the involvement of political parties in The Green Parliament. In 1992-1993 environmental NGOs were involved in the preparation of the National Strategy for the Protection of the Biological Diversity in co-operation with experts from the Bulgarian Academy of Sciences, the Ministry of Environment and the Committee on Forestry.

After 1989, environmental NGOs and green parties have contributed significantly to the development and the application of the environmental legislation and policies in Bulgaria. They took part in the design of the Law on the Protection of Environment, the Law on the Treatment of Solid Wastes, the Law on the Local Self-Government and Local Administration, the Ordinances for the Collection, the Transportation, and the Neutralisation of Hazardous Wastes and a series of related instruments.

Along with their active involvement in drafting of legislation, the NGOs make efforts and achieve success in their attempts to resolve environmental problems on regional and national scale. The „Ecoglasnost“ was the first to rise the serious environmental problems in the basin of the river of Danube and the ways for their solution. NGOs established the international movement „Danube Forum“. The Bulgarian participants in this movement were very active for the advance of national priorities within the Danube basin scheme. In 1994, representatives of „Borrowed Nature“, Ecoglasnost, Green Balkans, Academic Youth Ecology Club, together with leading specialists organised public discussion of the Project for the design of a Strategic Plan on Activities for the Danube and submitted their recommendations and proposals to the Ministry on Environment. In 1995 they organised a Conference on the National Priorities in the Field of Environment.

Box 7.8.

Activities of the environmental NGOs

Environmental NGOs implement programmes and projects for the achievement of multiply objectives: protection of natural sites, effective pollution control, programmes for environmental training, protection of endangered biological species and specific natural areas. Some environmental NGOs as the National Movement „Ecoglasnost“, Green Balkans, the Association for Environmental Training and Management, the Bulgarian Foundation for Efficiency of Energy „En-Effect“, „Borrowed Nature“, Danube Forum, the Union for the Protection of Nature, etc., have their achievements in implementing projects, which reflect

the national priorities in the sphere of management and protection of environment. Others, like the Independent Association „Ecoglasnost“ in Stara Zagora and Varna, the endowment „Bourgas-Ecology-Man“, „Ecoglasnost“ in Vidin, Rousse and Plovdiv, the Union for the Preservation of Nature in Razgrad, etc., have directed their efforts to the solution of regional environmental problems. A third group – the Bulgarian Society for Preservation of Birds, the Bulgarian Society for Preservation of Animals, The Bulgarian Union for Preservation of Wild Birds work under projects for the protection of rare species.

Box 7.9.

The Non-governmental organisations and the process „Environment for Europe“

This initiative arose at the Conference of Ministers of Environment in Dobris in 1991. At the Conference in Lucerne in 1993, NGOs were invited to take part with their delegation in the work of the ministerial meeting. The countries involved were requested to include representatives of environmental NGOs in their national delegations too. The third meeting of Ministers of Environment in the course of the process „Environment for Europe“ took place in October 1995 in Sofia. The participation of environmental NGOs was very active. They pursued a par-

allel meeting, which ended with the adoption of a declaration on the priority spheres of activity in the process „Environment for Europe“. The NGOs presented established an international network. It is expected the exchange of information and co-operation between European NGOs to be improved, an European network for sustainable development to be established, the implementation of the global programme „Agenda 21“ at European level to be advanced and the Bulgarian environmental movement to be strengthened.

For an effective participation of the public in environmental assessments

In 1995, a project was launched on the institutional development of NGOs, operational in the framework of the international Danube Program. The purpose was that local organisations and movements take the responsibility for the solution of specific local problems and contribute to the improvement of the environmental equilibrium within the Danube basin. The UNDP Office in Sofia rendered non-refundable aid to NGOs for the implementation of projects, intended to reduce the pollution of the Danube waters, to develop effective husbandry, to protect fishery and the biological diversity. In the implementation of the strategic activity plan for the preserving the Danube water, the financing shall continue.

The Ecoglasnost, the Union „For the Earth“, the endowment „Projects of Common Use“ and other environmental NGOs have the initiative for seminars and discussions on national priorities of environmental protection like the nuclear safety, the transboundary pollution, the disposal and transportation of hazardous wastes. They have a significant contribution to the implementation of one of the basic tasks of environmental management – the investment in the human factor with organising training courses, educational campaigns, publishing of books and brochures. The Asso-

ciation for Environmental Management and Training takes an active part in upgrading skills for environment management, for dissemination of foreign expertise, for support to institutions and exchange of technical information.

The new socio-economic and political conditions call for a pro-active public involvement in solving problems which arise from civil works, refurbishing of outdated enterprises and exploitation of operational ones, power plants and infrastructure facilities. This involvement is provided with Article 41 of the Constitution of the Republic of Bulgaria and Article 8 of the Law on the Protection of Environment. Environmental assessment procedures give the opportunity for a broad deliberation the interests of society. However, in 1995 the Parliament made a serious step towards their restriction. This act faced a serious opposition on behalf of Bulgarian NGOs. Their position gained a broad international support.

Bulgarian NGOs are channelling their attention predominantly to interaction with the executive branch of the state government, namely the Ministry of Environment, and the Regional Environmental Inspectorates. The co-operation with other government departments and agencies, and with the members of the Parliament is to be strengthened. This collaboration is necessary since

Box 7.10.

Prospects for environmental NGOs

The new political and economic realities require a new approach to the solution of environmental issues and the management of environment. The „Greens“ should take an active part in the implementation of the updated Strategy on Environment for Bulgaria through recommendations and targeted efforts, based on comprehensive information and rational decisions. To achieve the above goals:

- NGOs should clearly determine their objectives and expectations.
- A new culture of relationship between governmental agencies and environmental NGOs should be developed.
- The „green“ organisations and movements should become important vehicles for the efforts to achieve an unification of interests for economic development and protection of the environment, which is a prerequisite for the sustainable market economy.

– the state institutions are the most reliable source of environmental information. They have a broad access to international programmes and organisations which are dealing with environmental issues. In co-operation with the government, the NGOs improve their environmental awareness and international contacts;

– most NGOs defend consequently and effectively the public needs for healthy environment. Simultaneously, their activities provide the feedback of implementing the environmental policies;

– state institutions and NGOs have a common goal, namely protection of the en-

vironment. This partnership stabilises the role and the position of government agencies for the protection of the environment within the executive government. This could benefit also the improvement of the public consciousness on environment.

Active partnership is needed between governmental agencies and environmental NGOs. The principles of partnership between governmental agencies and NGOs should be based on:

- full access to information for the state of the environment and decisions under preparation and in the phase of implementation;
- mutual respect and solidarity when defending the matter of safe environment before national and international institutions;
- effective bilateral use of experts;
- transition from the discussion on environmental problems to interactions for their elimination and implementation of joint projects.

7.6. The prospects

Environmental policies face manifold challenges in Bulgaria.

The **first** one relates to the forthcoming introduction of a Currency Board. Environmental concerns have not been considered yet under austerity budgets and rather scarce financing.

The **second** challenge refers to environmental hazards from the expected rise of output in manufacturing industries and husbandry. The improvement of organisation and upsurge of technology and of productivity may cause environmental problems.

The **third** challenge is the need to upgrade the environment protection legislation and the law enforcement leverage. Malfunctions of government agencies, and their wrong relations to affected social groups – vendors, consumers, and environmentally vulnerable groups should be eliminated.

The **fourth** challenge concerns the necessity to provide an optimal long-term balance between large scale endeavours, e.g. crude oil and gas pipelines, highways, the building of a next nuclear power plant, etc., and the negative impact of these projects on environment during the construction and later during the commercial exploitation.

The **fifth** challenge is the existence of „hot items“ and long lasting environmental problems related to nuclear energy.

The **sixth** challenge is the current and expected environmental influence of the neighbourhood (the transboundary pollution, the frontier rivers), the establishment of the Black Sea Trade Zone and the Danube co-operation initiatives.

To meet those challenges successfully, the Bulgarian state needs a strategy for the national development, setting clear tasks which emphasise the environment and meet the support of society. A specific follow up strategy which reasonably stipulates the national environment priorities is to be developed. This strategy may result out of profound work and high expertise. This is the top priority for long-term plans of activities of relevant institutions and specialists. Foreign expertise should be attracted to launch markets of ecological products and services. The entire national research potential should be involved.

Non-governmental organisations contribute to the democratisation of environmental legislation

8

WHAT KIND OF TRANSFORMATION AND FOR WHOM?

8.1. The changes – expectations and realities

Almost a decade after the beginning of the great change, people in Central and Eastern Europe often rise the question: What should be the change and to the benefit of whom? The question sounds dramatically in Bulgaria, as it stays at the rear of the reforms in the region. The country is still in a severe crisis and stagnation. In 1996 it reached the highest level of negative change of the Gross Domestic Product among all the countries in transition, without any perspective for improvement in 1997 (Table 8.1). In spite of the promise for rapid privatisation made by seven consequent governments after 1990, the process has not yet received the pace which is necessary for a market economy.

The vast majority of the population realises that the progress of society needed the transition to democracy and to a more efficient economic system. Change was necessary for the incorporation of the country into the world and for a full membership in the European institutions. However, **what kind** of changes, and **for whom** – this are questions which have not received clear, consequent, and convincing answers yet. They are associated with the expectations for the transformation of Bulgaria into a modern European state, for overcoming the painful state of transition to efficient economy and democratic policy.

The „time“ factor turned against all the expectations of the population, the political elite and the foreign partners of Bulgaria.

The population expected a rapid economic development and the building of an efficient market economy, which would enable living standards similar to those of

the people in Western Europe. It expected a rapid development of the democratic institutions, a modern legislation and a powerful state, which would provide civil rights and would turn the people into free proprietors and producers. Flourishing was expected in culture and science and especially in education, which is most closely connected with the future of the nation.

Changes are necessary, but their implementation is slow and painful

Table 8.1.

Real changes in the Gross Domestic Product in Central and Eastern Europe (in percent)				
Country	1994	1995	1996	1997 (est.)
Bulgaria	1.4	2.6	-10.9	-3.1
Estonia	-2.7	2.9	4.1	4.5
Latvia	1.9	-1.6	2.0	2.2
Lithuania	1.0	2.4	1.1	5.1
Poland	5.2	7.0	5.9	5.9
Romania	3.9	6.9	4.5	4.5
Slovakia	4.9	7.4	5.0	5.0
Slovenia	4.9	3.5	3.5	3.5
Hungary	2.9	1.7	1.2	2.7
The Czech Republic	2.6	4.8	5.0	5.3

Although in different ways, **the political elites** of all ideological and political colours identified themselves with the changes and expected a fast normalisation of economic life and legitimisation of the economic structures and mechanisms. Their aim was not to allow the crisis to impose intolerable complications on the struggle for power. A normalisation of economic life was expected also because of the necessity to increase the prestige of the country, to turn it into a reliable partner in the international economic relations, and thus to join the European economic and political institutions.

The external factor played an important role in the development of the crisis in Bulgaria. The dissolution of the Council for Mutual Economic Assistance led to the loss of about 60% of the export markets of Bulgarian production in Central and Eastern Europe. In spite of the statements about liberalisation of the export regime for Bulgaria made by its Western European part-

tive trends were fostered by the UN-embargo against former Yugoslavia. Bulgaria omitted trade benefits for USD 6-7 billion. As a consequence of all these developments, the country has a destabilised state budget, which hampers the service of the external debt. The national currency reserve declined to USD 541 million at the end of October 1996, against USD 1,2 billion by the end of 1995. The minimal positive trade balance of ca. USD 200 million could not cover the growing necessities for import of food supplies and for the service of the foreign debt. To meet the foreign debt service payments, the state depends on obtaining loans from the International Monetary Fund, the World Bank and other international institutions. Thus the geopolitical dependence of Bulgaria increases.

Led by their geopolitical and economic interests, **the foreign partners** of Bulgaria expected democratisation, rapid rationalisation of production, modern legislation, and social stability for accelerating the inflow of investments and payments to creditors.

Neither of this hopes occurred.

An impoverishment unheard so far took place and the inflation grew from „high“ to „hyper“ rates (Table 8.2).

Unemployment increased to unprecedented rates too. In 1996 the national currency unit lost ca. 80% of its value, which caused a rapid reduction of the incomes in real terms.

A specific feature of the economic and social situation in the country in 1996 was the evident effect of aging of the industrial facilities. More than 70% of the industrial equipment in the country has been operating longer than 20 years. This reduces the competitiveness of the Bulgarian exports. The urgent need to cut the budget subsidies because of the huge budget deficit and because of the recommendations of the international financial institutions caused the cease of unreasonable subsidies and the closure of state owned enterprises. This was

Table 8.2.

Inflation (Deflation of the individual consumption)				
Country	1994	1995	1996	1997 (est.)
Bulgaria	121.9	32.9	310.8	100.0
Estonia	40.2	34.0	24.0	17.0
Latvia	28.1	26.0	17.0	13.0
Lithuania	51.3	27.8	19.0	14.0
Poland	32.2	27.8	20.0	17.0
Romania	129.7	33.3	35.0	30.0
Slovakia	13.6	9.7	5.8	6.0
Slovenia	20.3	13.6	10.0	7.4
Hungary	19.6	26.4	24.0	20.0
The Czech Republic	10.7	9.1	8.8	7.8

ners, trade barriers were actually strengthened and its exports diminished. The worsening state of Bulgarian industry led to a decline in the competitiveness of Bulgarian export goods abroad. The impoverishment of the population allowed no compensation of the losses on the external markets by the internal demand. The nega-

Table 8.3.

Indices of real incomes by years for the period 1990-1996						
Basic years						
Years	1990	1991	1992	1993	1994	1995
1990	100.0					
1991	61.2	100.0				
1992	65.6	107.6	100.0			
1993	62.7	102.5	95.2	100.0		
1994	55.5	90.5	84.6	88.8	100.0	
1995	50.7	82.9	77.2	81.1	91.3	100.0
1996	34.4	57.0	53.2	55.5	62.5	68.5

followed by the rise of unemployment among qualified workers and by the increase of social polarisation. Despite the steps for reduction of the budgetary expenditures, the internal debt grew enormously. The large payments on the external debt are a heavy burden on the foreign currency balance. The impoverishment of the population proceeded rapidly at the end of 1996 and the beginning of 1997. This led to broader differentiation of incomes. While in 1991 the upper 10 per cent of the population have disposed of 12% of the incomes and the lowest 10 per cent of 5% of the incomes, in 1996 these indicators are respectively 32% and 2.4%.

A stable trend towards increasing the scale of poverty occurred. In 1996 and at the beginning of 1997 the purchasing power of the population sank down to the level of biological survival. The Institute for Social and Trade Union Studies announced, that the costs for adequate nourishment of an individual in Sofia at the end of 1996 amounted to Levs 40,235, when the average wage for the country was Levs 15,831. At the end of January 1997, the costs for food for a resident of Sofia was already Levs 79,547. Several jumps in prices of bread, electricity and gasoline increased the costs of life more than 5 times. Bulgarian people faced new conditions in their struggle to survive. They became panic-stricken and entered a new phase of social disintegration. During 1996 expenses exceeded the registered family incomes. This means that people withdrew their savings for food.

Exceeding the parameters of „stagflation“ – the combination of stagnation and inflation – is typical for the current situation. A transition to total stagnation („totalgnation“) occurred, since it was very difficult to pursue anti-crisis policies. The regulatory attempts to overcome certain aspects of the crisis became senseless with a view to the contradictions of the **whole complex** of mutually linked dimensions of the crisis. The social disintegration, caused by the keen polarisation

of incomes, has other than economic parameters as well. Poverty, the decreased purchasing power, the inequality in property, the different access to the public wealth have severe psychological effects. The growing marginalisation of new groups of the population, who fall into the low incomes status, increased their perception of social inequality. The utilisation of cultural services and the expenditures for education are rapidly shrinking. According to the data of the National Statistical Institute for 1996, only 2.5% of the total expenditures of households go for education and entertainment, while in rural areas the percentage is 1.5%. The impoverishment and its economic and socio-political manifestations lead to reduction of the confidence in the institutions and to difficulties in developing legitimacy for governmental policies among broad social groups.

**The purchasing power
dropped to the level of
biological survival**

Box 8.1.

Escalation of impoverishment

According to the National Statistical Institute, the rate of inflation for the first two months of 1997 is 391.2% (basis 100 in 1996). The price of bread increased by

144.2%, of milk – by 194.2%, of white cheese – by 353.7%. The prices of shoes and clothes rose by more than 300%, and of school textbooks by 369.5%.

The social interaction for the implementation of the transformation has been hindered by the loss of the living standards and the quality of life of significant segments of society, but also by the sharp **worsening of the social climate** and distortion of the **value system** of Bulgarian society. The growing delinquency, which is typically pointed out as the major problem in public opinion surveys, additionally undermines the confidence in state institutions as well as to their ability to protect people. Corruption strengthened increasingly the lack of confidence in the effectiveness of the state institutions to resolve the problems of the country to the benefit of the entire society. The alienation between people grew in parallel to the individualist approach to survival without observing the

**Impoverishment
distorted the value
system**

interests of other members of society. The everyday struggle for living does not provide favourable conditions for the development of society. New processes, which contain prerequisites for a later crisis are unleashed, which, if not contained, may

Box 8.2.

Parameters of the demographic collapse

- Stoppage of the growth of the population. From 9‰ in 1957-1965, the annual growth average declined to negative values of minus 9‰ in the period 1986-1995.
- The natural growth of the population fell from 19.7‰ at the beginning of the century to minus 5.0‰ in the middle of the nineties.
- The aging of the population. In 1946, the population up to the age of 15 was 29.8% of the total number. The share of the population at retirement age (females above the age of 55 and males above 60) was 11.6%. In 1996 the figures are 18.6% and 24.5%.
- The mortality rate increased from 8.1‰ in 1960 to 13.6‰ in the mid-nineties.

endanger the future of the nation. The demographic decline unheard in the history of Bulgaria and the emigration of young people led to a substantial reduction of the economically active part of the population. This endangers national security at present and will endanger it in the future. The lowest level of the birth rate, registered in 1996, shall be the reason for new lows of the birth rate some 20 years later. Not sufficient recruits will be available for the army. The aging of the Bulgarian nation will continue. According to the demographic forecasts of the National Statistical Institute, in the year 2000 the number of recruits in the army (both age cohorts – 18 and 19 years of age) will be reduced to 106 thousands (against 133 thousands in 1993). In 2015 the reduction will reach 70 thousands. The number of the economically active population, which has to support an increasing number of pensioners, shrinks uninterruptedly.

8.2. Science in the conditions of crisis

A rather telling manifestation of consequences of the crisis in society is the **crisis**

in science. It activates social disintegration and, on its part, reduces the possibilities for the civilised transformation to a market based economy. By the current finance deficit an unprecedented reduction occurred of **expenditures for science as a share of the GDP.** In 1996, 0.29% of the GDP, or Levs 3,000 Million have been spent for science. In Europe the annual average expenditures for science have been 2.5% to 3.0% of the GDP during the recent years. Empirical data substantiate the point that 0.3% of GDP is the limit under which the scientific structures usually collapse. No other former socialist country has cut expenditures for science so drastically.

Well established scientific structures have been destroyed. A series of scientific institutes have been closed or lead poor existence. The Bulgarian Academy of Sciences is now forced to the humiliating position to permanently beg for budgetary support. No beneficial conditions for the establishment of private or joint organisation of scientific research have been set. The staffing of Bulgarian science declined. The average age of the Bulgarian scientist grows. Thousands of young and promising scientists and inventors left the country to seek better conditions for life and work. This endangers the natural reproduction of the scientific potential in Bulgaria. The country loses its prospects. In order to develop research, the structural changes are not sufficient but **scientists** are also needed. In the conditions of economic and social crisis, developed countries regard science as a strategic branch. Exactly the opposite happened in Bulgaria. Economic prerequisites led to cuts in the budgetary expenditures for science and education. However, it has been proved, that even with a certain delay, scientific research may push the economic cycle ahead to growth.

The crisis in science endangers the **national security.** The point does not concern the reduction of special military and related research activities alone which are linked directly to the security, where Bulgaria had already a leading position. The

The crisis in science undermines national security

collapse of the scientific structures reduces strongly its national prestige. A perception for vulnerability appears, when this process coincides with austerity budgets in other spheres like defence and health care.

The crisis in science has the most disturbing consequences in relation to **human resources**. The intellectual ceiling of the nation is lowering. People develop pseudo-market notions, consumption psychology, and a common opinion, that science is a not affordable luxury in this society. Moreover, the crisis of science destroys human relations, the public morale, and cultural life. The basic reason for the crisis of Bulgarian science is the absence of clear understanding of its role in the contemporary **and future** Bulgarian society. The absence of a clearly defined position of what is the nation heading to, awakes negative prejudices among the majority of Bulgarians concerning the necessity to develop national science. This public notion sometimes serves as an argument for politicians and justifies cuts on possibilities for existence and success of the Bulgarian science. This discourages and demoralises the Bulgarian scientists. The late years gave plenty of examples, when capable Bulgarian scientists turn to non-proper activities only because of the much better material stimuli in other spheres. Scientists meet no partnership on the part of the state and seek their self-realisation abroad. Scientific schools which have been built up for decades are loosing their potential or disappear. This diminished activity strengthens the impression that our science is „dying out“ and „has no role“ in future Bulgarian society. In the emerging value system the individual devotion to science is not a prestigious and attractive choice.

A vicious circle emerges. The crisis in society is fostering the crisis of science; on its part, the crisis of science makes the way out of the crisis of society more difficult and protracted. The feeling for perspective and development disappears.

The lack of clarity and public consensus on the **future** of our society is hamper-

ing not only the science, but many other action spheres to find their way out of the maze. The potential paths of societal development are not predetermined. Different scenarios of progress or regress are possible. Different views on the future of Bulgarian society exist. A specific role and development of Bulgarian science corresponds to each of them. If the state should rely predominantly on tourism and agriculture, the science sphere could be narrowed around research, related to these activities predominantly. If society sets for an all-out development of the country, where the natural resources and the educated human resources would be utilised to an optimum, science will play a much more important role.

**The crisis of science
hinders the overcoming
of the crisis of society**

Box 8.3.

The Gross Domestic Product and the development of science

The analysis of the current status of science, of its material basis, information resources and international contacts shows, that to enable its recovery, **it is necessary to provide at least 2.5-3%, but not less than 1.5% of the GDP, for this branch in the course of the next 3-4 years.** In the case of 1.5% of the GDP,

20 years shall be needed to align the financial provisions for one scientific position in Bulgarian science with that in the European Union of 1991. Only allocating this percentage of the GDP to science will enable applied research which, on its turn, will allow the country to recover from the crisis.

8.3. Who wins and who makes losses from the transformation?

The deepening of crisis in all of its aspects brought about substantial changes in mass consciousness. For a segment of the population, the polarisation and the impoverishment became a source for nostalgic feelings about „the good old times“ of economic and social guarantees. For another part the polarisation and the impoverishment became the main reason for protest against institutions, and against the party elites ruling the country. Both ways of estrangement from the reforms, although with different intensity, are influencing the on-

The common feature of profiteering groupings is not obeying the law

going transformation rather negatively. The support to the reform disappears, inimical attitudes arise to institutions which are expected to implement the reform.

Political forces do not always have real knowledge about the content and the depth of these processes. When **on power** and contributing to worsening the economic and social contradictions, they try to present the social tensions as a phenomenon which is inspired predominantly by the political opposition. When **in opposition**, the same elites try to take the lead of public dissatisfaction with the aim to achieve higher political positions. But when they take the power, especially of its executive branch, the mechanisms of „unmet expectations“ starts to work against them. Most governments after 1990 resigned because of mass protests against their „high social costs“ policies.

A long period of cultivation of democratic reflexes is necessary to enable the political elite to grow up to the understanding, that in the conditions of a deep crisis, confrontation is counter-productive. A widely shared anti-crisis programme should be adopted, and not to be attacked on political reasons later. It is natural that approaches for resolving the crisis differ. However, in case that an agreement on principal issues would be achieved, as for the protection of the national production, the need of aid from the IMF, the combating corruption in the state administration, etc., this agreement should be immediately settled legally as a basis for government and introduced in the national anti-crisis programme divested from political bias.

Seven years after the beginning of the changes it is obvious, that the transformation was **beneficial** only for narrow segments of society. These groups cultivated a common psychology and philosophy and are united by common **interests**. Among them the aim prevails to destabilise the state institutions and to hinder the introduction of a modern and stable legislation, to

supplement the market methods of economic activities by force, to apply non-market approaches, in most cases illegal, to achieve control over the banking and the customs. These circles are unanimous in the fight against law and order which could hinder their fast and enormous profits. Their ruthless strive for profits is caused by their own over-appreciation, and by the desire to imitate standards of life of the Western economic elite. Despite contradictions within these groups, by attempts of institutions to act against them, they oppose them as a homogenous force.

Among these groups are:

A. Representatives of the **nomenclature and high ranking managers** before and after November 10, 1989. They used reserves of the state, and links between themselves (especially the employees in the system of state security) to export large amounts of foreign currency abroad, or to invest it in trade operations with deficit goods. Many of these persons, former officers of state authorities, established parallel financial and economic structures, and use Mafia methods for their enrichment. Gaps in the legislation were abused and huge profits earned by following the exemption of non-profit organisations from custom duties, for instance. As a result of legally allowed tax alleviation, in 1992 the foundation „Sapio“ earned a fast profit of US\$ 10 Million which were exported abroad. In this period the mechanisms of commodity deficits were still there and investments in specific trade operations resulted in fast return and high profits. Large and fast profits were also accumulated during the UN imposed embargo on Yugoslavia mainly through illegal exports of oil derivatives. High profits of up to 3,000% were obtained by illegal import of cigarettes and liquors when avoiding custom duties and excise tax. In this sphere the interaction with Mafia structures is intensive.

B. Corrupted **politicians** and officials from the **state administration**. By the current underdeveloped forms of market eco-

onomy, red-tape, bottlenecks for the business, restrictions, quota limits, hampering custom regulations, voluntary decisions on issuing licenses and sell-off of municipal and state property there is a fertile soil for corruption. Large transactions were made possible through the mixture of individual, political, and lobbyist interests. They led to strong infringements of national interests and stimulated feelings against the government. Over-export caused the grain-crisis and the increase of the bread prices. Following a series of suspicious transactions, the state company „Neftohim“ in Bourgas faced bankruptcy. A drastic increase of prices of fuels was imposed in order to stimulate recovery, which, on its turn, unleashed the hyperinflation at the beginning of 1997.

C. Criminal groupings and Mafia-circles. Even though proprietors of „dirty money“ strive to legalise them, converting their activity into legal businesses, the ineffective legislation, the weakened institutions for legal protection, and the delinquent environment created conditions for the establishment of Mafia circles. They act on rules borrowed from the global Mafia experience. The newly emerged security business functions according to the same rules. It is hardly possible to distinguish this business from racketeering, because the assignments for these services are imposed on behalf of the servers. The large sums, accumulated by these structures, are exported abroad or invested in the cash privatisation. This is the firm ground of their future economic power. Destruction of previous legal structures without establishing substitutes was the first open door for the current criminal wave. The second were chaotic changes in the law. The obsolete legislation was eliminated without enforcing new regulations to determine the rules in the new market conditions.

Various structures joined the illegal business – the state administration, the political and the business nomenclature, former officers of the Ministry of Interior

and of the State Security Committee, delinquent persons, former sportsmen (the violent structures of the economic groupings). These circles accumulated already huge initial capitals and now try to legalise their business through switching over to „national entrepreneurship“, „insurance“ and „banking“. The transformation according to the current model is fully acceptable for them.

Box 8.4.

The „grey zone“ of the illegal and quasi-legal business

In the grey zone, free from state control, structures emerged accumulating capital by illegal or quasi-legal methods:

- Establishment of private banks with state credits of low interest;
- Incorporation of joint ventures with quasi-external capital, but with entitlement to export profits;

- Issuing export licenses for metals, agricultural products, and other commodities, which turned to be extremely profitable in the not yet liberalised price system in the country;
- Organising channels for illegal cross-border traffic, for example of stolen cars.

The major problem during the economic transition in Bulgaria is not so much the very fact of emerging and increasing of the Mafia or quasi-Mafia groups, but the absence of normal market conditions, of authentic market actors, and of normal market behaviour. These factors, plus a sound contemporary legislation of European type, are the most solid prerequisites for restricting the power of the „new masters“ in Bulgaria.

There is still another segment of the population, who found their place in the new, even not sufficiently developed, market relations. These are the representatives of the small business, who managed to confirm their place in the new, even not well developed market relations. Despite the extinguishing taxation policies and high interests, they succeeded to survive. The representatives of the emerging group of rentiers have also no reasons for complaints against the transformation. The group comprises predominantly individuals who received restituted property and supplement their incomes with rents. No conditions for

The illegal business is actively seeking legalisation

Luxury consumption
against the background
of mass poverty

property to be included in the investment process exist yet. In fact, incomes of this type have a relatively low share in incomes received by households. The National Statistical Institute announces that 1.2% of the incomes of households come from obtained property.

The above mentioned groups who won from the transformation in its present form have an even easier access to larger shares of the public wealth. The consumption on behalf of the first three of the above mentioned groups has luxury character which is not common in the country. In bigger towns this creates the impression of wealth and well-being. Simultaneously, the survey on household budgets, carried out by the National Statistical Institute in 1996 indicates, that almost 50% of the incomes of the population are used for food. The expenditures on many other items are minimal, for example on furniture:

Table 8.4.

Expenditures of the households by type and by residence of households			
Type of expenses	Total	Towns	Villages
Relative share			
Total expenses	100.0	100.0	100.0
Food	48.2	46.9	51.2
Liquors	1.8	1.6	2.1
Tobacco-ware	2.1	2.2	2.0
Dwelling	3.4	3.8	2.5
Energy for the housing	6.7	7.2	5.7
Furniture	3.5	3.8	3.0
Clothing, shoes, personal belongings	6.5	7.0	5.3
Personal hygiene and health care	3.6	4.0	2.8
Education and free time	2.5	2.9	1.5
Transport and communications	7.6	8.1	6.4
Family farm	3.7	1.3	9.0
Other expenses	10.4	11.2	8.5

The impoverishment of large families, unemployed and pensioners is fast. They spend more than 50% of their incomes on food. These groups suffer rapid and massive, absolute and relative restriction of

incomes and worsening of their quality of life, which includes social indicators like delinquency, parameters of the environment, bad socio-psychological climate and stress caused by impoverishment. These are the reasons for the increase of mortality rate during the last years and for the reappearance of eradicated diseases like tuberculosis. For a significant part of the population, **the transformation in its nowadays parameters is unacceptable**. In a comparative survey across the former socialist countries, 65% of the pollees in Bulgaria responded that „now they live worse, than in the 80’s“. The transition is not acceptable for the **high social costs** paid for it. Instead the expected growth of the national wealth people meet poverty and unemployment up to wasting of valuable human resources. The personal strategies for survival increased the social disintegration, pushing into the lime-light short-term goals and no middle or long-term objectives in the transition.

8.4. For an anti-crisis programme

The undesirable situation **requires** urgent action, including compromises on behalf of the political forces, mobilisation of all the capable and talented people from the entire population, reasonable external aid at the right time for a rescue programme. Both the governing and opposition political forces must grasp the fact, that the collapse of economy is harmful to both parts of the political elite. One of the worst tragedies in Bulgaria during the last decade is the polarisation of the political forces, the definition of political positions on the basis of the „anti“- principal, the fight against any, even reasonable proposals of an opposite side, solely on political reasons. The pluralism which is necessary for the democratic process has been substituted by the domination of the two political poles. The structural reason for this is the lack of a solid middle class to build up the fundament for the political centre.

There is a threshold, beyond which no normal mechanisms for changing the po-

litical elite are applicable. Beyond this limit there is the chaos, which makes the normal political life impossible. In a situation like this the introduction of legislation which is adequate to the economic progress is difficult. The mechanisms for regulating the economy are ineffective. In order to redirect the transition towards servicing the national objectives and the economic, political, and cultural interests of Bulgarian people, it is necessary to outline and urgently accept a new conceptual framework for the implementation of the anti-crisis programme and the market reform.

First, due to the complex influence of various components of the crisis, it is impossible to search for a complex solution to it now. More than ever before, it is necessary to give an answer to the question: Where to start from, which priorities of the anti-crisis programme to select? This could be done only if the political forces refer without any demagogy to highly qualified teams of experts for the task of drafting a scale of priorities and seek to achieve consensus for outlining the anti-crisis programme.

Second, strong political will is needed on behalf of all political parties for the **consequent continuation of the market reform**. Seven years after the beginning of the changes it became dramatically clear, that our approach to the reform is mistaken. By a primitive market economy and destroyed, yet still existing state-centralised economic system, the results of their combination are sad. It is not affordable to combine state property of more than 80% of the industrial enterprises with free prices and over-liberalised currency regime. This leads to combining the faults of both systems in a knot. Approaches should be sought for the establishment of a market economy, which motivates the initiative and the activity of the population, and not to stimulate the search for comparisons with former periods.

Third, it is necessary to combine the **anti-crisis with middle-term and long-term programmes** for the transformation. The

anti-crisis measures should not undermine the future, longer-term solutions. Experience says that the continuous use of budgetary deficits for social policies reflects negatively on the functioning of the economic system in future. Immediate anti-crisis measures should be applied in a way to minimise their long-term negative impact. Otherwise, part of the difficulties of the reform will be passed from one generation to another.

For clear defining of reform priorities

Box 8.5.

Elements of the anti-crisis programme

- **Promotion of business and export, and acceleration of privatisation;**
- **Introduction of a Currency Board and keeping inflation under control through fixing the exchange rate of the Bulgarian Lev;**
- **Financial recovery of enterprises and liquidation of loss-making enterprises;**
- **Social protection for redundant workers;**
- **Establishment of a social protection network for the poor strata of the population;**
- **Strengthening the bank system through sell-off or restructuring of non viable banks;**
- **Increase of the compliance to tax-collection, especially to gathering taxes from big tax-payers;**
- **Agreement for reliable financing from the international financial institutions.**

Fourth, it is necessary to pursue the **structural adjustment**, which has been postponed by all governments after 1989. However, not abstract constructions of the „fairy tales“-type are necessary, but to launch an active, immediate reform, which corresponds to the need to combine the anti-crisis programme with a long-term reform for liberalisation of the economy. In this respect, **the privatisation** of property is only a **prerequisite** for a way out of the crisis and not an instrument of an anti-crisis policy. The understanding of privatisation as privatising solely the profit should be eradicated. This means to eliminate the groups who stay at the outlet of the productive system and earn the financial results from openly or secretly privatised enterprises. In order to reach fair results from the transformation of the state property, it should be distributed broadly among the population using the mechanism of privatisation. Following the initial distribu-

For promotion of the enterprise initiative

For privatisation which develops a middle class

tion, privatisation could contribute to the improvement of the economic and social situation of the population only when implementing its **function**, namely provision of commodity markets, establishment of a normal capital market, stabilisation of the monetary system. In its social dimension, the privatisation could be turned into a mighty lever for the social transformation through its contribution to the establishment of an independent segment of proprietors in Bulgaria.

The reduction of the „dolarisation“ of the national economy is of utmost importance for the achievement of an immediate effect from changing the property over the industrial enterprises. The large increase of the volume of imported raw materials for the production of Bulgarian goods and services (more than 3 times), will lead unavoidably to hyper-inflation by every next devaluation of the Bulgarian Lev. Together with the rapid impoverishment of the population it will cause total destruction of all economic links and an unfavourable impact on the reproduction process. That is why it is an immediate goal of the structural adjustment to stimulate a new process of „Bulgarisation“ of the raw-material and energy basis of the national economy in compliance with a stable involvement of the scientific-technical component in the local production.

The structural reform should not be an end in itself. It could contribute for the human development if it provides conditions for the well-being of Bulgarian people, for their dignity and new economic self-confidence. The reform could contribute to the development of the economic potential if it is beneficial for the economic development, which leads to real economic growth. This means: economic growth without new unemployment and polarisation of the wealth. This means a growth, which contributes to the development of the culture and the democratic institutions.

Fifth, rapid consolidation of the institutions in the Republic of Bulgaria is nec-

essary. **In this respect, even more topical becomes the conclusion of the publication „Bulgaria 1996. Human Development Report“: „The consolidation of the state institutions is the key for the solution of any other economic and social problems“.**

The simplified understanding of the total withdrawal of the state from the economic activities as a dynamic element of the market reform should be abandoned. Indeed, the disassembling of the centralised system requires privatisation of production capacities, reduction to a minimum of subsidised and inefficient enterprises, and the implementation of direct production investments on behalf of the state. That means not an elimination of the regulatory role of the state, but establishment of a favourable institutional environment for the implementation of the reform, namely modern legislation, control on the currency turnover, reasonable budgetary policies. No transformation is possible without the regulatory and supportive role of the state. The state is the basic factor which could protect the local production in a period of shrinking of both the external and the internal markets. In other words, the state must determine the rules of the transformation. It should stop the plundering of the state property, protect individuals and their private property against crime, create a favourable climate for business development. No social integration is possible without a legal order. A key issue for the implementation of the transformation is the potential of the state to be used for strengthening the links between the economic reform and the social interaction in the course of the transformation.

Sixth, despite the difficulties in the period of the economic crisis, it is necessary to combine every short-term anti-crisis or long-term transformation measures with social guarantees for the participants in the reform. In the period of macro-economic imbalance „compensation criteria“ should be applied. In other words, those who earn from the transition should grant part of their benefits to others, who sustain losses

The structural adjustment cannot be postponed

from the transformation, in order to make the process more acceptable for larger groups of the population and to avoid social tensions. This could be achieved only by an efficient taxation policy of the state and by a modern network for social protection. The world experience shows that in a situation of crisis it is possible to apply measures (not always unbearably expensive), in order to „socialise“ the reforming economies, by passing information to employed about the prospects for further employment, by offering information services to the potentially and the really unemployed, by organising vocational retraining, compensation programmes and programmes for development of the small business. It is of extreme importance to accompany the structural reform by measures for social protection of people, who stay jobless as a result of closures. Those, who are gifted for entrepreneurship should be supported to start their own business, and others to be re-employed. In the whole process of transformation **political guarantees for the irreversibility of the transition to market economy and democratic structures**

should be implanted. The reform should not be restarted by every change in the political elite. It is a Bulgarian paradox that all parties are in favour of the reform and changes, but no real progress and movement has started yet. The main question is: could sufficient forces and reserves be discovered in order to set the mechanism of recovery in motion and to achieve economic growth, or the country will dive in chaos and hopeless stagnation, every time seeking the „bottom“, which proves to be deeper by every new critical situation. Some grounds for optimism exist despite the severe situation. They refer to the qualified and educated labour force, to the developed and not fully exhausted industrial basis, to the traditions in agriculture.

If social agreement, common political will for changes, and progress would be developed, then the Republic of Bulgaria will be able to enter the 21st century as a middle-developed European country with its own potential and orientation to fully participate in the European integration processes.

**For modern taxation
policies and effective
social insurance**

APPENDIX TABLES

Life expectancy at birth (years)	1995	70.6
Adult literacy rate (%)	1992	97.9
Combined first-, second- and third-level gross enrolment ratio (%)	1995	69.1
Real GDP per capita (PPP\$)	1995	4071
Adjusted real GDP per capita	1995	4071
Life expectancy index	1995	0.760
Education index	1995	0.883
GDP index	1995	0.742
Human development index	1995	0.795

1. Human development index

Life expectancy at birth (years)	1995	70.6
Maternal mortality rate (per 100,000 live births)	1995	13.9
Population per doctor	1995	288
Scientists and technicians (per 1,000 people)	1995	4.2
Combined first-, second- and third-level gross enrolment ratio (%)	1995	69.1
Tertiary full-time equivalent gross enrolment ratio		
Total (%)	1995	26.3
Female (%)	1995	31.1
Daily newspapers (copies per 100 people)	1995	14 ¹
Televisions (per 100 people)	1995	17.6 ²
Real GDP per capita (PPP\$)	1995	4071
Real GDP per capita (PPP\$)	1994	4908
¹ Single circulation ² Only registered		

2. Profile of human development

Unemployment rate (%)	1995	14.7 ¹
Youth unemployment rate (%)		
Male (age 15-24)	1995	37.0 ¹
Female (age 15-24)	1995	38.4 ¹
Adults with less than upper-secondary education (as % of age 15-64)	1995	40.6
Ratio of income of highest 20% of households to lowest 20%	1994/95	6.5
Average annual rate of inflation (%)		
based on XII.1994	1995	32.9
based on XII.1995	1996	310.8
Injuries from road accidents (per 100,000 people)	1995	104
¹ Labour force survey by October 1995		

3. Profile of human distress

4. Violence and crime

Prisoners (per 100,000 people)	1995	115
Homicides in selected cities (Sofia, per 100,000 people)	1995	3
Drug crimes (per 100,000 people)	1995	13
Total number of reported adult rapes (thousands)	1995	0.358 ¹
Suicides (per 100,000 people)		
Male	1995	24.8
Female	1995	9.6

¹Registered rapes committed on persons over 18 years

5. Health profile

Adults who smoke (%)		
Male	1996	40.8 ¹
Female	1996	16.5 ¹
Alcohol consumption per capita (litres)		
Wine	1995	8.5
Brandy	1995	2.7
Likelihood of dying after age 65	–	
AIDS cases (per 100,000 people)	1995	0.41
People with disabilities (as % of total population)	1992	3.5 ²
Health bills paid by public insurance (%)	–	
Public expenditure on health (as % of total public expenditure)	1995	8.8 ³
Private expenditure on health (as % of total public expenditure)	1995	4.2 ³
Total expenditure on health (as % of GDP)	1995	3.6 ³

¹ Share of everyday smokers at 15 years and over
² Disabled persons aged over 16 years, as a % of the population over 16 years
³ As estimated for Bulgarian national accounts

6. Education profile

Full-time students per 100 people (age 5-29)	1995	46.4
Secondary full-time net enrolment ratio (%)	1995	67.9
Upper-secondary technical enrolment (as % of total upper-secondary)	1995	19.2
Tertiary net enrolment ratio (as % of ages 18-21)	1995	31.6
Tertiary natural and applied science enrolment (as % of total tertiary)	1995	2.0
Public expenditure on higher education (as % of all levels)	1995 ¹	14.5
Public expenditure per tertiary student (PPP\$)	–	
Public expenditure on education (as % of GDP)	1995 ¹	3.6
Total expenditure on education (as % of GDP)	1995 ¹	3.9

¹ As estimated for Bulgarian national accounts

Radios (per 1,000 people)	1995	55 ¹
Televisions (per 1,000 people)	1995	176 ¹
Annual museum visits (per person)	1995	0.5
Registered public library users (thousands)	1995	1194
Book titles published (per 100,000 people)	1995	55.3
Main telephone lines (per 100 people)	1995	36
Fax machines (per 100 people)	1995	0.14
¹ Only restered		

7. Communication profile

Labour force (as % of total population)	1995	44.2
Percentage of labour force in		
Agriculture	1995	24
Industry	1995	34
Services	1995	42
Future labour force replacement ratio	1995	86.9
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)	–	

8. Employment

Unemployed persons (thousands)	1995	520.8 ¹
Total unemployment rate (%)	1995	14.7 ¹
Unemployment rate		
Male	1995	14.4 ¹
Female	1995	15.0 ¹
Youth unemployment rate (%)		
Male (age 15-24)	1995	37.0 ¹
Female (age 15-24)	1995	38.4 ¹
Incidence of long-term unemployment (%)		
More than 6 months		
Male	1995	75.2 ¹
Female	1995	76.8 ¹
More than 12 months		
Male	1995	62.6 ¹
Female	1995	67.2 ¹
Discouraged workers (as % of total labour force)	1995	5.5
Involuntary part-time workers (as % of total labour force)	1995	0.3
Unemployment benefits expenditure (as % of total government expenditure)	–	
¹ Labour force survey by October 1995		

9. Unemployment

10. Women and capabilities

Female net enrolment		
Primary – ratio	1995	98.8
Secondary – ratio	1995	78.5
Female tertiary students (per 100,000 people)	1995	3626
Female life expectancy at birth (years)	1995	74.8
Total fertility (rate)	1995	1.2
Maternal mortality rate (per 100,000 live births)	1995	13.9

11. Women and political and economic participation

Administrators and managers		
Female (%)	1995	28.1
Female as % of male	1995	39.0
Professional and technical workers		
Female (%)	1995	62.4
Female as % of male	1995	165.8
Clerical and sales workers		
Female (%)	1965	74.0
Female as % of male	1995	284.6
Service workers		
Female	1995	57.0
Female as % of male	1995	132.6

12. Wealth, poverty and social investment

Real GDP per capita (PPP\$)	1995	4071
GNP per capita (US\$)	–	
Share of industrial GNP (%)	1995	33.6 ¹
Income share		
Lowest 40% of households (%)	1995	20.4
Ratio of highest 20% to lowest 20%	1995	6.5
Social security benefits expenditure (as % of GDP)	1995	11.1 ²
Public expenditure on education (as % of GDP)	1995	3.6 ²
Public expenditure on health (as % of GDP)	1995	3.4 ²
¹ As % of Gross Value Added		
² As estimated for Bulgarian National Accounts		

Export-import ratio (exports as % of imports)	1995	102.2 ¹
Export growth rate as % of import growth rate	1995	91.3 ²
Trade dependency (exports plus imports as % of GDP)	–	
Terms of trade 1994=100	1995	97.6
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.		

13. Resource flow imbalances

Urban population (as % of total)	1960	38.0
	1995	67.8
	2000	69.0
Urban population annual growth rate (%)	1960-1995	1.4
	1994-2000	-0.7
Population in cities of more than 750,000		
As % of total population	1995	13.3
As % of urban population	1995	19.6
Largest city – Sofia		
Population (thousands)	1995	1142
Growth rate (%)	1990/1995	-0.4

14. Urbanization

Estimated population (millions)	1960	7.9
	1995	8.4
	2000	8.1
Annual population growth rate (%)	1960-1995	0.2
	1995-2000	-0.7
Total fertility rate	1995	1.2
Contraceptive prevalence rate, any method (%)	–	
Dependency ratio (%)	1995	48.9
Population aged 65 and above (%)	1995	15.2

15. Demographic profile

**16. Natural resources
balance sheet**

Land area (1,000 km ²)	1995	111.0
Forest and woodland (as % of land area)	1995	34.3
Arable land (as % of land area)	1995	42.3
Irrigated land (as % of arable land area)	1995	19.9
Internal renewable water resources per capita (1,000 m ³ per year)	1995	2.3
Annual fresh water withdrawals		
As % of water resources	1995	15.8
Per capita (m ³)	1994	354

**17. Energy
consumption**

Production as % of national energy reserves		
Coal	–	
Natural gas	–	
Crude oil	–	
Commercial energy production average annual growth rate (%)	1995-1990	-1.1
Commercial energy consumption average annual growth rate (%)	1995-1990	-4.0
Commercial energy use (kg of oil equivalent per capita)	1995	2907
Commercial energy efficiency (energy consumption in kg of oil equivalent per \$100 GDP)	1995	188.7
Commercial energy imports (as % of merchandise exports)	–	

**18. Environment and
pollution**

Greenhouse gas emissions (CO ₂ emissions)		
Thousands of tons	1995	72808
Share of world total	–	
Major protected areas (as % of national territory)	1995	4.4
Spent fuel produced (metric tons of heavy metal)	–	
Hazardous waste production (1000 metric tons)	1995	14174
Municipal waste generated (kg. per person)	1995	536
Population served by municipal waste services (%)	1995	97.7
Waste recycling (as % of apparent consumption)		
Paper and cardboard	1995	44.8
Glass	–	

GDP (US\$ billions)	1995	12.9
Agriculture (as % of GDP)	1995	13.9 ¹
Industry (as % of GDP)	1995	33.6 ¹
Services (as % of GDP)	1995	52.5 ¹
Consumption		
Private (as % of GDP)	1995	69.9
Government (as % of GDP)	1995	7.6
Gross domestic investment (as % of GDP)	1995	14.4
Gross domestic savings (as % of GDP)	1995	14.2
Tax revenue (as % of GNP)	–	
Central government expenditure (as % of GNP)	1995	7.8
Exports (as % of GDP)	1995	44.6 ²
Imports (as % of GDP)	1995	44.9 ²
¹ As % of Gross Value Added		
² As estimated in Bulgarian National Accounts		

19. National income accounts

GNP (US\$ billions)	–	
GDP annual growth rate (%)	1995	2.1
GDP per capita annual growth rate (%)	1995	2.5
Average annual rate of inflation (%) based XII.1994	1995	32.9
based XII.1995	1996	310.8
Exports as % of GDP (% annual growth rate)	–	
Tax revenue as % of GNP (% annual growth rate)	–	
Overall budget surplus/deficit (as % of GNP)	–	

20. Trends in economic performance

BIBLIOGRAPHY

Annual Bulletin of Housing and Building Statistics for Europe and North America (1996) New York and Geneva: United Nations/ Economic Commission for Europe.

Current Economic Conjuncture Monthly (1996-1997) 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).

Economic Survey of Europe in 1996-1997 (1997) New York and Geneva: United Nations/ Economic Commission for Europe.

The Economy of Bulgaria till 1998 (1996) Sofia: Bulgarian Academy of Sciences. Institute of Economy (in Bulgarian)

Foreign Trade of the Republic of Bulgaria (1997) Sofia: National Statistical Institute.

From Plan to Market. World Development Report 1996 (1996) New York : Oxford University Press.

Genov, N., Ed. (1995) Bulgaria 1995. Human Development Report. Sofia: National and Global Development.

Genov, N. , Ed. (1996) Bulgaria 1996. Human Development Report. Sofia: UNDP.

Health Care (1996) Sofia; Ministry of Health, National Statistical Institute (in Bulgarian).

Human Development Report (1996) New York and Oxford: Oxford University Press.

Statistical News (1996) Sofia: National Statistical Institute, 4.

Statistical Reference Book of the Republic of Bulgaria (1996) Sofia: National Statistical Institute.

Statistical Yearbook 1996 (1997) Sofia: National Statistical Institute.