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Social and economic transformations in Bulgarian mountain periphery: A 1986–2014 comparative analysis

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ABSTRACT

Key words:

areas with special geographic characteristics, deep periphery, development of mountain and border areas, transition economy, Bulgaria

The goal of this study is to produce a comparative analysis of the socio-economic transformations in a typical mountain administrative district at the NUTS 3 level since the 1989 transition to market economy in Bulgaria. Demographic and economic indicators are utilized to provide a diagnosis of the current state of affairs, but also to highlight tendencies, which are noteworthy for the investigation and administration of districts that belong to both border and mountain peripheries. The main proposition of this paper is that in the post-1989 conditions the Oblast's "double" periphery position is severely impairing its overall development in relation to the rest of the country. The large and widening discrepancies between national and regional demographic and economic indicators point to a pronounced process of marginalization of certain areas, which necessitates the implementation of a specifically targeted development policy.

Introduction

In the last 30 years Bulgaria experienced two transformations which had a dramatic impact on its people: first, a transition from centrally-planned to market economy, which started in 1989, and, second, in accession to the European Union in 2007. The goal of this study is to analyze the socio-economic transformations in one of its typical peripheral administrative districts at the NUTS 3 level - the Smolyan Oblast of the Western Rhodope Mountains - between the years 1986 and 2014. The analysis of demographic and economic indicators provide a diagnosis of the district's current state of affairs and highlight tendencies that are noteworthy for the study and administration of the areas with special geographic characteristics. Situated at the state border with Greece at an average altitude of 700 m above sea level, the case study district is a part of both the border and mountain peripheries in Bulgaria. The main proposition of this study is that the Oblast's "deep" periphery position has severely impaired its overall development in relation to the rest of the country.

Materials and Methods

The Smolyan Oblast is one of the 1 342 NUTS 3 regions in the EU, according to the 2013 NUTS (Nomenclature of territorial units for statistics) classification system, valid since 1 January 2015. While this analysis has not been carried out at the NUTS 2 level, which is the basic scale for application of EU regional policies, specific socio-economic diagnoses at this territorial level are much more pertinent for a relatively small country, like Bulgaria. Moreover, the country has long-standing tradition of regional planning at that scale, which has

been interrupted with very problematic results, due to its accession to the EU.

For purposes of identification of the socio-economic transformations in the Smolyan Oblast for a period of 28 years, this work compares the present situation (the latest available demographic data is from 31.12.2014 and – for the economic data - 31.12.2013) to the data from 1986. This is the last full year in which the Smolyan Okrug existed. The reform of 1987 abolished the "okrug" administrative-territorial units, which lasted until 1999 when they were brought back under the name "oblast", for the most part, within the same territorial boundaries. The current boundaries of the Smolyan Oblast differ slightly from those of the Smolyan Okrug in the north: the Laki Municipality is now part of the Plovdiv Oblast, which has a stronger socio-economic "gravitational" pull (Указ 2704... 1987; Закон... 1995; Указ 1... 1999). Thus, the current Smolyan Oblast is about 8% (293.8 sq km) smaller than the 1986 Okrug (Table 1). With its 2.9% of the territory of Bulgaria (3192.8 km²) and 1.6% of the country's population (116 218 people), it remains one of the smallest administrative territorial units at the NUTS 3 level in the country, which speaks to its demographic and territorial resource base.

Logically, the vast ideological, political, and socio-economic transformations, related to the transition from central planning to "market" economy, have significantly influenced the comparability of the statistical information in the "before" and "after" periods. Unfortunately, the changes do not only apply to the nomenclature differences, e.g., "Labor" to "Labor Market", but also to categories, like "Quality of Life", which exist in the 1986 statistical yearbook, but not in that of 2015 (Смamuчмуечку... 1986; 2014). It must be noted here that the volume of regional information, that is currently made

public in Bulgaria, is smaller in most categories, compared to 1986. This includes the indicators about demographic, social, and economic development and is particularly true for the lower territorial levels. The “harmonization” of the Bulgarian statistical standards to those of the EU, where regional planning takes place at higher territorial levels, has actually been detrimental, not just to statistical reporting itself, but to the regional planning and development processes as a whole.

Results

Geo-demographic and Settlement Transformations

The demographic transformations in the Smolyan Oblast for the 1986-2014 period have been dramatically negative, particularly since 1992 when the tendency for population decrease started. Continuing depopulation, aging, diminishing number of villages, and decreasing population density and natural increase rates tendencies are typical for Bulgaria as a whole, but in the Smolyan Oblast their magnitude has been much higher than in the rest of the country (Table 1). The Oblast population – less than 114 thousand in 2014 - has decreased by close to 31% (52 thousand people) for the studied 28-year period, while the comparable rate for Bulgaria is less than 20%. The decrease characterizes the population of the cities too (25%), but in the villages, depopulation rates have been much higher – over 37%. At present, the Smolyan Oblast has the second lowest share (less than 1.6%) of the national population of any other oblast in the country and its population density stands at 36 people per sq. km - almost twice less than the average for Bulgaria.

One notable positive tendency is the continuing urbanization process: the urbanization rate of the studied area has been over 50%, even back in 1986, but has now advanced to 55%. Nevertheless, the Smolyan Oblast is still classified as rural in the latest EU statistical urban-rural typology of NUTS 3 level regions (Urban-rural Typology 2016). It should be also noted that the speed of urbanization for the Oblast is much lower than the average for Bulgaria (Table 1).

The ongoing depopulation of the studied area is due mostly to outmigration (54% of the total decrease), rather than to the negative natural increase rate or the aforementioned loss of the Municipality of Laki to the neighboring Plovdiv Oblast in 1987. The demographic situation in 1986 used to be entirely opposite to the one 28 years later: The Smolyan Oblast has had a significantly higher birth rate (15.9 per thousand of the population), lower death rate (8.5 per thousand of the population), than the average for Bulgaria. These demographic indicators, combined with a marriage rate equal to the average for Bulgaria, resulted in a natural increase rate of 7.4 per thousand of the population, which has been over four times higher than the country average (1.8 per thousand). The same indicator in 2014 is negative 7.8 per thousand of the population. It is also much worse than the average for Bulgaria (5.7 per thousand) and continues its steady advance in negative “territory” (Table 1). 1000 – 7.8

Thus, only 28 years later, the demographic “picture” of the Smolyan Oblast can be qualified as a “catastrophe in action” – overall, as well as per every one of the above mentioned indicators. For the studied period the relative share of the Oblast population from that of the country has also decreased (to 1,6% in 2014 versus 1,8% in 1986) and the same negative tendency is true for the relative share of the city population only (to 1,2% in 2014 versus 1,4% in 1986). Furthermore, all demographic indicators, except marriage rate, exhibit continuing negative tendencies. In 2014, the number of registered marriages in the Smolyan Oblast has increased by 32, compared to the previous year, but the Oblast birth rate is still the lowest in the nation (NSI 2015; Област... 2015).

Table 1. Population and Settlements Characteristics for Smolyan Oblast and Bulgaria

| Indicators | Unit | Year | Bulgaria | Smolyan Oblast |
|-------------------------|---------------------------------------|---------------------------------------|----------|----------------|
| Municipalities - Number | | 2014 | 264 | 10 |
| | | 1986 | 300 | 16 |
| Settlements - Number | Total | 2014 | 5268 | 242 |
| | | 1986 | 5316 | 253 |
| | Cities | 2014 | 255 | 8 |
| | | 1986 | 237 | 9 |
| Population on 31.12. | Total | 2014 | 7202198 | 113984 |
| | | % 2014 from 1986 | 80,3 | 68,8 |
| | | 1986 | 8 965657 | 165566 |
| | In Cities | 2014 | 5 267480 | 63050 |
| | | % of the country/oblast total in 2014 | 73 | 55,3 |
| | | 1986 | 5874713 | 84124 |
| | % of the country/oblast total in 1986 | 66 | 50,8 | |
| Area | sq.km | 2014 | 111001,9 | 3192,8 |
| | | 1986 | 110993,6 | 3486,6 |
| Population Density | per sq. km | 2014 | 65,1 | 36 |
| | | 1986 | 80,8 | 47,5 |
| Marriage Rate | | 2014 | 3,4 | 2,2 |
| | | 1986 | 7,3 | 7,3 |
| | | 2014 | 9,4 | 6,4 |
| | | 1986 | 13,4 | 15,9 |
| | Per 1000 of the population | 2014 | 15,1 | 14,2 |
| | | 1986 | 11,6 | 8,5 |
| Infant Mortality | | 2014 | 7,6 | 2,7 |
| | | 1986 | 14,7 | 11,1 |
| Natural Increase | | 2014 | -5,7 | -7,8 |
| | | 1986 | 1,8 | 7,4 |

Only one indicator – infant mortality rate (2.7 per thousand of the population) – shows better results in 2014, than the respective average for the country, as well as in comparison to 1986. It should be noted here that the Rhodope Mountain used to be known for its excellent environmental conditions that have been generating an unusually high number of centenarians.

The aging of the Oblast population continues throughout the period of study. The process is much more pronounced in the female population, due to men's higher mortality rate and, consequently, lower average life expectancy at birth. The number of men prevails in age groups up to 54 years. With increasing age increases the number and proportion of women in the total population of the area: the share of women aged over 65 years is 23.9%, while men – only 16.7%. The aging process is more manifested in the villages compared to the cities: in the cities in the average age of the population is 43.3 years, while in rural areas - 47.7 years. (Област... 2015). The aging trend leads to changes in the age structure of the studied region. As a result, the dependency ratio in 2014 is 46.7% - still lower than Bulgaria's

average of 51.2% - which means that for every person in the “dependent” age groups there are less 2 people of working age (NSI 2015). Smolyan Oblast’s demographic replacement coefficient for 2014 is the lowest for Bulgaria: for every 100 employees which are leaving the working age (60-64 years) only 47 are entering that age (15-19 years) (Население... 2015).

The analysis above only confirms the earlier demographic diagnosis of the Smolyan Oblast Authorities, which states that without application of a specifically targeted policy, the tendency towards dramatic reduction of the Oblast population will become “irreversible and catastrophic” (Српатежия 2013, 20). The specific conditions of the Oblast - mountain characteristics and the border geographic position - necessitate that such a policy be formulated and financially supported mainly at the national and EU-levels, rather than at NUTS 2 scale.

Economic Transformations

This part of the study uses economic data for 2013 – the latest available – and the very few, selected indicators (Tables 2 and 3) where comparison of the data for 1986 and 2013 is possible and relatively reliable.

Demographic and economic transformations that take place within a given territory are generally very closely interrelated and interdependent. Thus, the dramatic demographic changes in the Smolyan Oblast have, to a very large extent, been a result of the respective economic changes mostly on national, but also on regional level. The abovementioned negative demographic changes have also contributed to the economic performance of the Oblast under examination, which has been quite poor in most respects and certainly failed to meet people’s hopes and expectations.

The analysis of the variations in the indicator “Average Annual Number of Employees under Labor Contract” in the Smolyan Oblast leads to several conclusions. First, the number of contracted employees engaged in the Oblast’s economic activities has drastically dropped: only 40% of the 1986 number of employees are still under contract in 2013 (Table 2). The significant population decrease in the Oblast (by nearly 31%) can only partially account for that drop. Second, the decrease of the number of employees under labor contract in the Oblast has been significantly greater than the national level (19%), which points to very significant and growing differences in the economic environment at the regional level (Table 2).

The further comparative analysis of the average annual number of the contracted employees by selected economic activity groupings shows that in all, but one of the studied groupings, the number of these employees has considerably dropped during the studied period. The 2013 employees figure between 6 and 57% of their 1986 number (Table 2). The sharpest drop took place in the “Agriculture, Forestry, and Fishing” grouping, in which only six percent of the former number of employees in these types of economic activity are still under contract. Notably, this very low share is lower than the national average, despite the fact that the Smolyan Oblast is a typical mountainous community, where forestry and agriculture are still some of the main economic activities. The salary levels in that economic grouping in 2013 are not among the main reasons for this phenomenon, since they are comparable to those in 1986 (Table 3). The decrease in the contracted employees in this grouping is largely due to the national level “transition to capitalism” policies of “overnight” abolishment of the large-scale cooperative farms and restitution of the agricultural land, farm animals, and machinery to the heirs of the pre-1940s and 1950s private owners. Some of the worst results of these policies also include, land abandonment, fragmentation of the agricultural land, and sharp decrease in the number of farm animals, as well as in the

agricultural production, especially in the mountain areas.

Table 2. Employees under Labor Contract by Economic Activity Groupings - Average Annual Number

| Indicator | Year | Bulgaria | Smolyan Oblast |
|---|-------------------------|----------|----------------|
| Population | 2013 | 7245677 | 116218 |
| | 1986 | 8965657 | 165566 |
| | 2013 as percent of 1986 | 81 | 70 |
| Economic Activities - Total | 2013 | 2226403 | 32216 |
| | 1986 | 4076481 | 80425 |
| | 2013 as percent of 1986 | 55 | 40 |
| Agriculture, Forestry, and Fishing (1) | 2013 | 70235 | 1044 |
| | 1986 | 872349 | 17147 |
| | 2013 as percent of 1986 | 8 | 6 |
| Industry (2) | 2013 | 545553 | 12740 |
| | 1986 | 1403013 | 27711 |
| | 2013 as percent of 1986 | 39 | 46 |
| Construction | 2013 | 128497 | 1827 |
| | 1986 | 359212 | 7327 |
| | 2013 as percent of 1986 | 36 | 25 |
| Whole Sale and Retail Trade, Repair of Motor Vehicles and Motorcycles | 2013 | 370716 | 2959 |
| | 1986 | 360704 | 6845 |
| | 2013 as percent of 1986 | 103 | 43 |
| Transportation and Storage | 2013 | 137131 | 1074 |
| | 1986 | 263201 | 4298 |
| | 2013 as percent of 1986 | 52 | 25 |
| Information and Communication | 2013 | 70961 | 123 |
| | 1986 | 43131 | 901 |
| | 2013 as percent of 1986 | 165 | 14 |
| Financial and Insurance Activities | 2013 | 56709 | 157 |
| | 1986 | 22350 | 438 |
| | 2013 as percent of 1986 | 254 | 36 |
| Professional, Scientific, and Technical Activities (3) | 2013 | 70542 | 342 |
| | 1986 | 83046 | 1005 |
| | 2013 as percent of 1986 | 85 | 34 |
| Public Administration and Defense; Compulsory Social Security | 2013 | 113791 | 1923 |
| | 1986 | 54296 | 1104 |
| | 2013 as percent of 1986 | 210 | 174 |

| | | | |
|---|--|------------------------|--------------------|
| Education | 2013 1986 2013 as per- cent of 1986 | 164469 269148 61 | 2640 6343 42 |
| Human Health and Social Work Activities | 2013 1986 2013 as per- cent of 1986 | 136480 201810 68 | 1639 4654 35 |
| Arts, Entertainment, and Recreation | 2013 1986 2013 as per- cent of 1986 | 31793 48016 66 | 450 792 57 |

NB. 1 - “Agriculture and Forestry” in 1986; 2 - The “Industry” data for 1986 is compared to the 2013 data for “Mining and Quarrying”, “Manufacturing”, and “Electricity, Gas, Steam, and Air Conditioning Supply” data combined; 3 - The “Science and Scientific Services” data in 1986 is compared to the present “Professional, Scientific, and Technical Activities” data.

As far as the other economic groupings, in which very significant reductions in the number of employees under contract have taken place, the comparison of the Smolyan Oblast transformations to those on national scale identifies generally two types: a/ groupings in which the numbers in the Oblast decreased, more or less similarly to the declines in Bulgaria as a whole (“Construction”, “Transportation and Storage”, “Industry”, “Professional, Scientific, and Technical Activities”, “Education”, “Human Health and Social Work Activities”, “Arts, Entertainment, and Recreation”), and b/ groupings in which the number of employees dropped in the Oblast, despite the increase in the respective number of contracted employees on national scale (“Information and Communication”, “Whole Sale and Retail Trade, Repair of Motor Vehicles and Motorcycles” and “Financial and Insurance Activities”) (Table 2). Notable in the first type of groupings is the fact that the decline in the number of employees is disproportionately larger than that on national scale. The only exception here involves “Industry”, which is very beneficial to the Oblast’s economic specialization. Despite the overall decrease of the contracted employees in this grouping, due to the closing of a number of the primary industry and manufacturing activities, the Oblast drop is significantly smaller (46% of the 1986 number of workers are still employed in “Industry”), than that on the national level (only 39% still work in that grouping).

The second type of groupings involves economic activities where modern technology enables higher level of territorial concentration at national level, to the detriment of many of the oblasts. It is a direct result of the lack of effective regional development policies, specifically targeted to mountain and border areas.

The comparative analysis of the “Average Annual Number of Employees under Labor Contract” indicator at Smolyan Oblast and national scale identified a seemingly unorthodox phenomenon. There is one economic grouping in the Oblast, in which the number of employees in 2013 increased during the studied period by 174%. Contrary to the general expectations related to the process of transition from centrally planned to “free market” economies, this grouping involves “Public Administration and Defense, and Compulsory Social Security” activities. In fact, on national level, the same indicator has risen even higher (Table 2), a phenomenon which certainly necessi-

tates deeper studies.

The difference in the purchasing power standards in 1986 and 2013 does not allow for direct comparison of the change between the average annual wages and salaries of the employees under labor contract (Table 3). However, the comparative analysis of this indicator for the Smolyan Oblast and the national scale in 1986 and, separately, in 2013 also indicates a widening difference of the basic type of income at the regional level from the average at the national level. In 1986, such disparity is almost nonexistent, while 27 years later the Smolyan Oblast average value is at only 73 % of the national level, which has also dropped significantly in real terms for the majority of the period. Such a significant differentiation in the level of the main source of income for most people from the mountain region, is certain to have been one of the main “push” factors for outmigration, especially for the young and educated, which has, in turn, negatively affected its demography and the quantity and quality of the labor resources.

Table 3. Average Annual Wages and Salaries of the Employees under Labor Contract by Economic Activity Groupings in BGN

| Indicators | Year | Bulgaria | Smolyan Oblast | Deviation from National Average in % |
|---|--------------|---------------|----------------|--------------------------------------|
| Economic Activities - Total | 2013 1986 | 9301 2697 | 6800 2676 | 73 99 |
| Agriculture, Forestry, and Fishing (1) | 2013 1986 | 7682 2373 | 9478 2350 | 123 99 |
| Industry (2) | 2013 1986 | 13797 3281 | 30921 3281 | 224 114 |
| Construction | 2013 1986 | 7998 3053 | 6176 3138 | 77 103 |
| Whole Sale and Retail Trade, Repair of Motor Vehicles and Motorcycles | 2013 1986 | 8141 2278 | 5290 2244 | 65 99 |
| Transportation and Storage | 2013 1986 | 9093 3011 | 5393 2775 | 59 92 |
| Information and Communication | 2013 1986 | 21988 2442 | 5497 2465 | 25 101 |
| Financial and Insurance Activities | 2013 1986 | 18034 2592 | 9914 2374 | 55 92 |
| Professional, Scientific, and Technical Activities (3) | 2013 1986 | 13247 3137 | 6236 2500 | 47 80 |

| | | | | |
|---|--------------|---------------|--------------|------------|
| Public Administration and Defense; Compulsory Social Security | 2013 1986 | 11317 2977 | 8857 2837 | 78 95 |
| Education | 2013 1986 | 9426 2500 | 7942 2428 | 84 97 |
| Human Health and Social Work Activities | 2013 1986 | 9685 2446 | 8135 2379 | 8135 97 |
| Arts, Entertainment, and Recreation | 2013 1986 | 8145 2419 | 6854 2264 | 84 94 |

NB. 1 - “Agriculture and Forestry” in 1986; 2 - The “Industry” data for 1986 is compared to the 2013 data for “Mining and Quarrying”, “Manufacturing”, and “Electricity, Gas, Steam, and Air Conditioning Supply” data combined; 3 - The “Science and Scientific Services” data in 1986 is compared to the present “Professional, Scientific, and Technical Activities” data.

The comparative analysis of the “Average Annual Wages and Salaries of the Employees under Labor Contract” indicator by selected economic activity groupings shows that in 1986 the Smolyan Oblast employees have received significantly higher wages and salaries than the national average particularly in the “Industry” economic grouping (123%), but also in “Construction” (103%) and “Information and Communication” (101%). In 2013, the “Industry” economic grouping almost doubled its importance in this respect (224%) and was joined by the “Agriculture, Forestry, and Fishing” grouping (123%). However, the percentages of average annual wages and salaries in all other economic groupings in the Smolyan Oblast have fallen significantly, in comparison to the respective national level in 2013, most notably in “Information and Communication” (25% of the national average), “Professional, Scientific, and Technical Activities” (47%), “Financial and Insurance Activities” (55%), “Transportation and Storage” (59%), “Whole Sale and Retail Trade, Repair of Motor Vehicles and Motorcycles” (65%) (Table 3).

Typically, in times of economic crises at the higher territorial levels, the growth rate, measured in purchasing power standard per inhabitant, in Smolyan Oblast - a “double” periphery (mountain and border) region - falls much lower than the national level. For example, the 1996 economic crisis in Bulgaria, has turned out to be particularly taxing on the Smolyan Oblast: its growth rate has been a negative 35.7% (the lowest of any NUTS 3 region in Bulgaria) versus negative 6.4% for the county. Similarly, in 2009, at the time of the global economic downturn, the Oblast’s growth rate has figured at negative 14% versus negative 5.4% for Bulgaria as a whole (Eurostat 2015).

The favorable specialization of the Oblast in the “Industry” grouping proves to play a very positive role in periods of economic upswing. In the 1996-2012 period, the Smolyan Oblast has economically been the third fastest developing unit at the NUTS 3 level in Bulgaria; besides the capital region - Sofia (stolitsa) and Sofia Oblast – only the BurgasOblast, developed faster. In fact, Smolyan has moved economically more rapidly than the average for Bulgaria: the Oblast’s gross domestic product per capita at current market prices has risen 2.9 times, compared to 2.5 times for the whole country. This more

rapid pace of economic development of the Oblast after the 1996 crisis has been able to partially compensate for the dramatic slump overall.

In sum the analysis of the available economic indicators shows that during the study period the Smolyan Oblast has become a part of the EU and Bulgaria’s economic periphery. For example, between 1995 and 2013 its purchasing power standard per inhabitant in percentage of the EU average exhibits little change – it moved from 29% at the beginning of the period to 30% at its end. Bulgaria’s purchasing power standard per inhabitant, however, has increased during the same time from 32% to 45% of the EU average. This difference in the speed of economic development significantly widens the intra-state regional disparities. While, in 1995, Smolyan Oblasts’ purchasing power standard per inhabitant has been 89% of Bulgaria’s average, in 2013 it stands at 66% with a negative tendency (Eurostat 2015).

Conclusion

The comparative analysis of the fluctuations in the social and economic indicators provides ample evidence to support the conclusion that a very significant socio-economic restructuring has taken place in the 1996-2014 period in the mountain and border areas of Bulgaria. First, especially notable is the transformation’s dynamic: both the reductions and the upswings in the period under examination have been quite abrupt and steep. Second, the largely unplanned character of these transformations has little chance to bode well - neither in terms of economic results, nor - in social or environmental impacts. Third, the geo-demographic, settlement, and economic indicators in this peripheral NUTS 3 region have worsened dramatically. The oblast negative birth rate is the lowest in the nation and the size of the rural population suffered the heaviest blow, which explains the continuing depopulation of this “deep” periphery (both mountain and border) area. Fourth, the large and widening discrepancies between national and regional demographic and economic indicators point to a pronounced process of marginalization of certain areas, which necessitates the implementation of a specifically targeted development polic formulated and financially supported mainly at the national and EU-levels, rather than at NUTS 2 scale.

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