UPDATED ANALYSIS

DEMOGRAPHIC AND SOCIO-ECONOMIC DEVELOPMENT OF PLANNING AREAS – RESULTS AND STATE OF PLAY

( on the proposal of the President of the Republic of Bulgaria)

Sofia, May 2024
On the basis of Article 5(1) and in conjunction with Article 4(1)(5) of the Economic and Social Council Act, by letter ref. No RD-08-7/18.01.2024, the President of the Republic of Bulgaria proposed to the Economic and Social Council the elaboration of an ‘Updated analysis of the demographic and socio-economic development of the planning regions – results and state of play’.

Following the decision of the Presidents Board and the Plenary Session, an Ad hoc Committee was established with co-chairs the Vice-Presidents of ESC Evgeny Ivanov, Plamen Dimitrov and Bogomil Nikolov, and Members Valentina Zartova and Atanas Temelkov (Group I – Employers), Lyuboslav Kostov and Veselin Mitov (Group II – Employees) and Ina Agafonova and Ophelia Kaneva (Group III – Civil Sector).

Rumyana Georgieva, Lyuboslav Kostov and Ophelia Kaneva were appointed rapporteurs for the act. The work of the rapporteurs was supported by the experts Emilia Voynova, Violeta Ivanova, Miroslav Tsekov.

The Ad hoc Committee held two meetings on 9 April 2024 and 7 May 2024, where a draft analysis was discussed and adopted.

At its plenary session on 17 May 2024, the Economic and Social Council adopted this analysis.
1. CONCLUSIONS AND RECOMMENDATIONS

The demographic and socio-economic situation of the planning areas in Bulgaria is a function of many factors and processes. To overcome negative trends and imbalances in and between planning areas, a set of measures is needed, including:

— Undertaking a package of sustainable, long-term, systemic, coordinated, co-implemented and widely acceptable measures to slow down negative demographic trends and to compensate the impact of demographic changes on economic and social life, with a focus on birth rates, labor market, pension system, long-term care, education, health care, territorial distribution of the population, maintenance and development of administrative capacity to implement a horizontal integrated demographic policy.

— Organization of a wide-format public discussion on: the role, importance and opportunities of well-planned urbanization for sustainable social development and economic growth, including large urban centers, smaller towns and suburban areas, and of villages; the need to consolidate administrative-territorial units and statistical comparison regions under the Nomenclature of Territorial Units for Statistics (NUTS); development of a new strategy for polycentric economic, regional and social development of Bulgaria, for equal distribution of economic resources in the country, for improvement and convergence of the quality of life in cities and villages.

1.1. Population (demography)

In recent decades, the processes of unprecedented demographic change, with long-lasting effects, have been undergoing in the world. They are related to the formation of a new balance of population by continents, regions and countries. The states face the need not only to be well aware of current demographic processes and emerging trends in demographic developments, but also to be able to manage the effects of demographic change, taking into account and exploiting all available opportunities, with a view to preserving the competitiveness of their societies and economies.

Demographic change directly affects all sectors and systems of social and economic life. But not every country is affected in the same way. Comparative statistical and sociological data, interpretations, analyses and forecasts can serve to better understand and manage demographic change in the interests of sustainable development, security and growth.

Demographic processes and changes in Bulgaria are part of the development and movement of the population in the world, in Europe and in the European Union. In contrast to many EU Member States, unfavorable demographic trends in Bulgaria are developing at a faster pace, with the ongoing processes of population and workforce decline and ageing.

Persistent and stable is the trend of decline of population and the forecasts are the process to continue.

The territorial distribution of the population in areas, towns and villages is uneven. The rate of urbanization is increasing in a declining population, but the degree of urbanization in planning areas varies.
The natural increase of population is permanently negative. Over the past few decades, birth rates have not been able to compensate for mortality rates, which is why absolute natural population growth is permanently negative. The rate at which Bulgaria is losing population is among the highest in the European Union.

The number of children born is steadily decreasing. The birth rate is the highest in the South-West region, followed by the South-East region. The lowest birth rate is in the North Central Region. The total fertility rate varies by year and by planning area. The number of women of fertile age is steadily decreasing. It reduces the number of children born to mothers under the age of 18. The births of the first child from women over the age of 40 are increasing.

The infant deaths are steadily decreasing.

The level of overall mortality stays persistently high. The number of deaths exceeds the number of births. The mortality rate for men is higher than that of women. Life expectancy varies by year and per planning area. Healthy life expectancy is lower than the country's total life expectancy.

The process of demographic ageing of the population and the change in its age structure (under, at and over working age) continues. The absolute number and relative share of the population aged 65 and over are increasing. Age dependency ratio is increasing. The rate of ageing of the population is increasing. The reproduction of the working-able population is slowing down. The demographic substitution rate is decreasing.

The ethnic and religious structure of the population is preserved.

The educational structure of the population aged 7 and over is significantly improving. There is a trend of increasing the number and share of the population with tertiary and secondary education while decreasing the number of people with primary and lower education. There are significant differences in areas and in cities and villages.

Self-assessments of health and health status vary from region to region. The highest share of those who assessed their own health as “very good” is in South-West, and the lowest – in the North-Central and North-West regions.

All planning areas follow the general negative demographic trends characteristic of the country, but with different speed and intensity. The North-West and North-Central regions are characterized with the most unfavorable demographic situation. In these two areas, we can talk about demographic exhaustion. The most favorable is the demographic situation in South-West and South-Central regions.

Conclusions and recommendations

Demographic imbalances become a problem for economic and macro-fiscal stability, the sustainability of all social systems. They test and introduce new aspects to the overall national security system of the country. For many of the Member States of the European Union, the main challenge in demographic terms is the ageing of the population, with a relative preservation of population numbers mainly through net migration. The situation in Bulgaria is much worse. The population in Bulgaria is both ageing and decreasing, and at a rapid pace. In a context of ageing and population decline, the competition between countries to attract and retain the population and labor force in their territories is
increasing. Therefore, a fourth factor - the quality of life - is added to the three main factors determining the dynamics of the demographic development of the population - birth rate, death rate, migrations. This circumstance significantly complicates demographic analysis and the implementation of demographic policy. The rapid adoption of a set of sustainable, long-term, systemic, coordinated, co-implemented and socially acceptable measures to slow down negative demographic trends and offset the impact of demographic change in all sectors of economic and social life is a good approach to dealing with demographic challenges.

It is extremely important to consider how realistic the opportunities to reverse the persistent negative demographic trends are. In many countries with demographic problems, efforts are more focused on limiting and mitigating the demographic pressures of population decline and ageing and the workforce on welfare systems and public finances. In the new situation anew, more complex approach to demographic change and qualitative transition from statistical registration and observations of trends to their effective management is developed.

Addressing demographic problems in the long term requires sustainable mobilization of all available resources and the use of all available state instruments. In the short and medium term, it is necessary to make better use of the identified possibilities of the so-called ‘demographic time windows’, within which both implemented and linked package measures can lead to real results and improvements, to offset demographic imbalances and population ageing, to increase the stability of social systems and to sustainable economic growth.

The package includes measures in key areas: birth rate, labor market, pension insurance system, long-term care, education, healthcare, territorial distribution of the population, maintenance and development of administrative capacity for managing demographic change and implementing horizontal integrated demographic policy.

1.2. Healthcare

At the end of the last century, the model of the healthcare system in Bulgaria changed introducing financing through social security contributions, due by the worker and the employer, and the state budget covering the costs of medical services for those who cannot pay them. The requirement to pay for health insurance combined with the high levels of poverty in the country predetermine the existence of a large group of uninsured persons who do not have access to health care.

For the period 1996-2022, there has been a near double increase in healthcare funds, which does not appear to be reflected in an increased quality of medical care and an expansion of their scope. In addition, co-payments by patients are the highest in the European Union – more than twice the corresponding costs in the EU. The organization of the current health care system forces the Bulgarian patient to pay the most out of his own money for a health service while receiving it (48%) compared to other patients in Europe who pay between 20-25%. The largest share of co-payments continues to be for medicines and medical devices – still more than 40%. Direct patient co-payments are still among the highest in the EU, limiting access to treatment. As a result, despite significantly improved performance in recent years, Bulgaria is still lagging behind in terms of effectiveness and unmet needs. Therefore, structural changes/reforms are needed to change direction.
In 2021, current health expenditure reached 8.6 % of GDP, compared to 11.0 % in the EU. Despite a significant increase in response to the COVID-19 pandemic, in 2021 healthcare expenditure in Bulgaria amounted to EUR 1708 per capita (PPP), i.e. the second lowest in the EU and around two fifths of the EU average (EUR 4028). However, the performance of the system is weak – mortality, including infant mortality, is high and life expectancy – the lowest in the EU – the Bulgarian lives on average 6 years less than the EU average.

The total number of doctors in 2021 corresponds to the one in 1996, but the summary masks the shortage in a number of less attractive specialties. At the same time, the number of healthcare professionals is decreasing, endangering the work of the healthcare system.

The disproportion and significant differences between health system performance indicators, such as indicators of preventable death, life expectancy and infant mortality, remain geographically available, both between cities and small towns and between income groups. Among the reasons for this are poor primary prophylaxis, widespread prevalence of behavioral and risk factors, problems with accessibility to healthcare, especially in remote settlements.

Staffing in public health structures in the country continues to be in serious condition, with the largest shortage of doctors and other medical professionals. The shortage of specialists in the field of public health puts at risk the effective conduct of all activities concerning both the prevention of human health and well-being in particular and the health security of the country.

The lack of qualified personnel, modern laboratory equipment and adequate financing leads to significant difficulties in the performance of official duties and commitments undertaken by the Republic of Bulgaria under national and European legislation and international treaties and agreements negatively affects the volume and quality of the state control performed.

In the last three years, the COVID-19 pandemic has had a negative impact on the Bulgarian health system. The severe consequences of the pandemic, combined with the political instability in the country, have posed a number of challenges for Bulgarian healthcare, also affecting patients: shortage of doctors and nurses, regional imbalances in access to health care, domination of hospital care at the expense of the irrational potential of outpatient care, personal health surcharge, shortage of medicines, etc. Inflation also affected healthcare institutions with new energy prices, prices of consumables and medicines. The COVID-19 pandemic has focused on the need for further investment in the health sector, including better preparedness for future risks, challenges and shocks in the health system.

Conclusions and recommendations

The current health model restricts patients’ access to healthcare. Reforming a model that follows even more closely and requires financial self-participation for those in need would make it more difficult to treat them. The high level of poverty in the country predetermine the existence of a large group of uninsured people who do not have access to healthcare.

Key indicators such as life expectancy and infant mortality are improving but remain well below average European ones. The average life expectancy in Bulgaria is 71.9, and it decreases compared to the previous year, and remains lower than in the EU – 80.1. The prophylaxis should become the main task of healthcare.
The age structure of healthcare professionals remains unfavorable, with an increasing average age increasing the risk of a generational retirement deficit.

Low pay leads to a shortage of medical personnel. Additional financial resources in the field of health are needed to increase the income of workers and to reach the level of starting salaries by posts according to the sectoral collective agreement. To attract specialists to enter the system of child and school healthcare in municipal institutions, it is necessary to increase the funds for salary growth, which should not lag behind those provided for in the sectoral collective bargaining at national level.

New policies are needed to counter imbalances between cities and small settlements and make prevention and prophylaxis a major task of health. The state investments should be towards the introduction of modern medical equipment to reduce the preventable mortality, respectively the territorial provision of high-tech medical equipment, which will ensure timeliness, equal access and quality of the medical services provided in the relevant medical field.

There are also increasing risks of closure of hospitals in municipalities and remote areas due to insufficient provision with doctors and other medical professionals due to their uneven distribution on the territory of the country.1

Investments are needed to create a single health information system to accelerate the use of eHealth, innovation and digitalization in the treatment process and to ensure adequate working conditions for those working in this field.

It is necessary to waive the requirement to pay contributions for a 5-year period for the recovery of health insurance rights.

Prevention and prevention should become a core task of health, ensuring adequate funding. Government investment in modern medical equipment is needed to reduce preventable mortality. There is also an uneven distribution of services and workforce across localities and occupations, with doctors and hospitals concentrated in urbanized areas. Along with the considerable number of beds for active treatment and the shortage of general practitioners and nurses, access to outpatient care in rural areas is difficult. Follow the aim of the National Long-Term Needs Map for Health Services 2023 in order to eliminate regional health inequalities, including in terms of accessibility.

1.3. Education and youth

Investment (not just in the form of funds, but through targeted and consistent policies) in young people and in education is an investment in the future and prospects of a country.

- Measures and policies need to be developed beyond the existing ones to broaden the scope and ensure the long-term sustainability of informal learning providers (youth organizations, youth centers, etc.).
- Further efforts are also needed and the creation of better conditions to fully promote lifelong learning in all age groups and concrete measures to promote already existing opportunities.

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1 Annual report on the state of health of citizens in the Republic of Bulgaria for 2022, MH
• The ESC recommends the introduction of a “Youth test or Youth check” or an “EU youth impact assessment” adapted to a national context.²

• In addition to raising education expenditure to a share of GDP similar to the EU average, ESC recommends that in-depth measurement of the efficiency of expenditure in the education system (regardless of the level) be carried out with clear measures of effectiveness and impact.

• Further measures and tools are needed to increase digital skills in the 25-64 age group.

• An in-depth analysis of the impact of a measure such as the removal of tuition fees for students (public procurement) and its complementarity with quality improvement measures is needed. The issue of unequal access to universities in different regions of the country is also on the agenda.

• ESC recommends conducting an in-depth public discussion on the place and role of youth policy, as well as its coordination and its relationship with other horizontal and sectoral policies – education, social policy, demography, etc.

Finally, the review and follow-up of outcomes and problems within the education system should also address issues related to the involvement of different stakeholders (parents, pupils, students, providers, etc.) in the management and evaluation of the educational process through different structures – public, public-private, student councils, student councils, etc. The subject on which no structured data is currently available at national level.

1.4. Structure and development of the economy

The economic development of planning areas is asymmetrical. Cross-regional disparities at NUTS2 level in macroeconomic indicators have fluctuated widely, and the continuation of this trend in recent years is an indicator of the strong polarization of the development of economic activities. The tertiary sector has a leading role in all years – the services sector, mainly due to transport, tourism and trade.

The South-West region, as measured by individual macroeconomic indicators, has a dominant role, followed by the South Central Region and the South East Region. A leading factor in the disproportion is the situation of the capital in the southwestern region.

The quality of the transport infrastructure, as well as the delayed construction of infrastructure and connecting links from the regional centers, is also affected to increase the imbalances between Northern and Southern Bulgaria.

A possible factor to reduce the differentiation between planning areas and within areas is to prioritize factors that lead to intense economic growth.

It is advisable to use the potential of so-called “free zones” to reduce disparities between areas within the areas.

² Opinion of the European Economic and Social Committee 2022/C 486/07 on EU Youth Impact Assessment, European Economic and Social Committee 2022
In terms of achieving balanced regional development and favorable conditions for public and private investments in the regions, it is advisable to initiate a discussion on the need for substantial changes in the number and boundaries of planning areas (NUTS 2) in the Republic of Bulgaria. The optimal option is the introduction of 3 (three) level 2 planning regions and 1 (one) level 1 planning region.

1.5. Labor force structure and labor market

The deterioration of the age structure of the population is accompanied by external migration. Over the period 2010-2023, the labor force in the country (15 years and older) decreased, and at a faster pace in the youth groups.

The educational structure of the employed shows a trend of decreasing employees with primary and lower education. There have been significant changes in employment for male and female. Between 2010 and 2022, the employment rate gap widened from 9.8 percentage points to 12 percentage points in favor of male but narrowed slightly to 11.7 % in 2023.

The lack of alternatives to raising young children in childcare facilities leads to a delayed return of the mother to the workplace. Adopting measures to provide places in kindergartens and crèches is a key step towards increasing the number of employees in the 15-34 year group.

Feminized sectors were most affected during the coronary crisis. The specific thing here is that the health crisis was associated with an increase in unemployment and at the will of the workers and employees who refused to take the risk to their health and life against the traditionally low pay they receive for their work.

The number of discouraged persons is greatly reduced. However, structural defects in the labor market continue to deepen, mainly because of the lack of reliable national data on real levels of demand and supply.

The main challenges facing the Bulgarian labor market are the low wages in the country, which together with other adverse factors (low quality of life, widespread corruption, precarious economic environment, etc.) lead to increased emigration of people of working age to other EU countries.

The strong decline in the local economy since the crisis year 2008 has fueled the negative demographic processes in these areas, which are characterized by some of the most unfavorable demographic trends in the country. The process of recovery from the crisis is slow and difficult at regional and regional level. 5 of the 6 districts are still negative compared to 2008, only in the South-West region the number of employees increases.

In relation to most European countries, Bulgaria achieved improved positions in terms of the growth rate of average salary and purchasing power parity in the period 2010-2021. However, the wages in our country remain substantially lower both in relation to some countries on the Balkan Peninsula and the other EU Member States.

The rapid rate of wage growth in Eastern Europe is leading to an acceleration of convergence, but Bulgaria is making a very small improvement in its position, especially vis-à-vis countries such as Romania, which managed to increase from 38.6 % in 2014 to 68.1 % in 2018, compared to levels of
35.4% and 45.3% for Bulgaria in the same years. For Bulgaria, the slow pace of wage convergence and the 60% target, which has apparently not yet been achieved, are a good reason to put this indicator “for observation”.

Over the past ten years, the average wage has increased by about twofold, although a restrictive income policy has been consistently maintained between 2010 and 2017, which slows down the process of nominal and real SRZ growth. To a large extent, this growth is due to dynamic changes in the structure and number of employees. The main contribution to the increase in the average wage is the public sector.

Expanding the scope of collective bargaining systems is key to a fair distribution of the fruits of economic progress. This in turn will lead to a better economic and social environment to improve all demographic indicators in the long term.

Prominent levels of cross-industry wage differentiation remain, although the gap between the average wage in the highest and lowest-paid economic activity narrows slightly from 6.5 times in 2010 to 4.1 times in 2023. This reflects a high degree of distortion and prominent levels of heterogeneous distribution of RR by sector. In some low-paid economic activities, the growth rate remained well below the national average.

Interregional wage differentiation continues to exacerbate the polarization of labor incomes and social inequalities. The strongest lag behind the SRZ is in Blagoevgrad region. A key factor that affects the size of the average wage by district is the presence of structurally defining companies and enterprises with pay levels well below the national average.

Progress in overcoming regional differentiation in Bulgaria has been slow and a number of problems persist. Opportunities to address income inequalities can be achieved through intensive economic growth, promoting better use of available resources (including under operational programs), protecting competition, promoting entrepreneurship, especially in small and medium-sized enterprises and targeted active labor market policies.

Unrestricted opportunities to reduce wage inequalities, including in ever-changing economic conditions, where new occupations and the need for new skills emerge, education and the stimulation of lifelong learning.

Conclusions and recommendations

- The recovery of employment is a function resulting from the demographic crisis in the country. The deterioration of the age structure of the population is also accompanied by external migration, which consists mainly of young people who are not only of fertile age, but are also able to work;
- The sustainability of labor supply, especially highly skilled labor supply, is invariably linked to the convergence of wages in Bulgaria and the EU on equal/similar working conditions.
- Structural defects in the labor market are exacerbated, which are mainly linked to the lack of a clear forecast and plan for staff needs;
• Serious attention needs to be paid to processes of digital transformation and the green transition, as well as their impact on the labor market. With the discontinuation of coal mines and thermal power plants, the structure of the workforce is expected to change. Employees have a skill set suitable for coal mining and coal-fired power generation. They will also need reskilling, upskilling and basic qualifications to meet the needs of the labor market;

• Priority of policies to promote the local economy that support economic diversification/job creation, the development of new economic sectors, the creation and development of enterprises, with the aim of shifting to new jobs after the phasing out of coal energy sectors and the creation of regional transport links for the future development of the economy;

• With the entry of artificial intelligence and new technologies into the labor market, new information technologies will be introduced, which will lead to job losses and even greater wage gaps;

• High youth unemployment in the labor market, which increases with substantial regional differentiation;

• The Bulgarian labor market experienced more moderate blows of the Covid crisis, but great are the challenges posed by the deepening demographic crisis;

• The amount of MMS increased in 2024 by 19.6 % compared to the previous year, but the problem of “working poor” remains. The net minimum wage for the country in recent years has remained above the poverty line, but does not correlate with the cost of living.

• An important step is the transposition of the Adequate Minimum Wages Directive and the State should define national criteria for assessing the adequacy of the minimum wage through dialogue with the social partners. Trade unions insist on compliance with the indicative reference values under Article 5 of the Directive, such as the ratio of the statutory minimum salary to the gross average wage of 50 %, as well as 60 % of the gross median salary. These reference values should be considered as a lower minimum salary size threshold, which the social partners then jointly build on taking into account the necessary means of living, as measured by the ‘maintenance wage’. According to employers, the necessary procedures for determining and updating minimum salary should be established and guided by clearly defined criteria in accordance with national practice. When discussing the reference values for assessing the adequacy of minimum salary, it is essential to compare comparable quantities.

• Employment rates have increased over the past 10 years, but there is no reduction in in-work poverty rates. Thus, in 2022, Bulgaria had 10 % working poor (compared to 7.2 % in 2013) with an employment rate of 54.2 % (vs. 46.9 % in 2013). On the other hand, the general trend for Europe is not in line with that in Bulgaria – the increase in
employment leads to a decrease in the working poor.\textsuperscript{3} This means that the distribution of earnings among employees as a whole can be explained by their individual characteristics and labor market specificities, as well as by other factors. Thus, poverty among them can occur not only when they are temporarily or hourly employed, but also in the case of full-time permanent contracts;

\begin{itemize}
  \item In addition to continuous upskilling and skills in line with labor market needs, collective bargaining is an important tool for tackling low-paid work. For employees covered by an enterprise-level CTA, the average gross monthly salary is 18.6\% more than the same salary of those not covered. In the case of annual salaries, the increase is 22.4\% in the case of CTAs at enterprise level compared to those not covered by the collective bargaining.\textsuperscript{4};
  \item Inequality in the overall distribution of income from all sources in Bulgaria is the highest in the EU and has been steadily increasing in recent years. In 2023, the gap between the incomes of the poorest and the richest 20\% of households was 6.6 times, narrowing from 2022, when it was 7.3 times. Of course, the reason for this inequality is not just wage income. The Gini coefficient reaches a value of 37.2, decreasing compared to the previous year by 1.2 pps. The review and comparison of data over the years indicate a negative upward trend in the values of the coefficient;
  \item Opportunities to address income inequalities can be achieved through intensive economic growth, promoting better use of available resources (including under operational programs), protecting competition, promoting entrepreneurship, especially in small and medium-sized enterprises and targeted active labor market policies. A step in this direction is also the wider application of collective bargaining while respecting the principles of equal pay for equal work, the application of minimum social standards and social dialogue for the fair distribution of added value in the economy. Unrestricted opportunities to reduce wage inequalities, including in ever-changing economic conditions, where new occupations and the need for new skills emerge, education and the stimulation of lifelong learning;
  \item The transposition process of Directive (EU)2022/2041 of 19 October 2022 on adequate minimum wages in the European Union (DAMP), the transposition deadline of which is 15 November 2024, is delayed. The joint expert group to prepare for its transposition was set up one year ago, but so far noticeable joint work has not been carried out;
  \item The process of transposition of EP and Council Directive 2023/970 on strengthening the implementation of the principle of equal pay for equal work or work of equal value through pay transparency and enforcement mechanisms is also delayed. The fact is that almost 11 months since its entry into force, no practical steps have been taken by the Government for a tripartite, joint with the social partners, a working approach for its transposition.
\end{itemize}

\textsuperscript{3} Analysis of the causes, factors and trends for the presence and scope of the group of so-called “working poor”. Recommendations and proposals for legislative changes to limit this phenomenon\textquoteright, ESC, 2024
\textsuperscript{4} Wage structure, NSI, 2023
1.6. Social services

The ESC recognizes the adequate territorial coverage of the infrastructure of social services, as well as the dynamics in its achievement in recent years, according to the demographic situation of the country. And in the context of the already stressed need for flexibility and timeliness of commitments and measures, efforts should also focus on:

- Rethinking the logic of providing social services, which should be seen not only as a compensatory preventive mechanism for consumers in extreme need and as a tool to support the active population.
- The systematic and consistent generation and analysis of data in terms of both the quality of the social services provided and the consumer needs. The data collected should be made publicly available not only to potential users but also to institutional and organizational partners in the provision of services. This will, on the one hand, encourage reflection and an active debate on the modernization of social services and, on the other hand, optimize efforts to prevent social exclusion and stimulate the effectiveness of the support system.
- Measuring the degree of interaction and complementarity between different social services at different levels. In addition, it is necessary to ensure coordination of social services with the needs and objectives of other sectoral policies and services at local level (education, health, etc.) in order to make up for potential deficits there, by expanding the toolbox.
- The models for the development and delivery of new social services are highly fragmented, which poses a challenge for sustainability, both financially (the provision of new social services is often financed through different channels) and in terms of quality of management, building and maintaining service capacity.
- Standards for the financing of social services should be redefined to respond firstly to the real workload of social infrastructure and, secondly, to ensure the necessary flexibility of the service to meet the needs of its users.
- Encouraging partnerships with social service providers.
- Rethinking the mechanism for interaction with local authorities in terms of planning and implementation of social services – state responsibility in view of the alarming demographic picture and trend.

Opportunities should be sought to develop and expand the scope of social services and improve their quality, based on economic rationality and consistent measurement of the efficiency of the input.

1.7. Environment

General conclusions and recommendations for improving air quality:

- promote the transition towards the use of clean and renewable energy sources in cities by citizens and businesses, including by promoting decentralized energy production;
• to step up efforts to promote sustainable transport, including the development of bicycle and pedestrian infrastructure, improving public transport, shared travel and stimulating the use of electric vehicles in large cities;
• to establish new urban areas in order to optimize ventilation and reduce the effects of pollution.

**ESC recommendations to address noise pollution:**

• At the stage of planning and design of new buildings and infrastructure projects, to impose mandatory measures for noise insulation and noise protection. This may include specifications for the use of noise absorbing materials and a design that naturally limits noise.
• updating and tightening the legislation regulating noise levels in different residential, industrial and recreational areas. It is important to set clear limits and ensure that they are strictly respected.
• Promotion of afforestation and landscape interventions as a natural sound insulation strategy. Planting soundproofing green belts around industrial areas, highways and residential areas.
• continue to promote the use of alternative forms of transport such as cycling, walking and public transport through the development of proper infrastructure and information campaigns.

**ESC recommendations related to climate change and its effect on the population of the country:**

• reviewing and supplementing all types of legislative documents with a view to mainstreaming adaptation and climate change issues;
• investments in the health system to increase its capacity to cope with the increased pressure due to climate change, including training of health professionals on climate-related health issues and strengthening health surveillance and response systems;
• developing public health programs aimed at preventing diseases related to climate change;
• the development of green spaces and urban gardens to improve the microclimate in urban areas, reduce the effect of the “hot island” and improve air quality;
• investments in implementing rainwater collection and reuse measures, as well as improving water resource management systems to reduce losses and increase efficiency;
• supporting agriculture through the introduction of technologies for effective watering and the use of sustainable agricultural practices;
• carrying out an assessment of the impact of the population on resources and biodiversity;
• the development and implementation of an integrated approach for assessing and determining the value of ecosystem services in Bulgaria.
1.8. Urbanization

Urbanization in the country is growing and accelerating. The trend of increasing the urban and decreasing the rural population in Bulgaria is persistent.

Differences in economic and social development between cities, towns and villages and planning areas remain and continue to widen. With many social and economic indicators of sustainability, development and growth, cities are ahead of villages. Villages have a dampening impact on economic growth in general for the country and in the planning areas.

Living and working conditions in cities are better than those in villages and this predetermines the increased migration processes within the country from villages to cities and from smaller to larger cities, rapid processes of urbanization and depopulation of rural areas, the gradual depopulation of many villages.

There is a different proportion of urbanized territory in planning areas. There is a different population density in planning areas.

The territorial distribution of the population is uneven according to the administrative-territorial structure of the country. The distribution of the population by planning area is uneven.

According to Regulation (EC) No 1059/2003 of the European Parliament and of the Council of 26 May 2003 on the establishment of a Nomenclature of Territorial Units for Statistics (NUTS), the requirement to form regions for statistical purposes and comparisons and the use of EU financial instruments for the implementation of the European Cohesion Policy is that the population thresholds in the regions should be between 800000 and 3000000.

As of 2022, there are two planning areas in Bulgaria that do not meet this requirement – North-West with a population of 671502 and North Central with a population of 686334. Very slightly above the lower limit of the requirement is a North-East region with a population of 823884.

The distribution of the population by districts and municipalities is uneven. At present, 83 out of 265 municipalities or 31.3% of all municipalities in Bulgaria will not be able to meet the condition for the creation of a new municipality – having a population of more than 6000 people in total in the settlements included in the municipality within the meaning of the Law on the Administrative-Territorial Structure of the Republic of Bulgaria, Art. 86

The distribution of population in cities and towns and villages is uneven. Asymmetrical is the degree of urbanization in planning areas.

Differences in the degree of urbanization in planning areas are formed not only in terms of territorial distribution, density, dynamics, internal migration and population movement, but also in terms of economy, access to economic resources and social infrastructure, income and costs, living conditions and quality of life, well-being and security, employment and work, access to housing and

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6 https://lex.bg/laws/idoc/2133622784
housing, health, education, justice, transport and transport infrastructure, information and communication connectivity, financial security for sustainable development, etc.

Well-planned urbanization, accompanied by complex and systematic measures for development of rural areas, is a condition and a prerequisite for sustainable social and economic development and growth.

Conclusions and recommendations

In modern conditions, economic development and economic growth become a function of well-planned urbanization, including large urban centers, smaller towns and suburban areas, and villages. At the same time, the need for consolidation of administrative and territorial units and regions for statistical comparisons under the of a Nomenclature of Territorial Units for Statistics (NUTS) as well as to create better conditions for reducing interregional and intra-regional disparities in the degree of economic, social and territorial development within the meaning of the Regional Development Act is increasing. There is also a need for a wide-format public discussion on the introduction of new and more effective levels of regional self-government and partnerships.

Despite serious difficulties, it is necessary to think and work towards creating:

- A new vision and strategy for sustainable development of cities and villages to achieve economic growth and balanced social development.
- New administrative-territorial structure of the country.
- New stratification for statistical purposes and comparisons and for the use of EU financial instruments.
- New Strategy for Polycentric Economic, Regional and Social Development of Bulgaria. Development and investments in economy and production with high added value, innovative technologies, digitalization, high digital knowledge and skills of people of all ages, industrial zones and parks, circular economy in cities, high transport and communication connectivity between settlements, equal distribution of economic resources in the country, improvement and convergence of quality of life in cities and villages.
- Enrichment and expansion of statistical indicators in line with changes.
- Introduction of a national and regional assessment of the territorial and demographic impact, i.e. a procedure (or method) for assessing the likely impact of policies, programs, administrative acts and projects on the development of the territory and population in the country.

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