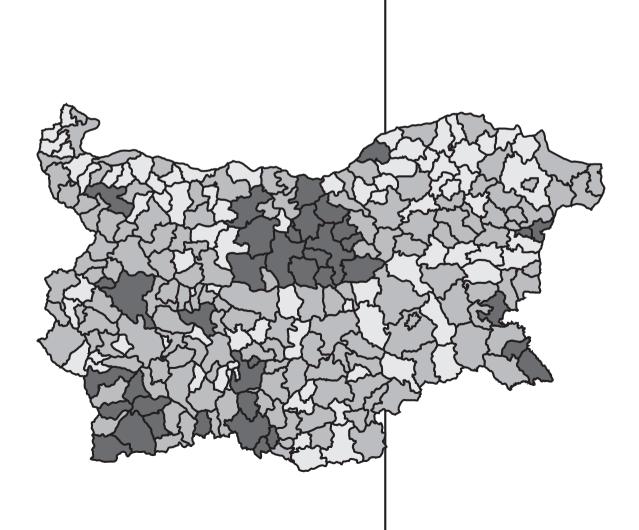
Bulgaria 2000

# Human Development Report

The Municipal Mosaic



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ISBN 954-9724-25-5 Copyright © 2000 United Nations Development Programme, Sofia

Graphic design, layout and print: NIBA Consult Ltd., Sofia

#### **FOREWORD**

The 2000 National Human Development Report (NHDR), the sixth in the series that started in 1995, explores in detail the "mosaic" formed by the municipal Bulgaria. It analyzes the 262 Bulgarian municipalities (*obshtina*) and articulates economic, social and institutional variables, as well as people's perceptions and priorities, at the lowest level of self-governance in Bulgaria. The result is the first profile of the state of local human development in the country, presented in a concise but comprehensive and systematized manner.

A key theme in the Report is the link between human development, governance and municipalities. A system of co-responsibility between institutions of governance at all levels, the empowerment, participation and strengthened capacities of the municipal development actors, both of the governmental and societal spheres, are all necessary elements for the overall quality and effectiveness of the human development efforts. Therefore supporting good governance, also at local and regional levels, becomes a fundamental ingredient of the struggle against poverty.

Bulgaria can still avoid excessive disparities between regions and the further widening of income, capabilities and opportunities gaps. In order to achieve this, the harmonious territorial development should be established as a priority objective, supported by carefully appraised policy and governance choices.

The 2000 Human Development Report for Bulgaria is the product of the partnership between UNDP and the national government, local governments, donors and non-governmental organizations. I wish to thank and commend the NHDR team for its fine work and express gratitude to all those who have contributed to the Report. Our ambition is that the 2000 NHDR, with its probably unique wealth of analyzed data and its suggestions, will represent a valuable contribution and a frequent referral instrument for a constructive human development policy debate.

Antonio Vigilante

Resident Representative UNDP

#### **ACKNOWLEDGEMENTS**

The NHDR series in Bulgaria has been dedicated, since its inception in 1995, to conceptualize human advance in terms of progress that goes beyond economic growth. The human development paradigm focuses its attention in development progress that is people-centered, with equity good governance and environmentally and socially sustainable. The NHDR 2000 explores in detail the complex relationship between human development, governance and local economic growth.

This Report is just the beginning. The first picture of the Bulgarian mosaic is there; there are new tools for analysis and policy as well as an impressive array of data at the municipal level. We hope policymakers and all sectors of society will have the chance to discuss how to strengthen human development in Bulgaria. In this vein, we hope the 2000 NHDR will be just the first step of a much-needed comprehensive debate on local and regional development in Bulgaria.

The preparation of the NHDR 2000 for Bulgaria was part of a process than began in October 1999, when the 1999 NHDR was launched. The NHDR 1999 had put forward a human development argument in favor of the regions. The different regional workshops held immediately after the launching and the interactions and discussions held with governors, mayors, NGO and business representatives, provided inputs to and insights into the dynamic of local government in Bulgaria. Between October –November 1999, there were several internal discussions in UNDP. It was fully recognized that the empowerment of local actors in Bulgaria was an integral part of the sustainable human development paradigm and it was agreed that the local scene would be the object of analysis.

The profile of the NHDR 2000 was shared and discussed individually with more than thirty Bulgarian and foreign local development experts, practitioners and organizations working at the local level. The profile was nourished by comments, intensive discussions and key inputs from this phase of the process. It was also important at this stage to build strategic partnerships. From the very beginning the support of Michael Weichert of the Friederich Ebert Foundation, Alexander Hadjiiski, President of the National Statistical Institute, Ginka Chavdarova of the National Association of Municipalities, and Dr. Vassil Marinov from the National Center for Regional Development and Housing Policy, was instrumental in providing the necessary inputs to move forward an enormous effort of analyzing 262 Bulgarian municipalities.

The different elements of the NHDR gradually came together, as a panel of distinguished Bulgarian experts began to provide inputs, analysis and suggestions. There were several meeting held collectively and individually with the contributors. The work with the NHDR Statistical Team was arduous in that the calculation of the Municipal Human Development Index (MHDI) was a rich process in itself. We thought that human development in Bulgaria was too important to monitor and evaluate to allow data limitations to prevent attempts at measurement. This is why extra efforts were required to process data. At the end, in addition to the MHDI the Report presents a set of additional key indicators that measure municipal performance, which have never been sistematized before in Bulgaria and now serve as a base to continue to nourish data at the municipal level and measure progress.

An integral element of the report inputs were the results of the local development actors' survey conducted in 72 municipalities, and special interviews in the Six-planning regions. The team acknowledges the efficient cooperation with Dr. Lidia Yordanova and Dr. Ivo Zhelev from the National Center for Public Opinion Research. In addition to the survey, BBSS Gallup conducted a regional follow-up of a national survey on social

stratification representative for the six planing regions, the result of which provided additional important details to local development picture. The NHDR Team also conducted fieldwork in fifteen additional municipalities, where they met with mayors, members of the council, representatives from NGO and business sector. Dr. Dotcho Mihaylov from the Agency for Socioeconomic Analyses deserves also special acknowledgments for his support in putting together all the sociological inputs necessary for Report.

Throughout the preparation of the Report, we benefited greatly from advice and guidance provided by the NHDR 2000 Advisory Committee. The Team met once with the Advisory Committee but also kept an interactive discussion electronically. The Report also benefited greatly from internal discussions at UNDP with Trine Lund-Jensen, Deputy Resident Representative; Hachemi Bahlhoul, Program Officer; Maria Zlatareva-Pernishka, Program Officer; Sevim Ahmedov, Program Officer of the Social Development Unit (SDU); and Hanna Ruszczyk, Programme Manager. Significant comments, suggestion and inputs during the entire process of preparation of the drafting of the Report came from Constantino Longares, Program Officer and member of the UNDP Human Development Strategy Unit. Michele Ribotta, Resident Coordinator Adviser and member of the UNDP Human Development Strategy Unit also provided extremely useful comments and suggestions during the drafting of the Report. Christopher Louise, Cluster Coordinator for UNDP's Information Management Unit provided useful comments during the drafting of the Report and in particular provided extremely important editorial advice.

Other colleagues at UNDP provided extremely useful inputs. In particular, the NHDR Team would like to express their gratitude to Dafina Gercheva, UNDP Sustainable Development Policy Specialist and member of UNDP's Governance Cluster and Ekaterina Zelenkova, UNDP Project Coordinator of Sustainable Practices for Poverty Alleviation and Social Mobilization Project. Vesselina Georgieva, Program Secretary of UNDP's Human Development Strategy Unit, provided secretarial and administrative support and assisted in background and statistical research.

Last but not least, our special gratitude to Antonio Vigilante, UNDP Resident Representative in Bulgaria, whose deep commitment to the goals of human development and strong intellectual leadership have been a source of great strength to the NHDR Team. Thankful for all the support that the NHDR team has received, we assume full responsibility for the opinions expressed in the Report.

Dr. Andrey Ivanov, National coordinator

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#### **EXECUTIVE SUMMARY**

# THE HUMAN DEVELOPMENT CONTEXT IN BULGARIA

Despite recent progress in achieving macroeconomic stability, policy-makers and society in Bulgaria still face many key buman development challenges.

- Human Development is the process of enlarging people's
  choices, by expanding human capabilities. At all levels of
  development the three essential capabilities are for people
  to lead a long and healthy life, to be knowledgeable and to
  have access to the resources needed for a decent standard of
  living. Human development represents a process as well as
  an end. Despite recent progress in achieving
  macroeconomic stability, policy-makers and society in
  Bulgaria still face many key human development challenges.
- The current macro economic picture in Bulgaria seems stable, although the level of economic activity still has to reach the pre-transition levels, while the trickle down effect of economic benefits is still not evident for most people.
- The establishment of the Currency Board Arrangement (CBA) in 1997 helped to reverse the downward trend in the main macro-economic indicators. However, the standard of living in Bulgaria has worsened in recent years, while the social assistance system has not been in a position to respond effectively to the most needy and vulnerable groups.

#### HUMAN DEVELOPMENT IN BULGARIAN MUNICIPALITIES

The relentless pressures of economic stabilization and the impact of the past decade of transition can be appreciated more accurately from a local perspective.

- This Report introduces for the first time in Bulgaria a
   Municipal Human Development Index (MHDI) in an effort
   to bring together in a composite index the different aspects
   of development in the local scene. It draws attention to
   inequalities in three essential elements of human life –
   longevity, knowledge and a decent living standard.
- Calculating the MHDI for the 262 Bulgarian municipalities

was not just a matter of processing new available data. An arduous methodological and conceptual work was also necessary. In less than 25 countries have some attempts been made to disaggregate the HDI to the lowest possible level of analysis. In that context, Bulgaria becomes the first country in the South Eastern European region that attempts to disaggregate the HDI to the lowest possible level of analysis.

Over the past decade Bulgarian municipalities have evolved substantially, are becoming less bomogeneous and their development situation is becoming more complex.

- On average, a Bulgarian municipality today covers an area of approximately 436 sq. km., has an average population of 33,000 inhabitants and hosts on average 21 settlements, and more than half of the 262 Bulgarian municipalities has populations between 10,000-49,999. The population of larger municipalities (with more than 100,000 inhabitants) has increased 5 times over the last decade. The largest municipal population in Bulgaria is the City of Sofia with over 1.2 million people, while the smallest one is Chavdar in the District of Sofia with 1,400 people.
- The first ever ranking of municipalities in Bulgaria according to their level of human development leads to the following general observations:
  - Human development conditions are distributed rather evenly across municipalities in Bulgaria. The maximum level that of Veliko Tarnovo is 0.810. It more or less corresponds to the level of human development of Poland (0.814). The minimum level of MHDI that of the Municipality of Kotel in Sliven District is 0.688. It corresponds to the HDI value of Uzbekistan (0.686) and Algeria (0.689).
  - 42% the total Bulgarian population live in municipalities with high levels of human development and are spread across 39 municipalities while 13% live in municipalities with low levels of human development spread across 82 municipalities.
  - The majority of the population in municipalities with high human development live in urban areas (85%).
  - Municipalities with high levels of human development occupy only 18% of the total Bulgarian territory. Most of the territory is occupied by municipalities categorized as having medium human development (56%).
  - The first Top 10 in the MHDI ranking are mainly big

- urban municipalities, such as Veliko Tarnovo, Sofia City, Varna, Plovdiv and Blagoevgrad. But also smaller municipalities are represented, such as Gorna Oryahovitza, Suhindol, and Lyaskovetz in Veliko Tarnovo District.
- The group of municipalities shown to have a medium level of human development is far more diverse and spread more widely across the country than high human development municipalities. Disparities become more accentuated. The majority of the municipalities in the medium human development category have populations between 5,000-25,000 inhabitants.
- In the MHDI ranking, the 82 municipalities classified as having low levels of human development are mostly small municipalities. The average population of these municipalities is 12,900 inhabitants. As far as life expectancy, in this group the rate is noticeable lower than in the medium and high human development categories. Literacy rates are also generally lower than in the high and medium human development categories, while disparities between individual municipalities are also more significant.

Advances in local human development in Bulgaria are possible, but they will not be sustainable without further growth. Conversely, economic growth in Bulgarian municipalities can not be sustainable without human development.

- The link between economic activity and human development in municipalities is neither automatic nor obvious. Two municipalities with a relative similar income per capita can have different MHDI values (e.g., Strajitza in Veliko Tarnovo District and Kaynardja in Silistra District. Likewise municipalities with relative similar MHDI values can have different income levels. For example, Zlataritza in Veliko Tarnovo District and Shabla in Dobrich District.
- Since human development is a process of enlarging people's choices by expanding capabilities, then leading a long and healthy life is an essential component. There is a general correlation between the MHDI and life expectancy at the municipal level, in that higher levels of human development generally correspond to higher rates of life expectancy.
- Even though Bulgaria still enjoys a high standard of literacy, a closer look at figures relating to education at the municipal level shows that standards may be slipping. As was shown in the 1999 NHDR, at the level of the 28 Districts,

enrollment ratios exhibited declining tendencies. The same tendency, even more pronounced at the municipal level, can be spotted in the NHDR 2000.

The 1999 NHDR for Bulgaria calculated the Regional Human Development Index (RHDI) for the 28 District regions. The result showed that among and between Districts in Bulgaria there were disparities, although they were not as wide spread as in other countries. The NHDR 2000 takes a closer look at the Districts according to the level of human development of their municipalities and reveals more pervasive disparities.

- The highest concentration of municipalities with low human development indexes is found in Razgrad, Silistra and Sliven districts. In addition to the City of Sofia, only 4 of the 27 remaining districts do not have any of their municipalities in the low human development category. These are Blagoevgrad, Veliko Tarnovo, Smolyan and Gabrovo. In contrast, 14 of the 27 districts (excluding the City of Sofia) do not have any of their municipalities in the high human development category.
- Similarly, 5 of the 27 districts (excluding the City of Sofia) show the majority of their municipalities in the low human development category. These are Vidin, Kardjali, Razgrad, Silistra and Sliven districts.

The Northwest, Northeast and Southeast Planning Regions have the highest concentration of their population (26%, 23%, and 17% respectively) living in municipalities with low human development.

- The national government has prioritized the Northwest and South Central Planning Regions for future development. Together these two planning regions have a high concentration of people living in municipalities with low human development (about 5% of the total Bulgarian population). However, the Northeast Planning Region by itself, has a large portion of its population (4% of the total Bulgarian population) living in municipalities with low human development levels.
- Municipalities with high levels of human development seem to be concentrated in certain areas of growth and relative prosperity, such as the Southwest and the North Central and partially in the Southeast Planning Regions.

# The analysis proved that the higher the concentration of minority population in a municipality, the higher the probability of lower levels of human development.

The first RHDI calculated for Bulgaria in the 1999 NHDR
argued that some correlation existed between the
concentration of ethnic minority populations and levels of
human development in the 28 Districts. The correlation,
however, was not that obvious then, mainly because the large
size of the District blurred the concentrated distribution of
minorities. The disaggregation of the HDI at municipal level
in the NHDR 2000 provided the opportunity to explore the
link more closely between human development and ethnicity.

### There is striking correlation between the MHDI and other economic variables.

- Of the municipalities which were classified as having high levels of human development, most had rates of unemployment equal to or less than 10%, while 79% of the municipalities classified with low levels of human development had unemployment rates between 21-48%.
- Looking at employment rates in the context of respective MHDI values, makes it clear that municipalities with high or low human development values have respectively high or low employment rates.
- In general, the majority of municipalities with high human development levels show high levels of labor productivity rate per capita.
- There is a link between municipal human development and profitability. Municipalities ranked high in their human development index, also ranked high in share of companies with high and medium profitability range.

# The central government has an adequate policy to give less developed municipalities greater financial assistance.

- There is a correlation between levels of human development and subsidies. Central government gives more subsidies to municipalities with low levels of human development.
   However, the subsidy/human development analysis in the Report makes a stronger case for revisiting municipal general subsidy policy.
- Subsidies do not necessarily promote human development in all its dimensions and they may blur the real potential of

- municipalities. Similarly, subsidies do not generate sustainable employment opportunities and foster people's freedom and empowerment. On the contrary they perpetuate a culture of dependency.
- The Report helps to identify cases for additional "targeted subsidy," for municipalities with low human development.
   For instance, under a targeted subsidy scheme, donor assistance could be prioritized for investment activities directed to small enterprise development, credit, job creation schemes, education, infrastructure or agriculture.

#### ARTICULATING PEOPLE'S PERCEPTIONS AND PRIORITIES FOR LOCAL HUMAN DEVELOPMENT

Over the past decade Bulgarian municipalities bave not only evolved substantially, but bave shown a growing desire for a greater say in decision-making and national policy.

- The concept of human development is based on the notion that participation of people in the decision-making processes is the most important element to achieve common prosperity. A desired goal is for people to be the main protagonists in realizing their own aspirations. On the basis of a survey with a representative sample of municipalities (72) more than 640 development actors were asked to analyze their human development conditions, participation and interactions in the economic, political and social processes that affect their daily lives.
- The matrix on the next page summarized the most important findings of the perception of local development actors in Bulgaria.

# THE DIFFERENT DIMENSIONS OF THE MOSAIC OF LOCAL HUMAN DEVELOPMENT IN BULGARIA

Regions and municipalities today in Bulgaria are part of a vertical governance framework in which upstream (top-down) relations and interactions are still the dominating force.

 Context, capacities and resources affect current patterns of municipal human development in Bulgaria. However, effective development requires also building institutions

OPPORTUNITIES FOR HUMAN DEVELOPMENT	OBSTACLES FOR HUMAN DEVELOPMENT
Local development actors in municipalities with higher levels of development seem	Growing disparities are perceived within, between and among municipalities
to be more inclined to provide optimistic inputs with regards to capacities and	
prospects for local development	
There seems to be an interesting correlation between perceived levels of	Local development actors perceive NGO activity to be mainly concentrated in
development and future aspirations. That is, development values generally correlate	traditional activities
with the levels of self-esteem of the local actors, and vice-versa	
There is evidence to support a possible dynamic towards local human development,	There are considerable differences in the perception of NGO activity among the
strategies, partnerships and coalitions	different municipal sectors, including from within the NGO sector itself
Perceptions on many development issues help to underline possible lines of	The business sector at the local level is perceived to be isolated from development
cooperation and conflict between and among local actors and organizations	issues

- and partnerships among different levels of government (e.g., central, planning, district, municipal), the private sector, donors and civil society. The municipal level in Bulgaria is still highly dependent on central level decision-making.
- Any form of new institutional design that does not involve all stakeholders and remove institutional bottlenecks, may have negative consequences for local development. If municipalities are not taken more explicitly into account, local voices and visions may be disregarded when much needed projects and funds are being decided. Excluding local actors from national strategies may also encourage passive attitudes, and as such endanger the difficult process of capacity building at the local level.
- As the process of bringing municipalities to the framework of national development advances and new realities are created, the role of intermediate level entities (District and planning regions), between the central State and the local level, become strategic. Promoting regional development is a major advance toward reaching municipalities. However, regionalization and planning are not the final objective or end-product of a local approach.
- At the local level in Bulgaria there are already mounting expectations about the intermediate sub-national units of decision making. Local development actors expect agile, effective and democratic response from Districts and that they be empowered enough to promote local human development in a more participatory and legitimate way.

# National, regional and local governance have to be reinvented with buman development and equity at their core.

 The Report argues that for Bulgaria to become a member of an integrated economic community like the EU and to

- sustain economic growth in the near future, it must accept today a process of State transformation in three directions. First, continue to advance towards good governance to manage more equitably wealth accumulation; second, building new institutional capacity and mechanisms to guarantee the necessary conditions (legal, economic, political); and third, establish a clear division of roles, prerogatives and responsibilities of different actors involved in local development.
- The Report adds that it is no longer possible in Bulgaria to pretend to be competitive while having entirely centralized decisional structures.

# Effective municipal buman development in Bulgaria today requires buman, financial, political and institutional resources.

- More developed municipalities show higher levels of human capabilities, while in less-developed municipalities the levels are noticeable lower.
- Achievements in increasing human development depend
  first and foremost on people's ability to articulate their
  demands and mobilize for collective action. The actual
  levels of cooperation between and among the different local
  development actors can be an important resource for
  human development. Many examples and initiatives that
  are currently being implemented in some Bulgarian
  municipalities provide evidence to support this claim.
- However, the intensity and density of associational activity
  among local development actors do not automatically
  translate into more human development. In fact, some local
  development actors might be associated, but at the same
  time may be detached from the local development debate
  and decision making. The report points that participation

- must be linked to decision making.
- In theory, local development strategies form the groundwork for the regional planning and development pyramid that culminates in the National Regional Development Plan and, thus, have the potential to materialize the "bottom-up" approach for human development. Nonetheless, in practice municipal strategies in Bulgaria are still at the rudimentary stage of charting out a strategic framework to organize development activities. Only a very small group of municipalities has progressed to elaborating project and program components that give the strategy a concrete content.
- In 1999, of the 262 municipalities only 40% submitted to the Ministry of Regional Development and Public Works some form of general development strategies. Regional (governors) and local actors are in desperate need to acquire new skills and methodologies to produce development plans in a more strategic and participatory way.
- Almost half (48%) of the local development actors interviewed were involved in the drafting of the municipal development strategies. Of these, the overwhelming majority came from the public administration and political sectors.
- Municipal development strategies in Bulgaria have the
  potential to become both a strategic document and a
  process of synergy building to incorporate broader
  participation and promote consensus building and
  partnerships.
- The shortage of financial resources, the limited opportunities for increasing their own incomes and independent governance, are some of the most pressing obstacles for Bulgarian municipalities to start formulating more clear, practical and feasible financial projects. In municipal budgets "what you pay is not what you get."

In addition to resources, effective municipal buman development in Bulgaria requires new approaches and tools of, and for development, strategic thinking and consensus building to expand and improve opportunities, participation and benefits.

 The ability of people to participate in making the decisions that affect them is a key ingredient in the process of improving human development. In the last few years municipalities in Bulgaria have become more active in development activities. One indicator is the growing

- number of projects and initiatives, funded mainly by development cooperation agencies, now underway in many Bulgarian municipalities.
- Another indicator is the growing number of actors involved in local development efforts. So far these have taken many forms, but their emergence can be identify as examples of new means to implement local approaches for human development. NGOs, Associations of Municipalities, Chitalishtes and local professional associations. At the intermediate level (district/region), there are also signs that different governmental and new non-governmental entities and organizations are beginning to play a more active role in the municipal scene.
- Many new initiatives at the local level are beginning to incorporate and test social capital. Several indicators presented in the Report, however, show that the average Bulgarian may not yet be inclined to trust and cooperate or to think in longer time horizons but that people in the municipalities with high levels of human development may perceive the world in ways which are more conducive for cooperative behavior that the others.
- The Report also calls for a determined effort to bring municipalities into the "global information network." Information technology affect everyday more all aspects of life, including the way people do business and acquire and share knowledge. It will transform how citizens and governments work and communicate. Being connected to the Internet would allow also the possibility of offering an array of financial services to municipalities that can change the basic power equation for human development, in such a way that the power of "choice" is transferred to the municipalities.

Local development in Bulgaria offers great opportunities for buman advance, but only with stronger governance.

• The current municipal model is still quite centralized. As such, it is susceptible to national partisan pressures in the form of local lobbies, and the basis of relations between national government and municipalities is mainly contingent to issues of centralized financing and budget. At this stage, it is timely to explore how municipalities can be gradually integrated within the current (district) and future (planning region) institutional arrangement as actors and not only as subjects of development.

# TOWARDS A POLICY AGENDA FOR LOCAL HUMAN DEVELOPMENT IN BULGARIA

A policy agenda to bring human development and good governance to Bulgarian Municipalities must be strategic. It must be used in guiding thinking and long-term decisions. The Report identifies seven key challenges, each requiring national, regional and local action.

- Linking municipalities to national polices, through a comprehensive framework that includes local strategic thinking, donor supported initiatives that are demand driven and focused, building local capacity and reform the vertical institutional arrangements.
- Giving attention to two related issues: government reaching more out to people and policy approaches to help improve human development at the local level.
- Strengthening local-self governance to promote efficiency, equity, economic and political participation. Through the local approach projects, programs, policies and initiatives would be better able to match local needs. And with projects monitored locally, lines of communication should be shorter with fewer delays. Local development actors' participation could also open up the opportunity for people to add voluntary contributions to amplify a program or projects impact.

- Prioritizing a strategy for local human development to strengthen the municipal system and the functions and performance of the regional entities. The strategy for the municipal system should include giving municipalities a greater autonomy, particularly in relation to resources (generation and use); increasing the amount of resources available to municipalities, especially for investment projects; stimulating human development orientations of actors at the local level; and improving forms of greater coordination or associative initiatives among municipalities within districts and planning regions.
- The strategy for the regional entities should include giving
  planning and districts greater territorial organizational
  coherence with new competencies and strengthening the
  Districts capacity to coordinate, at the local, regional and
  planning levels. In this respect, the desired system of
  governance at the regional level must be defined and should
  evolve towards representational forms.
- The area of policy most important for managing local human development in Bulgaria is harmonizing economic growth approaches with steady and expanding support for human development and human rights.
- Take stronger national action to put local human development concerns at the center of policy agenda, especially in relation to municipalities, which show critical human development and economic conditions.

#### **INTRODUCTION**

# LOCAL HUMAN DEVELOPMENT AND GOOD GOVERNANCE

# THE BULGARIAN NATIONAL HUMAN DEVELOPMENT REPORTS (1995-2000)

This is the Sixth National Human Development Report (NHDR) for Bulgaria, prepared with the support of the United Nations Development Program (UNDP). Since the first NHDR was introduced in 1995, they have become part of a process that has evolved overtime, both in terms of content and partnerships. These reports have become a reference point in the national policy development agenda, not only because they have accompanied the country's priorities, and promoted partnerships with government, donors and non-governmental organizations, but also because they have continuously proposed ways and means to expand human development in Bulgaria.

The NHDR 2000 general premise is that good governance, greater social cohesion and cooperation among all development actors in Bulgaria is now essential to achieve not only European Union (EU) membership, but to consolidate stability and growth. A review of current government plans underscores the importance of developing a new generation of initiatives that focus on strengthening institutions at the regional level which target the growing disparities between and within districts and help to empower municipalities. In these efforts, human development needs to be the end and policies the means to advance more peace, stability, equity and sustainable growth.

The Report focuses on two new policy dimensions of human development for Bulgaria. First, expanding the responsibilities of district and

local governments to promote human development, especially if resources and capacity building accompany these new responsibilities. Second, strengthening local organizations to advance and promote human development. The major challenge would not only be to empower more actors of development in Bulgaria, (districts, municipalities, social organizations at the district and local levels), but also to continue to close the gap between decision-making institutions and society. Holding governments accountable to people is a pre-requisite for good governance. Free and fair regular elections, at national and local levels, also contribute to accountability but do not necessarily guarantee human development. In the periods between elections people need to be organized, be well informed and have access to development resources (e.g., assets funds, technology, and new management and negotiation skills). This also implies gradually shifting more decision-making power close to the district and municipalities.

The 2000 NHDR moves beyond the debate on whether economic policies should be articulated with social policy, or whether centralized regional policy approaches should precede decentralized

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#### should precede decemiralized

Human Development is the process of enlarging people's choices, by expanding human capabilities. At all levels of development the three essential capabilities are for people to lead a long and healthy life, to be knowledgeable and to have access to the resources needed for a decent standard of living. Human development represents a process as well as an end.

WHAT IS HUMAN DEVELOPMENT?

But the realm of human development extends further. For instance, the idea of human development and human rights are linked in a compatible and complementary way. If human development focuses on the enhancement of the capabilities and freedoms that the members of a community enjoy, human rights represent the claims on the design of social arrangements to facilitate or secure these capabilities and freedoms.

Other areas of choice highly valued by people include participation, security, sustainability and guaranteed human rights. All of these are needed for being creative and productive and for enjoying self-respect, empowerment and a sense of belonging to a community. Ultimately, human development is development of the people, for the people and by the people.

Source: UNDP, Global Human Development Report, 2000

Despite recent progress in achieving macroeconomic stability, policymakers and society in Bulgaria still face many key challenges including stabilizing and recuperating overall levels of buman development

ones, or even whether European Union accession policy priorities are appropriate or not for Bulgaria. The Report focuses on policies to continue to promote human development in Bulgaria. The Bulgarian government has laid out its development strategy for the next six years in the National Economic Development Plan (NEDP), having as its main objective accession to the European Union. In this context, it is timely to not only expand the understanding of the challenges ahead for policy-makers and the Bulgarian society at large, but to examine additional instruments and initiatives to continue to strengthen national capacity for prohuman development policy-making and institutional reform.

ment and not just human capital. From a human development perspective, people are both actors and recipients of, and for development. Thus, the purpose of a human development approach is to orient processes to enlarge opportunities for people.

The first NHDR for Bulgaria (1995) introduced the human development concept and analysis. Succeeding NHDRs (1996,1997,1998) gradually introduced and articulated in their analysis several regional and local factors within broader human development issues (inequality, poverty, and good governance). The 1999 NHDR provided policy recommendations for regional development policies and also showed that one of the main aspirations among Bulgarians is that their local governments participate in a more meaningful way in the development processes.

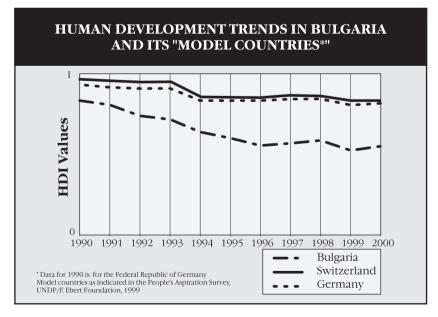
# THE HUMAN DEVELOPMENT PARADIGM IN BULGARIA

Human development is a dynamic concept. It puts forward the argument that the purpose of development is to enlarge the opportunities of people to realize their aspirations. This is why human development is an integral concept that combines several dimensions of development which links economic performance with social and political development. In 1990, human development emerged as an alternative view of development, especially in response to the restricted view that saw development only in terms of economic growth. In human development, people are the center of the objectives of develop-

#### Main Human Development Tendencies and Challenges in Bulgaria

Despite recent progress in achieving macroeconomic stability, policy-makers and society in Bulgaria still face many key challenges. These include stabilizing and recuperating overall levels of human development and setting in motion a national strategy for poverty eradication, designing and implementing policies directed towards closing and/or at least restraining growing disparities between and within districts and municipalities. Similarly, more progress needs to be made towards regional human development plans that are not the result of only bureaucratic obligations, but rather the result of a participatory process that actively involve district authorities, non-governmental organizations and municipalities. Even though many districts have development plans, these do not have explicit human development targets and have only incorporated into their development plans general elements of the national plan. The same case is for municipalities, which have generally incorporated in their development plans district requirements more than local human development priorities.

The establishment of the Currency Board Arrangement (CBA) in 1997 helped to reverse the downward trend in the main macro-economic indicators (low



inflation, low interest rates, moderate economic growth). However, despite difficulties to obtain data and in finding consensus on available quantitative and qualitative data, there is also growing evidence that shows that the standard of living in Bulgaria has worsened in recent years, while the income gap between population groups has risen dramatically. These challenges have put extraordinary demands on the State's capacity to design, promote and implement human development policies. The social assistance system in place has not been in a position to respond effectively to the most needy and vulnerable groups, such as the growing elderly population and ethnic minorities. Moreover social policies still tend to encourage dependency, instead of promoting more self-reliance through access to development opportunities. Even though a great majority of the population has access to some form of social benefits, including pensions and unemployment, these programs are too broad and poorly managed. Finding additional resources to sustain stabilization and to increase much needed expenditures for human development sectors (health, education), is another major challenge.

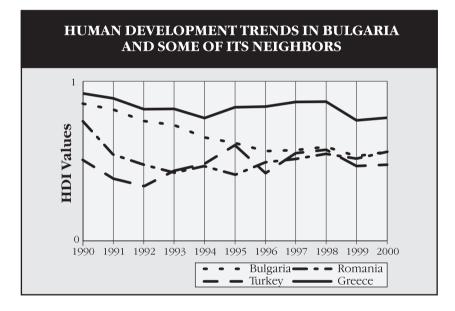
The current macro economic picture in Bulgaria seems stable, although the level of economic activity still has to reach the pre-transition levels, while the trickle down effect of economic benefits is still not evident for most people. The 1996-97 crisis made conditions for rapid recovery much more difficult and adverse for Bulgaria. Despite progress in democratic development, there are still many political predicaments that need to be resolved. These include the speed and capability to move forward much needed reforms, the handling and response to widespread corruption in the public-sphere and strengthening the enabling environment for more business and investment activity. Regaining and sustaining people's trust and confidence in government and the process of reform is a priority.

#### Bulgaria's Human Development as Compared to other Countries

Human Development is measured by the Human Development Index (HDI), which measures the

average achievement in a country in three basic dimensions of human development (a long and healthy life, knowledge and a decent standard of living). Since 1990, the UNDP's global Human Development Reports (GHDRs) have presented, monitored, compared and ranked, each year, trends in HDI values for almost all countries in the world. In the 2000 GHDR, Bulgaria was ranked No. 60 in the international HDI ranking of 174 countries. Bulgaria's value of human development was comparable, for instance with Panama and Venezuela in Latin America, Romania and Latvia in Eastern Europe, the Russian Federation in the Commonwealth of Independent States (CIS) region, Belize and Cuba in the Caribbean and Malaysia in South-East Asia. According to its HDI value Bulgaria was classified as having a medium level of human development and

Social policies still tend to encourage dependency, instead of promoting more self-reliance through access to development opportunities



was ranked No. 14 among 93 countries in this category. Among 25 countries of Eastern Europe and CIS, Bulgaria was ranked No. 10. In this group, other Central European countries, like Poland, Hungary, the Czech Republic and Slovenia fared better than Bulgaria in the HDI ranking. Among neighboring countries, like Greece, Turkey and Romania, Bulgaria demonstrated the most acute downward trend in human development. Over the decade, while Greece has shown an accumulated change in the HDI of 0.026, Turkey of 0.049 and Romania of –0.001, Bulgaria's accumulated change in HDI has been –0.010.

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#### THE ROLE OF GOOD GOVERNANCE IN BULGARIA'S FUTURE HUMAN DEVELOPMENT

Knowing that European Union accession is critical for the future of Bulgaria, the questions at this stage of Bulgaria's human development are, what will be the benefits and costs of this process and how can human development components be integrated into the process of accession? In other words, the challenge today (and in the decade ahead) is to find the most efficient way to convert the European Union accession process into gains and advances in human development. Policies that would merely be "proaccession" can not ignore the real purpose of accession, which is precisely to improve the overall quality of life for Bulgarians. From a human development perspective, at this stage the biggest challenge for Bulgarian society is, to place government priorities in their proper perspective and to frame possible costs and benefits on a human scale.

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The overall human development situation for Bulgaria today points to the need and importance of decisive governmental action. Like many other countries in transition, the main challenge for Bulgaria today is to pursue a path of sustained economic growth, while undergoing much needed structural, institutional and social reforms. Much of the future human development in Bulgaria will depend on strengthening its institutions of governance. Economic stabilization and growth may be generating more wealth in Bulgaria. Nonetheless,

they are not proportionally and automatically strengthening the government's capacity to translate this wealth into more human development. Bulgaria needs a level of good governance, which would create the necessary conditions to enable the country to coordinate, articulate and implement efforts (policies, programs, projects) directed to human development at the national and sub-national levels.

Progress in human development and in promoting a more equitable society is perceived by Bulgarians to have something to do with decisive governmental action. The 1997 Bulgarian Human Security Report (Published by UNDP in collaboration with Friedrich Ebert Foundation and the Center for the Study of Democracy), the 1999 Aspiration Survey (Published by UNDP in collaboration with Friedrich Ebert Foundation), the monthly Early Warning Reports (Published monthly by UNDP, USAID and the Open Society Foundation) produced since 1998, and this Report all show evidence that Bulgarians are demanding good governance. Despite the low performance and confidence ratings given to most governmental institutions, an overwhelming majority of Bulgarians still believe that future human development depends on the strategic role of the government.

#### WHAT IS GOOD GOVERNANCE?

"Governance" is the exercise of economic, political and administrative authority to manage a country's affairs at all level. It comprises mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences.

Good governance is, among other things, participatory, transparent and accountable. It is also effective and equitable. And it promotes the rule of law. Good governance ensures that political, social and economic priorities are based on broad consensus in society and that the voices of the poorest and the most vulnerable are heard in decision-making over the allocation of development resources.

Source: UNDP, Governance for Sustainable Human Development: A UNDP Policy Document, 1997

#### NATIONAL POLICY IN BULGARIA FOR HUMAN DEVELOPMENT AND GOOD GOVERNANCE

The NEDP for Bulgaria (2000-2006) is ambitious, as it sets a strategy not just to increase growth and distribute it among the regions, but to transform Bulgarian society. As such, it has set the vision of change for Bulgaria for the near future with many quantitative and qualitative goals. But more than a static blueprint, this vision has to initiate a dynamic process of change in all directions (top, bottom, horizontal). This means that the strategies of development which have been prioritized in the NEDP, may have to be revised, adapted and reinforced to ensure the utilization, optimization and multiplication of "agents of change." In addition to setting forth the priorities, this development strategy would have to also take into account the policy sequencing,

institutional capacity, coordination and building of consensus.

The NEDP, however, does not explicitly recognize the role of local actors in the national policy scheme. This may be the critical missing piece in the development strategy. UNDP and its partners believe that it is time to start discussing how to incorporate the municipal Bulgaria into the national plans and strategies. The strategy would aim at creating opportunities for a convergence of efforts resulting in the generation of national, sub-national and local policy environments, which support decentralized governance. This will require not only strengthened central and local governments, but also the involvement of other actors from civil society organizations and the private sector in partnership with government at all levels. The Report makes a strategic argument, that Bulgarian municipalities can no longer be seen only as beneficiaries of national government policies, but instead as legitimate actors of national development.

It may be difficult to provide straightforward answers to questions such as, can municipalities afford self-governance and how to increase the financial stability of municipalities without increasing their dependence on the central budget? Nonetheless, the Report provides evidence and ideas for discussing approaches to make local self-governance more effective and also for advancing proposals for improving the management of municipal finances. However, before discussing the size of municipal budgets and the scope of municipal responsibilities, first it will be necessary to systematize information and experiences of local development in Bulgaria.

# THE 2000 NHDR FOR BULGARIA

The 2000 NHDR for Bulgaria analyzes the principal obstacles and possibilities of local human sustainable development in Bulgaria. As was already mentioned, the general assumption of the Report is that human development in Bulgaria could continue to be strengthened if Bulgarian society as a whole (policymakers, NGOs, private sector) accepts the process of good governance as a force that can potentially advance economic development, democratic institutions, social organizations and attitudes in Bulgaria.

This Report is organized into four chapters. Chapter 1 presents and analyzes the mosaic of municipal human development in Bulgaria using different variables and approaches. Chapter 2 is an analysis of the perceptions, expectations and attitudes of people at the municipal level, based on a representative survey of local development actors carried out in a sample of municipalities. Special attention is given to issues of vision, the European Union accession process, local capacity, interactions and self-governance. Chapter 3 will answer the question, what could be done to promote and strengthen local human development in Bulgaria? As such, Chapter 3 analyzes different aspects of local governance, focusing on municipal capacities, levels of cooperation and conflict, social capital, technology, and issues of democratic representation. Finally, Chapter 4 provides policy recommendations. Throughout the Report, cases and experiences are used to highlight obstacles and possibilities.

The NEDP does not explicitly recognize the role of local actors in the national policy scheme

Bulgarian municipalities can no longer be seen only as beneficiaries of national government policies, but instead as legitimate actors of national development

### MAKING A CASE FOR LOCAL GOVERNANCE AND HUMAN DEVELOPMENT

"The attempt to create viable democratic institutions is likely to fail if it is limited to the national level. If democratic structures, habits and instincts are to take root in society, the principles of democracy must be implemented right down to the level closest to the citizen. It is at the local level that the citizen can best understand and most easily participate in the decision making process on issues that affect their everyday lives. Local administrations are expected to provide basic public services, as well as providing the necessary administrative and planning framework for attracting investment and thus promoting economic growth."

 $Action \ Plan, Stability \ Pact for South-Eastern \ Europe, Working \ Table \ Ion \ democratization \ and \ Human \ Rights, February \ 2000$ 

"Beyond the hardware of governance – institutions and legal frameworks—governments must get their software right. This is perhaps the trickiest business, as an examination of all nations' government policy making would attest to. Often policies based on the best of intentions will prove counter productive. And with the forces of globalization bearing down on governments from above, and civil society increasingly bearing-up from below, even the strongest of governments are showing signs of stress."

Mark Malloch Brown, Administrator of the United Nations Development Programme (UNDP), March 2000, from "Governance: A Bedrock of Development" in Choices the Human Development Magazine

"Regional and local governments play a central role in ongoing development of the European Union. First, because local and regional governments by their closeness to the citizens, enhance the democratization process of Europe. Second, regional and local governments in the EU States have the responsibility for a major part of the tasks handled by the public sector."

The Committee of the Regions, "Regional and Local Government in the European Union, July 1996 (updated 1998)."

"While Bulgaria has taken significant steps in establishing a basis for its regional policy, major progress is still needed to allow Bulgaria's full participation in EU structural policy in particular as regards to its financial and administrative capacity."

1999 Regular Report from the Commission on Bulgaria's Progress Towards Accession, October 1999

"Question, what can be done in the future to solve the municipal development problems in Bulgaria? — Answer, I can say in one sentence: The sooner the government empowers municipalities to make decisions on local matters (on financial, social, and governance matters), the better."

A mayor from a Bulgarian Municipality

#### **CHAPTER 1**

# HUMAN DEVELOPMENT IN THE MUNICIPAL BULGARIA

### THE STARTING POINT: A PROFILE OF BULGARIAN MUNICIPALITIES

The Obshtini or municipality in Bulgaria has been a dynamic entity. Over the last century for instance, municipalities have experienced various territorial and political reorganizations. Between 1879 and 1987 the number of municipalities fluctuated between 291 and 2,180. In 1987, the number was reduced to 250, excluding the 24 subdivisions that constituted the Greater Sofia municipality. In late 1991 the municipality of Srednogorie was divided into six new municipalities, bringing-up the number of Bulgarian municipalities to 255. By 1999, the process of "municipal self-determination" led to further divisions (like Primorsko from Tzarevo or Perushtitza and Krichim from Rodopi). Larger municipalities, like Sofia, Varna and Plovdiv, are also divided into Rayoni or something similar to the English Bourough. By the time the new Territorial & Administrative Division Act was enacted in 1999, the number of municipalities in Bulgaria was 262.

Today each municipality has a *Kmet* or mayor who is elected by the majority vote of registered voters. Each municipality also has a Council that is elected by registered voters, with the proportional system. The Mayor is the Chief Executive of the municipality and is responsible for managing the core administrative staff. However, officials appointed by central ministries control the management of many other important local services. Deputy mayors, who are nominated by the Mayor and approved by the Council assist the mayors.

Above the municipality the highest administrative level is the *Oblast* or District (regional/intermediate)

level; there are 28 Oblasti (Districts) today. However, until 1987 these 28 districts existed as Okrazi (divisions). In 1987, legislation created 9 Oblasti (Districts) by consolidating the 28 divisions. These 9 Districts were the Greater Sofia, Burgas, Varna, Lovetch, Montana, Plovdiv, Ruse, Sofia and Haskovo. The former 28 divisions that operated as such until 1987, were units of political organization. Most central ministries and agencies were territorially deconcentrated on the basis of administrative divisions that were contiguous with the Division. Although the Divisions formally no longer existed after 1987, most ministries and governmental agencies still had offices on that level (e.g., Ministry of Interior, National Statistical Institute, courts system). The 1999 administrative division to a certain extent restored the old framework.

In terms of territorial organization the municipalities are composed of *Naseleni Mesta* (human settlements), which are the territorial components of the Municipality. Today there are about 5,300 human settlements, including 238 towns, 4,440 villages and 560 smaller units (hamlets, monasteries, mining

The directly elected Mayor is the Chief Executive of the municipality but officials appointed by central ministries control the management of many important local services

#### THE KMETSTVO

Box 1.1

Presently, below the municipality, there is one additional "sub-level" of local self-government, in which officials are locally elected: the mayoralty or Kmetstvo. These are a kind of extension of direct self-government at the level of human settlements, especially those too small to be a distinct municipality or are big enough for direct representation. The mayoralty refers to individual or to a group of human settlements that have been granted the right to elect local mayors. These mayors are directly elected by a majority of registered voters. The Municipal Council decides which human settlement of group of human settlement will be mayoralties. In the case of towns that serve as centers of municipalities, the Mayor also serves as Mayor for that mayoralty. There are no councils at the mayoralty level.

The scope and type of responsibilities of mayoralties vary considerably. Municipal officials direct some functions at this level. The mayor of a mayoralty may attend municipal council meetings, but has no vote. Because Municipal Councils meet rarely, mayors of the mayoralties tend to have a closer relationship with the municipal mayor who is charged with coordinating their activities. Currently, about 800 mayoralties directly elect mayors without the right to vote at the municipal council and have no budget assigned. More than 4,200 human settlements due to the limited number of the local constituencies, have no assigned budget and an appointed mayor who can participate without the right to vote in the Municipal Council.

communities, railway stations). There is no legal significance attached to the classification of town, or village. The town classification encompasses cities as large as Sofia as well as towns with only several hundred residents. Towns are usually larger than villages but this is not universally the case. All land in Bulgaria falls within the boundaries of some human settlement.

Table 1.1

BULGARIAN MUNICIPALITIES ACCORDING TO THEIR POPULATION (1998)				
RANGES OF POPULATION	NUMBER OF MUNICIPALITIES	% OF ALL MUNICIPALITIES		
More than 1,000,000	1	1%		
400,000 – 100,000	12	5%		
99,999 – 50,000	20	7%		
49,999 – 10,000	138	53%		
9,900 - 5,000	66	25%		
Less than 5,000	25	9%		
Total	262	100%		

On average, a Bulgarian municipality today covers an area of approximately 436 sq. km., has an average population of 33,000 inhabitants and on average host 21 settlements. A majority of municipalities in Bulgaria (53%) have populations between 10,000-49,999. From 1956 to 1993 the number of human settlements in Bulgaria decreased from 5,903 to 5,336. The number of towns in the same period increased from 112 to 238. The number of villages has decreased from 5,791 to 5,098. The population of larger cities (with more than 100,000 inhabitants) has increased 5 times. The largest municipal population is the City of Sofia with over 1.2 million people, and the smallest municipal population is Chavdar in the District of Sofia with 1,400 people.

Table 1.2

AVERAGE SIZE OF POPULATION OF MUNICIPALITIES IN SOME EUROPEAN COUNTRIES				
COUNTRY	AVERAGE POPULATION	AVERAGE LAND (SQ,KM)		
Bulgaria	33,000	436		
Portugal	32,200	303		
Denmark	17,000	157		
Finland	11,000	735		
Norway	9,500	724		
Italy	7,100	37		
Spain	5,000	63		
Austria	3,400	36		

There is also considerable variation in Bulgarian Municipalities in the degree of urbanization and the agricultural resources available. Nineteen percent of the municipalities have an urban population of between 70-100%, while 32% have an urban population of between 50-69%, while the majority of municipalities in Bulgaria still have urban populations below 50%. In this sense at least 45 of the country's 262 municipalities can be considered rural. The structure of local governments in Bulgaria is comparable to the structure throughout Western Europe and the European Union. However, the average size and population of the 262 Bulgarian municipalities, is larger than in most European countries. As can be seen in Table 1.2, only Portugal has municipal population density comparable to the average Bulgarian municipality. As far as land, only the municipalities of Finland and Norway are larger than Bulgarian municipalities.

#### The Municipal Level and Human Development: Local Focus within a Regional Framework

Today municipalities in Bulgaria have to face yet another organizational challenge: the newest level of organization in the system of governance — the planning regions or Rayoni za Planirane. Since 1999, Bulgaria has moved the process of Planning Regions forward, including legislation to formalize its boundaries. Regional Development Policy in Bulgaria will be directly connected to the Planning Regions, as they will become the instruments to channel and implement pre-accession funds. However, the planning regions are not administrative and territorial units in unison with the Republic of Bulgaria's Administrative and Territorial Regulation Act. For now, planning regions will be used for two main purposes. First, to plan and implement regional plans including coordination with local authorities. And second, to manage, monitor and oversee statistical data collection and processing, in relation to regional development. Even though the last word on the role and form of these six planning regions is still a work in progress, the national government has began to move forward to formalize this newest level of territorial and political organization. In this framework the municipalities will have a crucial role to play.

Having achieved macroeconomic stability, Bulgaria now faces the necessity to reduce inequalities among Bulgarians and between and within Districts. Since one of the most relevant criteria for assessing the magnitude of these inequalities and for drafting policies is the human development approach, the main development characteristics of the municipal scene should be analyzed from the human development perspective.

The state of human development in Bulgaria and the impact of the past decade of transition can be appreciated more accurately from a local perspective, which after all is the smallest unit of self-governance. An analysis of the local or municipal scene in Bulgaria through the human development lens provides a fresh approach to understanding the challenges, problems and opportunities associated with the strengthening and promotion of peoplecentered policies.

# THE MUNICIPAL HUMAN DEVELOPMENT INDEX (MHDI)

This Report introduces for the first time in Bulgaria a Municipal Human Development Index (MHDI) in an effort to bring together in a composite index the different aspects of development in the local scene. The MHDI presents an aggregated measure of the human and developmental inequalities in the 262 Bulgarian municipalities. Of course, the concept of human development is much bigger than the measure itself, for it is difficult to reflect all dimensions of local municipal human development in a single quantifiable composite indicator. Nonetheless, the MHDI draws attention to inequalities in three essential elements of human life - longevity, knowledge and a decent living standard. At the same time it complements the whole analysis of local human development in Bulgaria by incorporating a whole array of relevant variables.

There are many possible and complementing ways to analyze MHDI. One could be a simple analysis that articulates the ranking of municipalities according to the three components of the MHDI. The second could articulate the MHDI with the respec-

#### THE HUMAN DEVELOPMENT INDEX AT THE MUNICIPAL LEVEL

Box 1.2

Since it first appeared in the First UNDP global Human Development Report in 1990, the Human Development Index (HDI), has been rather successful in serving as an alternative measure of development, supplementing economic indicators. It has three distinct components: indicators of longevity, education and income. Within the boundaries of these three components, the HDI has served to broaden substantially the empirical attention that the assessment of development processes normally receives.

However, the HDI must not be seen narrowly as an attempt to focus on a crude index and to catch in one simple number the complex realities of human development. Rather, it should be seen as one of many components, which together provide the necessary inputs to analyze opportunities and obstacles for more human development policies. This is why HDIs have always been accompanied by extensive analysis, a wealth of additional information and by a focus on one social, economic or political feature that influences the nature and quality of human life.

Over the last decade, the HDI has become an integral part of the UNDP global Human Development Reports, and since 1990 there have been attempts to broaden and deepen its application. For example, in the National Human Development Reports, produced nationally in more than 100 countries (including Bulgaria). This step was important because there is no automatic link between human development from the growth center to the different levels of the countries' political organization (regions, departments, provinces, and/or municipalities). As such, there have been some attempts in many countries to construct Regional Human Development Indexes (RHDIs) (for example last year's NHDR for Bulgaria—1999).

Even fewer attempts have been made to construct Municipal Human Development Indexes (MHDIs). In fact, only in Brazil, Bolivia, the Philippines, Egypt, Nepal, Guatemala and Mongolia have some attempts been made to disaggregate the HDI to the lowest possible level of analysis. In that context, Bulgaria becomes the first country in the region that attempts to disaggregate the HDI to the lowest possible level of analysis. At the end the municipal index of human development is a valued number like any other number, but its added value comes from the fact that it does not ignore the social aspects of human lives at the local level. In as much as the index will be used to foster discussion on human development in municipalities, and in the underlying causes and possible policy solutions, it could also serve to broaden public and policy interest to the complex reality of local development.

The MHDI should be seen as an important effort to systematize human development data at the municipal level and as an attempt to construct an important reference tool for municipal development planning and analysis.

tive levels of physical territory in which municipalities are organized in Bulgaria (District Regions and Planning Regions). The third could consider the MHDIs according to the population of each municipality. Last but not least, the MHDI accommodates

Human
development
conditions are
distributed
rather evenly
across
municipalities in
Bulgaria

variables such as unemployment, employment, and subsidies. These will be the main lines of analysis in this chapter.

#### The Path to the MHDI in Bulgaria

The MHDI for Bulgaria, as any composite index, reflects a broad range of human development issues. It summarizes enormous amount of data with one common denominator: relevance to human development. However, this may inevitably entail a certain level of approximation. The lower the level of aggregation, the smaller the population on the basis of which certain components and indexes are calculated, and hence the potential for a bigger magnitude of statistical inaccuracy. The calculation of the first MHDI in Bulgaria proved to be a challenge. The whole process of preparation of the index was in fact learning and building experience (See Technical Note for details).

The 1996 NHDR for Bulgaria had attempted to provide a development economic analysis of the 255 municipalities. The methodology used in this socio-economic analysis took into account the age characteristics of the population, the arable land, material assets per capita, the level of unemployment and the revenues derived from economic activities. It revealed that 17% of Bulgarian municipalities could be categorized as developed, 47% as medium-developed and 36% as less-developed. This first attempt to localize the analysis of human development was limited primarily due to the unavailability of data. Calculating the MHDI for the 262 Bulgarian municipalities was not just a matter of processing new available data. An arduous methodological and conceptual work was also necessary.

The first Top 10 in the MHDI ranking is composed mainly of biggerurban municipalities

### WHAT DOES THE FIRST MHDI FOR BULGARIA REVEAL?

The first ever ranking of municipalities in Bulgaria according to their level of human development leads to the following general observations:

- Human development conditions are distributed rather evenly across municipalities in Bulgaria.
   The maximum level that of Veliko Tarnovo is 0.810. It more or less corresponds to the level of human development of Poland (0.814). The minimum level of MHDI that of the Municipality of Kotel in Sliven District is 0.688. It corresponds to the HDI value of Uzbekistan (0.686) and Algeria (0.689).
- For analytical purposes, of the 262 municipalities, 39 can be classified as having a high level of human development (with a MHDI value of equal to or more than 0.770), 141 as having a medium level of human development (0.730-0.769) and 82 as falling within a category of low human development (less than 0.730). However, if the standard used internationally is retained, only four Bulgarian municipalities have high human development, while the rest fall in the medium human development category.

# Main Characteristics of Municipalities with High Human Development

- The first Top 10 in the MHDI ranking is composed mainly of bigger-urban municipalities, such as Veliko Tarnovo, Sofia City, Varna, Plovdiv and Blagoevgrad. But also smaller municipalities are represented, such as Gorna Oryahovitza, Svishtov, Pavlikeni, Lyaskovetz all in the District of Veliko Tarnovo. There is also a small wine-producing municipality, Suhindol in Veliko Tarnovo District.
- In the Top20 MHDI ranking, other larger municipalities are ranked, such as Gabrovo, Smolyan, Ruse and Sevlievo (in Gabrovo District). However, tourist municipalities like Bansko and Sandanski in Blagoevgrad District and Primorsko, in the District of Burgas are also ranked among the Top-20.
- The rest of the municipalities in this group are spread across the country. Other larger municipalities, such as Burgas, Montana, Lovech and Pleven, as well as smaller ones like Kresna in Blagoevgrad District and Bozhurishte in Sofia District also figure among the highest ranking municipalities.

- Among the 39 municipalities that are classified as
  having high levels of human development,
  disparities in life expectancy and literacy are
  minimal. Suhindol in Veliko Tarnovo District
  and Beloslav in Varna District showed noticeable
  lower levels of life expectancy than the average
  of the group. In terms of literacy rates, Madan
  and Rudozem in Smolyan District, Dospat in
  Sofia Region and Kresan in Blagoevgrad District
  rank lower than the rest of the municipalities in
  this medium-range group.
- Disparities among the first 39 municipalities in the ranking become noticeable when one analyses the school enrollment rates across this group. For instance, Panagyurishte in Pazardjik District and Bozhurishte in Sofia District have enrollment rates which are half that of the enrolment rate calculated for the highest ranking municipality in the group (i.e., Veliko Tarnovo).

# Main Characteristics of Municipalities with Medium Human Development

- The group of municipalities shown to have a medium level of human development is far more diverse and spread more widely across the country than high human development municipalities. Disparities become more accentuated. Of the 141 municipalities, 15 are remaining district centers, such as Vratza, Stara Zagora, Haskovo, Shumen, Targovishte, Dobrich, Yambol, Vidin, Silistra, Kardjali, Razgrad, Pernik, Sliven, Pazardjik and Kyustendil.
- The majority of municipalities in the medium human development category have populations between 5,000-25,000 inhabitants. The average population of these municipalities is 26,400 inhabitants.
- Among the municipalities classified with medium human development, there are more disparities in terms of life expectancy. Gurkovo in Stara Zagora District has the lowest life expectancy of the 262 municipalities. Also worth noting are the cases of Suvorovo in Varna District and Roman in Vratza District, both with life expectancy levels below the average.
- The Municipalities of Momchilgrad in Kardjali

District and Laki in Plovdiv District have the lowest literacy rates in the medium human development group, while seven other municipalities show rates, which are much lower than the average in the group. Five are concentrated mostly in the Dobrich District (Shabla, Balchik, Kavarna, Dobrich urban and rural) and the other two are, General Toshevo in Burgas and Razgrad.

# Main Characteristics of Municipalities with Low Human Development

- In the MHDI ranking, the 82 municipalities classified as having low levels of human development are mostly small municipalities. The average population of these municipalities is 12,900 inhabitants. The largest municipality in this category has a population of about 48,600 inhabitants (Nova Zagora in Sliven District) and only 12 others have populations of more than 20,000. The smallest has a population of 1,400 (Chavdar in Sofia district), which is also the smallest Bulgarian municipality.
- As far as life expectancy, in this group the rate is
  noticeable lower than in the medium and high
  human development categories. However, at
  least seven municipalities show high life
  expectancy rates, which are above the national
  average. Most of these are in the Kardjali district
  (e.g., Kirkovo, Krumovgrad and Chernoochene).
- In this group, literacy rates are generally lower than in the high and medium human development categories, while disparities between individual municipalities are also more significant. Chernoochene in Kardjali District, for example, has the lowest of all 262 municipalities (87.4), while Anton in the Sofia District has one of the highest overall literacy rates. Moreover the overall enrolment rate in this group is, on average lower, than that found among municipalities in the high and medium human development categories. Twelve municipalities show extremely low enrolment rates (Loznitza, Tzar Kaloyan, Zavet and Isperth in Razgrad District; Chernoochene, Krumovgrad, Kirkovo and Djebel in Kardjali District; Kotel, Tvarditza and Nova Zagora in Sliven District; Krushari in Dobrich

In municipalities with low MHDI life expectancy is noticeable lower than in the medium and high buman development categories

- District and Dolni Chiflik in Varna District).
- Three municipalities show high overall educational attainment rates (literacy and enrollment combined), which are above the average for the group. All three are located in Varna District (Dalgopol, Dolni Chiflik and Avren).

# MAPPING THE HUMAN DEVELOPMENT DISPARITIES AMONG BULGARIAN MUNICIPALITIES

The general correlation between the MHDI and life expectancy may be reflecting more the accumulated improvement in health standards, than real access to bealth services and levels of public expenditures in the health sector

As can be seen in Table 1.3, the link between economic activity and human development is neither automatic nor obvious. Two municipalities with a relative similar income per capita can have different MHDI values. Likewise municipalities with relative similar MHDI values can have different income levels. Of the 262 municipalities, 125 rank higher in terms of their overall HDI value than would be expected if one just looked at their respective income levels, suggesting that the conditions in these municipalities may be more conducive for human development or that resources devoted to human development are spent more efficiently. But for 135 municipalities the MHDI is lower than their income level. These municipalities may not have the necessary potential to translate economic activity into more human development.

Since human development is a process of enlarging people's choices by expanding capabilities, then leading a long and healthy life is an essential component.

Table 1.3

SIMILAR MHDI, DIFFERENT INCOME					
MUNICIPALITY/DISTRICT	MHDIVALUE	GDP PER CAPITA (PPP\$)			
Zlataritza/V. Tarnovo	0.759	2,742			
Shabla/Dobrich	0.757	5,485			
SIMILAR	SIMILAR INCOME, DIFFERENT MHDI				
MUNICIPALITY/DISTRICT	GDP PER CAPITA (PPP\$)	MHDIVALUE			
Strajitza/V. Tarnovo	3,536	0.769			
Kaynardja/Silistra	3,526	0.707			
Satovcha/Blagoevgrad	2,834	0.754			
Chernoochene/Kardjali	2,824	0.690			

As can be seen in Table 1.4, it seems that there is a general correlation between the MHDI and life expectancy. Although this link may also be reflecting the accumulated improvement in health standards. than real access to health services and levels of public expenditures in the health sector. As the process of health reform in Bulgaria continues to move forward, two major challenges are being created for municipalities. First, the capacity to provide enough health and other care services for their constituencies, especially among the aging population and vulnerable sectors, and second, generating as many alternative options for people at the municipal level to have access to health services. in such a way that life expectancy rates do not decline further.

Generally, higher literacy rates and greater numbers of children enrolled in school reflect an investment in human development. Even though Bulgaria still enjoys a high standard of literacy, a closer look at figures relating to education at the municipal level shows that standards may be slipping. As can be seen in Table 1.5 (p. 28), there is a correlation between human development and educational attainment. As was shown in the 1999 NHDR, at the level of the 28 Districts, enrollment ratios exhibited declining tendencies. The same tendency, even more pronounced, can be spotted at the municipal level. The uncertain economic prospects in many municipalities is forcing families to move to more developed municipalities, and with that, educational infrastructure is being weakened. That is, some municipalities are being forced to spend above their budget on incoming students, while others are reassessing their existence because of lack of students. At the end, this has a direct effect on human development conditions. A major concern for policy-makers, then, is how to transform the negative features of the pre-transition era into a system that tackles both enrollment and quality. This is especially relevant for municipalities with low human development levels.

#### THE MUNICIPAL HUMAN DEVELOPMENT INDEX AND DISTRICTS AND PLANNING REGIONS

The 1999 NHDR for Bulgaria calculated in the first time the Regional Human Development Index (RHDI) for the 28 District regions (see Data Annex for the 2000 RHDI). The result showed that among and between Districts in Bulgaria there were disparities, although they were not as wide spread as in other countries. Despite this, a closer look at the Districts according to the level of human development of their municipalities reveals more pervasive disparities. The highest concentration of municipalities with low human development indexes is found in Razgrad, Silistra and Sliven districts, No. 21, 26, and 28 respectively in the 1999 RHDI ranking. Also, in addition to the City of Sofia, only 4 of the other 27 remaining districts do not have any of their municipalities in the low human development category. These are Blagoevgrad, Veliko Tarnovo, Smolyan and Gabrovo, No. 5, 7, 13 and 2 respectively in the 1999 RHDI ranking. In contrast, 14 of the 27 districts (excluding the City of Sofia) do not have any of their municipalities in the high human development category. Similarly, 5 of the 27 districts (excluding the City of Sofia) show the majority of their municipalities in the low human development category. These are Vidin, Kardjali, Razgrad, Silistra and Sliven districts, No. 16, 9, 21, 26 and 28 respectively in the 1999 RHDI ranking.

As far as the Six Planning Regions (territorial units corresponding to NUTS II level) and the MHDI, some interesting disparities can be detected. As can be seen in Table 1.6 (p.27) the North-Central Planning Region shows the highest concentration of its population living in municipalities with high human development levels. Almost 70% of the region's population live in these municipalities. The Southwest Planning Region has the second highest concentration (68%), followed by the Southeast Planning Region (27%), the South Central Planning Region (24%), the Northeast Planning Region (23%) and the Northwest Planning Region (11%). Similarly, the Southwest Planning Region has the lowest share of its population living in low human development municipalities (3%), fol-

TOP AND BOTTOM SIX MUNICIPALITIES IN BULGARIA
RANKED BY THEIR LIFE EXPECTANCY

MUNICIPALITY/ DISTRICT	LIFE EXPECTANCY IN YEARS	MHDI VALUE	MHDI RANKING
1. Madjarovo/Haskovo	75,8	0,746	115
2. Borino/Smolyan	75,8	0,769	42
3.Dospat/Smolyan	74,8	0,778	22
4. Ardino/Kardjali	73,9	0,732	164
5. Nedelino/Smolyan	73,9	0,768	43
6. Petrich/Blagoevgrad	73,9	0,779	17
257. Chelopech/Sofia	66,5	0,735	153
258. Alfatar/Silistra	66,2	0,702	250
259. Kameno/Burgas	65,8	0,736	149
260. Kula/Vidin	65,1	0,715	224
261. Pravetz/Sofia	65,0	0,706	241
262. Gurkovo/Stara Zagora	65,0	0,731	175

lowed by the North-Central Planning Region (11%) and the South-Central Planning Region (13%). In contrast, the Northwest, Northeast and Southeast Planning Regions have the highest concentration of their population (26%, 23%, and 17% respectively) living in municipalities with low human development.

#### Regional Policy Priority from a Municipal Human Development Perspective

The national government has prioritized the Northwest and South Central Planning Regions for future development. Together these two planning regions have a high concentration of people living in municipalities with low human development (about 5% of the total Bulgarian population). However, the Northeast Planning Region by itself, has a large portion of its population (4% of the total Bulgarian population) living in municipalities with low human development levels. This may help advance the finding that together Northwest and South Central Planning Regions are not necessarily the most policy-priority candidates from a human development perspective.

In fact, from this perspective it may have been more logical to prioritize South Central and Northeast Planning Regions, because in these two regions a greater proportion of people (7% of total Bulgarian population) live in municipalities with low human

Northwest and South Central **Planning** Regions are not necessarily the most policypriority candidates from a buman development perspective. It may bave been more logical to prioritize South Central and **Northeast Planning** Regions

Table 1.5

TOP AND BOTTOM SIX MUNICIPALITIES IN BULGARIA RANKED ACCORDING TO THEIR COMBINED EDUCATIONAL ATTAINMENT INDEX					
MUNICIPALITY/ COMBINED EDU DISTRICT ATTAINM	JCATIONAL ENTINDEX	MHDI VALUE	MHDI RANKING		
1. Veliko Tarnovo/ V. Tarnovo	0.973	0,810	1		
2. Lyaskovetz/V. Tarnovo	0.973	0,778	8		
3. Gorna Oryahovitza/V. Tarnovo	0.973	0,806	3		
4. Svishtov/V. Tarnovo	0.971	0,805	4		
5. Polski Trambesh/V. Tarnovo	0.970	0,780	14		
6. Pavlikeni/V. Tarnovo	0.969	0,790	7		
257. Kirkovo/Kardjali	0.790	0,719	209		
258. Kotel/Sliven	0.789	0,688	262		
259. Krumovgrad/Kardjali	0.785	0,713	227		
260. Djebel/Kardjali	0.781	0,716	220		
261. Momchilgrad/Kardjali	0.770	0,746	117		

0.749

development. It may have been logical to choose the South Central and Northwest Planning Regions as priorities for regional development policies, from the perspective that together they are home to over 2.5 million Bulgarians (see Table 1.6, p. 27) and that these two Planning Regions are physically close to the trans-European corridors. However, not prioritizing low human development areas where greater number of people live could also reduce their access and freedom for human development and could further deepen regional disparities in Bulgaria.

0,690

261

The same tendency is visible when the population of the 262 municipalities and their respective levels of human development are spread into the Six-planning regions. Forty-two percent of the total Bulgarian population live in municipalities with high levels of human development and are spread across 39 municipalities; 45% of the population are concentrated in municipalities with medium levels of human development spread across 141 municipalities; and 13% live in municipalities with low levels of human development, spread across 82 municipalities. Of the people living in municipalities with high human development, the majority (42%) lives in the Southwest Planning Region. In contrast, only 2% of the total population living in high human development municipalities are in the Northwest Planning Region. Furthermore, of the Bulgarian population that lives in municipalities with low human development levels,

the highest proportion lives in the Northeast Planning Region and the lowest in the Southwest Planning Region. From this perspective, regional development policy priority should be given to the Northeast and South-Central Planning Regions.

Population is another factor to consider when articulating the municipal levels of human development with regional development policies. Among the Six Planning Regions, the Southwest has the highest concentration of the Bulgarian population (26%), followed by the South Central (25%), Northeast (16%), North Central (15%), Southeast (10%) and Northwest (7%). However, the levels of municipal human development are not spread proportional to population in the Six Planning Regions. Municipalities with high levels of human development seem to be concentrated in certain areas of growth and relative prosperity, such as the Southwest and the North Central and partially in the Southeast Planning Regions. From the Municipal perspective, the case of the North Central Planning Region is even more interesting. In general, this Planning Region shows better prospective from the level of municipal human development, and yet there one finds the most uneven distribution of human development conditions, reflected primarily in the huge disparities between the share of the population living in areas with high and low levels of MHDI. In contrast, municipalities with low levels of human development, tend to be spread more evenly all across Bulgaria. However, the Southwest Planning Region is where one will find the lowest percentage of people living in low human development municipalities. The conclusion could be that within the planning regions themselves the magnitude of disparities in human development is huge and any decision-making process should take into consideration the municipal level on which these disparities occur.

Municipalities with bigh levels of human development seem to be concentrated in certain areas of growth and relative prosperity, such as the Southwest and the North Central Planning Regions

262. Chernoochene/Kardajli

# HUMAN DEVELOPMENT IN BULGARIAN MUNICIPALITIES AND OTHER VARIABLES

The highest proportion of the Bulgarian population (45%) lives in municipalities with medium levels of human development. The fact that the share of the

population living in municipalities with low human development (13%) is more than three times lower than the share of those living in municipalities with high human development (42%), is a hopeful sign for the future development prospects of the country. These figures, however, should also be analyzed against the background of the territorial distribution. Municipalities with high levels of human development occupy only 18% of the total Bulgarian territory. Most of the territory is occupied by municipalities categorized as having medium human development (56%), which more or less corresponds to the share of the population living in this territory (45%). It is interesting to note also that the 11% of the population that lives in municipalities classified as having low levels of human development occupy 26% of the total Bulgarian territory. In analyzing human development from this perspective, the issue of population density becomes relevant to consider when designing policies. More specifically, it could imply that areas with low population density have low levels of human development, which over time may turn into a self-perpetuating mechanism for encouraging further depopulation and a general decline in the standard of living in these areas. These municipalities may need a "special" type of regional development policy.

There also seems to be a correlation between levels of human development and urbanization/ ruralization. The majority of the population in municipalities with high human development live in urban areas (85%). Almost 62% of the population in municipalities with medium levels of human development live in urban areas. The majority of the population (79%) living in municipalities with low levels of human development live in rural areas. This correlation was already outlined in the 1999 NHDR for the regional level. However, when data is disaggregated to the municipal level, the correlation becomes even more explicit. That is, while urbanization seems to be related to high levels of human development, it is not a sufficient condition for higher levels of human development. The opposite also stands. Lower levels of human development at the municipal level are not always associated with the lack of urban development, and neither is a

rural-based economy a sufficient condition for low levels of human development.

The analysis of urban/rural/municipal human development may also be reflecting a larger problem related to rural populations. Generally, these communities play a very limited role in the economic and social life of the country. The income structures in rural areas are also generally less consistent than more urbanized municipalities, and rural people have much less access to government services. Despite making up almost one-third of the total Bulgarian population, they receive, on average, a disproportionately small distribution of funding for local services. This may reflect, among other factors, a predominant urban biased policy framework for development. As such, rural populations are being deprived and marginalized from

Rural municipalities receive, on average, a disproportionately small distribution of funding for local services, which may reflect a predominant urban biased policy framework for development

Table 1.6

ANDTH		NNING REGIONS		
AND THE MUNICIPAL HUMAN DEVELOPMENT INDEX				
LEVELS	NO.OF	POPULATION	%OFTHE REGION'S	
OFHUMAN DEVELOPMENT	MUNICIPALITIES	1998	POPULATION	
DEVELOPMENT	SOI	JTHWEST		
High	9	1,462,326	68	
Medium	33	621,888	29	
Low	9	55,871	3	
Total	51	2 140 085	100	
	SOUT	H-CENTRAL		
High	8	509,746	24	
Medium	39	1,305,368	63	
Low	20	262,641	13	
Total	67	2,077,755	100	
	SO	UTHEAST		
High	3	225,460	27	
Medium	13	460,911	56	
Low	6	143,256	17	
Total	22	829 627	100	
		RTHEAST		
High	2	317,882	24	
Medium	25	727,711	54	
Low	22	306,617	23	
Total	49	1 352 210	100	
		H-CENTRAL		
High	16	872,737	71	
Medium	14	227,083	18	
Low	10	137,328	11	
Total	40	1,237,148	100	
		RTHWEST		
High	1	63,769	11	
Medium	17	376,575	63	
Low	15	153,202	26	
Total	33	593,546	100	
***		JLGARIA	10	
High	39	3,451,920	42	
Medium	141	3,719,536	45	
Low	82	1,058,915	13	
Total	262	8,230,371	100	

Quality of life and human development opportunities in rural areas still do not provide clear incentives for people to stay and work in the field of agriculture

already-limited opportunities for human development.

The urban/rural/human development link at the municipal level illustrates a possible long-term dilemma for Bulgarian policy-makers and society at large. Quality of life and human development opportunities in rural areas still do not provide clear incentives for people to stay and work in the field of agriculture. Just the opposite: despite high structural unemployment, the larger, more urbanized municipalities still provide more human development opportunities which may continue to keep the population reluctant to seek employment or self-employment opportunities in rural areas.

The Ministry of Agriculture needs to provide more economic and adequate incentives for rural areas. Otherwise, one of the possible consequences of the municipal rural/human development dichotomy may be accelerated depopulation in certain areas of Bulgaria, leading to further shortfalls in human development. If this self-perpetuating tendency continues, discrepancies in levels of human development could also increase, and as a consequence Bulgaria could fall into a human development trap. That is, municipalities with higher levels of human development will attract more people, endangering the high level of human development as a result of over-population. On the other hand, depopulation of municipalities with low levels of human development will lose their basic capacity to increase their own levels of human development, as more people leave in search for better opportunities. Furthermore, this tendency may put pressure on local services in "receiving" municipalities, while "sending" municipalities may be forced to give up their only source of income. This tendency was already analyzed in the 1997 NHDR. The situation has not changed; rather, it has compounded since then.

Ethnic minority groups in Bulgaria are mainly living in municipalities with medium and low levels of human development

#### Local Human Development and Ethnicity

The first RHDI calculated for Bulgaria in the 1999 NHDR argued that some correlation existed between the concentration of ethnic minority popu-

lations and levels of human development in the 28 Districts. The correlation, however, was not that obvious then, mainly because the large size of the District blurred the concentrated distribution of minorities. The disaggregation of the HDI at municipal level provides the opportunity to explore the link between human development and ethnicity.

The analysis proved that the higher the concentration of minority population in a municipality, the higher the probability of lower levels of human development. In fact, the total proportion of minority populations living in municipalities with high levels of human development is only 6.5%. In municipalities with medium level of human development the total proportion of minority population living there rises to 16%, and for municipalities with low levels of human development the proportion increases to 36%.

The correlation seems valid for each of the ethnic groups. For instance, none of the 35 municipalities that have Turkish population of over 40% registers high levels of human development. Ten of them register medium levels of human development and twenty-five low levels of human development. Similarly, the bottom ten municipalities in the MHDI ranking have an average share of Turkish population of over 55%. The same trend is observed for the Roma minority population. Only 18% of the total Roma population live in municipalities with high levels of human development; 60% in municipalities with medium levels; and 22% live in municipalities with low levels of human development. This does not mean that human development conditions of Roma people are better than those of the Turkish population. Rather, it may reflect the general tendency of Romas to cluster in poverty pockets within municipalities with overall decent conditions of development. A good illustration is the Municipality of Plovdiv, ranked No. 9 in the MHDI ranking, but which also has two of the biggest Roma communities (Stolipinovo and Sheker Mahala), where conditions for human development are generally far worse than those observed for Plovdiv.

The correlation between municipal human development and ethnicity in Bulgaria again highlights the issue of disparities. However, any far-reaching conclusions should be made with caution. The fact that data shows that ethnic minority groups in Bulgaria are mainly living in municipalities with medium and low levels of human development largely reflects development factors such as levels of education, qualifications and training or dominant life patterns. Hence, in order to help ethnic minorities to expand their already-limited opportunities there is a need for the design and implementation of policies which deliberately promote their inclusion in the national "human development paradigm." Such policies may be sustainable if basic factors leading to exclusion (education and qualification level, Bulgarian language proficiency) are addressed.

# THE MUNICIPAL HUMAN DEVELOPMENT INDEX AND OTHER ECONOMIC VARIABLES

The local human development picture outlined in the previous sections is also affected by other factors indirectly incorporated in the three MHDI components. However, these variables do not reflect their real dynamism immediately in the index calculations. This is especially relevant in transition economies, when structural change (e.g., closure of enterprises, change in production patterns, unemployment, wage decline) is relatively fast and yet it lags in properly reflecting official statistics. The MHDI provides a static picture of the municipal human development situation. However, when it is articulated with other more dynamic variables, such as levels of employment and unemployment, productivity and subsidies, a more comprehensive and complex portrait emerges of the Bulgarian municipal mosaic.

#### Labor Market Dynamics & Human Development: the Unemployment/ Employment Variables

Data on registered unemployment at the municipal level for 1998 provides grounds for interesting

comparisons between different municipalities' achievements in human development. For example, of the municipalities which were classified as having high levels of human development, 46% had rates of unemployment equal to or less than 10%; 36% had registered unemployment rates between 11-20%; and 18% showed unemployment

### THE DYNAMIC OF UNEMPLOYMENT IN LOCAL HUMAN DEVELOPMENT

Box 1.3

When articulating the changes in unemployment between 1998 and April 2000, the dynamics of unemployment in human development can be observed. During this period the unemployment rate increased throughout the country on average by 5%. In general, the increase of unemployment has been rather even and has not led to the substantial re-grouping of municipalities. The most drastic increase in unemployment rates was observed in Devnya (from 5% in 1998 to 30% in April 2000). This was probably due to the privatization of industry and the release of the "hidden" unemployed from the former state-owned enterprises. At the end of 1998, the highest unemployment rate was 48% registered, in Nikola Kozlevo in Shuman District. The highest levels of unemployment growth from 1998 to April 2000 were in Kaynardja in Silistra District (from 44% to 57%). Dimovo followed this in Vidin District (from 41% to 53%) and Antonovo in Targovishte District (45% to 52%). The municipalities with critical levels of unemployment (over 30%) have not changed much since 1998, with the exception of Yakoruda in Blagoevgrad District (28% in 1999 and 47% in April 2000). This is one of the most dramatic cases of deterioration of a local labor market. Other municipalities with dramatic changes in April 2000 were Novi Pazar in Shumen District (from 15% to 47%), Roman in Vratza District (from 22% to 50%) and Bregovo in Vidin District (from 31% to 48%).

The unemployment map in April 2000 adds additional dynamics and details for the local human development picture in Bulgaria. Of 262 municipalities 132 have encountered an increase in unemployment of over 5,2%. In this group several cases deserve special attention. In Madan in Somolyan District (ranked 39 in the MHDI ranking) after the closing of the GORUBSO mine in early 2000, the unemployment rate grew from 20% to 38%. This implies that the high MHDI ranking of Madan was largely due to the (then) subsidized mining industry which created unsustainable employment. Similar are the cases of Rudozem in Smolyan District (ranked 33 in the MHDI ranking), where the unemployment rate increased by 15% and Montana (ranked 27), where the increase was 11%.

On the other hand, 106 municipalities witnessed an increase in unemployment consistent with the average for the country (5,2%) and in 28 municipalities unemployment rates have actually decreased. However, these decreases are mainly found in municipalities with critical levels of unemployment, which means that even after the decrease the unemployment rate is usually over 20%. But even decreases in unemployment rates can not be interpreted as a positive tendency of the labor market.

#### Figure 1.1

How do you assess the job opportunities that the private sector in your municipality offers?

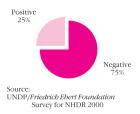


Figure 1.2

How do you assess the job

How do you assess the job opportunities that the public sector in your municipality offers?



Source: UNDP/Friedrich Ebert Foundation Survey for NHDR 2000

In most
Bulgarian
municipalities,
what really
matters for
human
development is
employment as
such – no matter
that is in formal
or informal
sector

rates between 21-33%. The medium human development category shows more disparities in terms of unemployment rates. Only 23% showed unemployment rates equal to or less than 10%, while the majority (42%) had registered unemployment rates between 11-20%, and 35% had unemployment rates between 21%-46%. The relationship between levels of human development and unemployment rates becomes even stronger in the municipalities classified with low human development. None of these municipalities have unemployment rates equal or less than 10%; 21% showed unemployment rates between 11-20%; and the majority (79%) had unemployment rates between 21-48%. Thus, unemployment rates are consistent with respective MHDI rankings. That is, where there are higher unemployment rates the MHDI tends to be lower. From the perspective of municipal human development and unemployment, the Northwest and Northeast planning regions show the greatest concern. Not only unemployment rates are higher in municipalities in these two planning regions, but human development levels are low.

Looking at employment rates in the context of respective MHDI values it is clear that municipalities with high or low human development values have respectively high or low employment rates. Of the municipalities classified in the high human development category, the majority (64%) showed employment rates above 51%, and the remaining 36% had employment rates of between 20-50%. The trend in municipalities with medium human development levels is substantially different. Only fifteen percent of them had employment rates above 51%. An overwhelming majority (85%) had employment rates between 20-50%. Finally, none of the municipalities classified with the low human development category had employment rates above 51%. All had employment rates between 16-42%.

A note of caution is needed when unemployment/ employment variables are articulated, mainly because "employed labor force" is not an exact mirror reflection of the figure for "unemployed." There are many explanations, which reflect the complexity of local economic development in Bulgaria and its effect on unemployment/employment rates. The issue of the registration/nonregistration of unemployment stands as one of the main reasons for employment rates not being consistent with unemployment rates. In many cases people living in one municipality are employed in another but are still registered as unemployed in their municipality of residence. Another reason might be inter-municipal employment, which affects differently developed and less developed municipalities. For instance, Sevlievo in Gabrovo District is ranked among the top 15 Bulgarian municipalities in the MHDI ranking. It shows a very low unemployment rate (4.7%), but only 48% employed population. On the other hand, less developed municipalities, like Devnya in Varna District, Mirkovo in Sofia District or Bobovdol in Kyustendil are affected differently. Devnya registered an employment rate of 171%, and yet was ranked No. 49 in the MHDI ranking; Mirkovo has a 126% employment rate and is ranked No. 76; and Bobovdol has an employment rate of 102% and is ranked No. 118 in the MHDI ranking. The reason is that these municipalities are dominated by industries of national significance and scale. They attract employment from the nearing municipalities and do not fit strictly into the pattern of local development analysis.

Employment growth in municipalities creates some expansion in work opportunities, while unemployment contracts opportunities. Furthermore, where opportunities expand, job growth might not be sufficient to absorb the backlog of unemployment. These three scenarios reflect closely the relationship between human development and labor dynamics in Bulgarian municipalities. Nonetheless, people in municipalities, while seeking for long term employment, may also find low-productivity and temporary jobs, some in the informal sector. These livelihood activities may be having a more positive and direct effect on income and production, although this benefits only those lucky enough to have some form of low-productivity and temporary jobs. In most Bulgarian municipalities, the official unemployment or employment rates do not automatically translate into expansion or contraction of opportunities. It

means that what really matters for human development is employment as such – no matter that is in formal or informal sector.

#### Productivity and Human Development

All 262 municipalities in Bulgaria have within their territory public or private units of production. However, there is no data on the value of fixed assets at the municipal level. There is data on employment rates, the number of employed population in each municipality, and value added – both from investment and labor — and value of expenses for fixed assets for 1998. However, data on productivity of capital is not reliable at the municipal level. Therefore, using the gross value added per employed person as a productivity indicator may be used to analyze the relationship with human development. The higher the productivity rate per capita, the higher should be the levels of human development.

In general, the majority of municipalities with high human development levels show high levels of labor productivity rate per capita. However, there are some exceptions, for instance Rudozem and Dospat in Smolyan District, Razlog, Gotze Delchev and Petrich in Blagoevgrad District, Elena and Polski Trambesh in Veliko Tarnovo District. These municipalities are not only smaller municipalities, but also all show either high unemployment rates or low employment rates. In these cases, the MHDI helps to identify some elements of local development that may help to explain higher levels of human development. For instance, more than the productive aspect, educational attainment explains the high level of human development for Gotze Delchev, which is ranked No. 27 in the combined education index, Razlog is No. 26, Elena, No. 8 and Polski Trambesh No. 5 respectively. In the other three cases, the life expectancy component of the MHDI seems to provide an explanation, as Dospat is ranked No. 3, Petrich No. 5 and Rudozem No. 46 respectively.

The relationship between the level of productivity per capita and human development at the munici-

pal level becomes stronger in the cases of municipalities with low levels of human development. The rate for labor productivity among the 82 municipalities classified with low levels of human development is consistently and progressively lower than municipalities with medium and high levels of human development. Again, four exceptions are found: they are Bolvarovo in Yambol District, Dobrich rural, Simeonograd in Haskovo District and Vetovo in Ruse District. Their levels of productivity on average are much higher than the ones of other municipalities in this group. One explanation of this outcome may be that they are ranked low in the MHDI ranking, not so much because of their economic component. They are typical municipalities with extremely low life expectancy and educational attainment rates.

However, productivity rates based on aggregated data at the municipal level alone can not explain levels of human well being at the municipal level. The analysis could be further enriched by the levels of economic performance of the active public and private companies at the municipal level. This may be a way to determine the financial flows at the municipal level, as well as to determine which sectors generate resources necessary for human development at the municipal level. For that purpose the active companies in the municipality have been analyzed, taking into account the volume of generated profits per unit of sales (per 100 leva). The total number of the sample included 1,798 companies from 45 municipalities, employing 252,500 people (for details on the selection of the companies see Note 3 in the Technical Annex). Of the whole population of the sample 11 municipalities (25%) had high level of MHDI, 22 (48%) medium and 12 (27%) had low levels of human development (see Table in the Statistical Data Annex).

The results reveal interesting relations between human development and profitability. All of the municipalities of the sample, which ranked high in MHDI and low in subsidy dependence, have high share of companies in the high and medium profitability range. The highest levels of profitability are detected in four municipalities: Sevlievo in Gabrovo District (No. 13 in MHDI ranking), City of Sofia (No. 2), Blagoevgrad (No. 10) and

The majority of municipalities with high human development levels show high levels of labor productivity rate per capita

A correlation between production diversification and higher levels of buman development exists

Lyaskovetz in Veliko Tarnovo District (No. 8 in the MHDI ranking). Also, in general these municipalities had diverse industrial sector activity.

Companies with low profitability are mostly located in municipalities with low levels of human development. Two exceptions were found, where companies in low human development municipalities were highly profitable: one is Dulovo (No. 248 in the MHDI ranking in Silistra district) and the other in Bratzigovo (No. 231 in Pazardzik district). In Dulovo, wood processing and food processing industries are developed and in Bratzigovo an equipment building and a food processing industry are found. Overall, the economic landscape of the companies in these municipalities was not as diverse as with the companies in municipalities with high levels of human development.

The results of the sample analysis proved the correlation between levels of municipal human development and levels of profitability measured by companies' sales. It also proves the correlation between production diversification and higher levels of human development. The more diverse the industrial landscape is in municipalities, the broader the opportunities and the higher the possibilities for income generation and employment. This may imply that in their economic development strategy municipalities should not only make a strategic priority of employment generation. But employment generation should go hand in hand with encouraging diverse economic activities and production clustering. This is the sustainable way to the vital component of human development, which is a secure livelihood. For most people living in Bulgarian municipalities, that means a job and in general job is more secure in diverse economic environment.

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evaluate the
quality and
proper targeting

Municipal and Hum
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municipalities

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# Municipal Subsidies and Human Development

According to the State Budget Act, all municipalities in Bulgaria are entitled to receive on an annual base a subsidy that goes directly to the municipal budgets to be used mainly for social services,

education, health and other public expenditures. Generally, the amount of the subsidy is determined on the basis of objective criteria, such as demographics, school population, and registered unemployment. However, other ad hoc factors may also play a role in the process of determining final distribution of subsidies. In the end, most municipalities have an extra source of revenue for local expenditures (i.e., the subsidy). For many municipalities, this subsidy represents a significant percent in their municipal budgets. Thus, subsidies may be considered a tool to maintain equal development conditions in municipalities. That is, the greater capacity of a municipality to generate additional revenues, the less necessity for subsidies. On the other hand, the lower the capacity of municipalities to generate additional sources of revenue, the need to receive subsidies becomes greater. On average, 57% of municipal budgets are comprised of State subsidies (the rest comes from locally raised revenues). That is, on average, municipalities pay their expenditures mainly with subsidies. Thus "level of subsidies" may also reflect "levels of dependency" on central government. The greater the percentage of subsidies in a municipal budget, the more dependency and the less autonomy municipalities may have.

Of the 39 municipalities classified with high levels of human development, the majority (17) received subsidies which make up between 30-50% of their annual municipal budgets; 11 received subsidies which make up between 50-70% of their municipal budgets; 11 had budgets in which subsidies accounted for between 0-30%; while none of these municipalities had budgets where subsidies were over 70% of available expenditures. The municipalities classified as having medium levels of human development are more dependent on subsidies. Thirty municipalities of 141 managed a financial situation in which subsidies account for between 70-93% of their annual budgets; 43 municipal budgets were subsidized to the tune of between 50-70%; another 50 to the tune of between 30-50; and only 18 municipalities had budgets where subsidies were less than 30%. Finally, municipalities classified with low human development are even more dependent on subsidies. The majority (53) had budgets where subsidies accounted

for between 70-93%; 28 relied on subsidies of between 50-70%; and only 1 municipality had a budget in which subsidies accounted for between 30-50% (Dobrich rural); and none of these municipal budgets received less than 30% in subsidies.

The above analysis can be interpreted in many ways. For instance, this shows that there is a correlation between levels of human development and subsidies. That is, that the central government has an adequate policy to give less developed municipalities greater financial assistance. However, from a human development perspective, the subsidy issue makes a stronger case for revisiting municipal subsidy policy. The dimension of human development can be used to evaluate the quality of these subsidies. For example, do these subsidies promote human development in all its dimensions or do they blur the real potential of municipalities? Do they generate employment opportunities? Do they foster people's freedom and empowerment or perpetuate a culture of dependency? Do they sustain opportunities for future generations? These are human development objectives, and some municipalities may be succeeding in promoting some of them with the "subsidy", but the majority of Bulgarian municipalities seem to be far from achieving these goals.

Another possible application of the human development-subsidy analysis at the municipal level is that it may help to identify cases for additional "targeted subsidy" For instance, under a targeted subsidy scheme, donor assistance could be prioritized for investment activities directed to small enterprise development, credit, job creation schemes, education, infrastructure or agriculture in municipalities with low human development. That is, when the MHDI is compared with the rate of subsidies, it could be used as a vardstick by which to judge distribution policies. Which municipalities are more capable, not only in converting revenue into advances along dimensions of human development, but to become less dependent on subsidies? Which municipalities should receive more subsidies, for what and for whom? How large should subsidies be to eliminate the need to think about other forms of raising extra revenue? What criteria

and levels of transparency should be used as a prerequisite for subsidy distribution? And should it not make sense for subsidies to influence human development patterns of local expenditures by earmarking resources or disbursing them in the form of human development grants?

# THE DIMENSIONS OF THE HUMAN DEVELOPMENT MOSAIC IN BULGARIAN

On the basis of the analysis from previous sections, several common features of Bulgaria's municipalities can be identified in helping to outline the dimensions of the human development mosaic in Bulgaria.

#### Links Between Municipal Dynamics and Human Development

This analysis has helped complete the mosaic of municipal human development in Bulgaria. It has shown that human development is linked to numerous factors, which can help to expand or inhibit opportunities for more local human development. To strengthen the links between municipal human development and other conditions (e.g. economic growth, macro-policies, wealth distribution), it is not only necessary to promote the accumulation of human capacities (through investment in health, education and skill training), it is also important to enlarge opportunities at the municipal level, for people to contribute to human development through social, political and economic participation.

This Chapter analyzed municipal human development in Bulgaria from different angles. Municipalities in Bulgaria are becoming less homogeneous and their development situation is becoming more complex. National policies set the basis for the fulfillment of human needs at the municipal level. However, the extent to which these needs are met in the municipalities depends on the allocation of resources among people and how they are used as well as the distribution of opportunities, particularly employment and

It is not only necessary to promote the accumulation of buman capacities (through investment in bealth. education and skill training), it is also important to enlarge opportunities at the municipal level, for people to contribute to buman development through social, political and economic participation

DIMENSIONS OF THE HUMAN DEVELOPMENT MOSAIC IN BULGARIA				
DIMENSIONS	LOW MHDI	MEDIUM MHDI	HIGH MHDI	
Thresholds	Lower than 0,730	From 0,731 and 0,770	0,771 and above	
Number of municipalities	82	141	39	
Rural/urban distribution	Predominantly rural Typical cases: Opaka, Zavet	Recently urbanized areas (received the urban status in the last 4-5 decades) with the exception of the district centers Typical cases: Strajitza, Sozopol, Yablanitza	Predominantly urban or in case of rural – with intensive agro- production Typical cases: all district centers with high MHDI (City of Sofia, Veliko Tarnovo, Plovdiv) and Suhindol for non-district centers	
Territory	Predominantly small and isolated municipalities Typical cases: Kaynardja, Djebel	Small municipalities with deteriorating infrastructure or district centers in industrial decay. Typical cases: Vidin, Pernik, Yakoruda	Big or small municipalities which are part of infrastructure networks or have certain competitive advantages (tourism, diversified production, major highway, foreign investment)  Typical cases: Burgas, Primorsko, Bansko	
Economic base and sustainability of HD condi- tions	Dependent on 1-2 local industries. Highly vulnerable to any changes in the economic environment Typical cases: Rakitovo, Kotel, Saedinenie	More developed small and medium businesses. Larger businesses on decline usually facing liquidation Typical cases: Pazardjik, Vidin, Asenovgrad	Usually diverse economic landscape with high share of services. In the cases of small municipali- ties, presence of viable centers of growth dynamizing economic conditions Typical cases: Sevlievo, Ruse	
Ethnic com- position	High concentration of ethnic minorities Typical cases: Ruen, Chernoochene, Kotel	Medium concentration of ethnic minorities Typical cases: Kyustendil, Etropole, Roman	Low concentration of minorities, except municipalities with Roma populated "povety pockets"  Typical cases for low concentration of minorities:  Smolyan, Troyan. Typical case for municipality with high MHDI and minority "poverty pockets": Plovdiv	
Educational levels	Low (with weak links to labor market). Typical cases: Kirkovo, Momchilgrad, Kotel	Medium, but declining Typical cases: Tervel, Kavarna	Generallyhigh. In some cases high educational levels are the major factor for high MHDI Typical cases: Veliko Tarnovo, Svishtov, Polski Trambesh	
Level and conditions of productivity	Lower productivity, labor intensive, monosectoral production base. Limited opportunities for negotiation of better labor conditions, limited mobility opportunities reduced to emigration/migration.  Typical cases: Tvarditza, Isperih, Krumovgrad	Medium levels of productivity, more diverse sectoral distribution, slightly higher opportunities at the labor market (although still limited labor mobility). Typical cases: Stara Zagora, Targovishte	Medium and high levels of productivity, developed service sector, high opportunities for labor mobility. Typical cases: city of Sofia, Varna	
Subsidies dependence	High in all cases (most of municipalities would have fallen well below the current MHDI values without the redistributive component) Typical cases: Hayredin, Dimovo, Kocherinovo	In general, subsidies are not as high, but they still weight heaviliy in the budget. (some municipalities would move into lower range without subsidies)  Typical cases: Ardino, Vetrino, Knezha	Generally low with several exceptions.  Typical cases: In some cases (some municipalities would move into lower range without subsidies)  Typical cases for non-subsidized high MHDI: Suhindol, Lyaskovetz, Pleven  Typical cases for subsidized high MHDI: Dryanovo, Razlog, Smolyan	
Unemploy- ment	High reaching critical levels Typical cases: Dimovo, Bregovo, Borino	High. Typical cases: most of the small and medium towns in this range	Generally low with the exception of municipalities with high levels of subsidy dependence Typical cases for low unemployment: city of Sofia, Plovdiv. Typical cases for higher unemployment and high MHDI: Smolyan, Montana	

investment. Municipalities are different not only in terms of their capacity to generate resources necessary for human development in a sustainable way, but also in their ability to translate these resources into human development. Based on the results of the different comparisons, four categories of municipalities are proposed.

**Expanding Opportunities with Growth:** Most of the 39 municipalities classified with high levels of human development could be placed in this group. In general, these are large and urban municipalities with dynamic economic conditions, diverse production structures and usually they are district centers. Here we may find Veliko Tarnovo, Sofia City, Plovdiy, Blagoevgrad, Smolyan, Ruse, Varna, Gabrovo, Burgas, Lovech and Pleven. But smaller or rural municipalities like Suhindol. Sevlievo, Primorsko, Beloslav, Troyan and Bozhurishte can also be placed in this first group. The majority of these municipalities are concentrated in four Districts: Veliko Tarnovo. Blagoevgrad, Smolyan and Gabrovo. Similarly, a majority of these are concentrated in the North Central and Southwest Planning Regions. As a group, these municipalities have low unemployment rates, high employment rates, less dependency on subsides and more autonomy to generate additional sources of production. It is in this group where links between economic growth and human development are strongest and well-targeted policies can reinforce the benefits generated. This group has the least ground to cover in human

#### Contracting Opportunities with some

development.

growth: The second group is comprised mainly of municipalities with medium human development levels, although some municipalities from the high human development category could also be in this group. These are municipalities that may have weaker links between human development and economic growth. Disparities in this group are more diverse and most of these municipalities are showing signs that human development is dwindling. Most have increasing unemployment rates, decreasing employment rates, high subsidies and decreasing labor productivity. In general, this

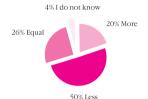
group demonstrates decreasing levels of life expectancy, lower literacy rates and enrolment rates. and widening disparities in all three components of the MHDI. Most of these municipalities show lopsided development, where economic performance is not necessarily being proportionally translated into human development, or where lack of appropriate economic performance is beginning to put pressure on human development capabilities. Sustainability of human development achievements might be the biggest challenge in these municipalities. The examples of municipalities are diverse. Large-urban District centers like, Vratza, Stara Zagora, Haskovo, Shumen, Targovishte, Yambol, Dobrich, Vidin, Kardjali, Razgrad, Pernik and Pazardjik. Also, smaller municipalities to name a few like Polski Trambesh, Pavlikeni, Elena in Veliko Tarnovo District; Dospat and Rudozem in Smolyan District; Devnya in Varna District, Pirdop in Sofia District, Karlovo and Assenovgrad in Plovdiv District, Yakoruda in Blagoevgrad District and Elhovo in Yambol District. Smaller tourist municipalities, like Sandanski and Bansko in Blagoevgrad, Balchick in Dobrich District, Hysaria in Plovdiv District and Samokov and Koprivshtitza in Sofia District. The municipalities of this group are practically spread in all 27 (excluding the City of Sofia) districts, but in general, most are concentrated in ten Districts (Sofia, Varna, Plovdiv, Haskovo, Blagoevgrad, Stara Zagora, Burgas, Dobrich, Smolyan and Montana). They are mostly concentrated in the South Central Planning Region. Human development achievements in this group may be easily eroded by the current fluctuations in municipal economies.

#### Potential Opportunity to Expand without

**growth:** The third group is comprised of municipalities from all three human development categories. Overall, in these municipalities economic growth has been slow or is declining and these factors are undermining positive conditions for human development, which in this case may create potential opportunities to expand growth. Most have increasing unemployment rates, decreasing employment rates, high subsidies (i.e. high dependency ratio) and decreasing labor productivity. In these municipalities, the creation

Figure 1.3

Are there more or less employment opportunities in your municipality compared to the neighboring municipalities?



UNDP/Friedrich Ebert Foundation Survey for NHDR 2000

From the human development perspective the strategies for regional development and job creation would need to be re-evaluated

of low-productivity jobs could generate conditions to foster growth. In general, this group is also characterized by declining levels of longevity, lower literacy and enrolment rates, and widening disparities in all three components of the MHDI. At the same time these municipalities may be defined as threshold municipalities, in that welltargeted policies or lack of them may determine their future path towards progress in human development or sharper shortfalls. The majority of these municipalities are not District centers, although a few of them could be placed in this group (e.g. Montana and Kyustendil). Most are smaller urban municipalities with populations of between 10,000 to 50,000 people. The majority have unemployment rates between 20% and 50%. An overwhelming majority of these municipalities have municipal budgets that depend on subsidies amounting to 57% or more and are thus also highly dependent on the central authorities. Other municipalities in this group are Madan in Smolyan District, Elin Pelin and Chelopech in Sofia District, Aitos in Burgas District and Omurtag in Targovishte. The municipalities of this group are spread across 24 Districts, but in general, most of them are concentrated in 10 Districts (Sofia, Varna, Dobrich, Burgas, Stara Zagora, Plovdiv, Kyustendil, Pernik, Vidin and Montana). They are mostly concentrated in the Northeast and Southwest Planning Regions, and are to a lesser degree in the South Central and Northwest Planning Regions.

#### Contracting Opportunities without growth:

The fourth group is mainly comprised of municipalities classified as low human development, although some of the medium human development municipalities may also be part of this group. This group of municipalities is much less stable. Not only are these municipalities heavily subsidized, but they also show the highest levels of unemployment and the lowest levels of employment. Labor productivity per capita is also extremely low. With very few exceptions, the majority have declining life expectancy rates and their combined education levels show widening disparities. Also, in this group, a great number of municipalities are ranked lower in their adjusted GDP than their respective

MHDI ranking. In general their economic activity is inconsistent and below the levels of other municipalities. This is the group that may need a "special type" of policy action to move both economic growth and human development forward in a dynamic and mutually reinforcing way. Most are small municipalities, and some more rural than others, where the population ranges from 33,000 (Byala Slatina in Vratza Disrict) to 1,400 (Chavdar in Sofia District). Even though these municipalities are spread across 22 Districts, they fall within five Districts in particular - Razgrad, Plovdiy, Vratza, Vidin and Kardjali. These municipalities are concentrated mainly in the Northeast and South Central Planning Regions.

# THE REALITY OF HUMAN DEVELOPMENT IN BULGARIA REFLECTED IN THE MUNICIPAL MIRROR

This chapter has presented an analysis of human development in the 262 Bulgarian municipalities. With the help of the MHDI (see Table 1.7 for full ranking), a comprehensive development picture of the Bulgarian municipalities has been drawn. The human development perspective has been applied to the municipal level, in an unprecedented effort to reveal more clearly the current state of disparities in Bulgaria. The most remarkable finding is that the transition process has affected Bulgarian municipalities divergently and has probably increased the magnitude of disparities.

Concerns with applying much needed macroeconomic policies, in a top-bottom approach and
the desire to measure progress in terms of economic
indicators, often obscure what this Chapter has
revealed about human development in Bulgaria's
municipalities. Human development is too complex
to be reduced to a single economic dimension of
human life. Although income reflects an important
dimension of human development, it only gives a
partial picture of the many ways in which human
lives can be enriched.

Human development and opportunities are multidi-

mensional in character and diverse rather than uniform in content. Municipalities from each of the four groups would need specific policy approaches for better human development. One of the important elements in this approach should be the opportunity for economic diversification at the local level. Encouraging cooperation between municipalities may be another element of the solution. From this perspective, even the strategies for regional development and job creation would need to be re-evaluated. They could benefit from the human develop-

ment methodology, which combines different aspects of the dynamics of local development. Unemployment is not related solely to lack of jobs, but it has educational, political, territorial, social skills and infrastructure prerequisites as well. Taking all of these factors into account when thinking about a consistent regional policy approach, could not only optimize the central government resources and subsidy flows to the municipalities, but also could help target policies to obtain more human development oriented results.

## BULGARIAN MUNICIPALITIES RANKED BY THE MUNICIPAL HUMAN DEVELOPMENT INDEX

Rank Municipality	HDI
1 Veliko Tarnovo (VT, N-C)	
2 Sofia city (SF, S-W)	
3 Gorna Oryahovitza (VT, N-C)	
4 Svishtov (VT, N-C)	
5 Varna (VA, N-E)	
6 Suhindol (VT, N-C)	
7 Pavlikeni (VT, N-C)	
8 Lyaskovetz (VT, N-C)	
9 Plovdiv (PL, S-C)	
10 Blagoevgrad (BL, S-W)	0.786
11 Gotze Delchev (BL, S-W)	0.783
12 Gabrovo (GA, N-C)	0.782
13 Sevlievo (GA, N-C)	
14 Polski Trambesh (VT, N-C)	0.780
15 Smolyan (SM, S-C)	
16 Ruse (RU, N-C)	0.780
17 Petrich (BL, S-W)	
18 Primorsko (BU, S-E)	0.779
19 Sandanski (BL, S-W)	
20 Bansko (BL, S-W)	
21 Tryavna (GA, N-C)	
22 Dospat (PL, S-C)	
23 Elena (VT, N-C)	0.776
24 Beloslav (VA, N-E)	0.776
25 Burgas (BU, S-E)	0.776
26 Razlog (BL, S-W)	0.776
27 Montana (MO, N-W)	0.776
28 Kresna (BL, S-W)	0.775
29 Lovech (LO, N-C)	0.773
30 Pleven (PN, N-C)	0.773
31 Chepelare (PL, S-C)	0.773
32 Troyan (LO, N-C)	0.773
33 Rudozem (PL, S-C)	
34 Tzarevo (BU, S-E)	
35 Dryanovo (GA, N-C)	
36 Bozhurishte (SO, S-W)	
37 Rodopi (PL,S-C)	
38 Panagyurishte (PZ, S-C)	
39 Madan (PL, S-C)	
40 Strajitza (VT, N-C)	
41 Devin (PL, S-C)	
42 Borino (PL, S-C)	
43 Nedelino (PL, S-C)	
44 Vratza (VR, N-W)	
45 Zlatograd (PL, S-C)	

Rank Municipality	HDI
46 Kazanlak (SZ, S-C)	
47 Dimitrovgrad (HA, S-C)	
48 Simitli (BL, S-W)	
49 Devnya (VA, N-E)	
50 Stara Zagora (SZ, S-C)	
51 Teteven (LO, N-C)	
52 Apriltzi (LO, N-C)	
53 Svilengrad (HA, S-C)	
54 Strelcha (PZ, S-C)	
55 Belene (PN, N-C)	
56 Nesebar (BU, S-E)	
57 Sozopol (BU,S-E)	
58 Pirdop (SO, S-W)	
59 Karlovo (PL, S-C)	
60 Botevgrad (SO, S-W)	
61 Pordim (PN, N-C)	
62 Aksakovo (VA, N-E)	
63 Godech (SO, S-W)	
64 Etropole (SO, S-W)	
65 Haskovo (HA, S-C)	
66 Zlataritza (VT, N-C)	
67 Yablanitza (LO, N-C)	
68 Asenovgrad (PL, S-C)	
69 Dupnitza (KL, S-W)	0.759
70 Shumen (SH, N-E)	0.759
71 Provadia (VA, N-E)	0.757
72 Shabla (DO, N-E)	0.757
73 Kaspichan (SH, N-E)	0.757
74 Targovishte (TA, N-E)	0.756
75 Dobrich urban (DO, N-E)	0.756
76 Bobovdol (KL, S-W)	0.756
77 Yambol (YA, S-E)	0.756
78 Hisarya (PL, S-C)	0.755
79 Yakoruda (BL, S-W)	0.755
80 Kostinbrod (SO, S-W)	0.755
81 Banite (PL, S-C)	0.755
82 Vidin (VI, N-W)	0.754
83 Satovcha (BL, S-W)	0.754
84 Silistra (SI, N-E)	0.754
85 Kardjali (KA, S-C)	0.754
86 Radnevo (SZ, S-C)	0.753
87 Hitrino (SH, N-E)	
88 Batak (PZ, S-C)	
89 Razgrad (RZ, N-E)	
90 Malko Tarnovo (BU, S-E)	

Rank Municipality HDI	Rank MunicipalityHDI
46 Kazanlak (SZ,S-C)	91 (HA,S-C)
47 Dimitrovgrad (HA, S-C)	92 Garmen (BL, S-W)
48 Simitli (BL, S-W)	93 Mezdra (VR, N-W)
49 Devnya (VA, N-E)	94 Strumyani (BL, S-W)
50 Stara Zagora (SZ, S-C)	95 Pomorie (BU, S-E)
51 Teteven (LO, N-C)	96 Galabovo (SZ, S-C)
52 Apriltzi (LO, N-C)	97 Radomir (PE, S-W)
53 Svilengrad (HA, S-C)	98 Balchik (DO, N-E)
54 Strelcha (PZ, S-C)	99 Lom (MO, N-W)
55 Belene (PN, N-C) 0.764	100 Belovo (PZ, S-C)
56 Nesebar (BU, S-E) 0.763	101 Ivanovo (RU, N-C) 0.750
57 Sozopol (BU, S-E) 0.763	102 Laki (PL, S-C)
58 Pirdop (SO, S-W)	103 Georgi Damyanovo (MO, N-W) 0.749
59 Karlovo (PL, S-C) 0.763	104 Zlatitza (SO,S-W) 0.749
60 Botevgrad (SO, S-W) 0.761	105 Peshtera (PZ, S-C) 0.748
61 Pordim (PN, N-C) 0.761	106 Lyubimetz (HA, S-C) 0.748
62 Aksakovo (VA, N-E) 0.760	107 Kozloduy (VR, N-W) 0.748
63 Godech (SO, S-W) 0.760	108 Pernik (PE, S-W)
64 Etropole (SO, S-W)	109 Karnobat (BU, S-E)
65 Haskovo (HA, S-C) 0.760	110 Belogradchik (VI, N-W) 0.748
66 Zlataritza (VT,N-C) 0.759	111 Hadjidimovo (BL, S-W) 0.747
67 Yablanitza (LO, N-C) 0.759	112 Cherven Bryag (PN, N-C) 0.747
68 Asenovgrad (PL, S-C) 0.759	113 Dragoman (SO,S-W) 0.747
69 Dupnitza (KL, S-W) 0.759	114 Gorna Malina (SO, S-W) 0.746
70 Shumen (SH, N-E) 0.759	115 Madjarovo (HA,S-C) 0.746
71 Provadia (VA, N-E) 0.757	116 Tutrakan (SI, N-E) 0.746
72 Shabla (DO, N-E) 0.757	117 Momchilgrad (KA, S-C) 0.746
73 Kaspichan (SH, N-E) 0.757	118 Mirkovo (SO, S-W) 0.746
74 Targovishte (TA, N-E) 0.756	119 Samokov (SO, S-W) 0.746
75 Dobrich urban (DO, N-E) 0.756	120 Berkovitza (MO, N-W) 0.746
76 Bobovdol (KL, S-W) 0.756	121 Elhovo (YA, S-E) 0.745
77 Yambol (YA, S-E) 0.756	122 Sliven (SL, S-E) 0.744
78 Hisarya (PL, S-C) 0.755	123 Velingrad (PZ, S-C) 0.744
79 Yakoruda (BL, S-W) 0.755	124 Maritza (PL, S-C)
80 Kostinbrod (SO,S-W) 0.755	125 Varshetz (MO, N-W) 0.744
81 Banite (PL, S-C)	126 Levski (PN, N-C)
82 Vidin (VI, N-W)	127 Rila (KL, S-W)
83 Satovcha (BL, S-W) 0.754	128 Svoge (SO,S-W)0.742
84 Silistra (SI, N-E) 0.754	129 Pazardjik (PZ, S-C)
85 Kardjali (KA, S-C) 0.754	130 Kovachevtzi (PE, S-W) 0.741
86 Radnevo (SZ, S-C) 0.753	131 Tran (PE, S-W)
87 Hitrino (SH, N-E) 0.753	132 Treklyano (KL,S-W) 0.740
88 Batak (PZ,S-C)	133 Belitza (BL, S-W)
89 Razgrad (RZ, N-E) 0.753	134 Makresh (VI, N-W) 0.739
90 Malko Tarnovo (BU, S-E) 0.752	135 Parvomay (PL,S-C) 0.739

Rank Municipality HDI	]
136 Byala - Ruse (RU, N-C)	1
137 Elin Pelin (SO, S-W)	1
138 Valchi dol (VA, N-E)	1
139 Preslav (SH, N-E)	1
140 Brezovo (PL, S-C) 0.738	1
141 Byala - Varna (VA, N-E) 0.738	1
142 Rakovski (PL, S-C) 0.738	
143 Slivnitza (SO, S-W) 0.738	1
144 Kyustendil (KL, S-W) 0.738	
145 Harmanli (HA, S-C) 0.737	
146 Kavarna (DO, N-E) 0.737	
147 Boychinovtzi (MO, N-W) 0.736	
148 Suvorovo (VA, N-E) 0.736	
149 Kameno (BU, S-E) 0.736	
150 Knezha (VR, N-W) 0.735	
151 General Toshevo (DO, N-E) 0.735	
152 Septemvri (PZ, S-C)	
153 Chelopech (SO, S-W)	2
154 Popovo (TA, N-E)	2
155 Chirpan (SZ, S-C)	2
156 Dolna Mitropoliya (PN, N-C) 0.734	2
157 Opan (SZ, S-C)	2
158 Koprivshtitza (SO, S-W)	, ,
159 Vetrino (VA, N-E)	2
160 Omurtag (TA, N-E)	
161 Kostenetz (SO, S-W)	
162 Tervel (DO, N-E)	2
163 Ihtiman (SO, S-W) 0.732	2
164 Ardino (KA, S-C)	2
165 Sredetz (BU, S-E)	2
166 Novi Pazar (SH, N-E)	2
167 Borovo (RU, N-C)	, ,
168 Sadovo (PL, S-C)	
169 Aitos (BU, S-E)	, , ,
170 Nikopol (PN, N-C)	2
171 Chuprene (VI, N-W)	2
172 Antonovo (TA, N-E)	2
173 Maglij (SZ,S-C)	2
174 Chiprovtzi (MO, N-W)	2
175 Gurkovo (SZ, S-C)	2
176 Brusartzi (MO, N-W)	2
177 Sungurlare (BU,S-E)	, , , , , , , , , , , , , , , , , , ,
178 Tundja (YA,S-E)	2
179 Novo Selo (VI, N-W)	2
180 Roman (VR, N-W)	2
181 Oryahovo (VR, N-W)	2
182 Bolyarovo (YA, S-E)	2
25-7-1-5 (22-4)	

David Manufacturality
Rank Municipality HDI
183 Breznik (PE, S-W)
184 Dobrich rural (DO, N-E)
185 Pelovo (PN, N-C)
186 Slivo Pole (RU, N-C)
187 Sitovo (SI, N-E) 0.727
188 Dalgopol (VA, N-E)
189 Nova Zagora (SL, S-E) 0.727
190 Medkovetz (MO, N-W) 0.727
191 Gramada (VI, N-W) 0.726
192 Smyadovo (SH, N-E) 0.726
193 Zemen (PE,S-W) 0.726
194 Simeonovgrad (HA, S-C) 0.725
195 Nevestino (KL, S-W) 0.725
196 Letnitza (LO, N-C) 0.724
197 Glavinitza (SI, N-E) 0.724
198 Sapareva Banya (KL, S-W) 0.724
199 Kubrat (RZ, N-E) 0.723
200 Kocherinovo (KL, S-W) 0.723
201 Kaloyanovo (PL, S-C) 0.722
202 Vetovo (RU, N-C) 0.721
203 Venetz (SH, N-E)
204 Mineralni Bani (HA, S-C) 0.721
205 Lukovit (LO, N-C) 0.721
206 Topolovgrad (HA, S-C) 0.721
207 Dve Mogili (RU, N-C) 0.720
208 Stamboliyski (PL,S-C) 0.719
209 Kirkovo (KA, S-C)
210 Boynitza (VI, N-W)
211 Varbitza (SH, N-E)
212 Byala Slatina (VR, N-W)
213 Isperih (RZ, N-E)
214 Dimovo (VI,N-W)
215 Ugarchin (LO, N-C)
216 Dolni Chiflik (VA, N-E)
217 Yakimovo (MO, N-W)
218 Dolni Dabnik (PN, N-C)
219 Pavel Banya (SZ, S-C)
220 Djebel (KA,S-C)
221 Tzenovo (RU, N-C)
222 Boboshevo (KL, S-W)
223 Gulyantzi (PN, N-C)
224 Kula (VI, N-W)
225 Borovan (VR, N-W)
226 Straldja (YA, S-E)
227 Krumovgrad (KA, S-C) 0.713
228 Mizia (VR, N-W)
229 Chavdar (SO, S-W) 0.712

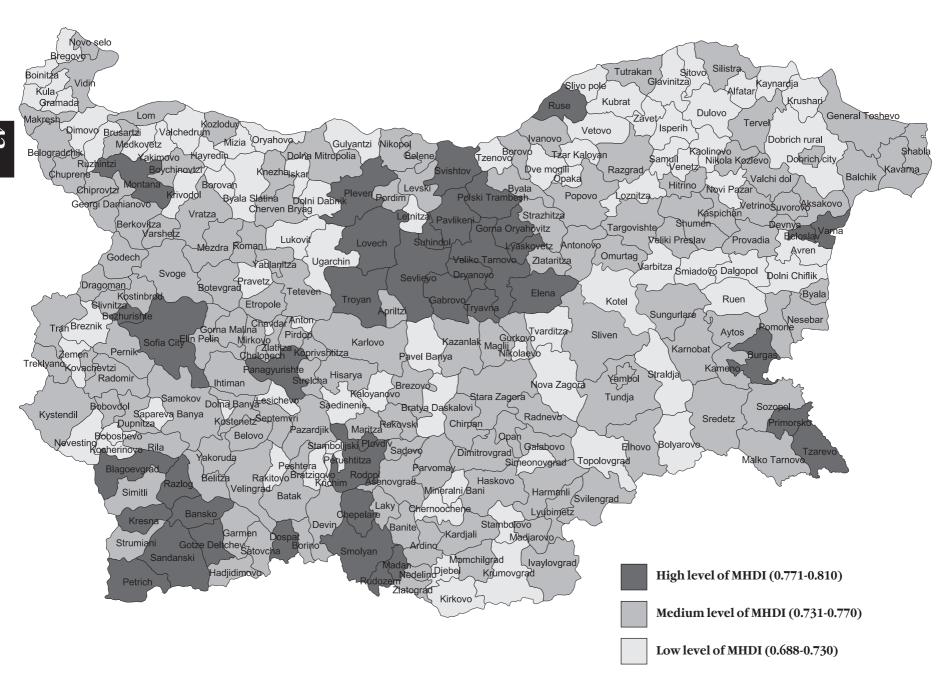
Rank Municipality HDI
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231 Bratzigovo (PZ, S-C) 0.711
232 Anton (SO, S-W) 0.710
233 Lesichevo (PZ, S-C) 0.710
234 Dolna Banya (SO, S-W) 0.710
235 Avren (VA, N-E) 0.709
236 Bratya Daskalovi (SZ, S-C) 0.708
237 Hayredin (VR, N-W) 0.707
238 Kaolinovo (DO, N-E) 0.707
239 Kaynardja (SI, N-E) 0.707
240 Tvarditza (SL, S-E) 0.707
241 Pravetz (SO, S-W) 0.706
242 Samuil (RZ, N-E) 0.705
243 Nikola Kozlevo (SH, N-E) 0.705
244 Krivodol (VR, N-W) 0.704
245 Krushari (DO, N-E) 0.704
246 Saedinenie (PL,S-C) 0.704
247 Valchedram (MO, N-W) 0.703
248 Dulovo (SI, N-E) 0.702
249 Krichim (PL, S-C) 0.702
250 Alfatar (SI, N-E) 0.702
251 Perushtitza (PL, S-C) 0.701
252 Zavet (RZ, N-E) 0.698
253 Ruzhintzi (VI, N-W) 0.698
254 Ruen (BU, S-E)
255 Tzar Kaloyan (RZ, N-E) 0.697
256 Loznitza (RZ, N-E) 0.696
257 Stambolovo (HA, S-C) 0.695
258 Opaka (TA, N-E)
259 Nikolaevo (SZ, S-C) 0.693
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262 Kotel (SL, S-E)
p.1

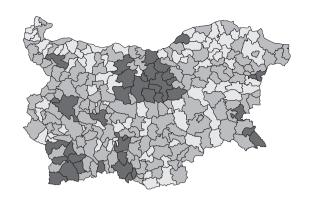
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VA: Varna; VT: Veliko Tarnovo; VI: Vidin;
VR: Vratza; GA: Gabrovo; DO: Dobrich urban;
KA: Kardjali; KL: Kyustendil; LO: Lovech;
MO: Montana; PZ: Pazardjik; PE: Pernik;
PN: Pleven; PL: Plovdiv; RZ: Razgrad; RU: Ruse;
SI: Silistra; SL: Sliven; SM: Smolyan; SD: Sofia district;
SZ: Stara Zagora; TA: Targovishte;
HA: Haskovo; SH: Shumen; YA: Yambol; SF: Sofia city.

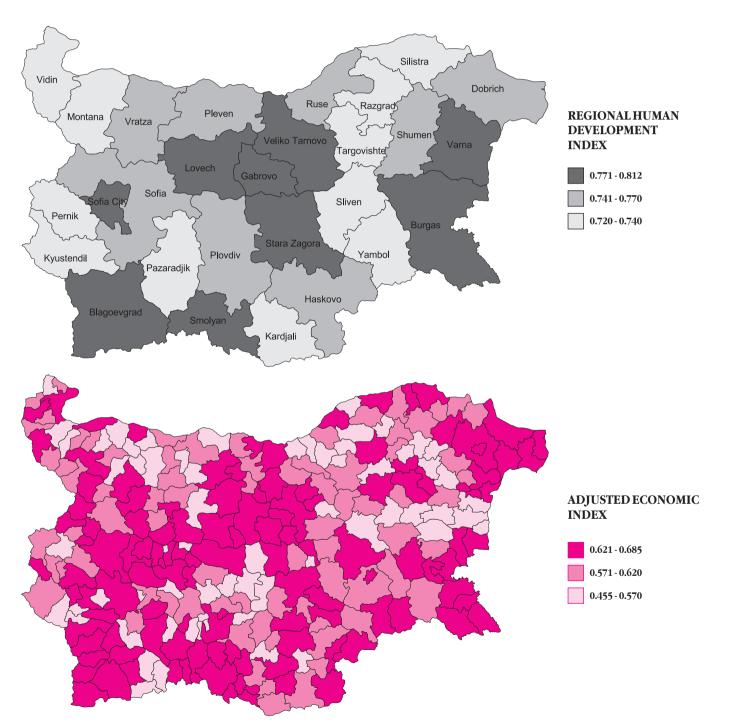
Bulgaria average ...... 0.772

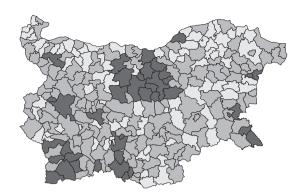
Planning region encoding: S-W: Southwest; S-C: South central; S-E: Southeast; N-E: Northeast; N-C: North central; N-W: Northwest.

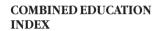
#### MUNICIPAL HUMAN DEVELOPMENT INDEX LEVELS











0.921 - 0.973 0.881 - 0.920

0.841 - 0.880

0.801 - 0.840

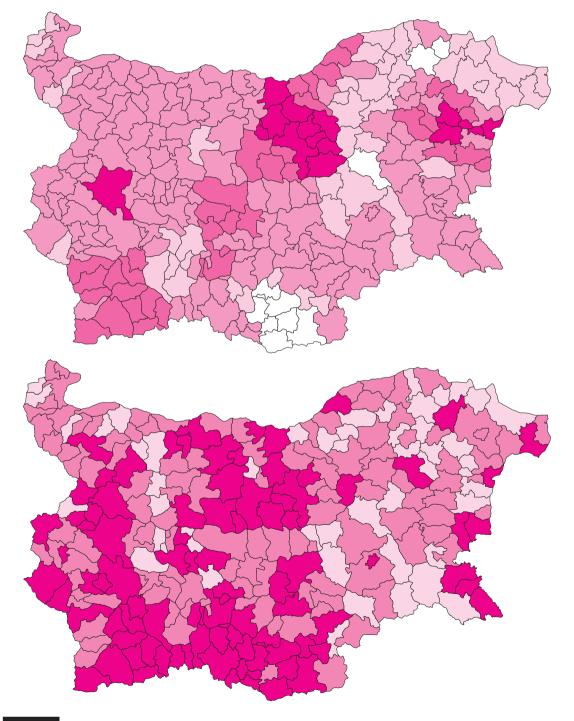
0.749 - 0.800

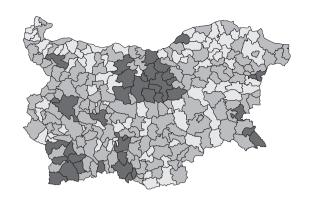
## LIFE EXPECTANCY (YEARS)

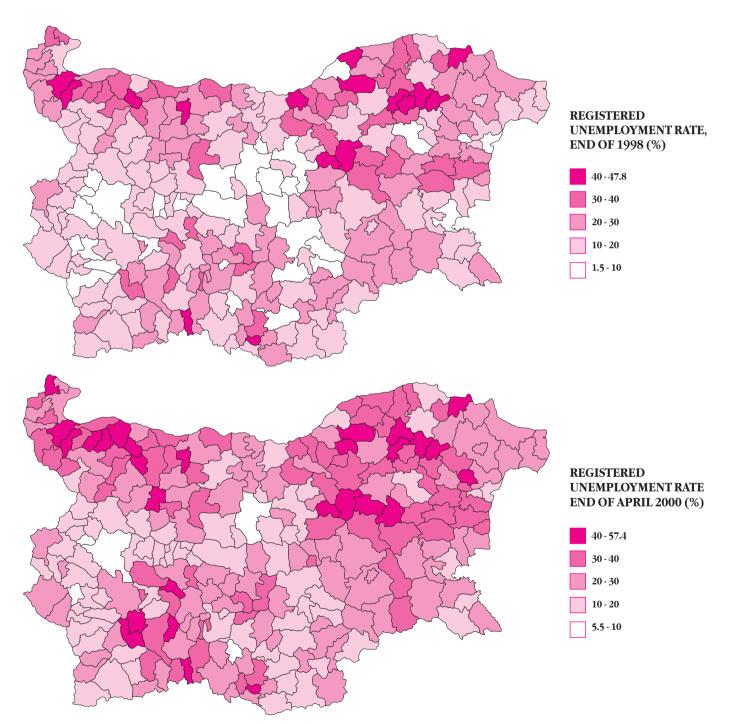
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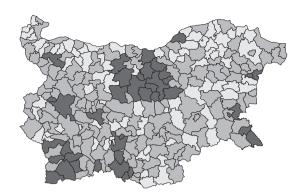
69 - 71

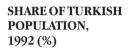
65 - 69











65 and more

45 - 65

25 - 45

5 - 25

Below 5

## SHARE OF ROMA POPULATION, 1992 (%)

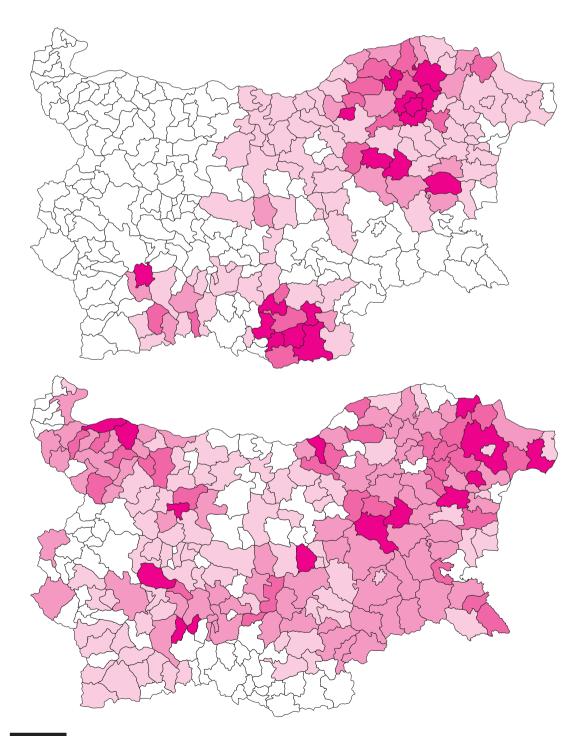


9 - 13

5-9

2-5

Below 2



## **CHAPTER 2**

# THE VIEWS OF LOCAL DEVELOPMENT ACTORS

Achievements in human development depend first and foremost on people's ability to recognize their potential, to articulate their demands and mobilize for collective action. Putting local capacities and vision at the center of national human development strategies may help foster strategic alliances and partnerships to consolidate the transition process. Local leaders were identified in a representative sample of Bulgarian municipalities and were asked to assess their development situation in four areas: perceptions of local development, capacities, interaction/relations and issues of self-governance (Please see Technical Note for Methodology of Survey).

For analytical purposes, the term local development actors will be used to describe the respondents of the survey, who were active local and community leaders representing all sectors of the local scene. These included local administration, business, NGO, media, political parties, education, culture and religion. Even though, local development actors in Bulgaria feel empowered to directly influence political decisions at the local level, a majority are isolated and dispersed, and have no power or influence over political decisions that affect their lives. The foundation of human development is selforganization at the local level, not only to be able to influence policies and the allocation of adequate resources, but also to defend human rights and remove obstacles to development while being able to enhance human development opportunities that will eradicate poverty.

EMERGING VISIONS AND EXPECTATIONS OF LOCAL DEVELOPMENT ACTORS

Perceptions of Economic Disparities & Opportunities

In general local development actors perceive that there are growing economic disparities and opportunities at the municipal level, although these perceptions varied according to the level of development, sector and political identification. For example, 27% of local development actors believed their municipalities were better off than the neighboring municipalities, while 38% indicated that their municipalities were worse off than neighboring municipalities (30% indicated that there was no difference).

The majority of local development actors agreed that in their municipalities there were less employment opportunities than in neighboring municipalities. Representatives from the local municipal administration were slightly more optimistic, and so were the politicians. Surprisingly, NGO representatives had a rather optimistic vision of the resources available for local development. Perceptions about employment opportunities among local development actors were also articulated by political preferences. That is, the more local development actors identified with the current local governing majority, the more optimistic they were on the issue of employment opportunities, and vice versa.

The results of the survey also helped to advance two distinct emerging visions for local development in Bulgaria. One is the skeptical vision, which sees very little progress and prosperity ahead for local development in Bulgaria, shared mainly by business, media and cultural sectors. The second one is the favorable vision, which sees opportunities for further development and it is shared mainly by politicians and administrative sectors, and partly by the NGO sector. There were two distinct visions according to age, as well. Older respondents tended to have more optimistic views and expectations of local development than the younger people. Understandably supporters of the local governing political majority showed a more optimistic vision than those respondents which identified with the political opposition (it is worth mentioning that the "neutral" respondents are most critical towards the existing local development factors). Finally, local development actors had polarized perceptions of economic disparities and opportunities, even within the same municipality.

The majority of local development actors agreed that in their municipalities there were less employment opportunities than in neighboring municipalities

#### Box 2.1 **BEGINNING TO ARTICULATE** PEOPLE'S PERCEPTIONS AND PRIORITIES FOR LOCAL HUMAN DEVELOPMENT

The concept of human development is based on the notion that participation of people in the decision-making processes is the most important element to achieve common prosperity. A desired goal is for people to be the main protagonists in realizing their own aspirations. This is why it was important to analyze how local development actors perceived their conditions, participation and interactions in economic, political and social processes that affect their daily lives.

Local development in Bulgaria is affected by a whole array of actors, within and outside the local sphere. Outside the local sphere is the central administration, which generates local opportunities, but also obstacles. It influences conditions through legislation, national regulations and policy and budget allocations. The district/regional administration, being an intermediary level between the central and local administrations, also significantly affects local development by ensuring that national and regional policies are reflected in local development.

Within the local sphere, the municipal administration is a local factor, which by definition, has responsibilities and prerogatives that affect local development. The business sector at the local level is also beginning to play an increasingly important role, although not at the desired levels to be a dynamic source of employment, innovation, entrepreneurship and productive growth. The NGO sector is also considered to be a key local actor, because of its functional mission to introduce and/or articulate dimensions of citizenship and social participation in local relationships and interactions. In addition, political parties, the media and religious, cultural and educational organizations at the local level are demanding much greater access to political, economic and social opportunities.

Although not all actors within the local sphere may fully participate as local development actors, each has a level of empowerment to directly influence political decisions at the local level, while all of these forms of local participation are intimately linked. For now, what seems clear is that there is a greater need to encourage local participation, to maximize the use of human capabilities and increase the levels of human development. Participation is, after all, a process.

> Local Perceptions and Vision about the Effects and Impact of European Union's Membership Negotiation Process

Local development actors are still skeptical about **EU accession** issues

The EU membership negotiation process is already on the agenda of local development actors, although the process is not widely understood yet in terms of its implications and opportunities. Overall, municipal development actors had a relatively positive perception on the possible impact and perspective of the accession process on municipalities, especially with regards to the use and impact of funding.

Politicians had far higher expectations on the issue of funding than other sectors. On the other hand, there is skepticism about the impact of the accession process on local capacities and behavior.

The answers related to the effects and impact of the EU accession process also reflected, in general, mixed feelings among local development actors. While some local actors implied that structural funding could promote more cooperation between municipalities, others felt that local municipal voices would not be heard because in the end, the issue of how structural funds would be utilized, will be decided at the central level. Some local actors went as far as expressing concern about the EU process, as they felt it might increase corruption, due in great part to the high levels of political discretion and centralization in the decision-making process.

Overall local development actors are still skeptical about EU accession issues. The frequency of the "I do not know" response was high across all sectors- on average around 30-38% responded in this way. Some hypothesis can be made about this doubtful and uncertain perception. First, local development actors may feel detached from national policies, as they have more pressing daily problems to solve. Second, it may reflect a perception that local development actors have partial or no control over the EU accession process. Third, they may not yet see any gains in the EU process beyond the impact of funds.

Even the perceptions of the "active segment" of local development actors (i.e., those who have not chosen the option I do not know) are not as apparent. Most of these responses demonstrated two kinds of thinking. First, aspirations or hope that the EU accession process will translate into more funding available and more capacities for municipalities, particularly in relation to local problems. Second, the acceptance that the EU accession process may not be part of an overall strategy focusing on the local sphere. At the end, this dichotomy may be reflecting two institutional needs for the process of decision-making in Bulgaria as related to the EU accession. On the one hand, the need to promote the participation of local actors in national policy-making, and on the other the need to have in place mechanisms to translate the

demand for participation at the local level into action or solutions for local development issues.

## Perspectives and Vision about the Future: Slight Caution or Optimism?

The existence of a vision for the future is one of the main factors for local human development. That is why local development actors were asked to look into the near future (five years from now). The majority of local development actors (45%) said that in five years their municipalities would be in a better situation than today. Only 21% said that their municipalities would be worse off than today, while 19% said it would be the same and 15% said they did not know. On this particular issue, the responses varied according to levels of development. That is, respondents from less developed municipalities tended to be slightly more pessimistic than respondents from developed municipalities about the future perspectives of the municipality. The majority of respondents, irrespective of the level of development in their respective municipality, believed that the local development situation would be better in five years time. Local development actors were also asked to look back five years, and evaluate what was the overall development situation in their municipalities. The majority (58%) said the situation in their municipalities was better off five years ago. Twenty five percent said the situation in their municipalities had not changed and it is still the same today than five years ago.

## IDENTIFYING LOCAL ACTORS CAPACITIES

Perceptions of "the other" and of "oneself" were addressed in several questions of the survey, in which local development actors were asked to assess the capacities of the different actors for local development.

## How do Local Development Actors Assess the Municipal Administration?

The majority of local development actors indicated that the municipal administration had more capacity than other actors to tackle local development issues,

although a significant number (20%) believed that no one at the local level could promote development because decisions affecting local development are taken at the central level. Similarly, there seems to be a correlation between the level of municipal development and perceptions of capacity. For example, the higher municipal development is, the higher the perception of municipal capacity, while actors in these areas are less likely to express sentiments in favor of

There seems to be a correlation between the level of municipal development and perceptions of capacity

## MUNICIPALITIES IN BULGARIA: Box 2.2 FROM DIALOGUE TO COOPERATION FOR DEVELOPMENT

In the last decade Bulgarian municipalities have evolved from budget units to democratic spaces. This process involved learning, shifting priorities and reasserting self—governance. Today mayors dialogue with Councils, regional administration and with central government authorities. NGOs have been an important part in this process, because they have helped to mediate potential conflicts and promote dialogue as a possible and desirable outcome.

Today municipalities are trusted, even more than central government. They are becoming development actors and people are expecting municipalities to be more accountable. New policies are needed to address municipalities beyond the budget, which is the dominant issue today in the relations between national authorities and municipalities. There are some mechanisms that provide opportunities for local governmental and non-governmental actors to assume a more proactive role in municipal affairs. However, much more needs to be done.

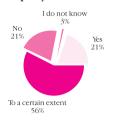
Cooperation for development at the local level is still a challenge. Potential for conflict still exists between regional governors and municipal leaders, as well as between local leader in municipalities (mayors vs. councils). The current institutional design at both the District (regional) and municipal level, requires reforms to make them more public-friendly. More experiments are needed at the municipal level to enable people's active participation at many levels of the debate, and decision-making process. Town meetings, municipal development forums and strategic planning are all instruments that can promote and foster more participation. The great value of participatory approaches is in the way they empower communities and build their capacity for self-help.

Municipalities in Bulgaria are beginning to show disparities. Steps can be taken towards budget autonomy, with proper incentive and accountability. Municipalities could also play an active role in implementing social safety initiatives. The municipal space can provide ways to give local citizens a voice, enabling them to express and analyze their problems and priorities. Projects and initiatives at the local level can generate important insights that can contribute to policies better fitted to serving human development needs. More fundamentally, they can challenge the perceptions of those in power and begin to change attitudes and agendas.

Source: Center for Social Practices (based on an interview with Mr. Evgenii Dainov, Director), June 2000

#### Figure 2.1

Does the private sector adequately contribute to the productive and effective development of your municipality?



Source: UNDP/Friedrich Ebert Foundation Survey for NHDR 2000 centralism. The opposite was found as well. However, respondents also recognize the limits of municipal capacity, and how this could be a main constraint to future local development.

An overwhelming majority of local development actors agreed that municipalities had responsibilities without adequate resources. The same attitude underpinned the responses to the question whether municipalities had the power to decide on local development issues. These responses reflect local development actors' attitude towards the imperfect and often biased legal framework currently regulating issues of local development. When asked whether

municipal capacity was limited by the unclear and often contradictory national regulations, almost 80% of local development actors agreed.

Local development actors also recognized that the decisions in the municipalities were influenced by politics. This question was closely related to an assessment of the extent to which municipalities represented and defended the interests of the local people - over 80% of local development actors agreed that this was the case. Stronger support for local administrative and political actors was detected, than for central actors. This support is in fact a potential asset for local human development, which should be further explored and encouraged.

## Box 2.3 **STRENGTHENING LOCAL ACTORS AND GOVERNMENTS IN BULGARIA**

#### The Role of Mayors

- Mayors must be both managers and also community leaders
- A critical quality for a mayor is to always be well-prepared and demonstrate to the people and staff that you know enough to participate in discussions and judge the value of their proposals.
- At the same time, mayors are not supposed to have all the answers all the time. Mayors have to be proactive in seeking answers from other actors in the municipality

#### The Role of Citizens

- Citizenship is something quite different from residency. A citizen is an
  active partner in the community. A citizen can identify problems,
  propose ideas, influence the political and policy processes, and is ready
  to work in partnership with authority
- The responsibility of citizenship does not stop with voting in elections

#### On the Path of a Vision for Local Governance?

- Being responsive to citizens and serve their needs
- Finding a balance between the attention for social needs and a more business-like approach, including attention to cost-effectiveness and long-term objectives
- Relations and interactions between the different levels of government is important, mainly to strive for consensus and co-operation

## Is it possible to implement a project or initiative in Bulgaria, which includes both central and local government representatives?

 It is more possible now, mainly because there is more mutual respect and trust between all actors. Today the Council of Ministers, the Ministry of Regional Development, the Parliamentary Committee on Local Self-Government and Governors and Mayors have fruitful discussions

Source: Extracted from an interviewed to Ms. Ginka Kapitanova, Executive Director of the Foundation for Local Government Reform, published in Partners in Strengthening Local Government. The Netherlands, Association of Netherlands Municipalities, 1999.

## How do Development Actors Assess the Local Business/Private Sector?

The majority of local development actors agreed that private business activity adequately contributes to the overall development of the municipality. On this issue, there was some correlation with levels of municipal development. In this sense more developed municipalities were more inclined to recognize the role of private business in the development of their municipalities. Similarly, local development actors widely recognized some of the advantages of the business sector, such as having their own resources, access to market and credit. Specific characteristics of the business sector were also identified, such as being less bureaucratic than the public sector, having more freedom to make decisions and adequate management capabilities.

#### How do Development Actors Assess NGOs?

Among local development actors, there was a mixed perception about the role of NGOs in local development. Only half of local development actors agreed that NGOs contributed to local development. NGO representatives were most likely to have positive perceptions of themselves, while business sector representatives had the most negative perceptions about NGOs' developmental role in their local communities. These answers may reflect, in part, a lack of understanding of the potential of

NGOs in local development, as well as lack of information and familiarity with regard to NGO activity.

## INTERACTION AMONG LOCAL DEVELOPMENT ACTORS AND THE POTENTIAL FOR SELF ORGANIZATION

Thelevelsand modalities of local development actor interaction, especially as related to local development issues were addressed in a separate part of the survey. The point of departure of the analysis was the assumption that local actors' interaction is in itself an asset and resource for local human development, as it may strengthen or activate social capital (see definition in Box 3.4). Hence, the more intensive the relations between the local actors, the higher the level of development of the municipality. This hypothesis was tested through the perceptions of the local development actors in terms of the intensity and quality of interactions and the modalities of these interactions.

## Active vs. Passive Interactions in the Local Scene

Local development actors perceive to have more interactions and relations on issues related to local development with the municipal administration and among themselves, than with actors outside the municipal sphere (central and regional governments). Also, they perceive that interactions with the private sector are less frequent than with representatives of the NGO sector. Two types of modalities of interaction were identified. Active, which shows that actors are more proactive in interactions and relations; they interact and others interact with them. And, passive which shows that actors are generally more reactive. Local administrators and politicians have the highest levels of interaction density (both active and passive). That is, they approach and are approached most often on issues related to local development. Next were NGOs and the media.

The business sector at the local level interacts mostly with municipal administrators and within their own

# THE INTERACTION Box 2.4 OF LOCAL DEVELOPMENT ACTORS: THE UNDP-ILO EXPERIENCE IN PRIVATE/BUSINESS SUPPORT

Since 1995, UNDP/ILO have been supporting a project to develop public private partnerships and support the development of the private sector. The UNDP/ILO experience with local economic development and SMEs in five Bulgarian municipalities has produced concrete lessons for development actors and practices at the local level.

The projects have greater chances of success if the municipality is responsive towards private sector development and NGO activity. The communities where the projects have had the highest impact have been the same communities where the municipality has been a driving force behind the Regional Development Agency and/or the local Business Center. The supportive municipalities gave premises for the Business Centers (registered NGOs) rent-free for five years and one even financed renovations of a Business Incubator.

It took a fair amount of resources to convince municipalities that NGOs were tools of development, which could be utilized to speed up the economic transformation process at the local level. Training was necessary for the municipalities on free market economic principles, the role and forms of civil society; strategic planning for municipalities as well as economic development tools.

In the communities where the municipal leadership was weak, the Regional Development Agency – Business Center took on some functions normally attributed to the municipality. For example, during the late 1990s in Razlog, the agency would focus on attracting foreign investment and would initiate and foster the relationships. The agency would then serve as the intermediary between the foreign investor and the municipality. They disseminated information on a variety of topics of interest to the community at large, as well as to the private sector on a local level utilizing the local media and other mechanisms.

The Regional Development Agencies – Business Centers were agents for change in all of the communities. Due to the fact that there were little alternatives, agencies were often the catalyst for the establishment of other needed NGOs.

Source: UNDP/ILO Project on Business Development.

business circle. There are interactions between business sector representatives and other local, regional and central actors, but it is less frequent. On the one hand, this could mean that the business community has a high degree of self-sufficiency, which means that it does not need to interact so often with other development actors. However, on the other hand it might also mean that other local development actors might not be able to find the most appropriate means to approach the business sector. Local actors need to deal with this issue,

#### Box 2.5

# THE INTERACTION OF LOCAL DEVELOPMENT ACTORS: THE CHITALISHTE EXPERIENCE

Since 1997, the Ministry of Culture and UNDP, supported by the Government of the Netherlands, have been implementing a pilot project called Community Participation and Development in Bulgaria, aimed at exploring and testing the possibilities for the Bulgarian Chitalishte to become centers for grassroots community participation and vehicles for the development of civil society. The project involves 45 pilot Chitalishtes, each of which has been involved in initiatives ranging from the revitalization of grape production and herb collection to the establishment of a Green Academy and Internet Club, and advice to disadvantaged children and minorities. So far, the Chitalishtes have created jobs, provided vocational training and individual consultations in different spheres and delivered new services. They have also established a wide range of partnerships with a wide variety of governmental and non-governmental institutions, including the municipalities, regional authorities, business center, local companies, Labor Offices, other NGOs, schools and universities. More than 1,400 local volunteers have supported the project.

Similarly, the Chitalishtes have managed to create sustainable mechanisms for income generation and self-financing through the provision of administrative, technical and advisory services to the local communities. Most importantly, they have confirmed their potential to foster the development of positive social capital through mobilizing the capacities of all local stakeholders to solve their common local problems. They have supported the social integration of vulnerable groups (unemployed, disabled people, socially disadvantaged children, and minorities); they have become mediators between the local communities and the local authorities and have promoted civic education. The Chitalishtes have also encouraged social entrepreneurship and traditional craft development as well as providing opportunities to the local communities to be connected to Internet and thus integrated in the global information society. Within alienated and fragmented communities, the Chitalishtes have contributed to the revival of traditional Bulgarian values such as voluntarism, charity, self-help, solidarity and participation, which promoted a change in the mentality, the attitudes and the behaviors of the local actors.

Source: Bulgaria, Ministry of Culture/UNDP. *The Bulgarian Chitalishte -Past, Present and Future*. Sofia, Forthcoming Publication.

especially in the context of the fact that small and medium enterprises have the potential to promote more local human development.

Overall, there is among local actors more passive interaction than active. This could be interpreted in two ways. Local development actors are overestimating their capacity to communicate with each other, or they underestimate the value of more communication for local development. One of the

main reasons for the lack of more effective channels or mechanisms for proactive and strategic communication among local actors, might be the, still, unclear division of the roles of different development "actors" at the local level. From that perspective, only the role of the local administrators and the business sector seems to show some consistency. The gap between the levels of active and passive interaction of these two groups is the lowest among all actors. Of all the groups engaged in local development, these two seem to have the clearest roles in the municipal scene.

## Modalities of Interactions among Local Development Actors: Horizontal and Vertical

The results of the survey point to a perception of a complex web of vertical and horizontal interactions in the local scene. Representatives from the central and the regional administration have more contact with the municipal administration than local actors (business & NGOs). Overall, NGOs have the highest level of interaction at the local scene, which has a positive potential for community mobilization, solidarity and self-organization. NGOs at the local level show a willingness to not only network among themselves, but also with other local development actors.

Local development actors interact at the local, regional and central administrationlevels. The index of interaction of the local administrators with the regional administration is higher than with the central administration. Local businesses have more interactions with the regional and central administrations than with the local ones. Apparently the resolution of problems stemming from the local economy requires much more than the cooperation of central and regional levels - solutions also require support of the municipal authorities. Whatever the case, business also shows very low interactions (marked by negative indexes) with each of the three administrative levels of and with the NGO constituency. This data may also support the hypothesis that local businesses seem isolated from local development issues.

More than half of the representatives from the

municipal administration agreed that municipal authorities discuss their investment program or the municipal development strategy with the private business sector. At the same time, the response from business representatives was almost diametrically the opposite - only 28% agreed. Likewise, while one-third of municipal administrators agreed that municipal authorities discussed budget allocations for social spending with NGOs, almost twothirds of NGO representatives disagreed. These perceptions reveal the quality of these interactions and of the communication modalities at the local scene. Interacting is simply not enough, communication, strategy and objectives are the missing elements in the levels and quality of interaction among local development actors.

The main message, which emerges from this analysis, is that there is no homogenous pattern of perceived local interactions. The type of patterns of interaction detected among the local development actors' may in fact be a reflection of the complex dynamic of local development in Bulgaria. There is a "locally-oriented" pattern, which is closest to the ideal model for local governance and human development. But the top-down and centrally oriented pattern predominates.

## LOCAL GOVERNANCE AND DECENTRALIZATION

The question "If the Municipal Council adopted a decision, which is wrong from your point of view, what would you do?", elicited a number of divergent views from local development actors. There was a broad willingness or readiness to "complain to the mayor." Another favored option of local action was to mobilize the citizens to sign a request to repeal the decision. It is not surprising that the representatives from the NGO sector would choose to use the local media- a majority of them would write an article in the local press as a solution to the problem. In contrast, not very many development actors would complain to foreign donors' organizations, to central government authorities or to the district governors.

# THE INTERACTION OF LOCAL DEVELOPMENT ACTORS: THE PLEDGE EXPERIENCE

Box 2.6

Rakitovo in Pazardjik District is a small, rural municipality ranked No. 260 in the MHDI ranking. Thirty Rakitovo citizens, representing the public, private and NGO sectors gathered together to work through the PLEDGE economic development process. Once a month the community met to learn about community economics. They held many community meetings on their own to gather economic data and develop collaborative teams. As a result, the citizens selected a project to plant lavender in 120 decares of fallow land owned by the municipality and private landowners. This collaboration produced the following local partnerships: a private company which processes oil, located in Plovdiy, the Rakitovo Municipality, the Rakitovo Foundation, the Roma Foundation and 80 land owners. PLEDGE provided the funds to buy the lavender plants while the partners provided services, workers, technical training, jobs and services. When the lavender is harvested, the oil will be extracted by the Bulgarian Rose Company and exported to France. The project provides lavender for the company, which presently faces a high demand for its products. Currently 82, mostly people from the Roma community, are employed. Landowners receive a small rental fee for the use of their fallow land, while the municipality receives new revenues and saves on social support benefits. Finally, the community has developed a value-added

Source: Pledge Project (a USDOL Program Supported by USAID), June 2000.

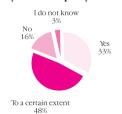
strategy of using bees for the lavender and harvesting the honey.

NGO representatives showed more willingness to try to object to local decisions using instances or means outside the local sphere. Two issues are being reflected in relation to NGOs' capacity to respond to local dynamics. First, that NGOs have a networking capacity outside the local scene, and, second that NGOs are willing to engage, in unison, at different levels of decision making. At the same time, two possible consequences of the perceptions of NGOs may be drawn. On one hand, these responses reflect the strong potential to empower the NGO sector. On the other hand, some of the answers may also be interpreted as a sign of democratic evolving procedures, which while acquiring strength at the local level signal the presence, and emergence of social capital.

In general, when analyzing the different options of "complaints" an interesting tendency is observed - the higher the respective level of addressing the complaint (i.e., municipal, district, central or supranational/personalized in the foreign donor organi-

Figure 2.2

Does the municipal administration adequately contribute to the productive and effective development of your municipality?



Source: UNDP/Friedrich Ebert Foundation Survey for NHDR 2000

# Box 2.7 **THE INTERACTION OF LOCAL DEVELOPMENT ACTORS: THE UNDP-REGIONAL INITIATIVE FUND EXPERIENCE IN ELHOVO**

Elhovo in the District of Yambol is ranked 121 in the MHDI ranking. For the past two years, the Municipality of Elhovo has been participating first in a UNDP-supported project (and later in a Regional Initiatives Fund project) aimed at creating livelihoods for the local population. A potential economic activity was identified, in the development of the local herb industry. The main objective of the initiative was to set up, in Elhovo, a mechanism, which could organize medicinal plant collection involving the village community, municipalities, and local businesses. The projects provided logistical support for the collection, communications, warehouses and drying facilities, as well as assigning local collection coordinators (including wild herbs collecting) and hiring the necessary personnel.

Six local development actors worked together (met, interacted, discussed, analyzed) and came up with the idea of a non-governmental organization, "Herbs and Business Center – Elhovo," which is currently in the process of becoming operational and institutionalized into the local scene. The main actors of this new instrument for local development were the Municipality of Elhovo, the local Labor Office in Elhovo, the Regional Committee of Syndicates (KNSB), an Employment Company (Sdruzenie po zaetostta); the Roma Union "Bydeshte" in Elhovo and Chitalishte "Razvitie" (means development), which managed the overall coordination of this complex initiative.

zations), the lower the likelihood that local development actors would be willing to address the issue. The higher echelons of the governmental structure is perceived to be, quite naturally, less accessible, which may strengthen additional reasons to seek local solutions for local problems. In this respect it seems that Bulgarian local development actors may be sending a clear signal to central and regional decision-making actors - that local approaches may be the only efficient and desirable choice for local human development problems and solutions

Local development actors prefer to have fewer opportunities to manage the locally generated resources, and more to receive central subsidies

Respondents were asked if they had to urgently mobilize resources to solve some problem related to municipal development, who would they approach first? Sixty-five percent of local development actors would first approach municipal representatives. Only 20% of local development actors would go directly to the respective ministry in Sofia. The majority of these were from the municipal administrations, which is not surprising given the high level of hierarchical dependency of the municipalities on the center (especially concerning financial and administrative matters).

In the perceptions of local development actors, the potential for public-private coalitions for solving issues of local development exists. The main driving forces of such a coalition – the private business and the municipal administration – are perceived as legitimate actors with high level of support among all sectors of the local scene. However, the results may also point to the need of local development actors to build local capacities and expand resource mobilization mechanisms at the local level.

## Local Self-Governance Prerogatives

The increased demand for more local decisionmaking and self-governance have a cost - reduced central subsidy flows. To what extent are local development actors ready and willing to accept reduced central subsidy flows in return of more local self-governance? Local development actors prefer to have fewer opportunities to manage the locally generated resources, and more to receive central subsidies. Politicians and municipal administrators are more subsidy-oriented, and NGO representatives are less subsidy-oriented. Also there is an interesting correlation between levels of development and orientation toward subsidies. In less developed municipalities development actors were more inclined to favor subsidies than actor in developed municipalities. Thus, the results of the survey confirmed quantitative findings analyzed in Chapter 1.

Nonetheless, local development actors would welcome many legal and institutional initiatives in the direction of more local empowerment. For example, 85% of local development actors support reforms to give municipalities more decision-making autonomy, while 80% would welcome changes that would allow municipalities to have the right to revoke local taxes, (if necessary), in order to attract more businesses and investment. Similarly, almost two-thirds of local development actors would favor changes that would allow their municipalities to have the right to introduce local taxes to boost the budget and strengthen income-generating activities.

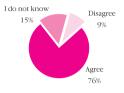
To a certain extent, the answers showed some level of contradiction in the perceptions of local development actors in relation to the issue of fiscal decentralization. On the one hand, local development actors would like to have more freedom to make decisions, but on the other they want access to central subsidies. There may be a rational explanation of such attitudes. In general, most Bulgarian municipalities today find themselves in a very difficult financial situation. By law they are obliged to provide social services which are centrally determined (e.g., teachers' salaries, social payments). The flow of the decision making process often goes "one way," from top-to bottom. Decisions on the quality and characteristics of the services provided locally are taken at the central level. Nonetheless, the obligations and responsibilities are decentralized. Thus, local expectations and positions on the issue of subsidies need to be understood within this complex dichotomy.

## THE NEED FOR RESOURCES TO BUILD SELF- ORGANIZATIONAL CAPACITY AT THE LOCAL LEVEL

Local development actors in Bulgaria are showing greater awareness of development disparities and opportunities. They recognize a variety of local capacities and limitations. Local development actors also showed their own aspirations and frustrations about self-governance in Bulgaria. In the 1999 NHDR, the analysis of aspirations and regional development revealed that there was an emerging recognition among Bulgarians that regions had some competitive advantages, which were different from national advantages. The results of the survey of local development actors also showed that at the municipal level the issue of local comparative advantages is still emerging. This may reflect, on the one hand, an ongoing process of evolution in local visions, and on the other hand, the real lack of substantial resources for local development to make the comparative advantage a reality.

Figure 2.3

Participation in local elections makes sense because more and more issues are decided at local level and it matters who decides



Source: UNDP/Friedrich Ebert Foundation Survey for NHDR 2000

	IN PERCEPTIONS OF TACTORS IN BULGARIA?
OPPORTUNITIES	OBSTACLES
Local development actors in municipalities with higher levels of development seem to be more inclined to provide optimistic inputs (factors and actors) with regards to capacities and prospects for local development	Growing disparities are perceived within, between and among municipalities
There seems to be an interesting correlation between perceived levels of development and future aspirations. That is, development values generally correlate with the levels of self-esteem of the local actors, and vice-versa	Local development actors perceive NGO activity to be mainly concentrated in cultural, social work and educational work
There is evidence to support a possible dynamic towards local human development, strategies, partnerships and coalitions	There are considerable differences in the perception of NGO activity among the different municipal sectors, including from within the NGO sector itself
Perceptions on many development issues help to underline possible lines of cooperation and conflict between and among local actors and organizations	The business sector at the local level is perceived to be isolated from development issues

## **CHAPTER 3**

# THE DIFFERENT DIMENSIONS OF THE MOSAIC OF LOCAL HUMAN DEVELOPMENT

The last two Chapters outlined the extent of human development disparities between municipalities (reflected in the MHDI) and the scope of the human development perceptions held by local development actors (reflected in the results of the survey). The picture of the municipal mosaic however is multi-dimensional. In order to understand the complexity of the municipal scene it is necessary to outline the overall context in which local development takes place. Next it is necessary to analyze which are the factors for human development and how do they fit into this context. Finally, the third dimension of the municipal development scene is the institutional framework for decision-making.

# THE CONTEXT OF MUNICIPAL HUMAN DEVELOPMENT IN BULGARIA

With the transition, economic stabilization and integration has been at the forefront of national policy priorities, while much attention has been focused on stimulating economic growth. Inasmuch as these current policies have advanced the necessary macro-economic conditions for prosperity in Bulgaria, they have also had a diverse impact across and within the country. Currently the context is dominated by macro policies to maintain economic stabilization and promote more equitable economic growth. The process of Bulgaria's accession to the European Union is also part of this context, as it becomes a necessary step to insert the national economy into a new dynamic of international trade

and competition. However, maintaining stabilization, promoting growth with equity and progress towards future EU membership also involves strengthening national structures. Bulgaria needs to strengthen its national capacity to compete regionally and internationally, as well as to conform to the criterion of a supra national entity. Thus, rather than weakening the different components of the national State, current policies should strengthen them.

This process of strengthening inevitably involves institution building at the level of local government and building more efficient links to national policies. The outcome of this process will lead to a new form of governance, one that departs from the recent Bulgarian reality. Instead of subordinating Districts, and especially municipalities, to top-down development policies, the new model of governance should have two goals. First, to elevate Districts and municipalities to the level of active actors of and for, development. Second, to utilize their comparative and competitive advantages. This is the only sustainable way to achieve European and international competitiveness and to utilize the benefits of international capital markets and new technology. Ultimately, all of these changes will demand a new organizational and institutional structure that is favorable to a more decentralized decision-making setting.

Thus, for Bulgaria to become a member of an integrated economic community like the EU and to sustain economic growth in the near future, it must accept the modern process of State transformation in three directions. First, in the direction of advancing towards good governance to manage, more equitably, wealth accumulation. Second, in the direction of building a new institutional capacity and mechanisms to guarantee the necessary conditions (legal, economic, political) for other governmental and non-governmental actors of development to have entry points in the decision-making process. Third, establishing clear division of roles, prerogatives and responsibilities of different actors involved in local development. In relation to this new contextual scenario it is necessary to add that it is no longer possible to pretend to be competitive while having entirely centralized decisional structures without allowing municipalities to decide their development

Clear division of roles, prerogatives and responsibilities of different actors involved in local development is necessary

It is no longer possible to pretend to be competitive while having entirely centralized decisional structures without allowing municipalities to decide their development approach

approach. Therefore, some form of decentralization begins to move to the center of the debate. This is certainly a new situation for Bulgaria.

Another important element of the context of local human development is the aspirations of the Bulgarian people. Volume II of the 1999 NHDR showed that Bulgarians were looking towards more economic growth with equity, stability and good governance. Also, Bulgarians overwhelmingly supported European integration, although they were not always completely aware of the concrete implica-

## Box 3.1 USAID'S LESSONS & EXPERIENCES IN LOCAL GOVERNANCE AND DEVELOPMENT

Citizen participation, fiscal decentralization and policy reform in support of municipal needs are the long-range goals of the USAID Local Government Program. The program is carried out through support to non-governmental organizations (NGOs) and municipal associations; and, through education and training for NGO leaders, municipal staff and Central government staff in technical areas such as municipal finance, lobbying and advocacy and citizen participation.

After only a few years, the associations have achieved 100% membership among municipalities, offer relevant and good quality training programs and member services, and have access to central government actors. Thus, they have been able to influence legislation and have achieved policy changes in support of local government at the regional and local levels. The associations and other NGOs are potentially self-sustainable, but much work is required to develop the public sector market for training and services.

Municipal governments have sent nearly 1,000 employees to training programs, and USAID has dispatched teams of national and local government officials, NGO staff and journalists to US-based training programs, most recently on legislative drafting. Roughly 100 consultants and trainers per year lead courses for NGOs and public sector staff. Such training programs have increased capacity among NGOs and municipalities, but central government staff must be more effectively reached.

Customer Services Centers have increased transparency and efficiency in service delivery in ten of the largest municipalities, and citizen advisory boards make input into community development plans in a number of others. NGOs serve along with government staff on several working groups addressing public policy reform. But most municipalities have not experimented sufficiently with citizen participation, either in creating mechanisms for involvement of individuals, or in forging alliances with civil society organizations. The interest is there; creative approaches are needed to realize the potential for partnership.

Source: Local Government Program, USAID-Bulgaria, July 2000.

tions of this process. However, making these aspirations a reality involves a strategy to reform the current institutional design to enable aspirations to be translated into reality. The new institutional framework will have to be more agile in order to take advantage of opportunities. It needs to be more flexible and be able to offer a wide variety of answers to different situations, as well as to be more adaptable to engaging unforeseen changes and incorporating new factors and actors of development. The new strategy for good governance in Bulgaria should aim to balance economic growth with equity and making European integration a reality. It will also need to provide specific recommendations on how to expand the public space and incorporate new mechanisms to manage the complexity of Bulgaria's territorial and political organization.

Within this context governance in the sense of institution building has to be regarded as the crucial link between macroeconomic growth and regional and local human development. The existing and often growing disparities among and between Bulgarian municipalities shown in Chapter 1 reflect an underlying inequality in the distribution of decision-making responsibilities and resources and in the diffusion of capacities. An important element is the current centralist dynamic of governance in Bulgaria, which still limits the municipalities' capacity to assert themselves as development actors. This limitation is also related to the issue of redistribution. Hence being far from promoting sustainable local human development, current national policy towards municipalities is often insensitive to local peculiarities, incapable to mobilize adequate local resources for local growth and deficient in building capacities for local development actors.

Against this backdrop it is important to examine how central government policies can continue to stimulate local development and what responsibilities and resources should be transferred to regions and municipalities? How can current policies help monitor how authority is exercised and the resources disbursed at the local level? How can local governments be more accountable to their constituencies and to the central government? How can the costs and benefits of the transition and the accession

process be distributed more equitably among regions and municipalities?

# THE FACTORS FOR MUNICIPAL HUMAN DEVELOPMENT IN BULGARIA

Bulgarian municipalities today show five common tendencies. First, growing disparities both in subjective (perceptions) and objective conditions (economic performance). The negative impact of transition has taken root in municipalities. Second, the capacity to engage and manage the impact of transition is weak in a majority of Bulgarian municipalities. Third, formal interactions (communication, day-today relations) within the current institutional design of decision-making is rigid and with a vertical slant. Fourth, a majority of municipalities in Bulgaria lack new and/or appropriate tools of, and for, development (technology, investment, infrastructure, strategic planning). And, horizontal interactions between and among local actors and factors (institutions) of development have not only increased, but have opened more spaces for much needed capacity building. Effective municipal human development in Bulgaria today requires resources, a crosscutting issue in the development trends of municipalities.

## Basic Profile of Development Actors in Bulgarian Municipalities

The level of development in Bulgaria's municipalities may be limiting the prospects of young people to realize their livelihood aspirations, and forcing them to think about migration and immigration strategies. In the survey of local development actors (discussed in Chapter 2), 7% of the respondents were aged 29 or under and 30% were between 30-39 years of age. Local development actors above the age of 50 constituted 28% of the sample.

Similarly developed municipalities may suffer from less flexibility and exposure to younger local development actors. Among the different sectors, both business and municipal administration have less than 10% of development actors below the age of 29.

The local development actors of the survey were relatively well educated. Two-thirds of the respondents had higher education, 9% some higher education studies, 25% secondary education and only 1% claimed to have discontinued their schooling at an early stage. Those with university diplomas are most likely to be from among the ranks of the business sector (55%), religious organizations (54%) and local media (31%). The representatives of the educational sector are logically the most educated (97%), followed by the administration (83%) and politicians (73%).

This profile shows that developed municipalities have the presence of more highly educated development actors. For instance, in less developed municipalities only 58% of local development actors were university graduates - 70% in moderately developed municipalities and over 75% in developed municipalities. The majority of local development actors (40%) had mainly a humanitarian background, such as, social sciences, social work, teachers, medical doctors and lawyers. Twenty-nine percent of local development actors had a technical/scientific background (engineers, technicians, chemists, agronomists and agricultural specialists). The economic professions (economists, accountants, business) ranked third among local development actors (17%). Administrative professions (librarians, organizers and public employees) were constituted of 7% of the local development actors in the survey.

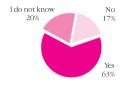
## Local Development Actors and Building Capacity

Achievements in human development depend first and foremost on people's ability to articulate their demands and mobilize for collective action. The actual levels of cooperation between and among the different local development actors can be an important resource for human development. Many examples and initiatives that are currently being implemented in some Bulgarian municipalities provide evidence to support this claim.

For instance, since the end of 1999, the Swiss Embassy's Development Coordination Center and The current centralist dynamic of governance in Bulgaria still limits the municipalities' capacity to assert themselves as development actors

Achievements in buman development depend first and foremost on people's ability to articulate their demands and mobilize for collective action

Do the municipal authorities inform the population about the decision taken on the municipal council sessions?



UNDP/Friedrich Ebert Foundation Survey for NHDR 2000

Participation
must be linked to
decisionmaking. If
participants fail
to see the impact
of their
participation in
the decisionmaking process,
they could lose
trust in the very
process itself

Inter-Assist - Sofia Foundation have organized municipal forums in five municipalities: Teteven, Apriltsi and Troyan (Distrcit of Lovech), and Tryavna and Gabrovo (in District of Gabrovo). In all five municipalities, the municipal forums succeeded in engaging between 50 and 100 representatives of the municipal councils, local administration, businesses, NGOs, local youth and cultural and religious leaders. in open debate. The forum follows an innovative organizational scheme, tested in Switzerland and Germany, which seeks to strike the optimum balance between citizen's aspirations and the policy-makers will and capacities. The forum adopts a code of conduct, obliging the participants to attend all of its sessions (of which 10 have been scheduled for 2000). The debates are targeted to the citizens, not institutions.

The main driving idea behind this initiative is to promote grassroots participation in project development and implementation. Local projects have been found to be a lot more effective when the ideas are conceived directly by the citizens in debate with the local administrators and other local actors. The objective of initiatives, such as the municipal forums is to consolidate local participation and common issues to mobilize the municipalities' development resources. The essence of project or program initiatives at the municipal level is to involve mayors in such a way that they recognize the value of promoting community's involvement in local governance, as instruments of and for development. Lessons from project and program activities at the municipal level already point to the importance of involving other actors as well. For instance local politicians, the business sectors and NGOs. The participation of local development actors legitimizes the public significance of a common interest or problem.

The experience so far in holding citizen forums demonstrates that the quality of interactions among members of local communities can be further optimized. This requires more debates and dialogue to address local issues, as well as solutions to concrete local problems, rather than structural (unemployment) problems, which largely depend on national solutions. Experience shows that once consensus has been reached and ideas generated to

alleviate particular problems these can be translated into projects that become eligible for funding from donors or national programs.

Another example is the Ministry of Regional Development and Public Works' Capacity 21 Project supported by UNDP. The people who conceived the program had clear ideas about what was needed. They knew the program had to be "made in Bulgaria," addressing Bulgaria's sustainable development challenges and needs, and building on capacities. Most importantly, they knew that for the Agenda 21 initiative to be successful it required action at the local level. After working for over three years with two municipalities (Velingrad in Pazardjik District and Assenovgrad in Plovdiv District), using community participation, involvement of the full spectrum of local stakeholders, establishment of local "partnerships", and decentralization of local decisionmaking process, the Local Agenda 21 process has been expanded to four municipalities and two districts. However, its impact goes beyond these current participants. The first two participating municipalities are now sharing their experience with the new participants through nation-wide awareness raising campaigns, training seminars and workshops, effective networking and establishing "cooperation arrangements", thus permitting far more communities to draw upon the gained experiences and to develop their own Local Agendas 21.

One of the key lessons produced through the Capacity 21 initiative is that participation must be linked to decision-making. If participants fail to see the impact of their participation in the decision-making process (e.g. budget allocations), they could lose trust in the very process itself and may not engage in further participatory efforts. Capacity building is a gradual and iterative process. Results will not be seen immediately. Changes in attitude and values must often be preconditions for successful human sustainable development and planning. The Capacity 21 experience shows that demonstration projects can be instrumental for making the concept of sustainable development operational, for promoting changes in values and for translating ideas into concrete actions. Finally, the Capacity 21 initiatives proved that networking between and among municipalities is an extremely important element not only for sharing problems, solutions and best practices, but also to promote trust. It is an outcome of the process and it is essential for success.

The intensity and density of activities among local development actors do not automatically translate into more human development. In fact, some local development actors might be active, but at the same time may be detached from the local development debate. Thus, local development actors need to be supported to play a much more proactive role, especially as a catalyst to mobilize the community in favor of the human development cause. Most NGOs in Bulgaria are becoming more familiar with the language and reality of the local scene, as well as to give their activities the necessary public value. Likewise, the business actors need to be more effective in translating their financial interest into public benefits. The many pilot experiences demonstrate that there are realistic prospects for optimizing the interaction among the members of the local community. This requires dialogue, consensus and action about concrete development issues facing municipalities. By supporting the local development actors' capacities to solve small and feasible challenges, the overall capacity to solve much more complex problems, such as unemployment, is strengthen.

# Development Strategies as a Source of Resources for Municipal Human Development

Almost completely denied at the start of the transition, strategic planning is now gaining increasing popularity among the various municipalities as a factor of and for, development. Among the more developed municipalities strategic planning is being slowly internalized as a means to formalize the municipalities' strategic goals, as guidelines for future action and as new tools for human development.

In theory, local development strategies form the groundwork for the regional planning and development pyramid that culminates in the National Regional Development Plan and, thus, has the

potential to promote the "bottom-up" approach for human development. Local development strategies could also provide municipalities with the opportunity to seek their own local development priorities, policies, projects and partners.

However, in practice municipal strategies in Bulgaria are still at the rudimentary stage of charting out a strategic framework to organize development activities. Usually this framework is no more than a conceptual document, which forces municipalities to see it as a bureaucratic obligation to central and regional authorities, rather than as a tool and resource of, and for strategic thinking, consensus building and development. A very small group of municipalities has progressed to elaborating project and program components that give the strategy a concrete content, such as public works and the inclusion of minorities. However, these components are not necessarily well integrated, and strategies are launched and designed primarily because of external assistance.

Local development actors need to be supported to play a much more proactive role, especially as a catalyst to mobilize the community in favor of the buman development cause

## THE LEGISLATIVE FRAMEWORK FOR MUNICIPAL DEVELOPMENT STRATEGIES IN BULGARIA

Box 3.2

**The Regional Development Act** (1999) is the main legislative instrument in Bulgaria that governs regional development policy. It establishes the key planning levels and stipulates how regional actors should interact with each other. The Act provides guidelines for the inputs of local governments in the preparation of regional development plans. It presents the logic, as reinforced by the National Regional Development Plan, that "municipalities are viewed as key generators of ideas, initiatives and projects on regional development - as key partners in the process of designing regional development plans and as potential sources of funding."

The main legislation that stipulates the need for municipalities to conduct a specific development policy, is the **Local Development and Local Administration Act** (1991). The Act specifies that municipal councils adopt strategies, forecasts, programs and plans for the development of the municipality. It also delegates freedom to the municipal councils to decide on the best approach to promote development

The **Municipal Budget Act** (1997) ties the municipal budget process to municipal development strategies. This designation establishes a correlation between the process of drafting municipal budgets and development policies. It also seeks to tie in local development with the opportunities for receiving target subsidies and subventions.

Very often the borizontal interaction within the municipality is not effective or it bappens sporadically during some central/district-driven campaign to oblige municipalities to prepare strategies

In part, the problem starts with the very same institutional capacity of municipalities to produce strategic development plans. Only a few of them have created specialized structures (departments. directions, coordinating units), that are dealing directly with strategic planning issues. Even less are the number of municipalities that are specifically interested in human development. Very often the horizontal interaction within the municipality is not effective or it happens sporadically during some central/district-driven campaign to oblige municipalities to prepare strategies. In part, the problem is also methodological. For example, in addition to the general municipal development strategies, some ministries require municipalities to develop additional specialized plans, such as, energy efficiency, budget, solid waste treatment. However, these are not reviewed in the context of "a common vision and strategy" for long term municipal development. Similarly, municipalities have developed parallel development plans, one to present to central and district authorities (general and generic) and one that reflects much closer the local reality and needs. This fragmented approach to strategic development planning does not enable municipalities to have a working tool for development, and it prevents Bulgaria from incorporating in its regional and national development plans new sources for human development.

ate need to acquire new skills and methodologies to produce development plans in a more strategic and participatory way. The Regional Development Act created new institutions (Regional Development Councils) and assigned new roles to existing institutions. However, so far, the necessary institutional synergy and incentives for better strategic human development planning in Bulgarian municipalities are still weak. This weak capacity was one of the reasons why the first attempt, in 1999, for strategic planning at the municipal level was far from successful. This experience provided some interesting lessons. For example, it showed that a majority of Bulgarian municipalities did not have any comprehensive strategies to develop human development programs. Generally, local authorities continued to

Regional (governors) and local actors are in desper-

initiatives narrowly and without much consensus from various sectors of the community.

As of 1999 only 40% of the 262 municipalities had submitted, to the Ministry of Regional Development and Public Works, some form of general development strategy. In addition, 44% of the 262 municipalities presented as a development strategy a list of capital investment projects. Only 18% of the 262 municipalities submitted to the Ministry a tool that could partially be considered a comprehensive strategy of development, and even these were not backed by corresponding implementing or action plans and could not fully serve as development guidelines for local partnerships and donor support.

Many reasons explain this unfortunate outcome, such as the lack of guidelines in the methodology. Municipalities used different methods and formats to draft their strategies and programs. While this diversity could also be considered an advantage to reflect unique situations in each of the municipalities, it also rendered difficult the task of aggregating such strategies for the purposes of higher level development planning. In addition, the goals were far too general and failed to reflect local development realities. Where found, local realities were reflected too narrowly and did not take into account coordination, negotiation and discussion with other relevant actors. Oftentimes the financial proposals of the projects were not linked to the local government budgets or were made entirely dependent on central government subsidies and other funding sources outside the scope of the local budgets. The overwhelming majority of municipalities that presented some form of plan did not have realistic targets, timetables, budget or organization.

In 1999, the political situation added to the failure of the local development strategy initiative. The timeframes for drafting these tools of development overlapped with the local election campaigns and many mayors preferred to engage and invest their efforts in pre-election proposals. On the other hand mayors simply did not want to openly disclose their strategies fearing competition and/or criticism. There was also a missing link between district and municipal development plans. Finally, forcing the

Municipal plans continue to be supply-driven (budgets/funds) more than demand-driven (development needs)

define their development actions and investment

local administrative staff to think in terms of strategy, synergy and coordination, reflected the lack of appropriate skills to design and oversee a complex cycle of producing development strategies.

This year (2000) the ongoing process related to municipal development plans shows improvement and most of the municipalities have now submitted their municipal development plans. The methodology has also been improved to make the process more participatory and able to encompass community interests and demands. Though more municipalities are developing action plans to translate the goals into reality, major problems still persist. For instance, municipal plans continue to be supplydriven (budgets/funds) more than demand-driven (development needs). Also, the lack of comprehensive data at the municipal level presents another major difficulty for human development planning. In addition, ownership of the process towards the development plans is still not sufficiently diffuse among most sectors of the municipal community. Finally, there is no direct link between municipal plans and budget subsidies.

This was explicitly proved by the survey among local development actors. The knowledge of the existence of municipal strategies among them was varied. Only 47% of the local development actors interviewed had knowledge of the existence of a municipal development strategy in their municipalities. Twenty-six per cent said that there was no municipal development strategy in their municipalities and 28% said they did not know whether a municipal development strategy existed or not in their municipalities. There was a tendency for development actors in developed municipalities to be more aware of the existence of development plans, than in less developed municipalities. Still, the large overall percentage of respondents not knowing the existence of municipal development strategies may suggest that they were probably developed within a closed circle of consultants, NGO's and administrators who communicated only among themselves and not to the public at large.

In fact about half (48%) of the local development actors interviewed were involved in the drafting of

the municipal development strategies. Of these, the overwhelming majority came from the public administration and political sectors. Less than 50% of the local development actors, who said they partici-

# STRENGTHENING SOCIAL SERVICES FOR Box 3.3 THE PEOPLE WITH DISABILITIES AND WORKING TOWARDS HUMAN DEVELOPMENT IN BULGARIAN MUNICIPALITIES

Four Bulgarian municipalities, Stara Zagora, Varna, Vidin, and Lom (in Montana District) have been participating in a project to help increase their capacity to plan, manage and improve the provision of services directed to people with disabilities. This is a partnership that involves the East European Programme of the UK development organization called Voluntary Service Oversees (VSO), the European Institute of Social Studies at the University of Kent (on behalf of Kent Social Services UK), and the four Bulgarian municipal counterparts. The initiative is being supported with funding from the EU PHARE Partnership Programme and the British Department for International Development (DFID).

This project has many innovative approaches for human development. First, it is the result of a participatory organizational needs assessment of the municipal social service offices and their service centers. Second, it involves placing UK and Canadian social workers and a business adviser, as volunteers, who will live and work alongside municipal counterparts. Third, it involves strengthening the social work and management skills of municipal personnel, which is a major component of the initiative, including a study visit to social service units in Kent, in the United Kingdom. Fourth, it provides tools for marketing/fundraising/ sales to improve the income generation capacity and self-sustainability of local public social services. Finally, it is working towards affecting positively the lives of a particularly vulnerable and marginalised groups — people with disabilities.

This initiative has encouraged and enabled municipal personnel to interact horizontally across regions for the first time, instead of relying on the normal, vertical top-down relations with the respective line Ministry. The sharing of good practices has translated into appropriate local solutions for local problems. As such the initiative can be credited for optimizing the use of staff to run social homes in Lom; creating additional income-generation activities to run the services in Stara Zagora; and improved partnerships with local NGOs in Varna. All of these have increased the ability of the municipalities' social service offices to more efficiently plan and support changes at the local level. It has provided inputs in favor of the decentralization process within the Ministry, especially with regards to decision making and information sharing. The introduction of an individual client assessment and care plans in the provision of social services is also another major accomplishment of this initiative. But most importantly, this initiative has already raised awareness about the problems faced by people with disabilities in municipalities as an issue of human development and the necessary implications for the provision of appropriate services by municipal governments.

Source: VSO - East European Programs - Sofia Bulgaria, June 2000.

Table 3.1

BULGARIA: COMPOSITION OF MUNICIPAL REVENUES (IN BGN)						
		1999		2000 FO	RECAST	
TAXES:	VALUE		% OFTOTAL REVENUES	VALUE		% OFTOTAL REVENUES
Personal income tax	507, 673, 897	47	31	492, 049, 900	45	33
Municipal profit tax	11, 111, 003	1	1	14, 393, 000	1	1
Corporate income tax	241, 940, 218	22	15	244, 361, 000	22	16
Property tax	83, 051, 658	8	5	84, 300, 000	8	6
Other taxes	7, 394, 396	1	0,5	42, 991, 900	4	3
Total taxes	851,171,172	79	52.5	878, 095, 800	80	59
Fees	114, 321, 694	10	7	110, 737, 300	10	7
Other non-tax revenues	122, 981, 888	11	8	103, 100, 300	10	7
Total own revenues	1, 088, 474, 754	100	67.5	1, 091, 933, 400	100	73
Subsidies	518 ,164, 730		32.5	395, 020, 000		27
Total revenues	1606639,484		1000	1,486,953,400	)	100
Subsidies as % of GDP	2.3			1.5		
Source: Ministry of Finan	ace, 2000					

local actors are beginning to learn how to prioritize actions and optimize scarce resources. Last but not least, the exposure to the process of elaborating development strategies has given local development actors an opportunity to experience consensus building and partnerships. In this sense municipal development strategies are important, both as strategic documents and as a process of synergy building. The experience of many municipalities proved that it is better to have a strategy prepared in close cooperation in conjunction with local development actors, than one that has been prepared by a consulting firm from outside the local community. The issue of participation in all the stages of the development strategy cycle, including its implementation, is crucial.

tal actors more aware of the scope and challenges of human development in their municipalities. Second,

Bulgarian municipalities today face a serious gap between their obligations and resources pated in the drafting of the municipal plan, said they provided inputs and suggestions. Of these, the majority came from the public administration, political and NGO sectors. When asked to identify in which area inputs and suggestions were provided the most important answers were - municipal structures, property management, job creation, cultural and educational development, tourism and private business development. Fifty-one percent of the respondents stated that municipal authorities did not discuss the municipal strategy with the private/business sector. Fifty-five percent of the respondents also said that NGO views were not taken into account in the process of drafting the municipal development plans.

Despite its limitation as a process, several conclusions can be drawn about the two-year experience with municipal development plans. First, the process of producing a municipal development strategy has made local governmental and non-governmen-

Table 3.2

В	BULGARIA SHARE OF GDP DEVOTED TO MUNICIPAL BUDGETS (AS % OF GDP)					
1994	1995	1996	1997	1998	1999	2000 (forecast)
9.2	7.7	6.3	5.9	7.7	7.1	5.8
Source: Ministry of Finance, 2000						

## Financial Resources for Human Development in Bulgarian Municipalities

The process of designing development strategies can nourish the financial aspects of municipal development. Securing the funds needed to implement a strategy is an essential part of this process. Identifying potential sources of funding for implementing the strategy is also a key step in strategic planning. Given the current financial limitations of a majority of Bulgarian municipalities, identifying and capturing new sources of funding could be a pivotal factor to encourage innovation and initiatives for local actors to engage in fundraising, and to multiply, utilize and optimize financial resources for human development. Financial management is about optimizing and prioritizing funds. It means taking into account, geography, demography, and natural resources and encouraging joint ventures.

The shortage of financial resources, the limited opportunities for increasing their own incomes and independent governance are some of the most pressing obstacles for Bulgarian municipalities to start formulating more clear, practical and feasible financial projects. Recent data from a financial audit of 106 municipalities conducted by an independent financial control commission, accountable to the

Parliament, found that the liabilities of these municipalities reached 133 million Leva by the end of 1999. By March 2000, the internal debt of these municipalities grew to 143 million Leva. This tendency is a reflection, not only of the lack of resources at the municipal level or poor financial management, but it also reflects shortcomings in the existing system of municipal budgeting.

Indeed, the main source of the financial problem in municipalities is the issue of municipal expenditures. Bulgarian municipalities today face a serious gap between their obligations and resources. For example, municipalities are obliged to finance the educational system (except for schools, which come directly under the Ministry of Education). In fact, these obligations reflect the social responsibilities of the State, which have been delegated to the municipal level. However, municipalities do not receive from the national government the additional necessary resources to meet these -poorly funded obligations. What appears to be happening is a recurrence of the old centrally planned re-distributive practices. That is, the revenue side of municipal budgets is not corresponding to the expenditure side, especially in terms of items and budget lines. Bulgarian taxpayers are paying fees for certain types of services (roads, garbage) but the revenues generated from these fees are being redistributed to centrally determined priorities, which do not necessarily coincide with local needs. In fact, in municipal budgets "what you pay is not what you get." This seems to be one of the major factors fostering deficits in municipal budgets. If Bulgarians want municipal development to be strengthened, then new strategic thinking must go into creating a better system with more incentives, which would have to go along with more accountability as well.

Of course, in theory central subsidies finance the responsibilities delegated by the center to the local levels. The amount of subsidies, however, is not determined on a issue-oriented basis. Subsidies for education or for social payments are not calculated on the basis of unit cost or services delivered but are determined instead by other special and more complex schemes, which are not detailed and transparent. Often these turn into a residual value of

the general context (fiscal stability) and municipalities get what is possible but not what is necessary to meet the delegated obligations.

# PROMOTING NEW FACTORS AND ACTORS FOR MUNICIPAL HUMAN DEVELOPMENT IN BULGARIA

As the process of human development in Bulgaria becomes more complex, development thinking has to evolve towards strategic management. A deeper understanding of development in Bulgaria involves acknowledging that the consolidation of the transition process implies expanding national priorities into the municipal scene. What is required is to go beyond the frontiers of conventional wisdom and design complementary policies that will put to rest the dependency on "magical" macro development formulas. This shift in development thinking has to target municipalities in at least four areas: 1) improving the growing subjective and objective conditions for more human development; 2) making policies more integrated to be responsive to municipal needs; 3) expanding the role of municipal governments; and 4) building efficient institutions and partnerships (at all levels) for municipal development.

From a human development perspective, disparities have much to do with the denial of choices and opportunities for a more tolerable life. Thus, disparities have to be addressed in all dimensions. The starting point is to further empower municipalities and to ensure their participation in decisions that affect their human development and enable them to build their strengths and assets. In order to face the challenge of more growth, more distribution and EU accession, Bulgaria needs to develop today a strategy to invest in municipal human development.

## New Resources to Promote Municipal Human Development in Bulgaria

In the last few years municipalities in Bulgaria have become more active in development activities. One indicator is the growing number of projects and

Bulgarian taxpayers are paying fees for certain types of services but the revenues generated from these fees are being redistributed to centrally determined priorities. In fact, in municipal budgets "wbat you pay is not what you get"

The ability of people to participate in making the decisions that affect them is a key ingredient in the process of improving buman development

initiatives, funded mainly by development cooperation agencies, now underway in many Bulgarian municipalities. Another indicator is the growing number of actors involved in local development efforts. The ability of people to participate in making the decisions that affect them is a key ingredient in the process of improving human development. Isolated and dispersed, local development actors would have no power and no influence over political decisions that affect their lives. However, when organized, they would be better empowered to ensure that their interests are advanced.

A number of new actors are beginning to appear in

Box 3.4 WHAT IS SOCIAL CAPITAL?

There has always been the recognition of the importance of social capital, but only recently there has been a common agreement that social capital provides the missing link in achieving sustainable human development that is inclusive and participatory.

## **Elements of Social Capital**

Organizations, relationships, norms, values and behavior that either bind or divide societies can be considered as social capital.

#### Social Capital as Capital

Social capital shares qualities with other types of capital. It can be depleted but is also renewable; it requires investment and it yields streams of benefits. Like human and productive capital, social capital is an exponent. That is, it is not enough on its own for achieving sustainable human development but performs as a factor that enhances other types of capital.

#### **Brief Typology of Social Capital**

Two types of social capital can be distinguished. 1) MACRO includes formal relationships and structures, such as the rule of law, legal frameworks, the political regime, the level of decentralization and the level of participation in the policymaking process. 2) MICRO refers to the potential contribution that horizontal organizations and social networks make to development.

#### Role of Social Capital in Development

There is still considerable debate on the role of social capital in development. In general, however, a higher level of trust in a society should facilitate financial transactions, and requires lower expenditures for supervision of employees, collection expenses, legal fees, security and protection. Indices of trust and civic cooperation are highly correlated with growth across a wide sample of country cases. A clear association exists between trust and income distribution, with trust declining as income distribution worsens. But in measuring social capital only in terms of the number of associated activities, the relation between social capital and growth is not as clear.

the local municipal scene in Bulgaria. So far these have taken many forms, but nonetheless their emergence can be identified as examples of a new means to implement local approaches for human development. NGOs are becoming more widespread and more active in development activities. The Foundation for Local Government Reform (FLGR), the Open Society Foundation and the Center for Social Practices are but a few of the NGOs, which have become more active in the local scene. Another example of new emerging actors in the municipal scene is the National Association of Bulgarian Municipalities (NABM), the eight regional associations of municipalities and the different professional associations of municipal servants. All of these actors are not only helping to mobilize people at the local level, but are reinforcing and complementing government activities.

At the intermediate level (district/region), there are also signs that different governmental and new nongovernmental entities and organizations are beginning to play a more active role in the municipal scene (see Box 3.6). The District governors, although appointed by the Council of Ministers to represent and implement national policies, are being forced to rethink their role. Governors will be forced to modify their current passive monitoring and supervisory role, to adopt a more proactive stance which promotes political participation, encourages partnerships and facilitates bottom-up planning and development. The establishment in 1999 of the 28 Regional Councils for Development can be considered a step in the right direction. The Regional Councils provide Mayors and Chairmans of Municipal Councils with a unique opportunity to act in the common interest of the District and municipalities. Nonetheless, these newly created governance structures may also fall pray to centralism, verticalism and party-politics.

Other local actors are being rediscovered and called to promote participatory local governance and human development. The Chitalishste, one of the oldest forms of civic organizations in Bulgaria (dating to the mid-19th century) and found in virtually every municipality, have historically served as community centers in a wide range of social and

civic activities. Today, the Chitalishste are being transformed into a network of people-centered organizations, which can promote human development at the local level. These would seem to be a natural vehicle for empowering people and increasing their role in local decision-making. Forming new partnerships with government and non-governmental organizations, Chitalishste have been able to mobilize hundreds of volunteers to work on local human development projects.

## Social Capital for Local Human Development in Bulgaria: A Potential Resource

Many new initiatives at the local level are beginning to incorporate and test the dynamics of social capital at the local level (see Box 3.4 for definition). In this respect working at the local level has provided experiences to understand how and why people cooperate for mutual benefit. A recent study of public attitudes in Bulgarian (conducted by the Center for Liberal Strategies – Sofia & financed by the Marshall Fund of the United States and the Civic Education Project) found the following emerging elements of social capital in Bulgaria (Please see Technical Note for Methodology).

Bulgarians still tend to perceive cooperation through two channels. The first is the perception that the world is a zero sum game, where cooperation can not be a dominant strategy because one's gain is by definition the others' loss. The second is the time horizons used in thinking about the future on an operational level. That is, the shorter the time horizon, the less willing actors are in foregoing short term gains in order to reap long term benefits, and thus the more difficult it is to invest in cooperation that fosters relationships. The answers to the two sets of questions were combined in a first attempt to quantify levels of social capital into an index, scaled between 0 (indicating short-term thinking with perception that the world is a zero sum game) and 1. The first results showed that the overall level of the index for Bulgaria is fairly low at 0.393, indicating that the average Bulgarian may not yet be inclined to trust and cooperate or to think in terms of long time horizons.

# STRENGTHENING EMERGING SOCIAL CAPITAL TENDENCIES IN BULGARIA – CAN THEY BE TURNED INTO HUMAN DEVELOPMENT OPPORTUNITIES?

Social capital can be stratified. That is, within a given population there may exist strict subsets of actors among which there are high levels of social capital, even if the overall level of social capital for the whole population is low. However, the high social capital of a strict subset of actors does not necessarily translate into human development opportunities. An example is the highly organized criminal organization, which is a group with very high internal social capital, but which uses this empowerment to the detriment of the rest of society. Another example is the closely knit agricultural family which sees a high level of cooperation within the family unit, but at the same time is unable to transfer such capital for larger community development endeavors. A high level of social capital within a sub-group serves to raise the overall level of social capital, only if it is not used for predatory or isolationist purposes and contributes adding value (economic or other) to the society as a whole. To be beneficial for the whole society, social capital has to be relatively diffuse and accessible to a wide range of actors.

In Bulgaria, there are many, and different, groups which possess relatively high levels of social capital, but the process of diffusion, even if it is happening, has not reached the necessary level to guarantee the spread of this social value to the whole society. On the contrary, some groups (the criminal organizations) have a fundamental interest in preventing such a process from happening, while others (patriarchal families) find themselves in a fundamental conflict with the inclusive culture patterns –those necessary for more human development.

Source: Survey Conducted by the *Center for Liberal Strategies* – Sofia, financed by the *Marsball Fund of the United States* and the *Civic Education Project*. The fieldwork was done by the *Sova*-5 polling agency.

Nonetheless, this first attempt to quantify social capital in Bulgaria also uncovered some interesting additional findings. For example, it was discovered that people in rural areas (villages) have an average index value of 0.382, which is lower than the national average, but higher than the average for the people who live in the cities of up to 20,000, whose index value was 0.361. The municipalities with populations between 20,000 - 500,000 have an average index value approximately equal to the national average. Bulgarians in large cities have a significantly higher average of 0.430. Disregarding the overall low values of the index, this data seems to confirm the hypothesis that people in the municipalities with high levels of human development perceive the world in ways, which are more conducive for cooperative behavior. People in the villages have preserved some of the cooperative thinking

The average
Bulgarian may
not yet be
inclined to trust
and cooperate or
to think in terms
of long time
borizons

**Determined** efforts are needed to bring municipalities into the "global information network"

related to agricultural life. Non-cooperative thinking is most dominant in the small towns, which incidentally are the localities which are hit hardest by transition and which bare a disproportionate share of the costs of reform.

Two general tendencies currently create the conditions for the further strengthening of social capital in Bulgaria. The first is the observable increase in the capacity of the State to generate rules and to implement policies (the vertical aspect of social capital). This process is exemplified by the implementation of the currency board arrangement and the introduction of monetary reforms, whereby numerous regulatory mechanisms have been established in conjunction with several important reform packages in the social sphere. The second is the clustering of

New Technology for Local Human

consequently economic activity).

## **Development**

actors, specifically economic actors, possessing high

levels of diffusive social capital (fostering abstract

trust in the system, impersonal cooperation, and

It has been more than a decade since the launching of the Internet's World Wide Web and more than six years since the free distribution of Netscape. In many countries this has opened new opportunities for people. For instance, it has given a voice to NGOS, created commerce for small businesses, empowered government and citizens and raised productivity. The power and importance of information technology for human development is clear. But the revolution has only just begun. According to UNDP's 2000 global Human Development Report, Bulgaria has 1.23 Internet hosts per 1,000 people, which is far below the world average. This figure is also lower than in many countries in Eastern Europe. In Hungary, for example, there are 9.4 Internet hosts per 1,000 people, while Poland and Croatia have 3.37 and 2.12 hosts per 1,000 people respectively. The 1999 NHDR for Bulgaria reported 38 telephones for every 100 people. However, disparities between districts exist. While the City of Sofia had 52 telephones per 100 people, Haskovo has 21.

According to a recent study conducted by Arc Fund (July 2000), it is estimated that about 5-6% of the Bulgarian population is connected to the to Internet, although that figure is raising. The typical Internet user in Bulgaria is highly educated, between 31-40 years of age, has a higher than average income and is based in the City of Sofia. The majority of the Internet users in Bulgaria are young or actively working. Both men and women use the Internet almost equally, while most Internet users come from private enterprises. Some 90% of all Internet users come from large cities, 50% of which reside in the City of Sofia. As can be seen in Table 3.3, the results of a recent survey commissioned by UNDP-Bulgaria shows that on average 23% of Bulgarian children have access to the Internet at school, 9% at an

#### Box 3.6 NEW NON-GOVERNMENTAL ACTORS FOR REGIONAL AND LOCAL DEVELOPMENT IN BULGARIA

The North Central Regional Development Agency was established on 2 December 1999 in Rousse. It is a joint initiative of the regional and local authorities, NGOs and the business community of the five districts incorporated in the North Central planning region (Rousse, Lovech, Veliko Tarnovo, Gabrovo, and Pleven). It is the first regional development agency of its kind in Bulgaria, which operates on a NUTS II level and aims to coordinate the efforts of representatives of all sectors.

The Agency is a non-profit and a non-governmental organisation. Its General Assembly consists of 35 founding members. The establishment of the Agency was first announced at the Forum for Regional Development, which took place in December 1999. It was held under the auspices of the Rousse Regional Governor and was organized and co-sponsored by the Open Society Club - Rousse, the Bulgarian Office of the Mid-Yorkshire Chamber of Commerce and Industry – UK and the United Nations Development Programme (UNDP)-Bulgaria. All participants declared their willingness to work in partnership and co-operation with the Agency.

The strategic objectives of the Agency are to work for the economic development and regeneration of the region; to support business, promote inward investments and raise the competitiveness of the region; to promote employment, training and qualifications of people; and to contribute to the sustainable development of the region

The first steps of the Agency relate to its capacity building. Close contacts with the Government and most of the donors are already established. The Agency nominated two of its representatives to join the Bulgarian delegation to the Congress of Local and Regional Authorities of Europe, who are now entitled to sit in the Chamber of Regions.

Internet Club and only 5% have access at home. Two thirds of children do not have access at all.

As was already mentioned, municipalities in Bulgaria need new tools for strategic thinking and development. Determined efforts are needed to bring municipalities into the "global information network." Information technology could affect the way people do business and acquire and share knowledge, and it may also transform how citizens and governments work and communicate. Being connected to the Internet would allow the possibility of offering an array of financial services to municipalities that can change the basic power equation for human development, in such a way that the power of "choice" is transferred to the municipalities.

The Internet for municipalities could pioneer commercial partnerships and promote economic choices, such as credit, investment, and savings. Its workability does not only depend on commercial finance and technology partners, but also a strong network of local small and medium enterprises. It would also require civil society participation, which could promote and judge the social creditworthiness of municipalities and ensure that electronic commercial activities did not break the social customs, responsibilities and inter-personal accountability that characterizes micro-finance. The creation of new regional and sub-regional knowledge networks can radically change account management, reporting and procurement. However, it is not just economic development that could be transformed by information and technology, but local government itself. Service delivery could be improved so that people could also be better informed of their service rights and therefore could hold officials accountable and demand more efficient services.

These are some of the experimental ideas that could begin to be tested in municipalities with the help of donors. Much work would need to be done to assess the long-term feasibility of these innovations for many municipalities, for whom, this vision may remain distant for many years. Since local human development requires new tools it is important to grasp the potential inherent in information technol-

## DO YOUR CHILDREN HAVE ACCESS TO A PERSONAL COMPUTER? (% OF RESPONDENTS WITH A "YES" ANSWER)

PLANNING	NW	NC	NE	SW	SC	SE	COUNTRY
REGIONS							AVERAGE
Yes, at School (% of Total)	22	26	16	32	28	13	24
Yes, at Home (% of Total)	3	4	8	5	7	2	66
Yes, at a Internet Club (% of Total)	2	7	12	8	11	13	10
No access	73	63	64	55	54	72	63
Source: UNDP/BBSS Gallup Surve	ey, May 2	2000					

ogy. Some goals for the future could include more telephone systems installed and made accessible, connection of every municipality, major business center and chitalishte to the global information infrastructure, provision to schools of computers and access to the Internet and the provision of at least one Internet and telephone terminal to every municipality in Bulgaria— a goal that can be met in part through the establishment of new partnership consortia involving private sector companies, local interests and donors. Of course this would also imply the strengthening of literacy and basic computer skills.

# MUNICIPAL HUMAN DEVELOPMENT, INSTITUTIONAL FRAMEWORK AND DECISIONS

Context, capacities and resources affect current patterns of municipal human development in Bulgaria. However, effective development requires also building institutions and partnerships among different levels of government (e.g., central, planning, district, municipal), the private sector, donors and civil society. The municipal level in Bulgaria is still highly dependent on central level decision-making. That is why some guidance might be necessary for governmental and non-governmental agencies, organizations and actors to coordinate their efforts and remove bottlenecks for local human development.

The municipal level in Bulgaria is still highly dependent on central level decision-making

## Box 3.7 THE NEW SOCIAL AND ECONOMIC COHESION COMMISSIONS: VERTICAL ENTITIES FOR LOCAL DEVELOPMENT?

The creation of six so-called Social and Economic Cohesion Commissions has been a recent topic of analysis and discussion among policymakers in Bulgaria. They are designed to be the administrative and coordinating bodies for the six planning regions. The main idea behind the establishment of Commissions is to combine local visions and central approaches. In these Commissions, representatives from ministries would represent the national government. Also, represented would be the District Governors and government agencies. The mayors (one mayor per District) would represent the municipalities. Other non-governmental actors involved would represent civil society organizations (e.g., nationally represented trade unions, regional development agencies, associations of municipalities, industrial associations and chambers of Commerce). The sessions of the Commissions are expected to be legitimate if attended by half of its members and decisions will be taken by a simple majority of those who are present. The process of appointments is still being worked-out.

## Municipalities within the Framework of the National Development Plan

If municipalities are not taken more explicitly into account, local voices and visions may be disregarded when much needed projects and funds are being decided

Municipalities in Bulgaria are not only a mosaic of multiple territorial arrangements, but they also show different levels and elements of comparative and competitive advantage. In this respect how can municipalities be incorporated more strategically into the national strategy? What is in place is a model of governance dominated by relationships of "authority" and "dependence" among and between the different institutions and actors of local development (including central and district). This system of governance works through an established political and administrative structure. However, it can be argued that some parts of this system are being optimized more than others. This is why there is an unbalanced appropriation of political and economic power between regions, which affects municipalities. Regions and municipalities today in Bulgaria are part of a vertical governance framework in which upstream (top-down) relations and interactions are the dominating force.

With the introduction of the six planning regions, perceived by policymakers to be the crucial level for sustained economic growth and European Union accession, the Ministry of Regional Development and Public Works has started to implement the government's policy and action plan for regional development. It is envisioned that the regional

offices of the Ministry in the planning regions will undertake this. Similarly, these regional offices will elaborate mid-term social and economic development strategies for the planning regions, taking into account the investment proposals of the District Development Plans.

Any new administrative structure, however, would have to transform the existing web of vertical relations, which are still dominant in the current system of governance. Within the framework of the planning regions, municipalities and central authorities are expected to establish relations, via the operation of administrative and advisory commissions placed in each of the six planning regions. These commissions, in turn, are expected to decide on the social and economic cohesion activities related to each of the planning regions (NUTS II level). Among other tasks, these commissions are expected to approve the social and economic cohesion strategies and undertake the preliminary selection of the specific programs to be implemented in each planning region. They are also expected to adopt reports on the implementation of the strategies and externally funded programs.

As can be detected, these expected responsibilities of the new administrative units at the planning region level make them powerful entities in terms of resource allocation and influence (both formal and informal) and especially in relation to local governments. At the same time, the level and quality of local government representation foreseen, added to a centralist (top-down) approach, may be signaling preferences for a particular style of decision-making. Not only the centralist and vertical approaches would prevail under this scheme but also the space for expanded participation (of governmental and non-governmental actors) may be limited. Under this initiative, the central government representatives would have all the possibilities to either overrule any other participating actors, or to respond to existing expectations in favor of the traditional vertical approach.

Is it possible to envision local and national actors trying to reach consensus and negotiate different approaches and decisions under this scheme? Such a new form of institutional design may have negative consequences for local development unless it involves all stakeholders. If municipalities are not taken more explicitly into account, local voices and visions may be disregarded when much needed projects and funds are being decided. Similarly, such an approach may be interpreted — and respectively decoded — as a message in favor of further centralization. It may also encourage passive attitudes of local development actors, and as such endanger the difficult process of capacity building at the local level. Finally, this centralized approach to local development may encourage multiplication of corruptive practices and restrain emerging patterns of social capital.

## The Role of Districts in Municipal Human Development

As the process of bringing municipalities to the framework of national development advances and new realities are created, the role of intermediate level entities, (represented by the districts), becomes strategic as well. Promoting regional development is a major advance toward reaching municipalities. However, regionalization and planning are not the final objective or end-product of a process of decentralization. New and wider empowerment should be demanded at the level of sub-national entities. It also means that intermediate structures will need to be further empowered. In the case of Bulgaria, this applies to the District and to the planning region structure. They are the ones that will have to take care of the more aggregate dynamics imposed by the market development at the regional level, within the national strategy of development and structural reforms.

The Districts and Planning Regions do not have to become an additional, cumbersome bureaucratic layer in the usually complicated and slow decision-making process in Bulgaria, but instead they could be sufficiently empowered to make decisions and to use the resources allocated to them to solve problems at the local level. Part of the strategy for municipal human development in Bulgaria, requires adequate and legally enforced mechanisms of actual

empowerment and financial autonomy at subnational level. Districts and Planning Regions need to become agile and a powerful tool for human development for attaining better life conditions in municipalities.

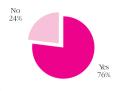
At the local level in Bulgaria there is already mounting expectations about the intermediate sub-national units of decision making. Local development actors expect an agile and effective response from Districts, that they be empowered to promote local human development in a much more participatory and legitimate way. An overwhelming majority of local development actors support the election of District governors.. In the same vein, the majority of local development actors reject the idea of introducing an elected District Council mainly because they want to have as direct interaction as possible with the District authorities.

As the 1998 Correa Report argued, "if decentralization is really to imply an effective redistribution of power in Bulgarian society, it has to meet successfully three main challenges: 1) to produce a transference of power. That is to transfer all relevant competencies -so as to have strong and autonomous sub-national, regional, and local social and political actors, properly empowered; 2) to create, or effectively reinforce, new social and political actors of power at the district, regional and local levels, with capacities and power enough to negotiate or to counterbalance the power of the social and political actors at the national level of power and 3) to see proof of the credentials of the national leadership toward genuine democratic reforms. This would become evident when those responsible at the local level begin to push the development process— (the subnational, regional or local new actors of power) but who may not necessarily have the same ideological or political leanings of the national actors of power or of the government."

Hence, when looking towards EU accession and to further economic growth, from the very beginning the government should keep in mind the municipal perspective. The municipality can no longer be

Figure 3.2

District governor should be directly elected by majoritarian vote:



Source: UNDP/Friedrich Ebert Foundation Survey for NHDR 2000

Figure 3.3

Would you agree to introduce self-governance at the level of the six planning regions?



Source: UNDP/Friedrich Ebert Foundation Survey for NHDR 2000

viewed as an opposing element to European integration or to more economic growth. It is a vital component of both processes, whereby the municipality should provide development impulses from below and not receive them from above. In many respects, the future success of the

transition of Bulgaria towards the levels and requirements of EU membership may depend on the existence of an institutional system of governance, in which the local voices can be heard and municipalities take a more active role in national policies.

## Box 3.8 **MAJOR LEGISLATIVE INSTRUMENTS FOR LOCAL SELF-GOVERNANCE IN BULGARIA**

#### The Constitution of the Republic

• (Art. 2, Art. 17 (4), Art. 20, Art. 60, Chapter VII (Arts. 135-146) Art. 149 (1) 3, Art. 150 (1))

#### **International Law Instruments**

- European Charter for Local Self Government
- European Outline Convention for Trans boarder Cooperation between Territorial Communities and Authorities
- European Charter for the Participation of Young People in Regional and Local Life

#### **Constitutional Law**

- The Constitutional Court Act
- The Normative Instruments Act
- The Referendums Act
- The Municipal Elections Act

#### **Administrative Law**

- The Administration Act
- · The Public Servant Act
- The Administrative Procedure Act
- The Administrative Offenses and Penalties Act
- The Supreme Administrative Court Act
- The Administrative Services for the Individuals and Legal Entities Act
- The Local Self Government and Local Administration Act
- The Administrative-Territorial Organization Act
- The Organization of the Territory and Settlements Act

#### Financial, Tax & Budget Law

- The Municipal Budgets Act
- The State Financial Control Act
- The Chamber of Audit Act
- The Local Taxes and Duties Act
- The Corporate Tax Act (Corporate Tax for Municipalities)

### **Property & Business Law**

- The Municipal Property Act
- The State Property Act
- The Public Procurements Act
- The Inheritance Act (art. 11)
- The Reorganization and Privatization of the Municipal and State Enterprises
- The Commerce Act (esp. Arts. 61 and 62)

Source: European Law Society, 2000.

## Putting Local Human Development in Perspective

Local self-government in Bulgaria has historic roots going back over a hundred years, although between 1945-89 it was disregarded. It was rediscovered in current Bulgarian practice with the adoption of the Constitution of 1991. The model established in 1991 had several essential features, such as autonomy from the national/central authorities in several areas, co-operation between mayors, municipal councils and a two-tier system of management (regional and municipal). Mayors are supervised by central government through the regional governors, the Ministry of Finance (especially when dealing with central budget subsidies) and the Ministry of Regional Development and Public Works. As can be seen in Box 3.8, there are already plenty of legal instruments for local government in Bulgaria to cover diverse financial, political and economic areas.

In spite of these elements, municipalities in Bulgaria are not yet fully considered development actors. The current municipal model is still very much centralized. As such, it is susceptible to national partisan pressures in the form of local lobbies, and the basis of relations between national government and municipalities is mainly contingent to issues of centralized financing and budget. At this stage, it is timely to explore how municipalities can be gradually integrated within the current (District) and future (Planning Region) institutional arrangement. The question here, again, is not whether channels for central influence in regional and local developments should exist or not. The more strategic question is how to design these channels in order to avoid relegating local actors to the level of passive recipients (of decisions, of resources, of visions).

Beginning to integrate municipalities today into the

national scheme is not just more democratic, it may be more efficient in the long run. As national policymakers focus more and more on international economic policies, the government needs to have in place mechanisms to solve problems of the transition process that are manifesting themselves at the municipal level. As was shown in Chapter 2, for many at the local level the national government appears to be quite removed and distant from the people, especially in the case of implementing policies, programs and projects. In municipalities, actors showed a willingness and determination to solve their own problems locally, and yet, because of the dominant centralist approach present in national-municipal relations, municipalities find themselves actively seeking help and answers from the national authority. Unfortunately, most of the time the central level does not provide concrete solutions or answers. It seems more logical and efficient to give local actors the necessary tools to find solutions to local problems. They have better access to information about the local scene, are better equipped to resolve local problems and have sufficient capacity to foster citizen participation and create a unique interactive policy process closely related to better governance. The underlying problem here is not just the unwillingness of the center to decentralize, but how the actual pattern of redistribution of the Bulgarian economy is managed (as was shown in Chapter 1 in the analysis of employment/ unemployment, productivity).

The role of municipalities vis-a-vis the economic decisions taken at the Planning and the District levels is a strategic issue. It means that an optimal compromise between national and local policymaking levels is necessary. The problem is not just the further empowerment of actors at the local level. but rather it is how municipalities could move away from being budget/subsidy negotiators with ministries and national leaders to being tellers who pay salaries and services. It is also about how to generate resources at the local level and to stop being dependent on the center. In some cases, it is understandably an inextricable issue (some regions and municipalities simply don't have the necessary competitive advantages). But national policies could be utilized selectively to offset such inextricable cases. The

### ANTI-POVERTY INITIATIVES FOR LOCAL HUMAN DEVELOPMENT

Box 3.9

As agreed at the Copenhagen World Summit on Social Development in 1995, a renewed global strategy against poverty needs to be designed, with more resources and a sharper focus and a stronger commitment, while developing and transition countries are being encouraged to launch full-scale campaigns against poverty. In Copenhagen, countries committed themselves to establish their own estimates of poverty, set their own targets and elaborate their own plans. The role of external assistance is precisely to help them build the capacity to follow through on their decisions and resolutions. While some of the countries most successful in reducing poverty have not produced specific plans, they rather constitute an exception. A plan is the evidence of a national commitment, and of an explicit allocation of resources to the task. It is also a means to build a constituency for change. Without such organized public action, market-driven economies are rarely capable of promoting social justice.

Often poverty programs are too narrow, and are mainly confined to a set of target interventions. Many of these were designed as social safety nets to counter major national breakdown neglecting the macroeconomic and national governance policies dimension. Moreover, many poverty programs are disjointed as external donors provide much of the funding for individual projects, failing to build government's long-term capacity to administer these programs.

Being a multidimensional problem, poverty should be addressed by a multisectoral approach, cutting across government ministries and departments. Effective governance is often the "missing link" between national anti-poverty efforts and poverty reduction. Anti-poverty campaigns have often bypassed and ignored local government. Donors used to favor funneling resources through central governments but now they increasingly rely on civil society organizations. As a result, the critical role of local government, when elected and accountable, continues to be forgotten. If poverty reduction programs are to succeed, local government must be strengthened, and held accountable both to the central government and to its constituents. In the long run, building stronger and more accountable local government is the only way to make decentralization pro-poor. Popular participation and partnerships with civil society organizations can foster greater transparency and accountability. Setting monitoring and evaluation systems that tie financing to performance can also enhance accountability. But this requires time, resources and capacity building.

The lack of an integrated approach characterizes several poverty programs. In fact, these are seen primarily as a set of targeted interventions, (a series of small-scale projects) which are not integrated within national policies. Economic and social policies are artificially divided. Also, there is the habit of thinking sectorally, and organizing government departments along sectoral lines. The problem is especially acute with respect to such issues as gender and the environment. The links between these two areas and poverty remain weak.

Source: UNDP. Overcoming Human Poverty. New York, 2000.

other aspect for national policy is to find the "optimal" dimension of redistribution, which would provide opportunities for human development for the most developed municipalities, and strengthen conditions for the most vulnerable municipalities to combat growing poverty.

A comprehensive development framework is necessary to sharpen the focus on major goals of regional and local development, to highlight the integrated nature of policymaking, to emphasize the necessary institutional processes required to sustain local human development and to coordinate these efforts. To create this new framework for local human development, a political decision needs to be made in two areas. First, it is necessary to foster explicitly a more systemic process of interaction and relations between all development actors in Bulgaria, in such a way that vertical and horizontal mechanism are used more efficiently. In fact, as globalization and the EU process of accession become more intense, it will increase the spatial mobility of capital, investment and development funding from donors. Thus it is important to reinforce the regional and municipal capacity to manage development and coordinate and negotiate decisions. At the same time, it is important to design regional initiatives, with the most adequate levels of consensus from municipal actors. Such initiatives should be the result of from negotiations carried out by regional and local governments, which also implies the capacity to mobilize non-governmental actors (civil society).

The second area is to gradually, but consistently, promote a synergetic governance process for all actors at all levels. The need to find catalytic agents at the local, regional and central levels and a new system of information flows would put the decisional trajectory within a strategic framework for more human development. In the long run for Bulgaria, regional initiatives or regional development projects that involve as directly as possible municipalities, would be a critical human development policy choice. In this manner, not only public resources will be used in a more efficient manner, in support of human development, but also other types of resources (e.g., structural funds).

It is important to reinforce the regional and municipal capacity to manage development and coordinate and negotiate decisions

# Retbinking Human Development for Municipalities

Unquestionably the current municipal development scene in Bulgaria is diverse and represents an arena in which a set of common concerns and human development aspirations come together as a vision which reflects a reality closest to people's problems. In some ways, municipalities are a microcosm of the national scene, where integrated and face-to-face solutions have helped to resolve a variety of problems, and which may provide some insights for national polices and priorities, as well as for district development plans. Even as globalization and integration is directing the attention of the Bulgarian national government to events, forces, and ideas outside their borders, this Chapter has shown that the local scene is already projecting aspirations, experiences and activities which would serve as catalysts for further change and human development in Bulgaria in the near future. Moreover, there are municipalities in Bulgaria that have achieved important goals of good governance and social transformation, from which important lessons can be drawn for new regional development policies.

Current municipal development activity is also bringing to light the issue of social capital. Relations and interactions of actors and factors of development in the local scene, including institutional arrangements and relations that mediate transactions and conflicts, are present. However, high levels of organizational and social capital in Bulgaria are still in the process of becoming active agents and facilitators of change at the local level. The process of transition of the last ten years and patterns of migration are beginning to weaken traditional social relations and social ties at the local scene. Local selfgovernance and levels of human development can be vehicles through which the need for collective action could be encouraged and promoted, as a way of increasing people's ability to articulate their demands and mobilize organizational and social capital. For that purpose, however, urgent administrative improvements are necessary to optimize both resources and existing institutional structures.

Chapter 3 has highlighted two main policy areas to

begin rethinking human development for municipalities in Bulgaria. First is the policy issue of the institutional structure for municipal human development. That is, by taking into account fiscal, political and administrative institutions, how will each level of government operate with respect to municipal development? It would be important to analyze and debate the structure of sub-national units of government (Planning Region, District), as well as their role in the system. Both centralist and deconcentrated approaches to the issue of institutional structure face the same trade-offs between efficiency and effectiveness. Nonetheless, discussing alternative options to the status quo could foster ideas on clarifying the allocation of functions in the system of governance in each tier. Also new ideas are needed regarding shared functions to create economies of scale, capture externalities and making national policies more applicable to varied situations and priorities at the local level.

The second policy issue is much more complex, as it regards assignment and control of resources. The ability of sub-national units of government to act efficiently, irrespective of whether they are independent of central government or whether they act on their own behalf, will depend on two issues: whether they have access to alternative sources of resources and whether they have at least some room to maneuver and create more options. Two aspects related to this issue are clear. Municipalities in Bulgaria need resources commensurate with their assigned responsibilities, and financial resources should follow functions, not the other way around. The role of transfers and subsidies to municipalities deserves intensive discussion, especially to ensure that transfers do not limit the municipalities' functions or produce artificial conditions for human development. In addition some form of local revenue schemes should be designed to cover local expenditures and even promote local investment.

The ability of sub-national units of government to act efficiently will depend on their access to alternative sources of resources and the freedom to choose alternative policy options

#### **CHAPTER 4**

# TOWARDS A POLICY AGENDA FOR LOCAL HUMAN DEVELOPMENT

#### BRINGING HUMAN DEVELOPMENT AND GOOD GOVERNANCE TO MUNICIPALITIES

Many developing countries and countries in transition, like Bulgaria, have put at center stage the implementation of national policies for macroeconomic stability. Much less consistent and comprehensive analysis has been devoted to how to integrate sub-national factors and actors into human development policies. It is widely known that there is no automatic link between macro-economic growth and human development, and even when links are established, it is also known that they may gradually be eroded unless regularly fortified by strategic policy management.

As it was argued in various global Human Development Reports (1996, 1997, 1998, 1999), improvements in human development have been possible, in some cases, even in times of economic decline and decreasing growth rates. However, such advances can only be sustained over a long time frame if timely supported by more economic growth. At the same time, for economic growth to be sustained, it must be constantly nourished by more human development. Bulgaria can not afford to follow a course of development where economic growth is not matched by advances in human development. On the contrary, it needs a strategy that strengthens the links between economic growth and human development at all levels of governance and decision-making.

A policy agenda to bring human development and good governance to Bulgarian Municipalities must

be strategic. It must be used in guiding thinking and long-term decisions. High on the policy agenda must be to maximize central resources while building local capacity. Thus the overall goal of the agenda for local human development in Bulgaria must be thought not only in terms of economic growth and resources distribution, but also in terms of social and institutional transformation. There is no universal recipe for a local good governance and human development strategy, but at minimum it should set forth a vision. This strategy must set certain goals, such as reducing poverty, transforming institutions and creating new capacities. Four components can be combined in such a strategy: linking municipalities to national policies, strengthening local self-governance and public policy, prioritizing a strategy for local human development and bringing Bulgarian municipalities into policy focus. On the basis of these four components concrete policy actions should be taken.

Bulgaria can not afford to follow a course of development where economic growth is not matched by advances in buman development

#### Linking Municipalities to National Policies

Incorporating municipalities more explicitly in national policy requires a three-dimensional approach.

# 1. Local Strategic Human Development Thinking

There is the need for a comprehensive development framework at the lowest level of self-governance. This framework will have to go beyond the annual municipal development plans and will serve a number of purposes. It will include sharpening the focus on the major goals of local human development, to reduce poverty, to "localize" human development objectives and to translate them into the specific needs and priorities of the Districts or municipalities. It should also highlight the integrated nature of policymaking and to emphasize the institutional process required to sustain local development (coordination, participation, partnerships). This framework will also have to underscore the growing realization that the many elements that make up local development must be planned to-

There is the need for a comprehensive development framework at the lowest level of self-governance

gether and coordinated at all levels of decisionmaking.

This framework may take the form of Local Strategic Human Development Plans, which involve organized public action and could also be a means to build or strengthen constituencies for change. They may reflect or provide evidence for more appropriate allocation of resources and it could be a means to mobilize additional resources. Furthermore, they could be a qualitative improvement over current processes, which follow a strict vertical bureaucratic approach and have little community participation (see Chapter 3). Local Human Development Strategic Plans can be done at the beginning of the mandate of the mayor and the municipal council and updated on an annual basis. Such plans will have to have at least four articulating elements.

- A comprehensive human development balance sheet for municipalities to learn the type of resources that exist, the skills, the profile of income distribution and levels of poverty in each of the municipalities.
- Goals for municipal human development in order to start from the ends and work towards the means, not the other way around. The four priority areas will be improvement of economic conditions for growth, optimization of resources, poverty alleviation strategy and capacity building.
- A set of both quantitative and qualitative indicators for the future monitoring of trends. There must be an open discussion on what levels of human development thresholds are acceptable in each municipality, given current and projected conditions. Also there needs to be complementary indicators to unemployment/ employment trends. Besides the budget related figures, the human story must also be brought out in assessments and development plans. At the same time distribution policies should have an optimal balance between equity and district/ local competitive advantage. Coordination with central and regional authorities will be crucial to ensure that municipalities with low levels of human development are targeted explicitly.
- New human development instruments for local

development need, to be created and applied. Most of them should have self -organization as the foundation for human development at the municipal level. Self-organization should be interpreted both as joint action of local development actors within the municipality and within groups of municipalities at the District level. Local coalition building aiming to solve specific and concrete problems of certain areas should be supported and encouraged. Since problems are not usually limited to District borders, these coalitions should not be restricted. within them as well. Such coalitions may also build broader organizations to influence regional and national policy-making. Cooperating at the local level is one of the feasible ways to make local voices heard. The outcome of such cooperative thinking and actions could be the basis of local human development strategic plans.

#### 2. Donor Supported Projects and Programs: Demand Driven and Focused

Donor sponsor activities at the local level have demonstrated certain advantages for human development, particularly with relation to institutional aspects. For instance, decentralization of decision-making and resources and fostering community participation. They also seem to be less susceptible to political influence while transparency and accountability in resource allocation is more likely to occur. Alhough the activities do not always complement with those of line ministries, donor sponsored projects have tested several types of initiatives.

Development cooperation is already playing a vital role in promoting human development in Bulgarian municipalities, and could play an even greater strategic role. At issue is not so much the question of how to foster an increase in official development assistance, but how to promote more focussed and co-ordinated multilateral and bilateral aid directed to municipalities. Since the problems needing donor support are not territorially concentrated, the provision of funds should also be territorially diverse in order to avoid concentrating resources in one municipality and leaving behind others with similar needs for support. There is a need to emphasize both

Since the problems needing donor support are not territorially concentrated, the provision of funds should also be territorially diverse in order to avoid concentrating resources in one municipality and leaving bebind others with similar needs for support

micro-interventions and national policies to integrate both into a comprehensive human development policy.

As can be seen in Box 4.1, the present technical and financial assistance directed to local governance has been relatively small (5% of total assistance). It has focused on three main areas: strengthening of municipal capacities for planning, through training and technical assistance; promotion of local development actors (associations of municipalities and support to NGOs); and networking between Bulgarian municipalities and municipalities from donor countries. Donors have begun to work and coordinate their activities more closely with the development actors at local levels, although much more needs to be done to make these efforts even more effective

One recommendation would be for donors not only to coordinate efforts but also to support municipalities on a demand-driven basis. Based on the Local Strategic Human Development Plans (mentioned above), donors could focus their efforts and resource allocations more efficiently in four specific areas. First, geographic areas, rather than direct resources to particular sectors or municipalities. Because donors face resource constraints, the need for household surveys at the municipal level, to complement the MHDI and other municipal indicators may be necessary to make the best use of limited resources. Poverty maps could also help to identify geographical municipal priorities. Second, donor support can be more targeted to specific human development problems such as vulnerable or disadvantaged social groups (women, children, , the elderly, people with disabilities and ethnic minorities). Donors should continue to emphasize governance issues at the local level including institutional strengthening. Donors should work towards allocating resources to specific activities such as social services, micro-finance or physical infrastructure.

A separate area of growing significance for donor support is information technology, to avoid critical gaps at the local level. The Bulgarian society still has a unique opportunity to "leap-frog" into an advantageous position in information technology. Al-

## INCREASING ASSISTANCE AT THE LOCAL LEVEL: Box 4.1 SUPPLY DRIVEN OR DEMAND DRIVEN?

International assistance to Bulgaria has increased steadily during the last ten years. In 1997 the amount of humanitarian assistance to Bulgaria peaked, and in the following years assistance has focused on specific themes. One of them has been the promotion of good governance at the local level.

Several donors, international NGOs and municipal and regional authorities from more developed countries have started initiatives and projects to assist Bulgaria in strengthening local governance. UNDP estimates that the international assistance directly targeted at the local level in 1999 was about US\$51 million, which represents about 5% of total assistance to Bulgaria. Among the most involved donors in supporting local governance are the United States Agency for International Development (USAID), the Government of the Netherlands, the British Know How Fund, UNDP and the Swiss Agency for Development and Cooperation.

At a meeting organized by UNDP in March 2000, practitioners representing donors and implementing organizations concluded that successful projects at the local level should:

- Build the capacity of the local authorities, but also that of the citizens
- Have a long-term perspective. Short-term interventions tend to be non-sustainable and do not have real impact
- Involve local actors to ensure ownership
- Involve political actors as well as the representatives from the legislative branch, by engaging the Members of Parliament of municipalities where projects take place
- Promote the sharing of best practices and experiences among projects and coordination among municipalities

With regard to the future, participants at the meeting concluded that there is a need for a shift in support of local governance in Bulgaria, from a supply driven model where donors take their own initiatives, to demand driven ones, where municipalities prioritize their needs. The group concluded that future support to Bulgarian municipalities could be done in the following areas:

- Build capacity in order to adequately benefit from EU structural funds
- Strategic planning at the municipal level
- Fiscal decentralization
- Participation, including the role of the media
- Interaction and relations between municipalities, regions and the central government
- Interaction and relations among local development actors (businesses and NGOs)
- Networking between municipalities

though new skills are needed, Bulgaria has the necessary human capital to begin incorporating the new e-technologies. What is missing is usually the "hardware" capacity and a clear policy framework.

It is timely to explore more explicitly bow municipalities can be gradually integrated within the current (District) and future (Planning Region) institutional arrangements as genuine actors

In order not to lose this opportunity targeted programs for technological support of municipalities may be a necessary component of donor-driven support.

# 3. Building Local Capacity & Reform of the Vertical Institutional Arrangements

Capacity building for the local level should be seen as a process to improve capabilities to carry out certain key functions of, and for, development and to achieve the objective of human development. It should augment the current local elements in the planning process in terms of problem identification, resources and opportunities. To a great extent it depends on the nature and model of relations between the municipalities, Districts and Planning Regions. The current decision-making cycle does not allow the necessary space to have a more systemic model of governance, where all levels of decision-making coordinate and implement efforts more effectively. Chapters 2 & 3 have already analyzed the situation in which Bulgarian municipalities can not yet be fully considered development actors. At this stage, it is timely to explore more explicitly how municipalities can be gradually integrated within the current (District) and future (Planning Region) institutional arrangements as genuine actors.

Local capacity for human development is one of the major determinants of the impact of governmental and donor resources. Also local initiatives cannot hope to succeed unless they are coordinated with intermediate development plans and supported by an enabling policy environment. Capacity is also needed among local development actors, as well as for greater coordination of development efforts by donors. The capacity for such coordination has to be deliberately built-up as part of an overall human development strategy.

To begin moving in this direction, one suggestion could be to establish a permanent local human development policy advisory unit within the Ministry of Regional Development and Public Works. This unit could evaluate the impact of macro policies on municipalities, and make appropriate recommendations. It could work very closely within the regional

development planning process and provide advice for the implementation and development of programs and projects at the planning region. It could also help coordinate efforts directed to municipal human development among other central institutions, the Regional Development Council and district councils. Similarly, the policy advisory unity can work with other regional governmental and non-governmental entities (e.g., association of municipalities, regional agencies for development, business associations) so that their voices and participation carry sufficient weight when decisions are adopted at higher levels. The composition of the policy advisory unity can be designed to ensure a diverse participation of local governmental and non-governmental actors.

# Strengthening Local Self-Governance and Public Policy

In incorporating municipalities into national policy, there are two related issues. How can government reach out to more people? And how can national approaches help improve human development at the local level? Local governments, being closer to the people and more responsive to local needs, can make better use of resources, and in so doing channel them more direct to human development concerns. They are also more directly accountable to constituents. Perhaps the time has come for local governments in Bulgaria to not only raise and manage their own funding but also to start using them for human development needs in a transparent and accountable way. This can be tested at all levels planning, District and Municipal.

In theory, strengthening local self-governance should have a positive impact on efficiency, equity and economic and political participation. Through the self-governance approach projects, programs, policies and initiatives would be better able to match local needs, and with projects monitored locally, lines of communication should be shorter with fewer delays. Involving local people could also result in a more appropriate structure of services. Local development actors' participation could also open up the opportunity for people to add voluntary contributions assess

Local governments, being closer to the people and more responsive to local needs, can make better use of resources, and in so doing channel them more direct to buman development concerns

the impact a program or projects (local labor and material). As such, local services could also be more efficiently run and maintained and costs could be cut.

Above all, strengthening local self-government should not mean that higher levels of government completely withdraw their support from, or neglect, social services. For municipalities to increase efficiency, a lot depends on their relevance and awareness both of local and regional priorities and the way the local can and should fit into the national framework. For that purpose technical and financial support to local governments is also an important element of the synergy building process. On the other hand localizing development efforts could alter disparity tendencies, but they can also increase disparities among municipalities. Passing more responsibilities to local governments can benefit richer areas. If services are only funded locally, it may even heighten inequalities. Thus, the role of the central government is then crucial to prevent the widening of disparities. It can be achieved if the existing status and future targets of human development at the municipal level are taken into consideration when central transfers are being determined.

As was already argued in Chapter 3, strengthening local-self-governance involves the optimization, redirection and generation of resources, as well as the distribution within a consistent District and/or Planning Region vision. Local public expenditures, however, can not be seen as the only source for growth and for curbing structural unemployment. A high level of efficiency in public spending is also necessary. Efficiency in municipal public spending is a major prerequisite for long-term growth and human development at the local level. Public procurement regulations should be unconditionally and consistently applied, to increase the transparency of public spending. Municipal public services should continue to be privatized and deregulated, for public services to become more transparent and issuecentered. A good example is the garbage collection contracts with private companies that were signed in most municipalities. Other municipal services, such as street lights, road repair, water supply and transport, should also be considered for privatization or deregulation. When public utility

#### WORKING TOWARDS THE EUROPEAN LOCAL APPROACH

Box 4.2

The European Chapter on Local Self-Government (1985) stresses a number of significant elements, which constitute the basis for decentralizing public tasks and financing. Here are some of these elements:

- Local self-government denotes the rights and the abilities of local authorities, within the limits of the law, to regulate and manage a substantial share of public affairs under their own responsibility and in the interest of the local population (Article 3/1)
- Public responsibilities shall generally be exercised, in preference, by those
  authorities, which are closest to the citizen. Allocation of responsibility to
  another authority should weigh up the extent and nature of the task and the
  requirements of efficiency and economy (Article 4/3)
- Local authorities shall be entitled, within national economic policy to adequate financial resources of their own, of which they may dispose freely within the framework of their powers (Article 9/1)

To summarize, decentralization of decision-making implies that, wherever possible in the fields where the decision-making competence has been delegated to them, regional and local authorities shall be allowed discretion in adapting their exercise to regional and local conditions. This therefore implies that central government has to abstain from regulating these delegated policy areas in detail.

Source: European Charter of Local Self-government, 1985 (Council of Europe).

services are efficiently regulated, competitive services usually prevail. Local governments that succeed in this endeavor could have good infrastructure at the same price, without additional burdens lay upon the private sector.

#### Prioritizing a Strategy for Local Human Development

The heavy role of the State in Bulgaria today is declining with the advance of market reforms and deregulation. The government is withdrawing from certain areas, like public-sector enterprise, but it's influence is not being phased proportionally into such areas as local human development. The restrictions of the CBA often limit the possibilities of the government to devote more resources for local development. However, economic and political room for making greater advances and changes in the process needs to be open gradually. Within the political discussions and legislative efforts underway for EU accession and regional development there is already space to begin

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the local level

discussing more broadly the country's strategic interests and to advance decidedly on a process of decentralization. For instance, two decrees regulating the boundaries and centers of the Planning Regions were already adopted in June 2000.

However, the process of formalizing the planning regions could be further strengthened, by actively involving in the discussions, key ministries and agencies, the District governors and local officials. This process may itself serve a useful function, in helping build a consensus not only about a broad vision of regional development, but about a clearer view of the final objectives pursued in the planning regions scheme, in terms of the depth, scope and reach of the process. In other words a clear policy and model of what type of de-concentration or decentralization will be pursued must be decided. The question is not how much the model should be developed but to what extent to advance it, or what aspects or components of it might be implemented in the current conditions, time and sequence. Consensus-building is not only an important ingredient of achieving political and social stability, but can also lead to broad ownership, which in turn enhances the likelihood of success.

The Ministry of Regional Development and Public Works, should approach the issue of the planning regions and regional development from within a strategy for local human development. The strategy should emphasize the municipal system and the functions and performance of the regional entities entities, and in particular the role of District governors and public institutions and services. Nonetheless, the changes in the regional administration should not delay the process of decentralization at the municipal level.

In terms of the municipal system, in addition to the three areas mentioned above (local strategic human development thinking, demand driven projects and capacity building) there are other relevant initiatives that need to be discussed for implementation. They should include the following:

Giving municipalities greater autonomy over the generation and use of resources. Here, the issue is

not only quantitative but also, qualitative. In terms of resource generation the question is how much power to give to local administrations to levy their own taxes or to determine the level of certain existing taxes, (according to minimum and maximum parameters set by the Ministry of Finances), as well as how to support municipalities in improving their tax collection mechanism (e.g., cadastres, , and curtailment of possible corruption). In terms of use, there is also the question of how to provide municipalities with the widest range of possibilities (amounts, type of projects) relating to their autonomy in deciding financial matters.

Increase municipal financial resources, through different and complementary mechanisms, such as allocating greater amounts of resources, improving the access and decision-making possibilities of municipalities over those national sectoral funds (RIF, structural and pre-accession funds) that are destined for programs or projects with a local impact and improving the access of municipalities to international cooperation, where funding is already available for local projects.

Promoting understanding of human development, at the levels of mayors, municipal councils, ministries and social organizations, is a crucial first step to bring lasting and solid solutions to local problems. As was shown in, Chapters 1-3, it is still common for the local and regional levels to look to the central government for solutions to their problems. It is, therefore, strategic to remove such a State-oriented dependent culture, by promoting different initiatives (e.g. NGO participation, town meeting, strategic planning)

Improve forms of greater coordination or associative initiatives among municipalities within Districts and Planning Regions, particularly in terms of some developmental investment projects. New governmental and non-governmental actors that can become catalyst for change can be encouraged to participate more actively. As was mentioned in Chapter 3, there are already eight regional associations of municipalities, in addition to the existing national association of municipalities. Also there are already numerous regional development agencies that work as semi-public entities. All of these may be

A clear policy and model of what type of deconcentration or decentralization will be pursued must be decided important vehicles for better coordination, jointventure developmental initiatives and to maximize impact at the local and regional levels.

With regards to the functions and performance of regional entities (e.g., Districts and planning regions), complementary initiatives can be taken to strengthen conditions for regional policy. For instance:

Giving an additional impulse to a policy of deconcentrating public institutions, in the process of establishing the Planning Regions. In so doing, greater territorial organizational coherence should be the goal. This would allow a better co-ordination of their activities in each Planning Region and District, among themselves and with local authorities. In other words, the present reality of a diverse territorial de-concentrated organization of different public institutions should end, unless the nature of the actions performed by a certain institution would make impossible or non-functional such territorial homogenization.

Empowering regional entities to make decisions on a number of significant issues. In line with this is the extension and strengthening the competencies of District governors with the simultaneous increase of self-governance elements at the District level. Either at the Planning Region or District level, some form of democratically elected entity should be implanted. As a minimum, elected mayors and members of the Municipal Council should participate more actively in the regional decision-making process. Such initiatives, however, should not be designed to create an intermediate bureaucratic level between municipalities and the national government, but rather as a real support to municipalities' influence on District level decision-making on issues related to human development.

Strengthening the District's capacity to coordinate, at the local, regional and planning levels.\_Such a form of organizing and coordinating the efforts of the whole public sector should continue after Planning Regions are formalized. Governors and the staff of Districts have to be ready to work, on the one hand at the Planning Region level, and on the other at the municipal level. In this way, the goal is to have

a dynamic encounter of the national-regional deconcentrated subsystem with the local self-governance subsystem, producing synergies that should favor a better performance of the public sector and the institutional model as a whole.

#### Bringing the Mosaic of Bulgarian Municipalities into Policy Focus

What area of policy is most important for managing local human development in Bulgaria? This report has answered this question by pointing to the harmonization of economic growth approaches with steady and expanding support for human development and human rights. This is at the heart of a new approach to local human development in Bulgaria. Progress in local human development in Bulgaria will depend on a constellation of factors, and on policy adjustments in the NEDP that take place over time. What is required is to step beyond the debates of the role of governance and markets, recognizing that they need to complement each other and to put to rest claims that any particular policy is the magic formula that will inspire local human development. Here are four lines of policies, which represent and reflect the mosaic of municipalities in Bulgaria, and which may be used to guide policy adjustments and actions.

# 1. Mutually Reinforcing Policies for Economic Growth and Human Development

This policy situation is applicable mostly to municipalities with high levels of human development, and especially those that show expanding conditions for development. For this group policies need to be focused on reinforcing the linkage between human development and economic growth. Resources generated need to finance human development and employment. A greater presence of effective institutional mechanisms for human development needs to be permanently in place in these municipalities. It also means that there should be a concerted effort by central, regional governmental agencies and donors to support in these municipalities partnerships among public, civic and private actors, as well as support for efforts leading towards more institutionalized participatory decision-making. Local developIn order to achieve progress in local human development in Bulgaria it is necessary to recognize that governance and markets need to complement each other

ment actors and social organizations should be given the opportunities (legal and financial) to take more responsibility in planning and managing their own human development. Priority should be given to investment initiatives, especially in social infrastructure. These municipalities should also receive support to strengthen their local governance institutional structure and functioning (technology, strategic planning), as well as support for capacity building in area of resource management, development orientation and coordination.

# 2. Policies for Simultaneously Pushing Forward Human Development and Economic Growth

A great majority of Bulgarian municipalities can be said to be in a situation where human development conditions are declining, although some opportunities for economic growth exist. These municipalities have mostly medium levels of human development, but this situation can also be seen in many municipalities in the high human development category. For this group policies should focus on encouraging strategic planning to manage human development shortfalls and investment in capabilities. These municipalities may need support to mobilize additional resources for human development, specifically to be spent on social services. It is this group of municipalities where there is a greater need to ensure more equity in the distribution of resources. Projects and initiatives in these municipalities need to encourage good governance to enable people to share the benefits of growth and to encourage community action (especially the NGO sector). These municipalities should also receive support to strengthen their local governance institutional structure and functioning, although more emphasis should be placed on supporting capacity building in areas of resource management, development and coordination.

#### 3. Policies for Situations of Low Economic Growth and Adverse Human Development

Bulgarian municipalities in this situation are represented in all three human development categories (high, medium and low). These municipalities are in great need of supporting income-earning opportu-

nities, either in the form of small and medium enterprises, investment or micro-credit. They need support to improve their access to productive assets, like land, credit and physical infrastructure. Projects and initiatives in these municipalities need to encourage good governance to enable people to share the benefits of growth and to encourage community action (especially the private sector). Priority should be given to economic growth activities and initiatives. These municipalities should also receive support to strengthen their local governance institutional structures and functioning, although more emphasis should be placed in supporting capacity building in the area of resource management, development and coordination.

# 4. Policies for Situations Where Human Development and Economic Growth are Absent

At least one-third of Bulgarian municipalities find themselves in this critical situation. They have limited resources and there is no room to fund urgent human development and employment needs. They also lack effective governance institutional mechanisms for human development (capacity). They have local development actors, but they need support to begin building partnerships among public, civic and private sector actors. Unfortunately, most of these municipalities also lack adequate levels of empowerment of local actors and social organizations, as they are dependent on central government and have less autonomy in decision making. These municipalities would need a "Special Human Development Emergency Policy," to encourage income-earning opportunities, investment in human development activities and capacity building in the area of resource management, development and coordination.

#### AGENDA FORACTION

In addition to the four components for a strategic policy agenda to bring human development and good governance to Bulgarian municipalities, an agenda for action is also needed to put local human development concerns at the center of the policy agenda. Eight specific measures are essential.

# Figure 4.1 What are the 4 biggest problems in the Municipality?



Foundation for Local Government Reform Survey to 100 mayors, 1998

#### For Critical Municipalities:

- Prioritize 50 municipalities for immediate policy action. These should be municipalities with the lowest levels of MHDI and critical levels of unemployment and located in critical Planing Regions (especially the Northeast) and Districts (especially Razgrad, Vidin, Vratza, Silistra, Kardjali and Sliven). Prioritizing the Northeast Planing Region may complement the choice of the Northwest and South Central Planing Regions as government action priorities. Table 4.1 provides guidelines to prioritize municipalities.
- Provide these "priority municipalities" with social infrastructure investment projects (e.g., employment creation, business development), Special attention should be given to the longterm sustainability of these projects.
- 3. Monitor these municipalities effectively, utilizing the "Early Warning System" to oversee the effect of investment projects and also the impact of reforms, such as the health reform.
- On the basis of the results of the "Early Warning System" monitoring, complemented by human development and economic indicators, adjust policy actions and targets for the "50 priority" municipalities.

#### For all municipalities:

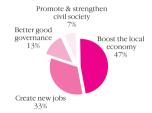
- 5. Invest in human capacities, including information and technology projects, connectivity and access to Internet and vocational training. Launch a national information infrastructure project for "Internet access in as many schools and Chitalishte as possible."
- Identify vulnerable groups in each of the "priority municipalities" and shift emphasis to specific interventions that address specific deprivations, such as, improving primary education, providing specific vocational training for minority groups.
- Support micro-credit initiatives and business incentives leading to self-employment by creating guarantee schemes and encouraging non-banking small scale lending initiatives.
   Some NGOs and community-based organizations should be supported more

- intensively as intermediaries between the target groups and banking institutions.
- 8. Special institutional strengthening efforts including, the formulation of municipal development plans. Support horizontal dialogue between and among local development actors (administration, local businesses and civil society organizations) during the whole process of the drafting, implementation and monitoring of the municipal development strategies.

As was analyzed, a policy agenda to bring human development and good governance to Bulgarian Municipalities must be strategic. The key ingredients are to set priorities and most appropriate sequencing of actions, to coordinate effectively and building consensus among national, regional and local actors. The necessary preconditions for this agenda for action is to have a clear and consistent vision of the problem. The preceding chapters have spelled out possibilities and obstacles for local human development and the role of good governance in capturing most of these opportunities and in avoiding pitfalls. Changes in policy are needed at once to support local action for human development. Targeting groups of municipalities for policy intervention might encourage the efficient use of resources and the prioritization of assistance and resources according to developmental situations. The 2000 NHDR focused on the Bulgarian local development scene, because it is an integral part of a systemic model for the promotion of human development. To exclude municipal needs, aspirations and capabilities may undermine Bulgaria's long-term process of transformation.

Figure 4.2

What can be done in the Municipality to improve human development?



UNDP/Friedrich Ebert Foundation Survey for NHDR 2000

## THE 7 CHALLENGES AHEAD FOR BULGARIAN MUNICIPALITIES

Box 4.3

- 1. The uncertainty of the reforms (especially health and education)
- 2. The lack of coherent social networks and safety nets at the local level
- 3. The revamping of economic development at the local level, especially with regards to employment creation and privatization
- 4. The lack of strategies of investment at the local level
- The incorporation of technological components to the current modes of production
- 6. Lack of capacity at the municipal level to promote business development
- 7. Lack of resources and a weak financial system

Source: Interview with the President of the National Association of Bulgarian Municipalities, 2000.

											Table 4.1
	RE	GISTERE	D UNE	MPLOY	MEN RA	ATE AND HUMAN DEVELO	OPME	NT			
Municipalities	HDI rank	Population 1998	Unemploymentrate End 1998 (%)	Unemploymentrate April 2000 (%)	Change in unemployment (1998-2000), in %	Municipalities	HDI rank	Population 1998	Unemploymentrate End 1998 (%)	Unemploymentrate April 2000 (%)	Change in unemployment (1998-2000), in %
Kotel (SL, S-E)	262	23,389	36.4	32.8	-3.6	Ugarchin (LO, N-C)	215	9,736	33.7	33.6	-0.2
Chernoochene (KA, S-C)	261	12,044	21.4	12.4	-9.0	Dimovo (VI, N-W)	214	9,659	40.6	52.6	11.9
Rakitovo (PZ, S-C)	260	16,141	39.2	40.0	0.9	Isperih (RZ, N-E)	213	28,053	31.4	40.3	8.9
Nikolaevo (SZ, S-C)	259	5,024	20.5	31.5	11.0	Byala Slatina (VR, N-W)	212	33,138	26.6	35.7	9.1
Opaka (TA, N-E)	258	8,395	29.4	34.1	4.7	Varbitza (SH, N-E)	211	11,653	38.1	46.3	8.2
Stambolovo (HA, S-C)	257	7,545	28.3	20.8	-7.4	Boynitza (VI, N-W)	210	2,486	26.6	29.8	3.3
Loznitza (RZ, N-E)	256	16,584	37.7	39.3	1.5	Kirkovo (KA, S-C)	209	32,538	25.5	18.3	-7.2
Tzar Kaloyan (RZ, N-E)	255	9,383	38.9	41.4	2.5	Stamboliyski (PL,S-C)	208	23,060	22.0	28.8	6.8
Ruen (BU, S-E)	254	30,810	34.7	35.9	1.2	Dve Mogili (RU, N-C)	207	13,150	31.2	35.0	3.8
Ruzhintzi (VI, N-W)	253	6,653	45.2	49.8	4.6	Topolovgrad (HA, S-C)	206	17,119	26.7	23.3	-3.3
Zavet (RZ, N-E)	252	13,125	30.7	39.0	8.3	Lukovit (LO, N-C)	205	22,263	25.1	28.6	3.5
Perushtitza (PL, S-C)	251	5,477	25.3	37.0	11.7	Mineralni Bani (HA, S-C)	204	7,377	25.6	23.1	-2.5
Alfatar (SI, N-E)	250	4,388	31.0	38.3	7.2	Venetz (SH, N-E)	203	8,839	40.3	37.7	-2.6
Krichim (PL, S-C)	249	8,761	30.2	33.5	3.4	Vetovo (RU, N-C)	202	19,686	41.6	46.3	4.6
Dulovo (SI, N-E)	248	32,900	17.9	19.0	1.2	Kaloyanovo (PL, S-C)	201	13,930	18.4	21.2	2.8
Valchedram (MO, N-W)	247	14,410	36.2	39.6	3.4	Kocherinovo (KL, S-W)	200	6,825	12.2	17.0	4.8
Saedinenie (PL, S-C)	246	12,506	26.8	22.6	-4.2	Kubrat (RZ, N-E)	199	26,120	27.6	31.8	4.2
Krushari (DO, N-E)	245	6,834	19.7	20.4	0.7	Sapareva Banya (KL, S-W)	198	9,398	16.8	18.8	2.0
Krivodol (VR, N-W)	244	13,082	27.1	33.1	5.9	Glavinitza (SI, N-E)	197	14,769	36.6	30.7	-5.9
Nikola Kozlevo (SH, N-E)	243	7,800	47.8	49.9	2.1	Letnitza (LO, N-C)	196	6,373	26.3	29.3	2.9
Samuil (RZ, N-E)	242	9,572	39.9	46.6	6.7	Nevestino (KL, S-W)	195	5,157	19.3	23.8	4.5
Pravetz (SO, S-W)	241	10,041	16.5	21.1	4.6	Simeonovgrad (HA, S-C)	194	11,278	21.6	22.8	1.1
Tvarditza (SL, S-E)	240	16,596	19.9	24.4	4.5	Zemen (PE, S-W)	193	4,661	16.0	12.5	-3.5
Kaynardja (SI, N-E)	239	6,141	44.1	57.4	13.3	Smyadovo (SH, N-E)	192	8,503	25.3	30.2	4.8
Kaolinovo (DO, N-E)	238	13,485	47.3	49.2	1.8	Gramada (VI, N-W)	191	3,520	23.9	37.4	13.5
Hayredin (VR, N-W)	237	7,466	39.6	41.9	2.3	Medkovetz (MO, N-W)	190	6,079	34.7	40.9	6.2
Bratya Daskalovi (SZ, S-C)	236	11,342	27.6	33.4	5.8	Nova Zagora (SL, S-E)	189	48,614	18.5	25.0	6.5
Avren (VA, N-E)	235	8,345	25.9	36.2	10.3	Dalgopol (VA, N-E)	188	15,066	37.2	37.4	0.2
Dolna Banya (SO, S-W)	234	4,787	27.3	31.5	4.2	Sitovo (SI, N-E)	187	7,285	30.6	33.4	2.8
Lesichevo (PZ, S-C)	233	7,108	38.2	42.7	4.5	Slivo Pole (RU, N-C)	186	13,532	39.6	35.8	-3.8
Anton (SO, S-W)	232	1,660	14.2	15.3	1.1	Iskar (PN, N-C)	185	9,588	40.2	48.7	8.4
Bratzigovo (PZ,S-C)	231	11,771	21.6	22.0	0.4	Dobrich rural (DO, N-E)	184	29,283	20.0	27.9	7.9
Bregovo (VI, N-W)	230	8,456	30.6	47.9	17.3	Breznik (PE, S-W)	183	9,386	17.7	17.6	-0.1
Chavdar (SO, S-W)	229	1,398	14.4	12.2	-2.2	Bolyarovo (YA, S-E)	182	6,735	22.8	29.9	7.1
Mizia (VR, N-W)	228	10,326	30.7	31.6	0.8	Oryahovo (VR, N-W)	181	16,415	31.9	32.4	0.4
Krumovgrad (KA, S-C)	227	30,410	12.5	16.9	4.4	Roman (VR, N-W)	180	8,386	22.1	39.6	17.5
Straldja (YA, S-E)	226	17,112	24.2	35.6	11.4	Novo Selo (VI, N-W)	179	4,608	29.7	28.5	-1.2
Borovan (VR, N-W)	225	7,386	33.8	46.6	12.8	Tundja (YA, S-E)	178	33,763	23.6	26.8	3.2
Kula (VI, N-W) Gulyantzi (PN, N-C)	224 223	7,690 18,315	22.1 32.9	28.2 31.1	6.1 -1.9	Sungurlare (BU, S-E) Brusartzi (MO, N-W)	177 176	15,896 7,465	24.3 35.1	30.4 35.1	6.1 0.0
Boboshevo (KL, S-W)	222	4,218		12.9	0.5	Gurkovo (SZ, S-C)		7,405 5,943	25.8	26.7	0.0
Tzenovo (RU, N-C)	222	4,218 8,651	12.4	34.2	-6.8	Chiprovtzi (MO, N-W)	175 174	5,945 5,999	25.8 16.0	30.2	14.2
Djebel (KA, S-C)	220	11,040	41.0 20.1	20.4	0.3	Maglij (SZ, S-C)	174 173	3,999 13,496	16.4	23.3	6.9
Pavel Banya (SZ, S-C)	219	16,510	26.1	29.0	2.9	Antonovo (TA, N-E)	173	8,223	45.2	23.3 51.8	6.6
Dolni Dabnik (PN, N-C)	219	16,034	28.9	31.6	2.9	Chuprene (VI, N-W)	172	3,382	45.2 21.4	32.5	11.2
Yakimovo (MO, N-W)	217	6,436	36.4	45.0	2.0 8.6	Nikopol (PN, N-C)	170	3,362 14,560	21.4	26.8	5.6
Dolni Chiflik (VA, N-E)	216	20,094	33.4	35.8	2.5	Aitos (BU, S-E)	169	32,128	19.0	23.1	4.1
Donn Chillik (VA, IV-E)	210	40,094	33.4	33.0	4.)	71103 (DU, 5-E)	109	12,120	19.0	4.3.1	4.1

Municipalities	HDI rank	Population 1998	Unemploymentrate End 1998 (%)	Unemployment rate April 2000 (%)	Change in unemployment (1998-2000), in %	Municipalities	HDI rank	Population 1998	Unemployment rate End 1998 (%)	Unemploymentrate April 2000 (%)	Change in unemploy- ment (1998-2000), in %
Sadovo (PL, S-C)	168	16,486	35.5	35.4	-0.1	Elhovo (YA, S-E)	121	22,878	23.0	27.9	4.9
Borovo (RU, N-C)	167	8,170	34.6	34.9	0.3	Berkovitza (MO, N-W)	120	23,985	17.2	24.9	7.7
Novi Pazar (SH, N-E)	166	20,678	14.9	33.3	18.4	Samokov (SO, S-W)	119	41,967	17.2	22.4	5.2
Sredetz (BU, S-E)	165	18,563	20.5	28.0	7.5	Mirkovo (SO, S-W)	118	3,432	1.5	12.4	10.9
Ardino (KA, S-C)	164	17,651	32.6	32.6	0.0	Momchilgrad (KA, S-C)	117	21,082	13.0	12.1	-0.9
Ihtiman (SO, S-W)	163	17,596	18.4	29.9	11.6	Tutrakan (SI, N-E)	116	20,419	22.0	30.9	8.9
Tervel (DO, N-E)	162	21,529	24.4	29.3	4.8	Madjarovo (HA, S-C)	115	3,447	19.1	12.0	-7.2
Kostenetz (SO, S-W)	161	15,666	8.6	15.9	7.3	Gorna Malina (SO, S-W)	114	6,473	11.5	12.5	1.0
Omurtag (TA, N-E)	160	26,951	35.8	43.2	7.4	Dragoman (SO, S-W)	113	6,562	10.5	19.2	8.7
Vetrino (VA, N-E)	159	6,964	19.6	23.3	3.7	Cherven Bryag (PN, N-C)	112	37,781	28.0	29.1	1.1
Koprivshtitza (SO, S-W)	158	2,806	15.7	14.2	-1.5	Hadjidimovo (BL, S-W)	111	12,044	22.4	21.6	-0.8
Opan (SZ, S-C)	157	4,453	10.8	15.9	5.1	Belogradchik (VI, N-W)	110	8,908	21.0	33.0	12.0
Dolna Mitropoliya (PN, N-C)		26,853	24.9	27.5	2.5	Karnobat (BU, S-E)	109	31,313	15.8	21.7	5.9
Chirpan (SZ,S-C)	155	27,926	20.0	23.2	3.1	Pernik (PE, S-W)	108	105,867	8.5	14.3	5.8
Popovo (TA, N-E)	154	39,688	18.6	29.9	11.3	Kozloduy (VR, N-W)	107	24,823	10.5	21.3	10.9
Chelopech (SO, S-W)	153	1,460	3.1	10.2	7.1	Lyubimetz (HA, S-C)	106	11,758	26.8	25.3	-1.5
Septemvri (PZ,S-C)	152	31,670	25.0	30.2	5.2	Peshtera (PZ,S-C)	105	22,797	17.8	26.8	9.0
General Toshevo (DO, N-E)	151	21,570	20.5	28.6	8.1 11.0	Zlatitza (SO, S-W) Georgi Damyanovo (MO, N-W)	104	6,198 5,003	10.1 12.4	13.0 17.2	2.9 4.8
Knezha (VR, N-W) Kameno (BU, S-E)	150 149	18,149 12,918	28.3 13.7	39.2 21.5	7.8	Laki (PL, S-C)	103	5,003 4,794	7.4	8.6	4.8 1.1
Suvorovo (VA, N-E)	148	7,598	27.9	40.0	12.2	Ivanovo (RU, N-C)	101	12,042	23.6	20.4	-3.2
Boychinovtzi (MO, N-W)	147	13,401	30.0	37.3	7.3	Belovo (PZ,S-C)	100	11,582	9.5	17.4	7.9
Kavarna (DO, N-E)	146	17,724	16.7	28.6	11.9	Lom (MO, N-W)	99	37,078	26.2	32.6	6.4
Harmanli (HA,S-C)	145	30,171	20.3	22.4	2.1	Balchik (DO, N-E)	98	22,180	12.5	25.2	12.7
Kyustendil (KL, S-W)	144	73,346	15.3	20.5	5.3	Radomir (PE, S-W)	97	25,948	9.9	17.5	7.6
Slivnitza (SO, S-W)	143	10,932	13.1	16.3	3.2	Galabovo (SZ, S-C)	96	17,118	5.6	15.9	10.3
Rakovski (PL, S-C)	142	29,128	32.9	34.7	1.8	Pomorie (BU, S-E)	95	27,179	13.9	20.1	6.2
Byala - Varna (VA, N-E)	141	3,224	21.4	31.1	9.7	Strumyani (BL, S-W)	94	7,412	21.4	23.8	2.4
Brezovo (PL, S-C)	140	9,398	12.4	25.1	12.7	Mezdra (VR, N-W)	93	27,415	15.3	20.5	5.1
Preslav (SH, N-E)	139	16,431	22.6	23.9	1.3	Garmen (BL, S-W)	92	14,764	29.2	31.9	2.7
Valchi dol (VA, N-E)	138	12,945	24.7	33.1	8.4	Ivaylovgrad (HA, S-C)	91	10,002	15.5	23.1	7.6
Elin Pelin (SO, S-W)	137	20,900	10.2	15.0	4.7	Malko Tarnovo (BU, S-E)	90	5,327	10.5	12.4	1.8
Byala - Ruse (RU, N-C)	136	17,935	21.0	26.2	5.2	Razgrad (RZ, N-E)	89	62,922	9.9	20.8	10.9
Parvomay (PL, S-C)	135	33,351	19.9	25.1	5.3	Batak (PZ, S-C)	88	7,422	16.5	25.0	8.6
Makresh (VI, N-W)	134	3,065	23.8	24.8	0.9	Hitrino (SH, N-E)	87	8,535	34.4	35.8	1.4
Belitza (BL, S-W)	133	11,562	34.8	46.6	11.7	Radnevo (SZ, S-C)	86	25,500	3.9	13.1	9.2
Treklyano (KL, S-W)	132	1,579	10.9	17.6	6.7	Kardjali (KA,S-C)	85	76,509	9.4	10.5	1.1
Tran (PE, S-W)	131	6,541	28.1	28.0	-0.1	Silistra (SI, N-E)	84	67,748	13.1	19.3	6.2
Kovachevtzi (PE, S-W)	130	2,429	9.7	20.2	10.5	Satovcha (BL, S-W)	83	18,366	18.1	20.3	2.2
Pazardjik (PZ, S-C)	129	128,856	14.6	22.9	8.3	Vidin (VI, N-W)	82	82,981	13.0	24.0	11.0
Svoge (SO, S-W)	128	24,175	10.7	14.0	3.3	Banite (SM, S-C)	81	7,462	28.2	26.7	-1.5
Rila (KL, S-W)	127	4,183	7.6	14.1	6.5	Kostinbrod (SO, S-W)	80	17,355	9.1	13.2	4.1
Levski (PN, N-C)	126	27,312	17.7	22.3	4.6	Yakoruda (BL, S-W)	79	11,064	27.5	46.6	19.2
Varshetz (MO, N-W)	125	10,511	23.3	32.6	9.3	Hisarya (PL, S-C)	78	16,824	18.5	21.5	2.9
Maritza (PL, S-C)	124	31,691	24.3	25.3	1.0	Yambol (YA, S-E)	77	88,193	11.5	22.6	11.1
Velingrad (PZ, S-C)	123	43,455	28.5	35.5	7.0	Bobovdol (KL, S-W)	76	13,649	2.0	7.5	5.4
Sliven (SL, S-E)	122	142,366	14.6	20.5	6.0	Dobrich urban (DO, N-E)	75	100,399	10.4	19.9	9.5

Municipalities	HDI rank	Population 1998	Unemployment rate End 1998 (%)	Unemployment rate April 2000 (%)	Change in unemployment (1998-2000), in %	Municipalities	HDI rank	Population 1998	Unemployment rate End 1998 (%)	Unemployment rate April 2000 (%)	Change in unemployment (1998-2000), in %
Targovishte (TA, N-E)	74	62,027	18.1	29.3	11.1	Kresna (BL, S-W)	28	6,651	12.8	19.6	6.8
Kaspichan (SH, N-E)	73	11,082	18.5	32.6	14.1	Montana (MO, N-W)	27	63,769	12.7	23.5	10.9
Shabla (DO, N-E)	72	6,826	15.4	22.2	6.8	Razlog (BL, S-W)	26	20,907	15.4	20.9	5.5
Provadia (VA, N-E)	71	26,185	24.8	36.2	11.5	Burgas (BU, S-E)	25	212,594	4.8	10.6	5.8
Shumen (SH, N-E)	70	109,042	7.6	15.4	7.8	Beloslav (VA, N-E)	24	12,145	9.6	17.8	8.3
Dupnitza (KL, S-W)	69	53,591	9.4	15.4	6.0	Elena (VT, N-C)	23	13,131	23.7	30.0	6.4
Asenovgrad (PL, S-C)	68	67,397	14.0	17.4	3.4	Dospat (SM, S-C)	22	10,267	25.9	33.1	7.2
Yablanitza (LO, N-C)	67	7,265	20.5	29.9	9.4	Tryavna (GA, N-C)	21	15,447	3.9	9.5	5.5
Zlataritza (VT, N-C)	66	5,753	39.7	46.2	6.5	Bansko (BL, S-W)	20	13,769	11.3	14.9	3.6
Haskovo (HA, S-C)	65	100,509	12.3	14.2	1.9	Sandanski (BL, S-W)	19	43,746	10.1	11.6	1.5
Etropole (SO, S-W)	64	14,591	13.2	17.5	4.2	Primorsko (BU, S-E)	18	3,629	15.2	15.3	0.1
Godech (SO, S-W)	63	6,794	11.1	16.1	5.0	Petrich (BL, S-W)	17	57,223	12.5	15.5	3.0
Aksakovo (VA, N-E)	62	17,539	15.2	21.6	6.4	Ruse (RU, N-C)	16	183,900	8.9	15.0	6.1
Pordim (PN, N-C)	61	9,132	19.5	23.9	4.4	Smolyan (SM, S-C)	15	48,215	13.5	20.9	7.5
Botevgrad (SO, S-W)	60	36,642	12.4	13.7	1.3	Polski Trambesh (VT, N-C)	14	20,972	33.4	38.9	5.5
Karlovo (PL, S-C)	59	73,194	7.2	16.6	9.4	Sevlievo (GA, N-C)	13	45,466	4.7	6.2	1.5
Pirdop (SO, S-W)	58	9,371	5.4	14.8	9.4	Gabrovo (GA, N-C)	12	80,032	6.9	13.1	6.2
Sozopol (BU, S-E)	57	14,082	16.7	20.6	3.8	Gotze Delchev (BL,S-W)	11	32,894	12.4	15.7	3.3
Nesebar (BU, S-E)	56	16,305	12.6	21.4	8.8	Blagoevgrad (BL, S-W)	10	80,882	7.7	15.5	7.9
Belene (PN, N-C)	55	12,816	14.5	19.8	5.4	Plovdiv (PL, S-C)	9	342,584	5.2	11.3	6.1
Strelcha (PZ, S-C)	54	6,302	31.4	31.4	0.0	Lyaskovetz (VT, N-C)	8	16,509	11.1	20.4	9.3
Svilengrad (HA, S-C)	53	26,147	13.5	17.9	4.4	Pavlikeni (VT, N-C)	7	32,195	16.2	20.0	3.8
Apriltzi (LO, N-C)	52	4,330	10.9	18.7	7.8	Suhindol (VT, N-C)	6	3,948	7.6	14.1	6.4
Teteven (LO, N-C)	51	25,195	18.6	21.4	2.8	Varna (VA, N-E)	5	305,737	6.6	13.7	7.0
Stara Zagora (SZ, S-C)	50	173,185	8.8	15.2	6.3	Svishtov (VT, N-C)	4	48,214	10.1	14.6	4.5
Devnya (VA, N-E)	49	9,282	5.0	30.0	25.0	Gorna Oryahovitza (VT, N-C)	3	55,551	13.3	19.1	5.8
Simitli (BL, S-W)	48	16,623	13.8	18.9	5.1	Sofia city (SF, S-W)		1,199,708	3.6	5.5	1.9
Dimitrovgrad (HA, S-C)	47	69,444	8.4	15.7	7.3	Veliko Tarnovo (VT, N-C)	1	90,597	9.4	17.3	8.0
Kazanlak (SZ, S-C)	46	85,483	8.5	15.4	6.9						
Zlatograd (SM, S-C)	45	15,143	18.5	28.2	9.6						
Vratza (VR, N-W)	44	91,416	13.8	21.5	7.7						
Nedelino (SM, S-C)	43	8,876	45.7	42.0	-3.7						
Borino (SM, S-C)	42	4,183	40.6	46.9	6.3						
Devin (SM, S-C)	41	15,533	28.6	35.2	6.6						
Strajitza (VT, N-C)	40	17,939	32.4	39.2	6.9						
Madan (SM, S-C) Panagyurishte (PZ, S-C)	39 38	15,967 30,550	20.1 16.9	37.6 24.3	17.5						
0.					7.4						
Rodopi (PL, S-C) Bozhurishte (SO, S-W)	37 36	40,852 6,546	20.7 5.6	15.4 8.9	-5.3 3.2	Districts encoding: Bl: Blagoevgrad	l;BU:I	Burgas: VA: Va	rna;VT:V	eliko Tarı	novo:
Dryanovo (GA, N-C)	35	13,387	11.9	20.9	9.0	VI: Vidin; VR: Vratza; GA: Gabrov					
Tzarevo (BU, S-E)	33 34	9,237	21.8	25.9	4.0	Kyustendil; LO: Lovech; MO: Moi					
Rudozem (SM, S-C)	3 <del>4</del> 33	11,500	13.0	28.2	15.2	PL: Plovdiv; RZ: Razgrad; RU: Rus					
Troyan (LO, N-C)	32	38,814	7.6	16.6	9.0	Sofia district; SZ: Stara Zagora; T					
Chepelare (SM, S-C)	31	9,811	15.3	20.9	5.6	YA: <b>Yambol</b> ; SF: <b>Sofia city.</b>		J,			
Pleven (PN, N-C)	30	150,408	10.2	17.3	7.1	Planning region encoding: S-W: Sout	hwest	; S-C: South cer	ntral; S-E: So	outheast; N	<b>I-E</b> :
Lovech (LO, N-C)	29	64,166	10.2	20.7	10.0	Northeast; N-C: North central; N-W:				,	