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# **DECENTRALIZATION AND REGIONAL SELF-GOVERNANCE – IMPERATIVE CONDITIONS FOR PROSPEROUS REGIONAL POLITICS**

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Principles of decentralization and self-governance are not new in Bulgarian political and governing practice.

Still during the debates for acceptance of Turnovo Constitution in the Constituent Assembly, the members of Parliament clearly and explicitly fight for application of decentralization and self-governance in the activity of the local authorities.

There were no disputes regarding the issue whether to accept the decentralization principles and whether to have self-governance. And the Liberals and the Conservatives considered these principles to be natural ones. Their efforts were directed how better to guarantee their application. They considered that the self-governance institution is unbreakably connected with life style of Bulgarians and is a product of centuries-old tradition.

The representatives of the temporary Russian government were of the same mind. In the general instruction addressed to prince Dondukov-Korsakov at his assigning for Russian imperial commissioner in Bulgaria, under the execution of Sanstefano peace treaty, are „nailed up” the two obligatory levels of local self-governance:

„In the practical application of these principles, Your Serene Highness, you will be only a continuer of that administrative system, introduction of which was started by Your predecessor on civic governance of Bulgaria – prince Cherkaski. It is based on the complete development of municipal and regional self-governance, through elected board members under unprejudiced participation both of Christian and non-Christian elements. This system may and is obliged to guarantee the local needs of the population above all.”<sup>1</sup>

The understanding of the former builders of modern Bulgaria for decentralization and self-governance is amazing, sometimes it goes beyond our current ideas for democracy.

Marin Drinov in his „Memoirs for activities of temporary Russian governance in Bulgaria”, that was written following the order of the Russian imperial commissioner, is grounded the necessity for acceptance of these guiding principles:

„Therefore a decision was made to accept in the government the principles of decentralization and of a broad self-governance through administrative, financial, judicial and agricultural institutions. In all currently issued organization charts clearly and definitely are carried through the principles for social self-governance and people’s delegation. To the election is given the widest application from the lowest to the highest organizations of all governance branches. This way the authority bodies in the villages, in the districts, towns, regions and somewhere in the provinces are left to different counsels including persons elected by the local population.”

Self-governance as a term is defined more profoundly in „Report” of the specially elected parliamentary committee based on the basic principles of Constitution: „Third

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<sup>1</sup> „History of Local Self-Governance. Collection of materials First Part”, Blagoevgrad 2003., p. 17, WSU „Neofit Rilski”.

principle of each Constitution should be the principle of self-determination. This principle, applied to the politics, is called self-governance, i.e. right of different social circles to determine their aims and to find out and use individually the resources for their achievement.”

Significant in this case is that the Committee offers in the future Constitution to be accepted as leading the following three principles– freedom, citizen’s rights and self-governance.

Members of the Constituent Assembly (of Bulgarian Parliament) plead for the thesis that the local self-governance should be provided either in the municipalities, as in the provinces and regions.

In his speech devoted to delimiting of decentralization from centrism, Konstantin Stoilov by especially eloquent manner summarizes the values of local democracy: „I am agree with that and I want self-governance development in these municipalities or administrative divisions, because it will be the power of our nation and a sound support for future development. We should leave these divisions to perform their domestic activities independently and not to wait all done by the government. We should endeavour to have developed many centres of political and social life in our country. This principle of decentralization is that one that France takes pains to achieve and that gives power to England and America. The other principle is decentralization, according which the government should govern all. Our Fatherland should be one united whole, but in the same time we should take care to create individual centres that in miniature should present the whole and which should have self-governance guaranteed by the Constitution.”

Dragan Tsankov – another well-known member of Parliament and politician from the far Bulgarian past, is sufficiently clear and eloquent: „Each municipality that represent an administrative division could be given as much as it could do.”

Turnovo Constitution in its clause 3 divides the territory of our country into municipalities, districts and regions. Municipality is the basic administrative and territorial division, and there is more self-governance in the regions than in the districts.

According Marko Balabanov, distribution of powers among individual levels of governmental system should be realized by the following principle:

„More rights for the regions, less rights for the districts, and most complete self-governance for the municipality. The central governance should meddle in it activity only in rare cases.”

There was no coincidence of opinions regarding the issue for interaction between the central and local power. The opinions fluctuated from complete and unlimited freedom for the municipalities and independence for regions to increasing the state role in respect to the control of lower governance levels.

Although, there were constitutional guarantees from formal point of view only for self-governance in the municipalities, later several laws for municipalities and regional counsels were passed based on the then understandings for constitutional spirits of the time.

Region counsels started to act in the very beginning of the free Bulgarian political life. At the beginning they were governed in accordance to the “Provisional rules for regional counsels” issued in 1880. First law for regional counsels was adopted in December 1882 on a proposal of Minister of Internal Affairs of Bulgaria Mr. D. Agura.

At the beginning the regional counsels had the obligation to collect “tithe” and some other old taxes. Abovementioned law gives certain economic autonomy to the regions.

In accordance with this law the regional counsel is “a special household” that should solve the problems of region in the sphere of commerce, industry, agriculture, education etc.

Regional counsels supervise the work of municipal counsels when it concerns the completion of municipal and state activities.

The proper distribution of power rights between the central power on one hand and

municipalities and regions on the other, as well as applying of the principles of democracy but in the course of time it started to be applied less and less. Factors for it are many but one of the essential is the hard and irregular social & economic development of Bulgarian society then.

Endless political conflicts, political cliquishness, heavy international situation due to the unsuccessful wars, waged by Bulgaria and many other factors, giving a possibility for creeping suspension of clauses of Turnovo Constitution and it leads to establishing of bureaucratic & administrative approach in the governance of municipalities and regions as an integral part of the general process of centralization of Bulgarian society.

During the time of effect of Turnovo Constitution were applied two three-leveled models of administrative and territorial division.

From 1880 to 1934 the first model was valid the first administrative and territorial division (municipalities, districts and regions). The second model started to act immediately after 19 May 1934 forming the second three-leveled model – municipalities, districts and provinces.

After the coup in 1934 the centralization gains the upper hand over and the optimal balance among local, regional and central authorities was broken for a long time.

After 9 September 1944 the local self-governance went through important change due to acceptance of Soviet system. Despite the cardinal changes, the three-leveled administrative – territorial system in its classical type: municipalities, districts and regions was effective for Bulgaria. Districts (okolii) existed to their closing in 1959.

During the validity of both socialist Constitutions, the so called „Dimitrov’s Constitution” passed in 1947 and „Zhukov’s Constitution” passed in 1971, the local self-governance (with the stipulations for special state structure during that time) existed both on municipal level, and on the level of regions.

During the period 1950-2001 the administrative - territorial divisions in Bulgaria are as follows:

Government	1950	2001
Municipalities	2 178	263
Town-councils	–	1 696
Regions	–	35
Districts	117	-
Provinces /counties	14	28

source: „Structure and functioning of local and regional democracy. State in 2001 in Bulgaria” – published by National Centre for territorial division, Table 1, p. 9.

The successful creating of second level of local self-governance could improve significantly the vertical and horizontal relations between different self-governing communities. At this stage of horizontal connections between Bulgarian municipalities and districts were not at the require level.

For municipalities, the reason is that there is a strong hyper-centralization of financial resources at national level and the fact that the municipalities are more competitive than reciprocally profitable partners.

For districts the reason is the lack of independent financial resource and unclear statute of District Manager in the process of regional development, and co-ordination of non-concentrated state structures locally. Appearance of second level of local self-governance will stimulate the structures of civic society to take part more actively into the forming of regional politics политика locally.

Introduction of the principle of election will be the guarantee and possibility to take

part actively in the whole process of regional development.

Summarizing all aforesaid, the following conclusions should be done:

- Reform in the local self-governance, effected during the last 16 years was not a result of strategic direction and action, and of palliative and marketeering , governing solution;
- Local self-governance on second level has deep roots in the life-style of Bulgarian population. It is not new for the Bulgarian conditions. Ten-year traditions are available that left their steady imprint in the consciousness of Bulgarian nation;
- Introduction of regional self-governance (local self-governance on second level) does not hide large risks and dangers, as the opponents are trying to present us that change;
- All important prerequisites for appearance of regional self-governance excluding the consensus and political will of the governing people;
- Regional self-governance will unjam unexpected potential of local energy, if the necessary „dose” of regional consciousness is available.
- Deep reason, for not-realizing until now the idea for regional self-governance is the unwillingness of large part of current political elite to deny themselves the usage of enormous concentration of power and financial resources for personal and group interests.

All political parties, while being in opposition talk with tenderness for the decentralization and proclaim the development of local self-governance. And this continues to the moment they become rulers. Then it came on the clash of interests of party clientele that is intoxicated with the desire to use the exceptional might of power and money concentration in the central authorities, for own group purposes and interests of the local communities.

The governing party may continue the line of conscious ignoring of necessity to applying the regional self-governance, trying to use the experience of Ireland and Portugal in the activity of consultancy bodies of the regional planning. The problem is that despite the lack of regional self-governance in the complete sense of this term, it was found the „golden section” of expression and mobilizing of all important interests of the agents of regional development through a higher level of deconcentration of state power.

„Committees for regional coordination and development” in Portugal and „Municipal counsels for development” in Ireland have no own resources and competences but as partners structures they could encourage, coordinate and direct the investment initiatives of regional development agents controlling the resources.

In some cases the consultancy structures were substitutes of missing authorities for that level.

Under Bulgarian conditions similar model hardly could work so efficiently due to numerous reasons.

The partnership in regional development still is observed as the „necessary evil ”, without which it is impossible to pass.

The necessary confidence between the business structures and organizations in the civic society on one hand and power structures on the other hand is missing.

The membership of currently acting on the consulting principle structures is not in line with the partnership principle. For example, in membership of regional counsels for development are predominating the representatives of central governing structures and district administrations, as the municipalities are presented in limited quantities. Participation of other partners is recommended. So, in the membership of currently acting consultancy bodies are not presented many organizations of the civic society.

Except that the Bulgarian as a mentality, does not like the lack of explicitness and unconditionality and of rights powers of governing authorities.

Somehow he works better if there is an authority body „dressed” in legal power in front of him, whose instructions in high extent will have mandatory character.

Currently the manner of election of chairman of Regional council in regions for planning, stipulated by the Law for regional development of District Managers in the districts is extremely unsuccessful.

Selection by drawing lots for position of the Regional council chairman for a period of one year, does not give sufficient grounds for necessary legality of the institution.

Decentralization and local self-governance are like „communicating vessels”. They are mutually connected and conditioned.

The local self-governance of second level in our Bulgarian case is – regional self-governance and decentralization are imperative conditions for prosperous regional politics, because the regional development is realized best by the regional authorities of governance – that express the so called „regional sovereignty” of the respective regional community.

It is very difficult to realize successful regional politics without availability of regional community and mobilization of its resources for the prosperity of the region.

Provision of conditions and guarantees for financial independence of Bulgarian municipalities could give possibility for their higher qualitative participation in the process of regional development through effective usage of resources from the structural funds. The financial independence of municipalities is guaranteed by Clause 3, Paragraph 1 of European chart for Local Self-governance, forming the idea „local self-governance” as right and ability of local authorities of governing within the Law frames to govern and regulate substantial share of social works in the interest of the local population. Financial independence of municipalities means to be available all necessary conditions and prerequisites for making of independent economic decisions by the representatives of local communities. Municipal councils should have at their disposal sufficient financial resources that could guarantee the implementation of these decisions. Financial independence could and should be performed within the right given by the Law.

In this relation it is of very substantial importance that the rights given to the authorities of local self-governance and imposed them duties by the Law and other law making instruments should be completely synchronized and balanced. Extremely improper and vicious was the until recently existing practice to oblige the local authorities with determined functions and they to be required to perform specific tasks, without foreseeing and creating the respective arrangements through which to provide the necessary resources from own revenues or through transfer of the resources from the Central republican budget.

Basis that should determine the proportion, in which the financial resources will be distributed among the local budget and central budget, should come out of the respective imperative legal decree, that is in line with the spirit of *European Chart for local self-governance*. This theoretical formulation still finds its place very difficult in the practical activity. In not few cases serious conflicts arose between institutions of central power and local powers connected with providing of sufficient resources for financing of certain essential activities. The central power aims to centralize the limited financial resource of the country and to guarantee satisfaction of social necessities firstly on national and regional level. This leads inevitably to limitations of the type and size of resources, entering the local budgets and impossibility to provide the normal functioning of municipality as a financial & economical organism.

Maintenance of national budget balance following the indicated above method leads inevitably leads to the following:

- Limitation of independence of municipalities and their governing bodies;
- Impossibility for accurate prognostic of development of individual territorial communities;

- Incomplete development of public services and depriving of population from access to the so called „public welfares”. Due to this, one of the most important conditions for maintaining of respective proportionality of resources by budget system units, is the condition that the forms, through which those resources are submitted at the disposal of individual state and local authorities, to guarantee the financial provision of assigned functions and tasks by the law.

Financial resources of local authorities take an important place in *European Chart for local self-governance*. Own financial resources are considered as material base for exercising the rights and responsibilities of the local self-governance authorities. Financial independence of the local authorities is expressed in the right given to them to estimate the tax rates by the collected local taxes and fees within the frames stipulated in the Law. In case of insufficiency of financial resources, accumulated through the local taxes and fees, the municipalities that are weaker in financial aspect are required to obtain extra financial sums through clear and just financial-equalizing procedures. Distribution method of financial resources from the central budget to the local budgets should not lead to limitation of independence of Bulgarian municipalities that in practice are transferred into “mail boxes” of the submitted budget resources. Already in 1998 the Congress of Local and Regional Authorities in Europe accepts Recommendation 45, in which regarding the responsibilities and local finances the high forum considers that it is desirable the competent authorities in Republic of Bulgaria to:

- Accept clear guidelines regarding those responsibilities that are shared by the state and municipalities through a draft-law (defining the main principles) and through creation of suitable market structures and procedures in order to be corrected the existing misbalance between rights and responsibilities for achieving of fair power distribution;
- Build a better balance between financial resources of local authorities and their tasks especially in the area of so called „shared responsibilities”.
- Increase the share of local resources at the expense of the state subsidies;
- Check whether the municipal authorities have sufficient premises in respect to the quality and quantity for performing of their financial and administrative functions.

Based on this recommendation and on the requirements of other European institutions in the middle of 2002 the Bulgarian government adopted Conception for financial decentralization and Programme for its Implementation during the period 2002-2005 after consultations with National Association of Municipalities in Republic of Bulgaria (NAMRB). Subsequently the Strategy for decentralization was accepted that is the principal document at the moment in this delicate sphere. Unfortunately, until now the financial decentralization as a part of a the complete process of country decentralization was implemented timidly with low-making instruments (decrees and verdicts) of executive power, instead to be regulated through Constitution or a special Law adopted by the Sobranje.

The main purpose of conception and Strategy for decentralization is submission of public services by quantities, quality and prices corresponding to the necessities of the citizens based on the stable long-term balancing of expenditure responsibilities of municipalities with stable revenues and sources and efficient citizen control.

The basic aim should be to be achieved through realization of some sub-aims as:

- Submitting of revenue and expenses rights for the nearest to the citizens public level in accordance with the principle of using subsidies;
- Responsibilities on expenses should correspond to the revenue sources;
- Municipalities should consider to the maximal extent with the preferences of citizens at determining the type, scope, resource and effective submitting of municipal public

services;

- Municipalities should develop and increase its competence in the sphere of the financial management and strict keeping of financial discipline;
- Balance between free local election and necessity of financial stability on national level at providing of determined standards of the services;
- Transparency and equal position of the subjects from the public sphere by the state;
- Equipollent access to resources for providing of minimal level of public services.

Principles of financial decentralization as a prolonged process covering the whole system of financial relations on all public governance are as follows:

1. Creation of system of incentives directed for increasing of local revenues, strengthening the potential in the sphere of financial management and maximal extent of local autonomy at determination of character and content of municipal servicing;
2. Simplified structure of financial relations;
3. Strict financial discipline of the central and local authorities;
4. Central power possibility to observe and assess the decentralized process;
5. Decentralized system of financial relations considers the differences between the municipalities regarding their financial resources, managing competence and gives possibility to municipalities with different potential to develop according to their specific features;
6. Conditions for effective citizen's control

There is a Bill introduced for amendments in Constitution regarding implementation of financial decentralization.

Changes suggested in the Law for constitution amending and addition, are as follows:

- The practice of Parliament determining the type of taxes will continue. The difference comparing with current situation is that the Sobranje will determine the amount of republican taxes only;
- The amount of local taxes will be determined by the Municipal boards under the conditions, order and limits stipulated by the Law.
- The Sobranje determines the types of municipal taxes, but the municipal boards specify the tax amount, for the already specified by the parliament tax types under the conditions, order and limits stipulated by the law.

As a managing action this suggestion for amendments in the Constitution regarding application of financial decentralization is a step in the correct direction, but it is not entirely sufficient.

The reason is that the scope of republican taxes is unchanged, that provide the largest tax revenues and their proportion to the local taxes that have much more lowly sources.

The suggested amendments will not provide the municipalities with the required level of financial independence, that to engage for the effective and efficient adopting of resources fro EC structural funds.

The grounds of the Legislator are that by the amendments „the stipulated legislative frames of financial decentralization provide a smooth transition and manageability of the process. It should be taken into account that a process for which the basic taxes and fees elements are not put into specified frames are in state to call forth uncertainty both in the investors and in each citizen.”<sup>2</sup>

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<sup>2</sup> Source: „Grounds to the Bill for amendment and addition of constitution of Republic of Bulgaria” – p. 5. 654-01-129