



Regionalization in European Economic Area

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**MECHANISMS
OF THE TERRITORIAL ADMINISTRATIVE
DEVELOPMENT IN BULGARIA**

Abstract

The concept of regionalization development in the Bulgarian Republic has been substantiated. The evolution of the regional development in the national economy has been revealed. The efficiency in the territorial administrative management has been analyzed. The practice of the territorial management in the market conditions has been demonstrated.

Particular attention has been drawn to the analysis of the basic models of strategic planning and regulatory basis. Methods of transition from monocentrism to a moderate polycentrism with its perspective transformation into developed polycentrism have been outlined. Due to the principles of the regional European

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policy, the financial mechanism of Bulgarian regions, that is oriented toward decrease of the regional differentiations, has been examined.

Thus, we can outline the following four strategic aims of the article: to achieve a balanced and contrast regional development; to overcome internal and regional asymmetry in the context of the European cohesion policy; to gain a rational, steady and encompassing increase.

Key words:

Municipal government, municipal budget, axis of development, growth pole, region of planning, strategic planning, territorial planning.

JEL: O21, R1.

1. Regional development in the national economy.

The Ministry of Regional Development and Public Works is the authority in the structure of the State Administration of Bulgaria in whose competence is entrusted the national policy for regional development. It is developed and implemented in accordance with the basic priorities and objectives of the European Union, so the government policy for regional development is aimed at creating conditions for balanced and sustainable integrated development of the regions and municipalities in Bulgaria. Measures are taken to reduce inter-regional and intra-regional disparities in development and support the process of economic, social and territorial cohesion within the EU.

The normative documents regulating the regional development are: The Regional Development Act (The Regional Development Act, 2008). (RDA) and The Regulations for Implementing the Regional Development Act (The Regulations for Implementing the Regional Development Act, 2010). This Act aims at:

- planning, programming, management, resource provision, monitoring, control and evaluation of the implementation of strategies, plans and

programmes for the implementation of the government (state) policy for regional development;

- developing, managing and providing information on concepts and schemes for expanded development at national, regional district and municipality level.

For the purposes of the regional development, regions divided into levels are formed in accordance with the requirements of the common classification of the territorial units for the statistics applied in EU (Order №RD 07-24, 2013). So the territorial division of the country acquires the following pattern (The Regional Development Act.2008):

- Level 1 – areas, which are not administrative-territorial units and cover the following regions:

1. North and Southeast Bulgaria: This area comprises the north-west, north central, north-east and south-east planning region.

2. Southwest and South central Bulgaria, comprising the South-west and the South central region.

- Level 2 – areas which are not administrative-territorial units and cover territories as follows:

1. North-west region, incorporating five regional centers;

2. North Central Region, incorporating five regional centers;

3. North-east region, incorporating four regional centers;

4. South-east region, incorporating four regional centers;

5. South-west region, incorporating five regional centers;

6. South Central Region, incorporating five regional centers.

- Level 3 – areas which are administrative territorial units and include the territory of the 28 separate districts. There is a sub-level to this third level which is formed for purposes of the local self-government. Here the territory of the country is divided into 265 municipalities (according to EKATTE (Unified classifier of administrative-territorial and territorial units, 2015) data – 5265 towns and villages, grouped into 265 municipalities, 28 districts and 2011 town/village councils.

In accordance with the accepted classification, the policy on regional development is implemented at national, regional and local level (The Regional Development Act, 2015). The map shows the territorial division of the Bulgarian planning regions.

Figure 1

Territorial Division of Bulgarian Regional Planning



Source: Ministry of Regional Development and Public Works

The implementation of the national policy on the strategic planning of the regional and local development is regulated by the RDA. It covers the development of a system of normatively regulated document aiming at achieving smart, sustainable and inclusive growth, as well as high rates of employment. It is within the competence of the Minister of the Regional Development and Public Works to write the methodological guidelines for the preparation of the documents needed for the strategic planning of the regional and the local development (Methodological Guideliness for the Development of: National Strategy for RD of the Republic of Bulgaria, 2012–2022). The strategic goals and priorities set in the documents for strategic planning are in accordance with the common European guidelines which mean that Bulgaria implements continuity of the EU Regional Development policy. The set of documents contains:

- «National Development Plan» which in the next programming period 2014–2020 has been replaced by ,National Development Programme Bulgaria 2020» (National Development Programme Bulgaria, 2015). It

is the leading strategic and program document that describes the objectives and policies for the development of the country by 2020;

- «National Strategic Reference Framework» which has been replaced by a «Partnership Agreement» for the next programming period 2014–2020 (Partnership Agreement, 2014). This is a document of great importance since it describes the strategic priorities of our country which are in accordance with those of the EU and for which structural assistance from EU will be received;
- Operational programs co-financed by EU funds (Operational Programmes Co-financed by EU funds, (2015) ;
- «National Strategy for Regional Development»(National Strategy for regional Development, 2012–2020) – the basic document that defines the strategic framework of the government policy to achieve balanced and sustainable development of the regions of the country and to overcome inter- and intra – regional differences/inequalities in the context of the pan – European cohesion policy achieving smart, sustainable and inclusive growth.
- «Regional development plans» (RDP, 2015) – documents for strategic planning with integral character that define the mid-term objectives and priorities for sustainable integrated regional and local development of the territory within the Level 2 regions in accordance with the provision of the «National Development Programme: Bulgaria 2020», the National Strategy for Regional Development for the period 2012–2020 and the other structural policies. The Regional Development Plans are developed for a 7-year period which coincides with the seven-year period of the regional development strategies and the local development plans and with the next program period of the cohesion policy and the EU financial instruments for its implementation.
- Regional development strategies (RDS, 2015). According to Art 12 of the RDA, the Regional Development Strategy sets mid-term objectives and priorities for the development of the region, as well as strategic guidelines for the municipalities development plans. It is made in accordance with the Regional Development Plan and the Region Scheme for spatial Development. It is approved by the Regional Development council and it includes:

1. Analysis of the economic and social situation of the region. The main items in the analysis of the status and trends in the region include:

- General characteristics/profile of the area;
- Economy and Competitiveness;

- Social capital, social integration and inclusion;
- Infrastructural development, connectivity and accessibility;
- Ecological status and risks;
- Administrative capacity, inter-institutional coordination and policy coherence;
- SWOT-analyses.

2. The objectives and the priorities for the development of the region for a certain period of time should reflect the general expectation and the challenges for the future implementation of the regional policy in Bulgaria and the EU and the responsibilities and the capacity of the local authorities and their partners for effective planning, coordination, monitoring and evaluation of the area development during this period. The definition of the strategic objective should meet the general criteria for specificity, measurability, feasibility, realism, having in mind the resources and setting timeframes for achieving them. The objectives and the priorities for sustainable integrated development of the region are developed and evaluated in their totality and interactive to achieve internal and external consistency.

3. Overall assessment of the resources needed to achieve the objectives of the strategy. The evaluation of the necessary resources for the implementation of the strategy for the development of the region is carried out on the basis of the identified economic and financial mechanisms and instruments for mobilizing means of support for achieving the objectives and the priorities of the development. For this purpose, analytical and prognostics methods are applied which enable realistic determination of the necessary financial resources for the region that can be mobilized by the main mechanisms and sources of funding for the regional development.

4. Territorial scope of the areas targeted for support. Defining areas for targeted support creates conditions for effective territorial concentration of resources for reducing intra-regional disparities in the levels of development of the municipalities and for achievement of the objectives of the state policy for the regional and local development, taking into account the specific characteristics and needs of the area. Defining the territorial scope of the areas targeted for support is based on economic, social and infrastructural criteria;

5. Criteria for assessing the implementation of the strategy. The regional development strategy is evaluated using certain criteria for its implementation. The criteria used are of vital importance for the intermediate and post evaluation of the overall implementation of the strategy;

6. Strategic guidelines for the development of the objectives and priorities of the municipal development plans. The regional development strategy aims to

define the strategic guidelines which the municipal development plans must comply with in order to achieve the common objectives and priorities of the development strategy of the region;

7. Description of the necessary actions to implement the principle of partnership and the provision of information and publicity.

- Municipal Development Plans [Electronic recourse]. According to Art. 13 of the RDA, the Municipal Development Plan defines the mid-term objectives and priorities for the development of the municipality in accordance with the regional development strategy and the concept of spatial development of the municipality. The Municipal Development Plan is adopted by the City Council on a proposal from the Mayor. The Municipal Development Plan contains:

1. Analysis of the economic and social development of the municipality. The structure of the analytical part of the Municipal Development Plan should be focused on the specifics of the Municipality in order to justify its development strategy for 2020. The components of the analysis mainly include:

- General characteristics/profile of the municipality;
- The state of the local economy;
- Development of social environment and human resources;
- Infrastructural development, connectivity and accessibility of the territory;
- Ecological status and risks;
- Administrative capacity;
- SWOT-analysis.

2. Objectives and priorities for the development of the municipality for a certain period. The strategy for achieving the development objectives and priorities set out in the municipal development plan covers and tracks the relationship between the most common strategic development goals, set priorities for action and their specific targets to be realized through the implementation of the proposed package of measures and activities including the preparation, financing and implementation of specific projects. The Municipal Development Plan must be developed and implemented as part of the overall system for the strategic planning and programming of the regional development, established by legislative provisions and in the context of the national policy for regional development;

3. Indicative financial table. The indicative financial table summarizes the resources required for the implantation of the Municipal Development Plan during the period 2014–2020 and represents the financial framework of the commitments made in implementing the plan by all the partners in the local development

with the leading role of the local government authorities assisted by the municipal administration.

4. Indicators for monitoring and evaluation of the plan. The system of indicators for monitoring the implementation of the municipal development plan, based on the collected evidence and data, report on the progress and achievement of objectives and development priorities of the municipality at the physical and financial performance. Suitably for the purposes of the plan is to use two types of indicators:

- result indicators – relating to the monitoring and evaluation of the implementation of the identified priorities and measures for development of the municipal;
- impact indicators – reporting on the implementation of specific strategic objectives and are relevant for assessing the effectiveness of the chosen strategy and policy for sustainable integrated local development for the period.

5. Necessary action on monitoring, evaluation and updating of the plan. Subject to monitoring and evaluation is the implementation of the objectives and priorities of the municipal development plan based on the results of the preparation and implementation of measures and projects included in the program for implementation of the plan. When updating the municipal development plan, the dynamic impact of external and internal factors and conditions on the socio-economic characteristics of the community development and environmental quality should be analyzed and evaluate, and on that basis develop a more realistic and adequate strategic framework and a system for managing and implementing the objectives of the plan by the end of the period;

6. Description of the necessary actions to implement the principle of partnership and provision of information and publicity. The main objective of the actions to implement this principle is to ensure transparency and to inform the parties/concerned and the participants in the process of formation and implementation of local policies for an integrated sustainable development on the expected results and benefits for the local community as a whole, and motive the parties concerned to participate actively in the process of implementation;

7. Program for the implementation of the municipal development plan, which specifies the projects for its implementation, the appropriate financial resources and the units to implement these project;

8. Preliminary assessment of the plan. This assessment is developed by an independent consultant in parallel with the preparation of the Municipal Development Plan draft. It contains an estimate of the impact of the plan on the processes of socio-economic development of the municipality and environmental assessment. The environment component in the evaluation assesses whether

the development strategy of the municipality determined by the plan is consistent with its strategy and performance criteria of the environmental protection policy.

Summarized information on existing relationships between the documents for strategic planning and programming of regional development is presented in Figure 2 (Marcheva Ann., Parashkevova Ev., Vachevska M., 2014).

Figure 2

Connections between Documents for Strategic Planning and Regional Development Programmes



Source: Training in planning and forecasting, p. 29

In the scheme the existing relationships in the system of strategic planning documents were followed which show is commitment of the priorities and objectives at national, regional and local level. There is strict consistency in regional development policy in line with the established principles for regional develop-

ment, which are enshrined in the national legislation. According to the RDA, in drafting the strategic documents and the implementation regional development policy the following principles must be observed (The RDA, 2008):

- 1) unified approach to planning and programming;
- 2) the concentration of resources;
- 3) complement the financing from national public sources and co-financing resources from private sources and from international financial institutions;
- 4) interdepartmental coordination of activities of the competent authorities in the process of state policy in regional development;
- 5) coherence with other structural policies, instruments and actions at international, national, regional and local level;
- 6) partnership, publicity and transparency at all levels in the implantation of the state policy on regional development.

The policy on regional development in the national economy is a complex management process, whose organization and conduct is the responsibility of the central and the local administration. The development of the established system of strategic documents requires rigorous interdepartmental coordination between the responsible for the implementation of the policy for strategic planning institutions at national, regional and local level. Thus the execution of the scheduling rules that are set in the RDA provides a consolidated policy on regional development with common goals and priorities at all territorial levels in Bulgaria.

2. Present dimensions of spatial planning in Bulgaria

2.1. Basic characteristics of spatial planning

Spatial planning is one of the most important areas that have a significant impact on our society at all levels and aspects. Sustainable planning refers to the environment in which people live and work, the location of socio-economic activities, the way absorb and exploit the resources we have.

Spatial planning (European Charter for Spatial Planning, 1983) provides geographic expression of the economic, social, cultural and ecological policies of society. At the same time it is a scientific discipline, an administrative technique and a policy developed based on the interdisciplinary approach aimed at achiev-

ing balanced regional development and the physical organization of space in accordance with a common strategy.

Spatial planning is developed in all levels of government in the direction of top-down and reverse. National, regional and local authorities are facing serious challenges every day, related to the development of the territory and with the concepts that affect these processes. Moreover, it is related to sustainable development in such issues as the environment in which people live and work, and with localization of socio-economic activities, and the way people absorb and exploit the available resources of the place.

In EU-context, according to the Common Spatial Development Strategy of the V4+2 Countries [Electronic recourse], spatial development is understood as a development of values and possibilities within a territory, which brings profit to all involved.

The dynamic character of the global economy affects regional development in our country. Today, there is a strong need territorial units to be given a functional profile in order to have success in attracting significant investments and opening of new jobs. Each country develops its instruments of spatial policy to make their regions more competitive in the national and international level.

2.2. Key documents of spatial planning in the Republic of Bulgaria

In the period after 1990, a number of changes took place in Regional Development of Bulgaria. Analyze of the main strategic documents and legal framework that regulates them shows weak links between socio-economic and spatial dimension of development. Substantial experience in overcoming this disadvantage is placed in the creation of the National Concept for Spatial Development (2013–2025), which should become a guiding document for regional and spatial planning. It is a key national strategic document with strongly underlined territorial context and significant impact on the national space.

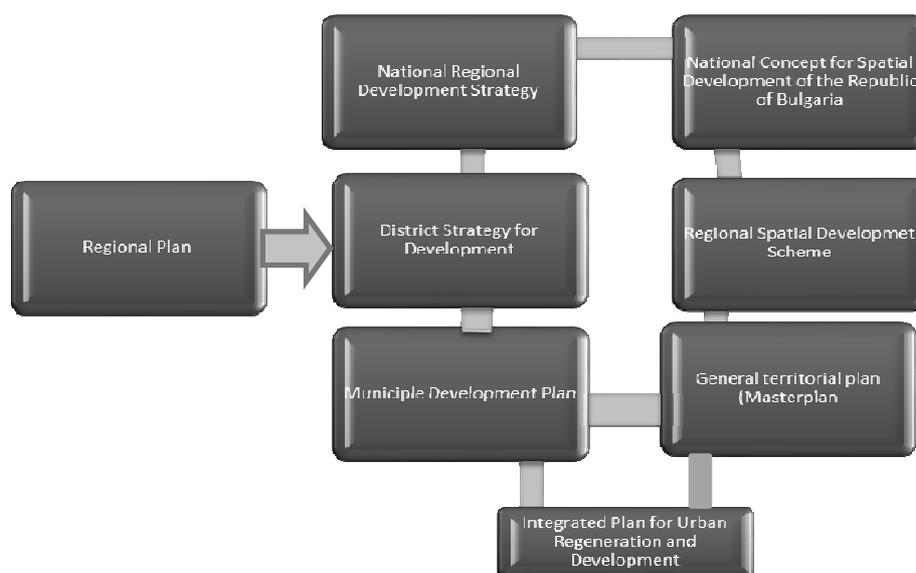
The National Concept for Spatial Development through its basic principles and priorities is aimed to support the work on the preparation of regional development plans at level NUTS 2, and to provide more detailed guidance for spatial development in regions and municipalities.

Judicial changes in two major pieces of legislation – the Regional Development Act and the Spatial Planning Act – are also designed to compensate for the backwardness in the field of spatial planning. On the other hand, the correct positioning of National concept for spatial development in the package of strategic documents regulates its leading role in relating the priorities of the proposed

operational programs for 2014–2020 period with regional strategic documents and spatial planning. That coordination of goals, priorities and measures, including sectoral policies, would gradually help the process of integrated strategic planning in Bulgaria.

Figure 3

The Bulgarian system of strategic documents in spatial planning



The National Concept for Spatial Development of the Republic of Bulgaria [Electronic recourse] for the period 2013–2025 is the first document of its kind concerning the spatial development of the territory for the past three decades, which covers the entire area of the country and is being elaborated under the conditions of restored property rights on land and forests in all its modalities, increased number of actors in the process of planning and governance of the territory, a more democratic decision making process and membership of the country in the European Union.

The National Concept for Spatial Development for the period 2013–2025 (NCSD) is a mid-term strategic document, which outlines the directions for land-use planning, governance and protection of the national territory and aquatory

and creates preconditions for spatial orientation and coordination of the sectoral policies. Together with the National Regional Development Strategy 2012–2022 (NRDS) it is a principal document in the most recent legislation of the country and a long-aspired instrument for integrated planning and sustainable spatial, economic and social development.

The main objective of the National Concept for Spatial Development for the period 2013–2025 is «Spatial coordination of the processes in the national territory through establishing a spatial and land-use planning base and a regulator for implementation of both regional planning and individual socio-economic sectoral planning at the national level in the context of the common European spatial development for the purposes of achieving complex integrated planning».

A major instrument used in the elaboration of the National Concept for Spatial Development is the Geographic Information System (GIS) with the proposed structured database of geo-spatial data, which is used for analyses, testing of models, assessment of territories and core-cities and visualization of the results. An analysis was made of the influence of the major geo-political, global, social, economic and ecological factors on spatial development and the most important challenges, which the country might face, were outlined. One of the gravest problems during the next decades will be the demographic crisis in all its multi-faceted manifestations.

The general trend laid down in the Concept is promotion of the movement from monocentrism towards moderate polycentrism, which expands and comes closer to developed polycentrism over time. The National Concept for Spatial Development of Bulgaria for the period 2013–2025 creates a theoretical basis for the implementation of this model, which will guarantee the complex integrated planning, ensuring harmonic unity of social, economic, ecological and land-use planning. (see fig. 4)

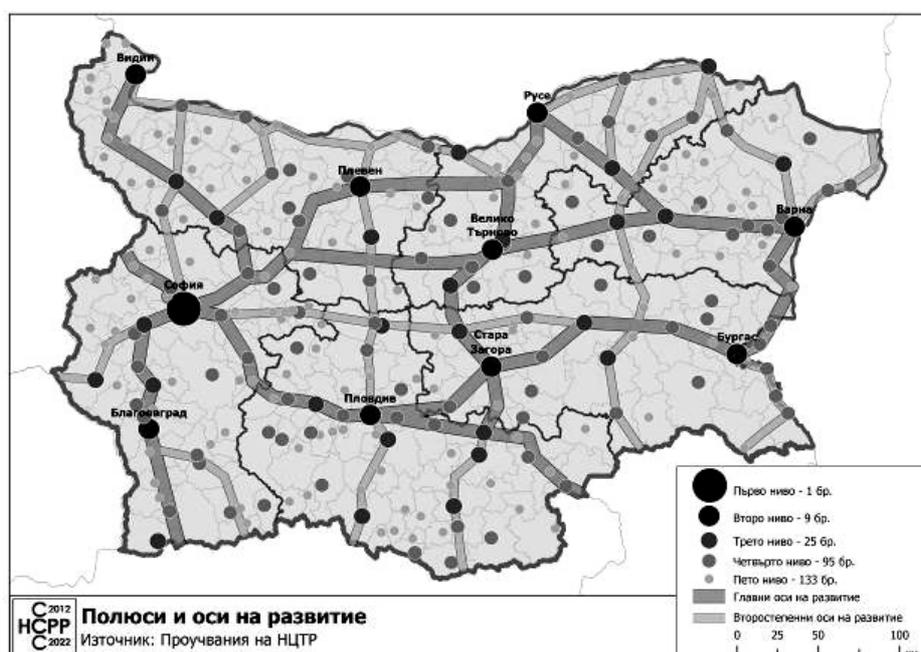
The selected vision of the NCS D is formulated in three brief messages:- The national space of Bulgaria – open to the world and integrated in the European space and in the European network of core-cities and axes of development, culture, science and innovations. – The well-preserved national resources – the people, land, waters and forests, ores and minerals, natural and cultural heritage – a guarantee for the national identity. – Balanced and sustainable integrated development, achieved through rational organization of the economic, social, transport, engineering, cultural and tourist infrastructure and ensuring smart economic growth, adaptivity to changes and equal treatment.

The NCS D builds upon and develops further the polycentric model of hierarchically ranked centres and development axes, proposed in the NRDS 2012–2022, by pointing the ways and means for their shift to a higher level. The assessment of the core-cities has been performed by means of a set of indicators, related to the demographic dynamics and their significance as administrative, transport, health care, educational, cultural, economic and tourist centres. Spe-

cific policy is proposed for stabilizing the network of small cities of fourth hierar-
chic level, since the direction of development of the peripheral rural and mountain
areas will depend on the state of development of these cities.

Figure 4

Growth poles and development axes in Bulgaria



Source: Ministry of Regional development and Public works of Republic of Bulgaria,
<http://www.mrrb.government.bg/?controller=articles&id=350> (08.09.15).

2.3. Regional spatial development scheme

The Regional spatial development scheme determines the directions for territorial development of the urbanized territories and their ecological reconciliation with the agricultural, forest and protected territories in order to achieve an optimal territorial structure and will envisage a proper development of the techni-

cal infrastructure and the correlation with the National infrastructure corridors with the European ones.

The Regional spatial development scheme should be developed in accordance with Regional Development Act. The main objective of the spatial development scheme is establishment of spatial conditions for achievement of the goals of economic and social development, environmental protection and equality of living conditions, labor and vacation of the population, connected with cross-border cooperation and development. The scheme defines the strategy for spatial development of the certain District and its connections with other districts within the region of NUTS 2 level and in adjacent regions in the country and neighboring countries. Sub-goals of the spatial development scheme are for example [Electronic recourse]: -creating spatial conditions for increasing the attractiveness of the territory for developing an economy based on knowledge and available resources; -development and modernization of system of engineering – technical infrastructure and communications network; -integrated conservation, restoration and sustainable use of the environment, including natural and cultural heritage;-strengthening institutional capacity at regional and local level to improve the management process and support initiatives for regional and local development; The development of Regional spatial development scheme will reflect European views on the nature and objectives of spatial development approach known as the European Spatial Development Perspective. Its essence consists in the combination of socioeconomic development (regional strategies and plans) with planning (development schemes and plans).

2.4. Territorial plans (Masterplans)

General territorial plan (Masterplan) [Electronic recourse] covers the vast use of territories and ways of their structure development. It is developed for the municipality with its settlements and their lands; part of the municipality encompassing group settlements with their lands; city with its territory, or settlements of national importance according to the Territorial Administration of the Republic of Bulgaria Act.

The general territorial plan specifies: the common structure of the territory; planning zones for each of the territories; areas that are public property and public municipal property and regime of their development; requirements to the aesthetic composition development of the territory; requirements for the device available to the entire population environment, including people with disabilities.

According to the Spatial Planning Act, the General territorial plan of the municipality gives the overall regime of each of the areas with the most common goals, measures and requirements for their protection, use, development and

construction. The plan also indicates the networks and facilities of the technical infrastructure and territories with probably predictable natural disasters and necessary preventive measures and ways of planning and protection.

2.5. Integrated Plan for Urban Regeneration and Development

Integrated Plan for Urban Regeneration and Development (IPURD) lays the foundations for programming and receiving funds from the EU for the programming period from 2014 to 2020. According to the Regional Development Act it is a plan for economic and social development and reconstruction of the village – city or part of it.

As an instrument for regional planning, **IPURD** promotes implementation of the integrated urban development policy approach with particular attention to fighting social exclusion and the improvement and regeneration of the physical urban environment, thus contributing to an effective implementation of the EU Territorial Agenda and the Leipzig Charter on Sustainable European Cities (Methodological Guidelines for the Development and Implementation of Integrated Urban Regeneration and Development). This will include the improvement of economic, social, housing and natural environment and service infrastructure of cities considered as focal points for regional development, in order to increase their attractiveness for mobile investment. The integrated approach is pursued on the basis of the existing Municipal Development Plans, Master Plans and Detailed Spatial Plans, which set up the exact provisions for the integrated territorial development of the municipalities and the urban area.

Integrated Plan for Urban Regeneration and Development is a combination of time and space related projects, actions and investments that are applied in certain urban areas of influence. It integrates policies and unites diverse participants for their joint conduct, contributing to the realization of the vision and strategy for development of the city, respectively specific development priorities identified in existing strategic documents.

IPURD are prepared in accordance with Methodological Guidelines for the development and implementation of integrated urban regeneration and development approved by the Minister of Regional Development and Public Works, which determine the types of zones of influence:

- Areas with a predominantly social character;
- Areas with potential for economic development;
- Areas of public functions with high public importance.

- Through the development of an **IPURD** in major cities, local authorities aim to ensure coordinate impact over individual elements of the urban environment throughout location management of location and accurate timing of various activities related to the reconstruction and development of the urban environment. That coordination is a prerequisite for greater efficiency. Moreover, it provides added value and increased the effect of implementation of the programs and their corresponding projects for the development of urban infrastructure in all its diversity.

The contemporary dimensions in spatial planning in Republic of Bulgaria requires new thinking and behaviour patterns – from competition among the institutions, towards cooperation for attainment of common goals in the same spaces, innovative mechanism for coordination among the governance levels; and a new institutional framework, permitting effective implementation of the spatial strategy; an integrated system of programming and implementation of the government policies and programmes with territorial dimensions.

3. The financial mechanism of Bulgarian regions

European regional policy has common guidelines for all Member States of the Community and is based on the *financial solidarity* principle. Art. 158 of the Treaty establishing the European Economic Community (TEEC) (Treaty for Establishing the European Economic Community, 1957) states that in order to strengthen its economic and social cohesion, the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or areas. The policy of the European Union (EU) to reduce regional disparities is implemented through the financial support of structural instruments.

Based on the principle of financial solidarity within the Union and the idea of universal economic and social progress, the EU Member States conduct a European regional policy financed by the EU funds, thereby *the Union also affects the planning of regional and local development*.

The main sources of funding the regional policy and regional development in Bulgaria are (RDAct, 2008): the state budget; municipal budgets; funds of physical and juridical persons; EU funds; international financial institutions; other sources specified by law. This means that the existing legislation in the field of regional development of the country provides that it can be financed by private and public funds from the state and municipal budgets, but due to budget deficit this funding is minimal.

Achieving the goals of Bulgaria's regional development policy is based on a realistic multiannual financial framework, including the total amount of funds needed for the respective programming period. This framework is indicative and it is updated when there is a change in the policy implementation environment. The funds included in the framework are allocated for each year of the programming period, during which they will be mobilized according to the principle of co-funding public resources by national and European sources in the field of regional development. The indicative figures specified in the framework refer only to the required levels of funding for achieving the strategic goals and implementing the priorities of the regional development policy, including in terms of resource allocation as objectives and priorities of operational programmes and funds during the respective programming period.

The municipalities in Bulgaria are administrative-territorial units that implement regional development policy at a local level. There are 265 municipalities in the country, which are primary budget credit spenders. The legal framework, which regulates the budget process in municipalities, include: the Public Finance Act, the Municipal Debt Act, the Local Taxes and Fees Act, the State Budget of the Republic of Bulgaria Act for the relevant year, the Financial Management and Control Act, etc.

According to Art. 7 of the Public Finance Act (Public Finance Act, 2014) mayors organize and manage the preparation, submission to the municipal council and the implementation of municipal budgets; for this purpose they develop and approve internal rules for streamlining the budgeting process.

The municipal budget involves revenues, expenditures, budgetary relations with the central budget and other budgets and accounts regarding EU funds, budget balance and financing (Ibid, art.45). The revenues are formed by:

- the collected local taxes – under the conditions and terms and within the limits provided by the Local Taxes and Fees Act;
- the fees collected by the local government – under the conditions and terms provided again by the Local Taxes and Fees Act;
- the prices of services and rights provided by the municipality;
- the amounts received from the disposition of municipal property;
- the collected fines and real estate sanctions;
- the interest and forfeits due;
- other receipts;
- aid and donations.

The expenditures of municipal budgets are in two main directions: expenditures for state-delegated activities and expenditures for local activities.

The state finances public activities delegated to municipalities by a global subsidy, which is specified on the basis of funding standards and natural indicators for the relevant activity adopted by the Council of Ministers.

The state also allots the total balancing subsidy for local activities, which is intended to provide a minimum level of local services in the municipalities. The State Budget Act specifies the mechanism for distributing this subsidy per municipality for the relevant year.

The implementation of a regional development policy can be financed through municipal capital expenditures. The state allots to municipalities targeted capital expenditure subsidy, the mechanism of distributing it per municipality is set out in the State Budget Act for the relevant year.

In terms of function under the unified budget classification, the expenditure section covers the following areas: personnel; maintenance; interest; benefits and household assistance; current subsidies; capital expenditures.

The state compensates for the decrease in the revenues of municipalities from local taxes and fees when it results from the state policy implementation.

The budget relationships of the municipal budget with the central budget include: 1. transfers for: global subsidy for financing state-delegated activities; local activities, including a total balancing subsidy, targeted capital expenditure subsidy; other earmarked expenditure; financial compensation by the state. The funds are provided under the State Budget Act of the Republic of Bulgaria for the relevant year or by virtue of an instrument adopted by the Council of Ministers. 2. temporary interest-free loans. A municipal budget involves budget relationships with other budgets and accounts from the EU funds.

The budgetary procedure at the municipal level aims to frame the needs, the expected revenues and expenditure destinations. When planning the municipal budget the envisaged projects and activities in the municipal development plans must be taken into account, including those implemented through public private partnership. Since the resources of municipalities from local revenues are not enough to finance significant regional development projects, they are mainly funded by grants from the European Union and to a lesser extent by the targeted capital expenditure subsidy for municipalities.

Thus, practically, regional development policy implementation in Bulgaria is mainly financed by European funds through the operational programmes and the related national co-financing. The EU funds are managed according to the applicable European and national legislation and contracts concluded by the Member States.

The EU funds enable Bulgaria to «have a balanced and sustainable integrated development of regions and municipalities (RDAct, 2008)». The highlights in financing are related to the expected long-term effects in terms of «1. reducing

the interregional and intraregional disparities regarding the degree of economic, social and territorial development; 2. ensuring conditions for enhanced economic growth and a high level of employment; 3. developing territorial cooperation (Ibid, art. 2, para. 2)».

The current legal framework in Bulgaria for regional development aims at providing resource concentration and complementing the funding from national public sources through co-financing with resources from private sources and from international financial institutions in implementing the regional development policy. The funds are expended by applying a unified approach to planning and programming at all hierarchical levels in the country.

A specific aspect of regional development funding in Bulgaria is the creation of so-called areas for targeted support. They cover the territory of one or more adjacent municipalities and are the territorial basis for resource concentration to reduce the intraregional disparities and the criteria for specifying the areas for targeted support are multiaspectual and involve economic, social, infrastructure, environmental and other indicators. They are provided as information from official sources. The funds distribution procedure for the regional development of the areas for targeted support is carried out by applying the bottom-up approach. The funds are planned annually and are proposed by the Minister of Regional Development and Welfare, coordinated with the district councils for development and with the Minister of Finance within the budget procedure.

Regional development funding is aimed at a broad range of activities associated with the preparation and update of strategic planning and programming documents, spatial development concepts and schemes, as well as for developing and implementing projects and investment intentions; carrying out of the planned activities in the areas for targeted support; monitoring and evaluating regional development; information and publicity of regional policy, etc. The regime of state aid should be observed (Ibid. Art. 29, 2006) when financing the regional development policy.

It «aims to prevent granting state aid that distorts competition through placing certain enterprises in a more favourable position than others, and to allow state support measures that are justified in terms of common interest, namely those that encourage small and medium-sized enterprises, increase employment, professional qualification and innovation, and promote the economic development of certain regions and the prosperity of the entire European community» (Prakticheskovo Rakovodstvo, 2007).

Three major periods of regional development policy can be distinguished in Bulgaria depending on the sources of funding:

1. The period of Bulgaria's pre-accession to the EU (2000–2006). The regional development policy is mainly financed through the pre-accession instruments – ISPA, SAPARD and PHARE.

2. The first programming period of Bulgaria’s EU membership (2007–2013). The regional development policy is financed through: the Structural Funds, including the European Fund for Regional Development and the European Social Fund; the Cohesion Fund; the European Agricultural Fund for Rural Development and the European Agricultural Guarantee Fund; The European Fisheries Fund.

3. The second programming period of Bulgaria’s EU membership (2014–2020). The regional development policy is financed through five funds united under the common name European Structural and Investment Funds. These are: the European Fund for Regional Development; the European Social Fund; the Cohesion Fund; the European Agricultural Fund for Rural Development; and the European Maritime and Fisheries Fund.

For the first programming period Bulgaria negotiated financing from the EU funds to the amount of 9 298 196 077 Euros, and for 2014–2020 – by 5% more.

Regional development is financed in compliance with the funding negotiated in the National Strategic Reference Framework (for the 2007–2013 programming period) and the Partnership Agreement (for the 2014–2020 programming period). These two documents set the financial framework for the separate thematic objectives that Bulgaria has committed itself to.

Figure 5

Funding the operational programmes in Bulgaria for the 2007–2013 and 2014–2020 programming periods (Euros)

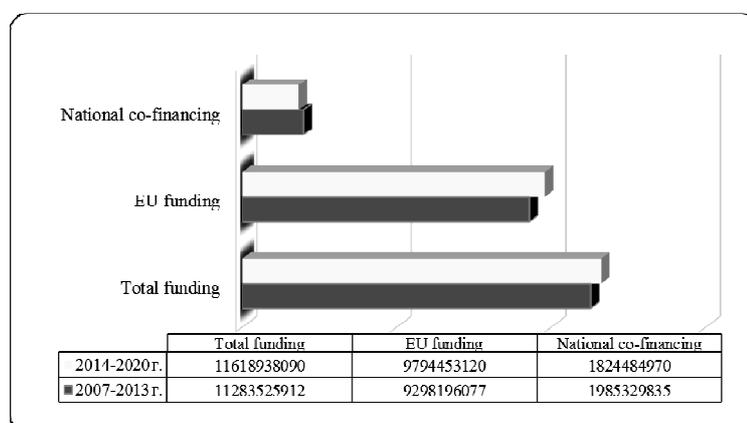
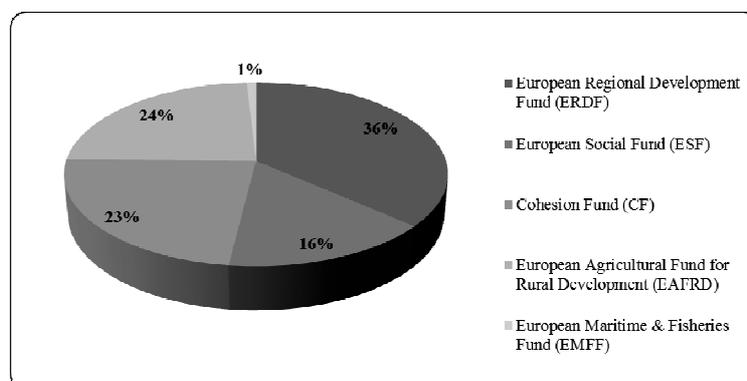


Figure 6

**EU funding of Bulgaria's regional development
for the period 2014–2020 (%)**



The European Fund for Regional Development has the greatest share in Bulgaria's regional development funding for the 2014–2020 programming period – 3 567 667 612 Euros, i.e. 36% of the total European funding. The European Agricultural Fund for Rural Development comes second with 2 338 783 966 Euros, followed by the Cohesion Fund with 2 278 307 144 Euros, i. e. 23% of the total European funding.

According to the Partnership Agreement in the 2014–2020 programming period Bulgaria will receive funding under 11 thematic objectives (see Table 1) (Partnership Agreement of the Republic of Bulgaria, 2014).

The funds from the European Structural and Investment Funds (ESIF) by thematic objectives are allocated by means of a special methodology for funds allocation. The methodology takes into account the national needs and priorities in the context of the Common Strategic Framework and the Europe 2020 Strategy, the National Development Programme: Bulgaria 2020 and the specific recommendations of the Council for National Reform Programme. The methodology also takes into account the absorption rate of the funds for regional development in the 2007–2013 programming period.

The ESIF funds absorption in Bulgaria is based on the principles of complementarity and coordination of aid, and it is carried out at four levels: coordination of aid between the programmes financed by the ESIF and preventing overlapping in the investment objectives; coordination of the aid from ESIF with that of national financial instruments; coordination of the aid from ESIF and other EU

programmes, such as Horizon 2020, COSME, European Territorial Cooperation programmes, etc.; coordination of the aid from ESIF with that of the European Investment Bank.

Table 1

Funds allocation for Bulgaria from ESIF by thematic objectives (%)

THEMATIC OBJECTIVES	Funding by ESIF
1. Strengthening research, technological development and innovation	5,4%
2. Enhancing access to, and use and quality of, information and communication technologies	0,3%
3. Enhancing the competitiveness of SMEs, the agricultural sector (for the EAFRD), and the fisheries and aquaculture sector (for the EMFF)	10,3%
4. Supporting the shift towards a low-carbon economy in all sectors	11,7%
5. Promoting climate change adaptation and risk prevention and management	4,6%
6. Protecting the environment and promoting resource efficiency	22,8%
7. Promoting sustainable transport and removing bottlenecks in key network infrastructures	14,6%
8. Promoting employment and supporting labour mobility	6,4%
9. Promoting social inclusion and combating poverty	12,7%
10. Investing in education, skills and life-long learning	5,1%
11. Enhancing institutional capacity and ensuring an efficient public administration	2,6%
Technical assistance	3,6%

The European funds provide aid that enables the integration of EU priorities in the Member States' national public policies. These funds do not replace national funding, but in countries like Bulgaria, they are the dominant source of resources for implementing the policy of balanced and sustainable development. Notwithstanding the effect of a number of national programmes, Bulgaria has not yet reached the standard of the so-called «old» Member States, which finance their regional development policies mainly by their own generated public funds.

In Bulgaria there is no separate financial resource at national and regional levels to finance the regional development policy. Public funding is channelled through the budgets of the relevant ministries according to the annual state budget and through various extra-budgetary funds. The planning regions and districts do not have their own financial resources for implementing the regional development policy. Municipalities as a result of the financial decentralization in Bulgaria generate financial revenues, but they are not sufficient to ensure an adequate regional policy. The limited national public funds for regional develop-

ment in the country raise the question about the need for clear prioritization of projects and measures and ensuring a high level of coordination of the sectoral policies.

In spite of the limited national resources, Bulgaria continues to develop its regional policy by means of the EU funds. It is impossible to implement significant projects nationally and transnationally without the ESIF support. For this reason, the multi-annual financial planning is a mandatory part of the strategic planning process of the regional development in Bulgaria.

4. Directions in the Regional Development of Bulgaria

The strategic objectives and priority areas of the Bulgarian regional development are set out in a series of documents, the most important of which is the National Regional Development Strategy (NRDS) for the period 2012–2022. The objectives of the NRDS are aligned with the priorities of the strategy «Europe 2020» and «National Development Programme: Bulgaria 2020».

«Europe 2020» is a key EU strategic framework, which regulates the objectives of the European cohesion policy with respect to 1) employment, 2) innovation, 3) global threats of climate change and energy dependence, 4) education and 5) poverty. Achieving results in these five problem areas is a subject to specific indicators that each country denotes in its national and regional planning documents and aims to achieve. The objectives of Bulgaria are as follows (Table 2).

In the National Development Programme Bulgaria 2020 (NDP BG2020) are defined the objectives of the development policies of the country until 2020. They are consistent with the commitments of Bulgaria at European level, but specify the national choice of the growth path. The vision of NDP BG2020 clearly outlines the relationship with the European objectives from one side and the need to balance in territorial section, from other side: „As of 2020, Bulgaria is a country with a competitive economy, providing conditions for the complete social, creative and professional realization of the individual through intelligent, sustainable, inclusive and territorially balanced economic growth»(Национална програма България, 2020).

Another European document, which NRDS is consistent to, is «Territorial Agenda of the European Union 2020» (TA 2020), adopted by the ministers of the territorial development in the member states in 2011. The aim of this document is to provide strategic orientations for territorial development, promoting of the place-based policy making (Territorial Agenda 2020 put in Practice. 2015). The

document formulates six regional priorities related to: achievement of polycentric and balanced territorial development; promotion of integrated urban development and support of the rural and specific areas; achievement of regional integration in border and transnational regions; ensuring a regional competitiveness through strong local economies; improving territorial commitment; management of environmental, landscape and cultural values of the regions.

Table 2

Position of the Republic of Bulgaria on setting national targets for the strategy «Europe 2020»

Goals	Strategy «Europe 2020»	Position of the Republic of Bulgaria
Employment	The employment rate of the population aged 20–64 to reach 75% (2010 – 69%)	The employment rate of the population aged 20–64 to reach 76% (2010 – 68.6%)
R&D and innovation	To invest 3% of GDP in R&D (2010 – 1.8%)	By 2020, planned investments in R&D to reach between 1.4% and 2% of GDP (2010 – 0.4%)
Climate changes	Reducing carbon dioxide emissions by 20% compared to the levels of 90 years, or 30% in the presence of suitable conditions; The share of renewables in the final energy consumption should grow to 20%; Improving energy efficiency by 20%.	Reducing carbon dioxide emissions by 20%; The share of renewables in the final energy consumption should grow to 16%; Improving energy efficiency by approximately 25%
Education	Reducing the share of early school leavers to 10% (2009 – 15%); Increasing the share of the population aged 30–34 with a university education to 40% (2009 – 31%)	Reducing the share of early school leavers to 11% (in 2009 -14.7%); Increasing the share of the population of 30–34 with a university education to 36% (2009 – 27.9%)
Poverty and Social inclusion	The number of Europeans living below national poverty lines should be reduced by 25%, as a result 20 million people should be out of poverty.	Percentage of people who are at risk of poverty (relative poverty) and the proportion of people who live in material deprivation*

*Note: In the National Reform Programme (2011–2015) national target 5 is formulated as «Reducing the number of people living in poverty by 260 thousand people».

There are formulated four strategic objectives and 11 priorities in the National Regional Development Strategy (NRDS) 2012–2020. The Strategy provides the framework for attainment of balanced and sustainable regional development, to overcome the intra and inter-regional asymmetries in the context of pan-European cohesion policy and achievement of smart, sustainable and inclusive growth. NRDS recognizes the role of cities for organizing activities in spatial aspect and the need to develop a polycentric model in Bulgaria in order to overcome the trend of strong centralization and concentration of economic and social functions in the capital and major cities of the country. Each of these objectives relates to all the three levels of cohesion: Bulgaria – EU; interregional and intraregional.

NRDS is by nature an *integrated* development strategy, which gives territorial dimension and orientation of the sectoral strategies and policies. In this sense NRDS expands in territorial aspect the National Programme Bulgaria 2020, accomplishing a platform for the implementation of priority 3 «Achieving sustainable integrated regional development and using of the local potential.»

The vision, goals and priorities of the NRDS are shown in Fig. 7.

The implementation of the NRDS has been ensured by Operational Programme (OP) «Regions in growth.» In particular OP «Regions in growth» contributes to the realization of strategic objectives 1, 2 and 4 of the NRDS. Objective 3 «Territorial cohesion and development of the cross-border, interregional and transnational cooperation», is funded by the programs for cross-border, transnational and interregional cooperation in the EU.

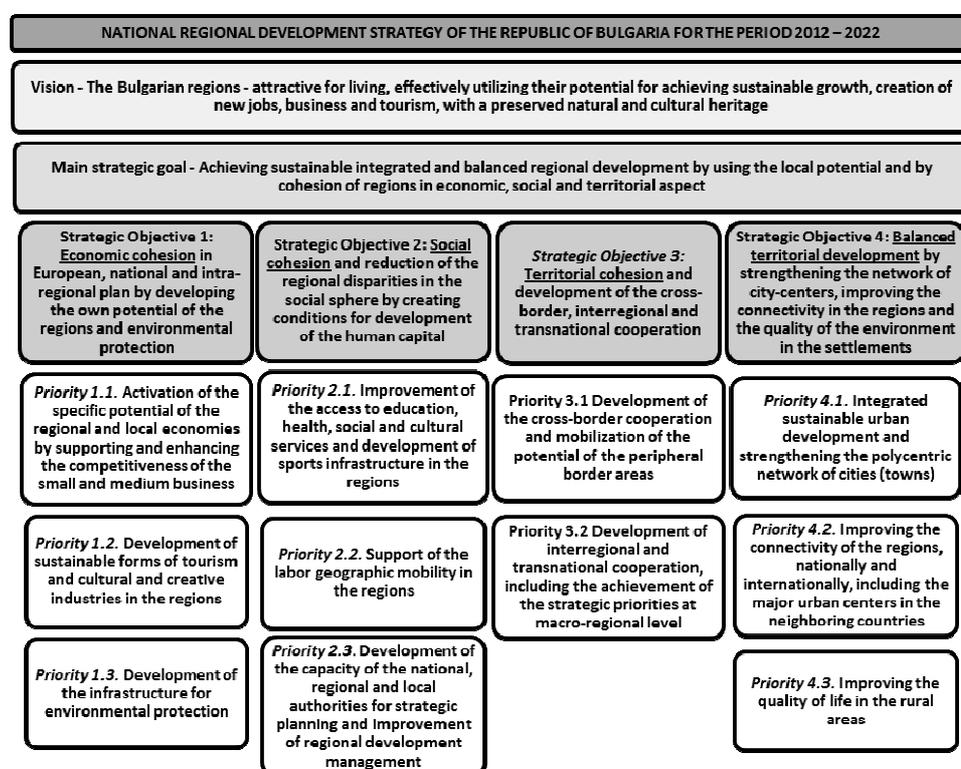
At lower levels directions in the regional development are defined in the Regional development plans (level NUTS 2), in the District strategies (level NUTS 3) and in Municipal development plans (level Local Administrative Units – LAU 1). One of the most important requirements for these documents is the vertical (hierarchical) coordination between them, which is achieved by combining of both planning approaches: «top-down» and «bottom-up». The purpose of the coordination is to achieve interoperability, complementarity and synergy of objectives and priorities chosen in the documents and to provide a mechanism for implementation of the indicators formulated at a higher level.

For this reason, the methodology for the development of NSRD, regional plans, district strategies and municipal plans is unified. It is prepared by the Ministry of regional developments and is applicable to all units. Thus ensures not only similarity in the planning framework, but hierarchical and horizontal commitment of documents, too, for example between the municipal plans in the same district. It does not mean that the autonomy of municipalities to define their strategy for development is infringed. The advantage is that the «application of an uniform approach and standards of planning and programming of development interdependence of strategies and plans of the different territorial levels, of mechanisms for broad partnership and coordination between authorities and in-

stitutions, business and civil society as well as of common tools for financial support, leads to greater impact and effectiveness in achieving the objectives of local development. From this perspective, the Municipal Development Plan can be seen as an integral element of the national system of strategic planning of regional and local development in Bulgaria» (Методологически стратегия за разработване на Националната стратегия за развитие на районите от ниво, 2014–2020).

Figure 7

Vision, goals and priorities of the NRDS



Source: Национална стратегия за регионално развитие, 2012.

Regional development policy of Bulgaria is characterized by features determined by the administrative-territorial structure of the country, the potential of different regions and local communities, experience and administrative capacity at national, regional and local level. The political and economic decentralization in the country is not well developed by a number of reasons. Unlike other EU countries, the territorial communities in Bulgaria are not self-governing, so that measures at local level should be considered primarily to external for the municipality funding sources.

In order to carry the goals identified in the NDP BG 2020, NRDS, the Operational Program «Science and education for smart growth» and Operational Program «Innovation and Competitiveness», in Bulgaria, like in other Member States, is developed *Innovative Smart Specialization Strategy (ISSS)* – both at national and regional level. The purpose of ISSS is to overcome the existing socio-economic challenges related to lack of productivity of the economy, low share of high-tech industries, the demographic crisis in the country and in the regions, ensuring quality and healthy lifestyle (Иновационна стратегия за интелигентна специализация на Република България, 2014–2020).

The strategy for smart specialization is an approach for prioritization of objectives and development measures, which are imposed by the fiscal constraints of governments and the need to focus scarce resources in a few priority areas and measures that have real potential to create sustainable jobs and growth. Regional ISSS allow the regions to build on their achievements defining their priorities in the regional innovation strategies.

The four thematic areas set out in ISSS are, as follows:

- Information and Communication Technologies;
- Mechatronics and clean technologies;
- Industries for healthy living and biotechnology (including food);
- New technologies in creative and recreative industries.

They are determined on the base of the quantitative and qualitative analysis. The quantitative study includes statistics of the sector implementation measured by several key indicators. Qualitative analysis is based on government support of the economic activities carried out by the National Innovation Fund, operational programs, the National Fund «Scientific Research» and other public instruments. There are taken into account the implemented projects, too, including these funded under «Horizon 2020» and other European and international programs, the interest of the academics and business for research in the sector. The qualitative and quantitative analysis is complemented by cross analysis and finally directions for accelerated technological development are taken out.

The vision of ISSS is: «By 2020 Bulgaria must make a qualitative leap in its innovation performance at EU level to tackle public challenges in the field of demography (reverse brain drain and youth entrepreneurship), sustainable development, intellectual capital and the nation's health» (Иновационна стратегия за интелигентна специализация на Република България, 2014–2020)).

The main strategic goal is: «By 2020, Bulgaria will move from the group of «modest innovators» in to the group of «moderate innovators» (Пак там, P. 10).

Cross-border cooperation (CBC) development is another clearly defined direction of the regional level. Only 10 of all 28 districts in Bulgaria are not eligible for any CBC programs. Bulgaria has common land borders with five countries by land and is also a partner in the Black Sea program with all parties involved in it.

This enables to the local and regional authorities, NGOs, universities and businesses to implement joint projects financed by two operational programs at the internal borders of the EU: Bulgaria – Romania and Bulgaria – Greece, three programs for cross-border cooperation at the external borders of the European Union: Bulgaria – Turkey, Bulgaria – Macedonia, Bulgaria – Serbia and the Black Sea Programme, in which liaise connections with nine countries in the region.

The cooperation in these programs is aimed at (Териториално сътрудничество, 2015): a) promoting entrepreneurship, in particular the development of SMEs, tourism, culture and cross-border trade; b) encouraging and improving the joint protection and management of natural and cultural resources and the prevention of natural and technological risks; c) supporting links between urban and rural areas; d) reducing isolation through improved access to transport, information and communication networks and services, and cross-border systems and equipment for water, waste and energy; d) developing collaboration, capacity and joint use of infrastructures in particular in sectors such as health, culture, tourism and education; e) promoting the development of cross-border labor markets, local employment initiatives, gender equality and equal opportunities, training and social inclusion; f) developing the institutional and administrative capacity at regional and local level and providing technical assistance for the preparation of new projects.

In Bulgaria is developed a National Spatial Development Concept, which formulates several urban models and development scenarios. The options vary from extreme monocentrism (strong centralization round the capital), through moderate polycentrism (which distinguish several urban centers), to extreme polycentrism (in which are developed a large number of city centers and outlying areas is reduced). It is pending the endorsement of the concept of spatial development to other planning documents with regional and sectoral character in order to ensure resources to achieve the objectives and priorities of territorial development.

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