



Original article

# Bulgaria's regional policy: Analysing paradigm shifts and dynamics of territorial inequalities

Hristo Dokov

Sofia University, Department of Regional and Political Geography, 15 Tsar Osvoboditel Blvd., Sofia, Bulgaria

E-mail address: [h.dokov@gea.uni-sofia.bg](mailto:h.dokov@gea.uni-sofia.bg)

ORCID iD: Hristo Dokov: <https://orcid.org/0000-0002-7206-3655>

## ABSTRACT

Domestic regional policies are increasingly expected to tackle significant spatial disparities, promote territorial justice, and ensure equal opportunities, thereby supporting various aspects of sustainability. This article focuses on the case of Bulgaria, serving a dual purpose: it outlines the emergence and evolution of contemporary regional policy in the country and measures the extent and dynamics of socio-economic inequalities at different territorial levels. The conceptualization of a comprehensive regional policy framework following the socialist era was largely driven by top-down Europeanization impulses, which catalysed political debates on the transformed roles of the regions and the necessity for effective decentralisation. However, despite years of domestic regional policy implementation, socio-economic inequalities in Bulgaria remain substantial, with certain peripheral regions notably trailing behind. The comprehensive assessments conducted in this study include primarily descriptive statistics, regression and correlation analyses, time series analyses, and classification/categorization of territorial units. They indicate significant spatial heterogeneity and the prevalence of pronounced 'centre-periphery' patterns, which pose a serious threat to the long-term sustainable development of the country.

KEY WORDS: regional development, regional policy, socio-economic inequalities, cohesion, Bulgaria

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## 1. Introduction

The lengthy transition process in Bulgaria, coupled with ongoing European integration, the evolving role of regional policy, and increasing sustainability concerns, have underscored the significance of endeavours aimed at fostering cohesion and addressing territorial justice. This imperative has brought to the forefront of both political and scientific agendas the need to measure and address spatial inequalities at various territorial levels.

Bulgaria exhibits the most pronounced internal income disparities in Europe, with those at the regional and local levels primarily responsible for

the uneven living conditions. Overconcentration of the population and economic activities in the capital city, coupled with the persistent underdevelopment of certain peripheral regions, has led some to characterize these disparities as an "*insurmountable challenge*" (KALFOVA, 2018, p. 1), a sentiment reinforced by Bulgaria's deteriorating performance on UN Sustainable Development Goal 10 (Reduce inequality within and among countries) (SACHS ET AL., 2023).

While some researchers attribute some positive reforms in Bulgaria's regional policy to the Europeanization process since its accession to the EU (MORALIYSKA, 2016; SIMEONOVA, 2017), the increasing

territorial inequalities suggest shortcomings in national policies for spatial and regional development (DOKOV & STAMENKOV, 2016; DIMITROV ET AL., 2020). Similar critiques regarding the efficiency and coherence of domestic regional policies are also noted across Central and Eastern Europe, where core areas have strengthened their positions while peripheral areas continue to face structural obstacles to modernisation (HORVÁTH, 2014). The prevailing notion that sectoral approaches have overshadowed explicit regional policies (GORZELAK, 2020) aligns well with the case of Bulgaria, prompting further inquiry into transformative processes that could reverse this trend and promote more balanced development. This highlights the pressing need for a focused examination of distinct political discourses, prevailing spatial models, and ‘positioning’ of the different territorial units to develop an integrated and comprehensive regional policy approach.

To provide a holistic understanding, this article aims to analyse the contemporary changes in domestic regional policy and the associated processes of territorial regionalization and decentralization of powers. Subsequently, it explores the extent and dynamics of the internal spatial inequalities from both empirical and comparative perspectives, using various socio-economic indicators and aggregate indices.

## 2. Evolution of the Bulgarian regional policy

### 2.1. Europeanisation of the regional policy and transformations of its conceptual and legislative framework

Despite the absence of formal supranational authority over spatial planning and territorial governance in the EU treaties, EU cohesion and sectoral policies have triggered important changes in domestic territorial administration, regional and urban policies, and spatial planning models (COTELLA, 2020; COTELLA & DABROWSKI, 2021). Evolution of the Bulgarian regional policy serves as an illustrative case-study for observing the classical top-down manifestation of Europeanization, which is understood as *“an incremental process re-orienting the direction and shape of politics to the degree that EC political and economic dynamics become part of the organizational logic of national politics and policy-making”* (LADRECH, 1994, p. 69), or as a *“process of reshaping national politics as a result of policies and preferences advanced through the EU level of*

*governance”* (BACHE & JORDAN, 2006, p. 30). The EU played a catalytic role in the development of regional policy in Bulgaria and in Europeanising its administrative-territorial system. However, this influence did not always align with the nature of the country’s regional problems (MONASTIRIOTIS, 2008).

During the socialist period (1945–1989), Bulgaria was governed by a central planning system and characterized by a state monopoly over all economic activities, rapid industrialization misaligned with natural and socio-economic potentials, nationalization of private property, urban population growth, and legal and administrative reforms modelled on the Soviet Union. Planning approaches were authoritarian and technocratic, primarily focused on national economic development strategies, often neglecting the specifics of territories and regional contexts. The spatial perspective was largely subordinate to the imperatives of accelerated industrialization. While there were aspirations to foster balanced industrial localization, regional economic efficiency varied significantly across different areas (MILKOVA, 2017).

Emerging from a phase of sub-optimal central planning, massive external debts, and heavy dependence on the collapsing Soviet economy, Bulgaria quickly encountered diverse and multifaceted regional problems and challenges: limited economic and functional connectivity between its regional economies, negligible diffusion/spill-over dynamics, substantial disparities and spatial heterogeneity, compounded by issues of industrial decline, underdevelopment in rural/mountainous areas, and an emigration-driven brain-drain (MONASTIRIOTIS, 2008). Despite these challenges, initial adjustments to the system favoured a return to a more centralized approach, with macro-economic stabilization and market liberalization emerging as top priorities. The emphasis on national growth and the neglect of regional convergence issues proved to be obstacles in developing a comprehensive regional policy framework.

Notwithstanding increasing disparities, regional policy gained momentum only when, and to the extent that, external factors, most notably the EU, pressured the central administration to focus more on regional development issues (MONASTIRIOTIS, 2010). Prior to the publication of the 1997 Opinion of the European Commission, Bulgaria lacked a coherent regional policy, and development programming was conducted sector-by-sector on an annual basis. Consequently, an entirely new framework had to be adopted to bring the

regionalisation of the country in line with the Nomenclature of Territorial Units for Statistics (NUTS) system, the programming mechanism, and the new institutional setup required for implementing the EU cohesion policy (YANAKIEV, 2010). The concepts of multilevel and participative governance necessitated structural and procedural adjustments to enhance the effectiveness of regional policies, balance regional interests, and manage the interplay between different levels of government. Overall, EU aspirations (and later membership) fostered a process of cognitive Europeanization in the realm of regional policy, not only through knowledge transfer but also by laying the groundwork for the *“rebirth of strategic thinking, programming, collaboration among various actors, intergovernmental relationships, and theoretical and practical advancements in the evaluation of public policies”* (GORZELAK, 2020, p. 1111).

In addition to structural and discursive impacts, top-down instrumental influences have also altered policy implementation concepts and practices in the country, emphasizing participative governance, systematic territorial cooperation, and the application of EU standards for sustainable urban and rural development. This shift has led to the evolution of the country's territorial development models. Eventually, Bulgaria adopted an EU-inspired perspective, viewing the spatial development as a multilayered, hierarchical, and dynamic system. The primary goal of territorial policies became ensuring a polycentric structure, characterized by a relatively even distribution of major cities and development patterns throughout the country.

The impact of Europeanization on domestic regional policy is further demonstrated in a study by COTELLA ET AL. (2018), who identified varying degrees of influence across Europe. As regards Bulgaria, structural and instrumental influences are classified as *“moderate”*, while top-down discursive influence is considered *“strong”*. The predominant forms of influence seem to be legal and economic conditionality, social learning, and cognitive persuasion. Another notable finding is that Bulgaria belongs to a group of countries, which *“have seen their territorial governance and spatial planning systems progressively re-shaped under the influence of the EU, however, so far they have not exerted much of an impact on European territorial governance”* (COTELLA ET AL., 2018, p. 79).

However, specific factors impeded the diffusion and impact of the Europeanization process, such as

the country's slow transition to a market economy and democracy, an underdeveloped regional policy framework, a mismatch between domestic economic geography and the externally inspired NUTS 2 geography, and a developing culture of aid-dependency in local economies and administrations (MONASTIRIOTIS, 2008; FERRY & MCMASTER, 2013). Furthermore, it is questionable to what extent the principles, norms, and models transferred through Europeanization have truly become integrated into the organizational logic and practices within the country. At times, compliance with EU values was merely formal, leading to only limited or superficial conceptual and structural changes (VUCKOVIC & DJORDJEVIC, 2019).

In recent decades, ongoing discussions have centred around the effectiveness of regional and spatial development policy, including the lack of coherence between the powers, functions, and structures of planning bodies, and the need to rethink strategies and reform planning instruments. This culminated in significant amendments to the Regional Development Act in 2020, which serves as the legal foundation for determining key components of spatial development planning. The updated Act introduces three strategic planning instruments for regional development (Table 1). These instruments aim to integrate regional and spatial development approaches to mitigate national territorial imbalances, capitalize on territorial potential, and foster cross-border, transnational, and interregional cooperation (STAMENKOV, 2021).

## 2.2. Regionalisation and decentralisation

The first economic regionalization of Bulgaria dates back to 1934, with the primary aim being to delineate accurate and easily identifiable economic profiles for each region. This effort gained practical importance when later influencing the administrative-territorial division of the country.

During the socialist era, territorial divisions placed particular emphasis on the planned and balanced development of manufacturing, with territorial-production complexes often seen as regional cores (MILKOVA, 2017). Various regionalization models emerged, with interpretations varying widely, suggesting three to ten economic regions. However, there was no consensus among different authors and research teams on conceptual framework, factors, criteria, and indicators needed for designing regionalization schemes (STOYCHEV, 2018). Debates

not only revolved around the optimal number of regional units but also extended to questions about the alignment of economic and administrative borders and the adoption of hierarchical levels (e.g., regions, sub-regions, micro-regions).

In the 1980s, the economic regions were renamed socio-economic regions, reflecting a growing recognition of the significance of social components within territorial systems. However, this change was

largely formal, as economic aspects and sectoral approaches remained dominant, while socio-cultural elements and territorial paradigms received limited attention in regional analyses. A new regionalization approach emerged, wherein multidimensional statistical analysis was utilized to conduct a typological territorial classification based on diverse natural and socio-economic components (VELEV, 1984).

Table 1. The planning system of Bulgaria (Source: adapted from Stamenkov, 2021)

| Planning level                           | Planning instrument                                                                                                                                                                                                      | Function                                                                                                                                                                                                                                                      | Policy maker                  | Legal implications                                                  |
|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|---------------------------------------------------------------------|
| National level                           | <i>National Concept for Regional and Spatial Development</i> (NCRSD) (Национална концепция за регионално и пространствено развитие) – it will replace the current National Concept for Spatial Development 2013-2025     | Establishes the long-term perspectives, goals, and priorities of state policy aimed at reducing imbalances in national territorial development, ensuring alignment with other sectoral and cross-sectoral policies                                            | The Council of Ministers      | Legally not binding (guiding and coordinating role)                 |
| Regional level (NUTS 2 planning regions) | <i>Integrated territorial development strategy</i> (Интегрирана териториална стратегия за развитие) – replaces the Regional Spatial Development Schemes and Regional Development Plans                                   | Defines the medium-term goals, priorities, and perspectives for sustainable, integrated regional and local development within the respective planning region, in accordance with the NCRSD guidelines and other sectoral and cross-sectoral policies          | Regional Development Councils | Legally not binding (hierarchically subordinated to the NCRSD)      |
| Local level (LAU 1 and LAU 2)            | <i>Plan for integrated development</i> (План за интегрирано развитие) – replaces the former Municipal Development Plans and Integrated Urban Regeneration and Development Plans (both in force for the period 2014-2020) | Facilitates spatial, temporal, and factual coordination and integration of various policies and planning resources to achieve the defined objectives for lasting improvement of economic, social, and environmental conditions within the municipal territory | Municipal councils            | Legally not binding (guiding and coordinating role)                 |
|                                          | Master Spatial Plan (Общ устройствен план) – derives not from the Regional Development Act, but from Territorial Organisation Act                                                                                        | Specifies the general designation and layout of distinct structural parts within the areas covered by the plan                                                                                                                                                | Municipal councils            | Binding for all public actors taking part in the planning procedure |
|                                          | Detailed Spatial Plan (Подобен устройствен план) – derives not from the Regional Development Act, but from Territorial Organisation Act                                                                                  | Determines the specific designation and layout of individual land parcels encompassed by the plan                                                                                                                                                             | Municipal councils            | Binding for all public actors taking part in the planning procedure |

Significant shifts in the understanding of socio-economic regionalization occurred in the 1990s, particularly within academia. However, no significant qualitative transformations in the regional paradigm were observed (MILKOVA, 2017). Regionalization became primarily the prerogative of the executive branch, with its scientific basis weakened by severed ties between science and practice, leading to a lack/ignorance of systematic studies on regional

structures and their various elements. The enactment of the first Regional Development Act in 1999 tied regionalization closely to regional policy and development concepts, incorporating the notion of planning regions.

Nevertheless, Bulgaria's adoption of the NUTS classification as the primary regionalization scheme was largely driven by EU accession requirements in the field of regional policy. The NUTS system,

instrumental in the EU's fund allocation mechanisms, generally favours existing administrative units and sets specific guidelines based on the population, overlooking other variables such as area, socio-economic determinants, and cultural and historical backgrounds. In 2000, Bulgaria defined its initial classification: two NUTS 1 regions (Northern and Eastern Bulgaria, and South-Western and South-Central Bulgaria), six NUTS 2 planning regions (Northwestern, Northern Central, Northeastern, Southeastern, Southern Central, and Southwestern), and 28 provinces/oblasts at NUTS 3 level. Below the NUTS are the two Local Administrative Units (LAU) levels: municipalities and settlements. The concept of EU regional policy and fund distribution is closely tied to the NUTS 2 level, which is considered large enough to represent regional significance, homogeneity, and identity, yet small enough to avoid merely reflecting national trends. However, NUTS 2 planning regions in Bulgaria have no legal personality, administration, or budget, remaining purely statistical entities.

Only seven years after the adoption of the NUTS classification, two of the NUTS 2 regions no longer met the EU's population criteria due to demographic trends in the country. This led to adjustments in NUTS 2 boundaries, with Lovech and Pleven provinces being transferred to the Northwestern region, and Stara Zagora province being added to the Southeastern region. Again, in 2018, the overall population decline and growing regional disparities rendered some NUTS 2 regions incompatible with the EU technical requirements. The Ministry of Regional Development and Public Works put forward three new alternatives for regionalization at the NUTS 2 level, but the voice of the scientific community was largely muted during both the preparation stage and the public discussions of these alternatives. Ultimately, in 2019, after consultations with Eurostat, it was decided to keep the existing six NUTS 2 regions unchanged for the new programming period (until 2027). Nevertheless, numerous researchers conducted studies on the topic recently and formulated their own proposals for optimizing regionalization. Some studies (STOYCHEV, 2018; DIMITROV ET AL., 2020) propose reforms at both NUTS 1 and NUTS 2 levels, suggesting reductions in the number of NUTS 2 regions and potentially designating Sofia City as a separate NUTS 2 region, which poses a political dilemma as it would lose its cohesion status. Sometimes, researchers also advocate

for naming regions after historically significant areas (such as Macedonia, Dobrudja, Rhodopes, Thrace, and Pirin), despite geopolitical sensitivities (STOYCHEV, 2018; STAMENKOV, 2022).

In summary, detailed retrospective analyses indicate that most regionalization schemes in Bulgaria have served more as theoretical, cognitive, or educational constructs than as practical instruments for regional policy and development. Discrepancies between the rationale behind certain regionalization and its expected practical implementation have often led to the incorrect assumption that the designed units could effectively serve as functional regions promoting development (PATARCHANOV ET AL., 2018).

While European integration was expected to significantly impact the political, economic, and social roles of regions in Bulgaria, the process has been complex for a country long accustomed to a centralized government model. The ongoing, gradual process of decentralization and attempts to establish modern, place-based regional development have yet to yield the desired outcomes. Despite successive decentralization strategies and implementation programs, the country continues to operate under a centralized multi-level governance model (OECD, 2021). Regional policy remains top-down, unable to foster an integrated and holistic approach across sectors, to address specific territorial needs, to utilize region-specific factors and strengthen endogenous potentials, and to stimulate synergies.

Municipal governance faces significant challenges across the three key dimensions of decentralization: political, administrative, and fiscal. Weaknesses are particularly evident in the fiscal dimension, though progress is needed in the other areas as well. The current regional governance model, as highlighted by the OECD (2021), fails to support effective regional policy. A fit-for-purpose and robust regional governance structure is lacking, hindering the implementation of a place-based regional development policy. Additionally, the lack of sufficient power and financial resources is often coupled with inadequate administrative capacity, which is related to issues with human resources, corruption, and political interference in local public administration (MATIUTA, 2013). In conclusion, Bulgaria continues to grapple with the transition toward territorial and political decentralization, resulting in poor coordination and functionality of the decision-making process (SIMEONOVA ET AL., 2017).

### 2.3. Key challenges in Bulgaria's regional policy

The push toward industrial restructuring, economic openness, and privatization has generally supported economic development but has also favoured certain regions over others (MONASTIRIOTIS, 2013). Persistent trends of polarization, where agglomeration effects cause central areas to develop more rapidly, have led to divergence in key socio-economic components and a widening development gap (HADJINIKOLOV, 2020). Although regional cohesion is often viewed as a long-term objective (EUROPEAN COMMISSION, 2019) and uneven development is considered a necessary sacrifice for maximizing productivity and accelerating economic growth (IAMMARINO, 2019), the magnitude of these disparities could significantly impede Bulgaria's prospects for sustainable development.

While the Europeanization process has helped establish a modern legal and organizational framework, the implementation of regional policy faces numerous challenges. These include low governance quality, limited administrative capacity, low levels of innovation and cross-organizational learning, prevalence of political interests and/or nepotism in decision-making (especially in small municipalities), clientelism, corruption, inadequate horizontal policies and tools for supporting spatial development, a highly hierarchical institutional setup with strong national-level competencies, weak decentralization, and financial constraints at the local level. Additional obstacles are related to a highly uneven spatial distribution of population and economy, excessive development of the capital city, depopulation of disadvantaged regions, underdeveloped transport infrastructure for international transit, infrastructural deficiencies (particularly in small settlements), constantly changing legislation, and an underdeveloped and generally inactive civil society (STAMENKOV, 2021). Among these challenges, the demographic collapse and its territorial ramifications (KOULOV ET AL., 2019), along with the perceived *"helplessness of Bulgarian society and state policy"* (MIHAYLOV, 2021, p. 254) in addressing related issues, are particularly noteworthy.

### 3. Methodology

While addressing territorial inequalities is the primary focus of regional policies and a criterion for assessing their impacts, these inequalities encompass multiple dimensions and aspects.

Therefore, studying and analysing their essence, size, and dynamics requires employing diverse methodologies and indicators able to capture complex phenomena (beyond single parameters). The techniques utilized in this article for data processing and interpretation, as well as identification of convergence/divergence processes, primarily revolve around descriptive statistics, regression and correlation analyses, time series analyses, and classification/categorization of territorial units.

In this research, we aim to address the aforementioned complexities while acknowledging certain limitations imposed by data availability. Thus, we have carefully selected key indicators that best synthesize the territorial characteristics and developmental patterns under examination. These indicators encompass both absolute measures such as area, population, GDP, income, individuals at risk of poverty or social exclusion, unemployment, foreign direct investments (FDI), and research and development expenditures (R&D), as well as relative indicators including GDP per capita (GDP/c.), population density, economic density, FDI per capita (FDI/c.), unemployment rates, localization coefficients, and the Gini coefficient of equivalized disposable income, among others. The main sources of primary data include the Bulgarian National Statistical Institute, the Institute for Market Economics (IME), as well as United Nations and Eurostat databases.

Additionally, the empirical study incorporates certain composite indices and estimations: some are designed to reveal the overall development and prosperity of a territorial unit, such as the Subnational Human Development Index (HDI), EU Social Progress Index (EU-SPI), and IME regional profiles (IME-RP), while others focus on more specific aspects, like the EU Regional Competitiveness Index (EU-RCI) and the European Quality of Government Index (EQGI). HDI is an aggregate of subnational metrics across three dimensions: education, health, and standard of living. EU-SPI is constructed using non-economic (mostly social and environmental) indicators amalgamated into three broader dimensions: basic human needs; foundations of wellbeing; and opportunity (EUROPEAN COMMISSION, 2020). IME-RP is based on an aggregated estimation of economic and social development (IME, 2022). EU-RCI offers a more economy-oriented discourse, comprising three sub-indices: Basic, Efficiency, and Innovation (EUROPEAN COMMISSION, 2022). EQGI assesses average citizens' perceptions and experiences regarding corruption, quality, and

impartiality related to three essential public services: health, education, and policing.

To provide a comprehensive picture of the inequalities, the analysis begins with a brief overview across Europe (i.e., where Bulgaria stands among other European countries in terms of internal inequalities) and then the focus narrows down to the Bulgarian NUTS 2 and NUTS 3 regions. Data for lower territorial levels (local administrative units) is scarce, which is why they are not included in the study. Considering the timeframe, we use the latest available data as of the end of 2023 (mostly indicators for 2021–2022), while some retrospective analyses include information dating back to 2008. Thus, the study presents the post-pandemic situation in the country, with results also signalling the recovery capacities and resilience of the different regions.

#### 4. Extent and dynamics of the internal regional socio-economic inequalities

Besides lagging in nearly every aspect of development, Bulgaria is also characterized by the highest internal income disparities in the EU. An analysis comparing the Gini coefficient with the HDI across the EU suggests that, generally, the less developed the country, the more significant its income inequalities tend to be (Fig. 1). Bulgaria exemplifies this correlation distinctly, being the country with the lowest HDI (0.795) and the highest Gini index (39.7).

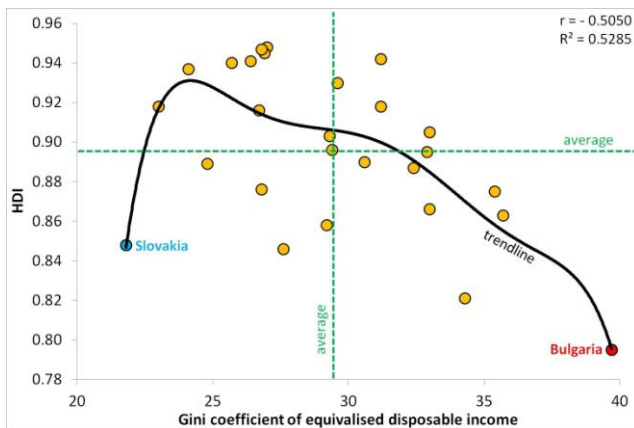


Fig. 1. Comparison between the Gini coefficient of equivalised disposable income and the HDI for the EU countries (2021) (Source: Authors' elaboration based on Eurostat and United Nations data)

##### 4.1. Findings at the NUTS 2 level

Analysis at the NUTS 2 spatial scale reveals varied demographic and economic profiles across the six

regions (Fig. 2 and Table 2). The Southwestern region, which covers less than 20% of the national area but accommodates nearly one-third of the population and generates over half of the GDP, vastly outperforms the other regions in terms of demographic and economic potential (e.g., it boasts 276% of the average economic density). Its dominance is further underscored by low unemployment rates and its concentration of 61% of all FDIs and 77% of total R&D expenditures in Bulgaria. However, this favourable depiction may obscure the reality of the entire NUTS 2 region's development, given the striking internal disparities. The impressive scores on most socio-economic indicators largely reflect the performance of the capital city, Sofia, which benefits from agglomeration advantages such as clusterization, heightened productivity and efficiency, a skilled workforce, and access to a variety of goods and services. Conversely, certain border areas exhibit significantly unfavourable development and prosperity indicators.

The Northwestern region, as the least developed Bulgarian NUTS 2 region in many respects, occupies 17.2% of the territory, hosts 10.3% of the population, yet contributes only 7.1% to the total GDP. It has experienced the highest unemployment rates in recent years, and access to FDIs and innovation is severely limited. Regarded as a quintessential case for contemporary Bulgarian regional policy, the Northwestern region's long standing underdevelopment is compounded by several factors exacerbating a downward spiral: a damaged industrial sector, low income and standards of living, consistent trends of population decline and ageing, increasing emigration, depopulation, technological and infrastructural backwardness, and overall peripheralization.

The extent of the development gap is further highlighted by composite indices. Among the six Bulgarian NUTS2 regions, the Northwestern region consistently ranks the lowest across all studied indices, exhibiting notable differences even when compared to other less developed regions (Table 3). Conversely, the Southwestern region leads in social and economic metrics but faces issues in governance quality. Among the remaining regions, the Southeastern region appears to be in a more disadvantaged position, whereas the Northeastern, Northern Central, and Southern Central regions demonstrate relatively comparable levels of prosperity.

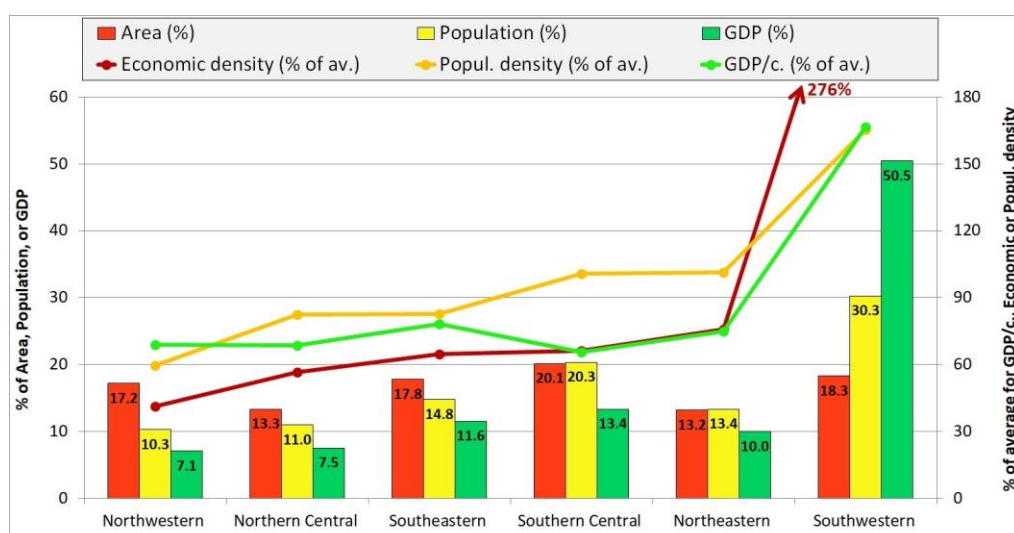


Fig. 2. Comparison between the NUTS 2 regions in terms of territorial, demographic and economic potential (2021) (Source: Authors' elaboration based on National Statistical Institute data)

Table 2. Comparison between the NUTS 2 regions by key indicators (2021) (Source: Authors' elaboration based on National Statistical Institute data)

| NUTS 2 region    | Percent out of the total for Bulgaria |            |      |                                 |            |      |                 | Percent out of the average for Bulgaria |                    |                  |
|------------------|---------------------------------------|------------|------|---------------------------------|------------|------|-----------------|-----------------------------------------|--------------------|------------------|
|                  | Area                                  | Population | GDP  | Risk of poverty or social excl. | Unemployed | FDI  | R&D expenditure | GDP/c.                                  | Population density | Economic density |
| Northwestern     | 17.2                                  | 10.3       | 7.1  | 11.6                            | 19.2       | 2.7  | 3.3             | 68.9                                    | 59.8               | 41.2             |
| Northern Central | 13.3                                  | 11.0       | 7.5  | 11.3                            | 13.7       | 4.1  | 3.0             | 68.7                                    | 82.4               | 56.6             |
| Southeastern     | 17.8                                  | 14.8       | 11.6 | 17.3                            | 14.9       | 12.7 | 4.2             | 78.2                                    | 82.9               | 64.8             |
| Southern Central | 20.1                                  | 20.3       | 13.4 | 21.0                            | 14.8       | 11.4 | 8.0             | 65.7                                    | 100.9              | 66.3             |
| Northeastern     | 13.2                                  | 13.4       | 10.0 | 12.1                            | 15.8       | 8.1  | 4.5             | 74.8                                    | 101.3              | 75.8             |
| Southwestern     | 18.3                                  | 30.3       | 50.5 | 26.7                            | 21.7       | 61.0 | 77.0            | 166.7                                   | 165.3              | 275.5            |

Table 3. Comparison between the NUTS 2 regions by selected aggregate indices (Source: Authors' elaboration based on European Commission and Global Data Lab data)

| NUTS 2 region    | Subnational HDI (2021) | EU Social Progress Index (2020) | EU Regional Competitiveness Index (2022) | European Quality of Government Index (2021) |
|------------------|------------------------|---------------------------------|------------------------------------------|---------------------------------------------|
| Northwestern     | 0.739 [6]              | 43.3 [6]                        | 49.0 [6]                                 | -2.5 [6]                                    |
| Northern Central | 0.766 [4]              | 50.5 [2]                        | 62.4 [2]                                 | -2.1 [4]                                    |
| Southeastern     | 0.753 [5]              | 46.3 [5]                        | 53.4 [5]                                 | -2.2 [5]                                    |
| Southern Central | 0.768 [3]              | 49.5 [3]                        | 61.6 [3]                                 | -1.3 [2]                                    |
| Northeastern     | 0.770 [2]              | 49.4 [4]                        | 58.9 [4]                                 | -1.1 [1]                                    |
| Southwestern     | 0.856 [1]              | 54.2 [1]                        | 85.4 [1]                                 | -1.9 [3]                                    |

Furthermore, income inequalities suggest that significant internal differences exist within the NUTS 2 regions themselves (Fig. 3). Historical data show that the Southwestern region, which had the lowest Gini coefficient between 2008 and 2010, saw a dramatic reversal, becoming, since 2016, the region with the most unbalanced income distribution.

However, a more detailed insight into the changes suggests that dynamics in income disparities are influenced by factors beyond economic growth, as evidenced by the Northwestern and Northern Central regions, which experienced similar growth rates from 2018 to 2021 but showed divergent trends in their Gini coefficients.

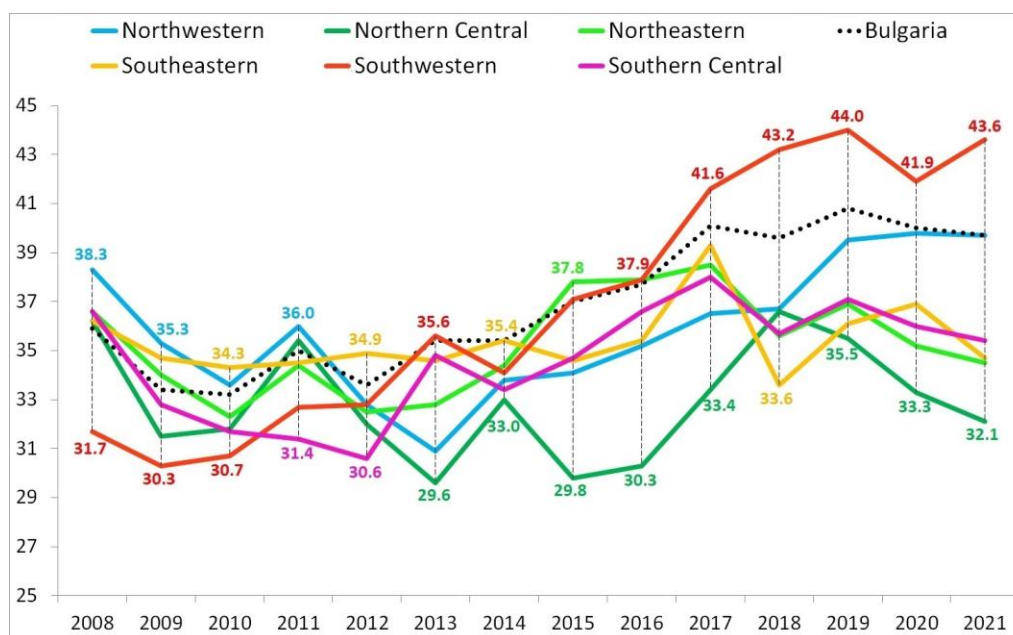


Fig. 3. Income inequalities measured by Gini coefficient at the NUTS 2 level (2008-2021) (Source: Authors' elaboration based on National Statistical Institute data)

#### 4.2. Findings at the NUTS 3 level

The heterogeneity in development patterns is even more pronounced at the NUTS 3 level, where most key socio-economic indicators vary widely across the 28 administrative units. Notably, significant disparities exist in the regions' capacities to attract FDIs, while inequalities are also prevalent in numerous other indicators, including GDP and incomes (Fig. 4). For instance, in 2021, nearly 30% of FDI/c. were concentrated in just two units (Sofia City and Sofia Province), while the 18 provinces with the lowest FDI supply together accounted for less than 29%. Furthermore, comparisons between 2010 and 2021 across all three indicators (FDIs, GDP, and income) reveal no significant trend toward cohesion among the Bulgarian NUTS 3 regions, further highlighting the persistent and ingrained nature of regional inequalities.

A detailed examination of GDP/c. dynamics indicates that regional policies have largely failed to stimulate convergence at the NUTS 3 level (Fig. 5). While some regions with initially low GDP/c. in 2010, such as Pleven, Vidin, and Lovech, managed to achieve relatively high growth rates from 2010 to 2021, others, including Haskovo, Pernik, and Pazardzhik, did not experience similar success. The observed weak negative correlation between initial GDP and growth rates suggests that convergence processes

have been slow, vague, and generally insignificant. Moreover, the trend is complex and non-linear, as indicated by the relatively low coefficient of determination. This complexity is further evident in the existence of multiple pairs of regions with similar initial GDP/c. in 2010 but drastically different growth rates, such as Pleven and Haskovo, Lovech and Pernik, Ruse and Pazardzhik, Sofia Province and Burgas, among others.

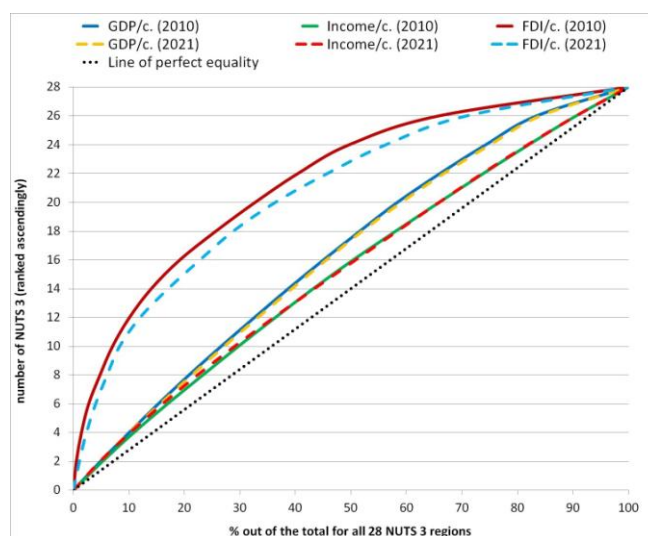


Fig. 4. Lorenz curves for key indicators, not weighted (comparing 2010 to 2021) (Source: Authors' elaboration based on National Statistical Institute data)

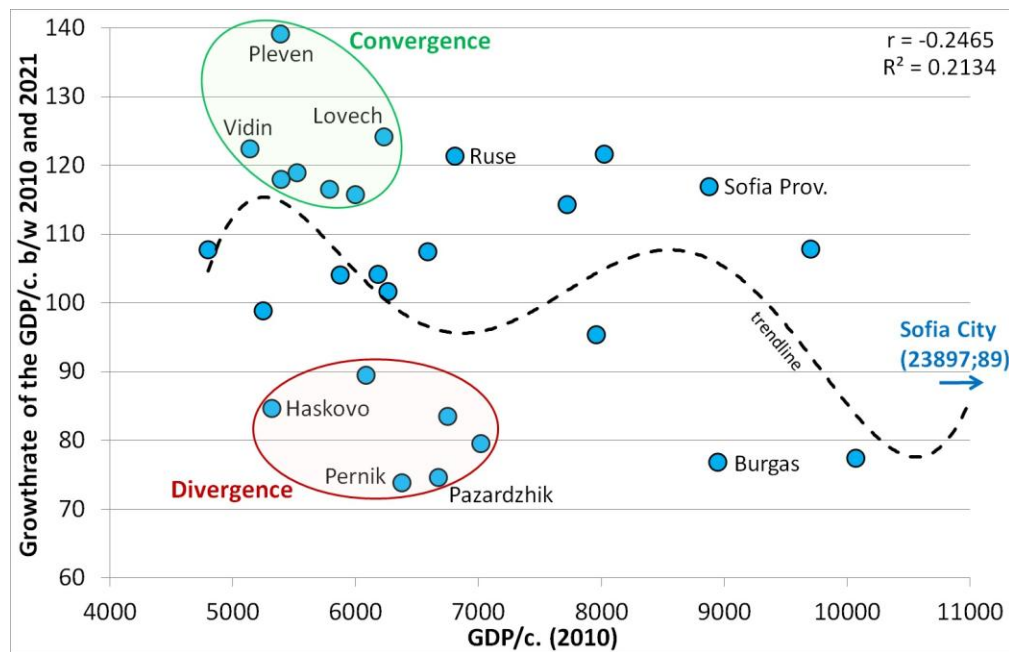


Fig. 5. Beta convergence of GDP/c. at NUTS 3 level (comparing 2010 to 2021) (Source: Authors' elaboration based on National Statistical Institute data)

To capture a more detailed and nuanced development pattern within the country, it is essential to analyse key indicators that reflect socio-economic realities and relevant processes. Here, several aspects are considered, including the general profiles of the NUTS 3 regions (i.e., their shares of the country's area, population, and GDP), the coefficient of localization in the three sectors (agriculture, industry, and services), IME-RPs, as well as specific indicators like GDP/c., FDI/c., and unemployment rates (Table 4).

Based on a combination of quantitative data and qualitative analyses, the 28 NUTS 3 regions are conditionally divided into five development groups (Fig. 6):

1) *Very High Development*: This category includes only one region, Sofia City, which dominates in nearly all aspects of socio-economic development. Recognized by the National Concept for Spatial Development (NCSD) as the sole Bulgarian city-centre of European significance (Level 1 in the national hierarchy), Sofia City occupies just 1.2% of the country's area yet accommodates nearly 20% of the population and generates more than 42% of the total GDP. Notably, it stands out for its very high GDP/c., FDI/c., and specialization in services, symbolizing the pronounced disparities within Bulgaria and acting as the core in any nation-wide spatial/gravity model.

2) *High Development*: This group comprises seven regions, namely the provinces of Varna, Stara Zagora, Burgas, Gabrovo, Plovdiv, Ruse, and Sofia. Together, these regions account for 31% of the country's area, 35% of its population, and 29% of its GDP. Most of their capital cities are considered of national significance (Level 3 in the NCSD). In contrast to the other development categories, the seven provinces are characterized by high localization of industry. They also boast high GDP/c., substantial FDI/c., and relatively low unemployment rates.

3) *Medium Development*: Encompassing nine units, the provinces of Blagoevgrad, Lovech, Dobrich, Veliko Tarnovo, Targovishte, Kardzhali, Smolyan, Pazardzhik, and Vratsa, this category makes up one-third of the territory, with 23% of the population and 15% of the GDP. Blagoevgrad, in particular, has characteristics that somewhat resemble the previous group, indicating potential for advancement. However, except for Vratsa, the regions in this category have lower GDP/c. Although variations in FDI/c. and unemployment rates are wider, again these regions generally exhibit lower scores than their highly developed counterparts.

4) *Low Development*: This group comprises seven regions, the provinces of Razgrad, Shumen, Pernik, Haskovo, Plevna, Yambol, and Kyustendil, which collectively represent 22% of the area, less than 16% of the population, and only 9% of the GDP. Apart from Pernik, their economic specialization is

primarily in agriculture. These regions also display very low performance in the studied indicators and suffer from poor overall economic and (especially) social development.

5) *Very Low Development*: The final category includes the four least developed regions: Sliven, Silistra, Montana, and Vidin. Despite occupying close

to 12% of the territory, these regions house only 7% of the population and account for merely 4% of the GDP. Their economies are largely agricultural, marked by low GDP/c., difficulty in attracting investments, and high unemployment rates. Additionally, these regions experience pronounced negative demographic trends.

Table 4. Key characteristics of the Bulgarian NUTS 3 regions (2021) (Source: Authors' elaboration based on National Statistical Institute and IME (2022) data)

| Development level | NUTS3 region   | General profile |                |         | Coefficient of localization |          |          | Development (IME) |        | GDP/c. | FDI/c. | Unemployment rate |
|-------------------|----------------|-----------------|----------------|---------|-----------------------------|----------|----------|-------------------|--------|--------|--------|-------------------|
|                   |                | Area (%)        | Population (%) | GDP (%) | Agriculture                 | Industry | Services | Economic          | Social |        |        |                   |
| Very high         | Sofia City     | 1.21            | 19.12          | 42.57   | 0.07                        | 1.20     | 2.72     | 5                 | 5      | 45241  | 11239  | 2.7               |
| High              | Varna          | 3.44            | 6.85           | 6.03    | 0.65                        | 0.90     | 0.89     | 5                 | 5      | 17872  | 3304   | 1.7               |
|                   | Stara Zagora   | 4.64            | 4.49           | 4.49    | 0.98                        | 2.21     | 0.59     | 4                 | 3      | 20165  | 3588   | 3.2               |
|                   | Burgas         | 6.97            | 5.98           | 4.66    | 0.77                        | 0.56     | 0.85     | 3                 | 4      | 15815  | 5650   | 5.6               |
|                   | Gabrovo        | 1.82            | 1.51           | 1.25    | 1.01                        | 1.37     | 0.63     | 5                 | 4      | 16549  | 3421   | 7.0               |
|                   | Plovdiv        | 5.37            | 9.69           | 7.43    | 0.62                        | 1.18     | 0.64     | 3                 | 5      | 15547  | 3237   | 3.2               |
|                   | Ruse           | 2.58            | 3.06           | 2.29    | 1.40                        | 0.92     | 0.65     | 5                 | 3      | 15075  | 2262   | 4.5               |
|                   | Sofia Province | 6.37            | 3.42           | 3.27    | 0.92                        | 2.16     | 0.56     | 5                 | 1      | 19263  | 7365   | 0.8               |
| Medium            | Blagoevgrad    | 5.82            | 4.36           | 2.72    | 1.05                        | 0.65     | 0.59     | 5                 | 4      | 12629  | 1701   | 8.0               |
|                   | Lovech         | 3.72            | 1.75           | 1.22    | 1.56                        | 0.83     | 0.59     | 4                 | 2      | 13963  | 1085   | 5.6               |
|                   | Dobrich        | 4.25            | 2.45           | 1.50    | 2.63                        | 0.53     | 0.50     | 4                 | 3      | 12385  | 1832   | 8.6               |
|                   | Veliko Tarnovo | 4.20            | 3.30           | 2.24    | 1.38                        | 0.67     | 0.63     | 3                 | 4      | 13669  | 328    | 3.6               |
|                   | Targovishte    | 2.44            | 1.58           | 0.98    | 2.12                        | 0.79     | 0.46     | 3                 | 3      | 12536  | 2713   | 10.4              |
|                   | Kardzhali      | 2.89            | 2.35           | 1.36    | 1.46                        | 1.12     | 0.33     | 2                 | 2      | 11760  | 2565   | 1.6               |
|                   | Smolyan        | 2.89            | 1.45           | 0.91    | 1.00                        | 1.02     | 0.47     | 3                 | 5      | 12609  | 701    | 9.0               |
|                   | Pazardzhik     | 4.02            | 3.62           | 2.09    | 0.96                        | 1.03     | 0.40     | 3                 | 3      | 11653  | 1822   | 7.5               |
|                   | Vratsa         | 3.26            | 2.25           | 1.99    | 1.41                        | 1.91     | 0.51     | 2                 | 3      | 17781  | 1256   | 10.0              |
| Low               | Razgrad        | 2.17            | 1.58           | 1.01    | 2.57                        | 0.65     | 0.50     | 2                 | 2      | 12942  | 1935   | 11.7              |
|                   | Shumen         | 3.06            | 2.48           | 1.47    | 2.16                        | 0.72     | 0.44     | 3                 | 3      | 11989  | 713    | 13.9              |
|                   | Pernik         | 2.16            | 1.73           | 0.95    | 0.59                        | 0.69     | 0.50     | 3                 | 2      | 11084  | 1896   | 7.2               |
|                   | Haskovo        | 4.98            | 3.22           | 1.57    | 1.08                        | 0.51     | 0.44     | 3                 | 2      | 9817   | 619    | 1.6               |
|                   | Pleven         | 4.19            | 3.34           | 2.14    | 1.31                        | 0.58     | 0.61     | 3                 | 2      | 12889  | 1525   | 10.0              |
|                   | Yambol         | 3.02            | 1.67           | 1.05    | 2.04                        | 0.62     | 0.53     | 2                 | 2      | 12617  | 399    | 6.4               |
|                   | Kyustendil     | 2.76            | 1.66           | 0.95    | 1.14                        | 0.66     | 0.51     | 3                 | 2      | 11535  | 356    | 2.7               |
| Very low          | Sliven         | 3.19            | 2.63           | 1.36    | 1.19                        | 0.52     | 0.47     | 2                 | 2      | 10439  | 731    | 9.2               |
|                   | Silistra       | 2.56            | 1.53           | 0.76    | 2.72                        | 0.27     | 0.41     | 2                 | 1      | 9975   | 403    | 14.5              |
|                   | Montana        | 3.28            | 1.79           | 1.08    | 2.11                        | 0.57     | 0.51     | 1                 | 1      | 12088  | 450    | 17.3              |
|                   | Vidin          | 2.74            | 1.15           | 0.66    | 2.12                        | 0.27     | 0.56     | 1                 | 1      | 11438  | 606    | 16.1              |

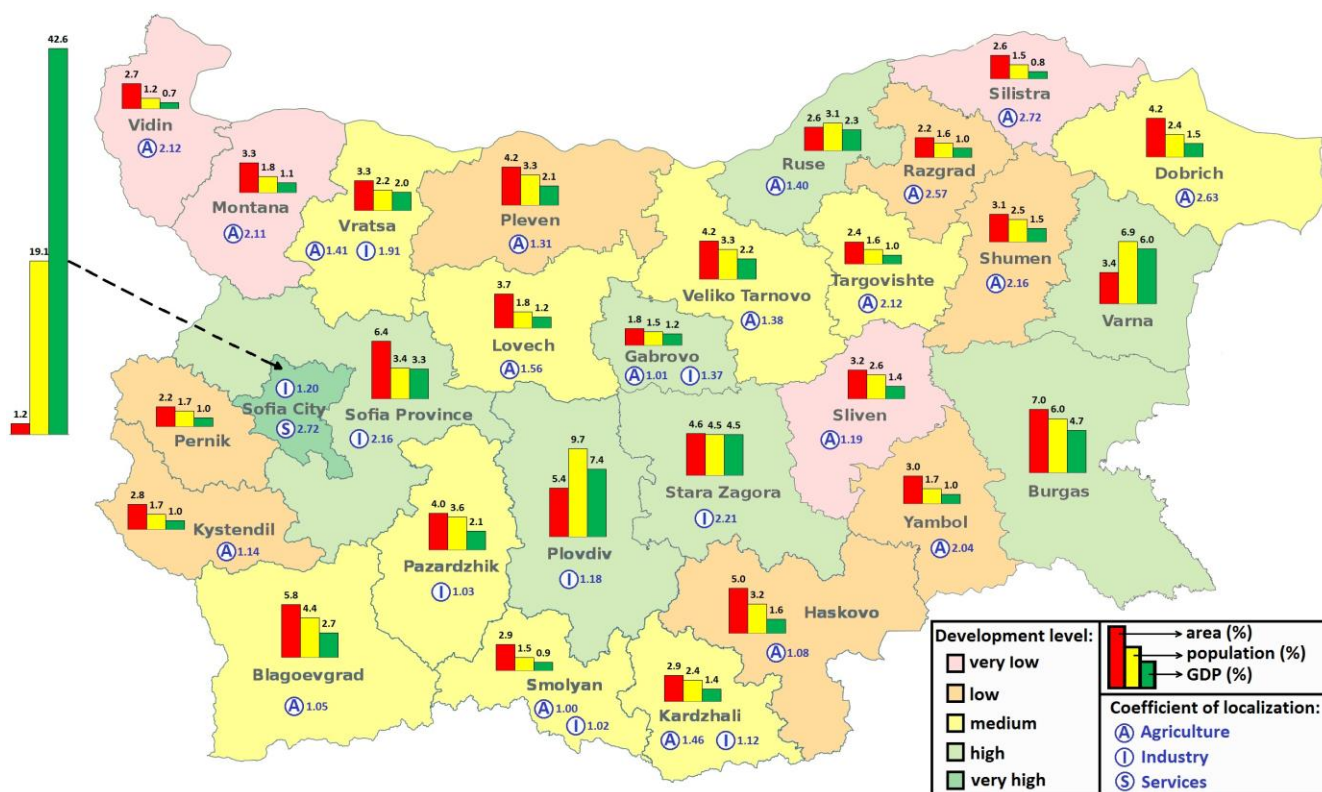


Fig. 6. Classification of the Bulgarian NUTS 3 regions based on their development levels (2021) (Source: Authors' elaboration based on National Statistical Institute and IME (2022) data)

## 5. Discussion

Bulgaria's internal inequalities, the highest among the EU members, have pronounced territorial implications, creating a wide gap between the country's regions. Substantial disparities are clearly visible through almost every single indicator/index used in the study, while the dynamic components and observed trends do not suggest notable positive changes over time. Generally, peripheral regions, especially those at underutilized transnational borders with a strong specialization in agriculture and serious demographic issues, are the worst performers. In contrast, more centrally located regions and those along the Black Sea, characterized by a more balanced sectoral structure or specialization in industry/services, are the most prosperous. Sofia City stands out as the undisputed leader, significantly surpassing all the other NUTS3 regions. However, it is challenging to identify a clear and comprehensive spatial development model, as some regions deviate from the above-mentioned general trends. Overall, the results suggest that averting monocentrism and achieving moderate polycentrism, as sought by the NCSD in the short term, appears to be a difficult scenario to realize.

This study indicates that the efforts made by Bulgarian regional policy are insufficient to mitigate the enormous disparities within the country. Yet, further research on policy impact evaluation is needed, assessing specific measures/programmes within their territorial context and considering the multitude of factors that influence the development processes. Evaluating policy outcomes will help us understand why regional policy has been more effective in some areas than others and will eventually reshape the policy framework. Europeanization is likely to continue inducing changes in planning discourses, policies, and practices, but both scientists and practitioners should have in mind that it is a "highly context-dependent concept" as "many examples of Europeanisation can be understood as 'incidents' occurring in time and context specific situations rather than a systematic set of effects" (WATERHOUT ET AL., 2009, p. 249).

## 6. Conclusions

Despite its relatively small size, Bulgaria exhibits significant heterogeneity in demographic and socio-economic characteristics across its regions. This article employed diverse indicators and composite

indices to showcase various dimensions of territorial inequalities and the extent of the existing imbalances. The uncovered spatial development patterns in the country often align with the notion that Bulgaria consists of Sofia and its periphery, a model that is replicated at lower territorial levels with central cities/places playing pivotal roles in socio-economic development.

Neither the EU cohesion policy nor the Europeanized national regional policy has achieved much success in narrowing the development gaps within Bulgaria. The stark spatial contrasts and the ineffectiveness of political measures to address them may not only impede the overarching goal of achieving territorial justice but also threaten the country's sustainable development. Contemporary multi-dimensional and multi-layered challenges, along with associated regional security concerns, further expose the vulnerability of underdeveloped regions and raise questions about their resilience and capacity to ensure long-term prosperity for citizens.

Therefore, a deeper understanding of regional specifics and the adoption of innovative concepts in regional planning and policy are crucial. A shift in the regional paradigm that integrates wisely tailored policies and place-based approaches could be key to Bulgaria's future well-being, ensuring more balanced development and capitalizing on the potential of diverse territories.

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