**Decentralization Strategy 2016-2025**

**Sofia, Мarch 2021**

 **MINISTRY OF REGIONAL DEVELOPMENT AND PUBLIC WORKS**

UPDATE OF THE DECENTRALIzATION STRATEGY

2021

*(summary)*

 In this document, decentralization is understood as a process of structural change in the implementation of public policies, which leads to the transfer of powers and resources from central government to local governments and regional institutions. The objectives of this process are, on the one hand, to strengthen the role of local and regional authorities in decision-making at national and European level and, on the other hand, to improve the capacity to provide public services in the interests of local communities, to strengthen the local democracy and citizen participation.

The development of the decentralization process in recent decades includes a number of measures and reforms at national, regional and local levels, seeking to increase the management capacity for policy formulation and implementation and the provision of services to society, thus increasing the potential for economic efficiency and growth.

In order to achieve an optimal result in the development of the decentralization process in Bulgaria, stable local self-government is needed to ensure balanced economic, social and territorial development, in accordance with local specifics and within national priorities: quality public services for citizens and businesses. ; stimulating economic growth and innovation; preserving and developing local democracy and achieving good democratic governance.

Well-functioning local and regional authorities and effective decentralization must be based on the principles of subsidiarity, proportionality and multilevel governance. This requires important policy decisions, institutional reforms and regulatory changes in the coming years, which address the transfer of powers and functions from central to local government in an efficient and effective way, establishing optimal and transparent distribution of resources between central and local levels, strengthening institutional and the administrative capacity to manage public finances, exercise public control over the actions of state institutions and ensure a functioning democracy at the local level.

The current Decentralization Strategy covers the period 2016-2025 and defines the vision, strategic goals and priorities that must be met in order to achieve higher efficiency of local government and ensure a better level of public services for citizens and businesses, where they live and work. For the implementation of the strategy, a Program for implementation of the Decentralization Strategy for the period 2016-2019 was prepared and adopted, which includes a package of measures and tools for achieving the outlined goals and priorities in the development of the decentralization process.

ANALYTICAL PART

The analysis of the implementation of the Decentralization Strategy for the period up to 2020 is made by strategic goals, taking into account data and information provided by the responsible institutions actively involved in the implementation of the Decentralization Strategy, as well as summarized statistics. The submitted reports, assessments and proposals contain information on the progress in the implementation of the specific measures of the Decentralization Strategy Implementation Program for the period 2016-2019. On this basis the progress in the implementation of the relevant strategic goals and priorities for their achievement is analyzed, following the systematic approach and the logic of the interventions set out in the strategy.

Strategic Objective 1 is aimed at implementing activities related to the transfer of powers and functions from the central to the local government in the sectors "Security", "Education", "Social Activities" and "Culture".

Under Strategic Objective 1 , activities have been implemented and information has been provided by the institutions responsible for the implementation of five of the eleven measures, and some of the concrete results achieved include:

- Established organization for determining the places for construction of video surveillance systems and assisting the municipalities in developing technical specifications for the construction and commissioning of such systems;

- Established registers in all regional directorates and in the Sofia Directorate of the Ministry of Interior (MI) for the video surveillance systems set up by local authorities in commercial and other sites with mass residence of people, and the information in them is periodically updated;

- Powers granted to municipalities to participate in public councils at municipal educational institutions, including at least one representative of the funding body (the municipality or the ministry, depending on the form of funding of each school);

- Greater freedom provided to municipalities to dispose of closed school buildings;

- Transformation of the vocational high schools of the Ministry of Agriculture, Food and Forestry into municipal ones;

- Extended municipal powers in terms of providing support for personal development and career guidance.

Under Strategic Objective 2 "Establishing the optimal distribution of resources between the central and local level" information was presented by the responsible institutions for the implementation of five of the eight measures, and some of the specific results achieved include:

* introduction of a new way of determining the fee for municipal waste after 2020;
* assisting the municipal administrations to increase the collection of the vehicle tax and reduce the administrative burden for the citizens by creating an opportunity for automated verification and electronic exchange of data between the institutions for the paid tax;
* in the introduction of a new local tax - tax on taxi transport of passengers, which enters the municipal budget and is a new source of revenue for municipalities, but in the opinion of NAMRB has a small financial contribution for limited groups of municipalities ;
* Provisions have been made to introduce a new way of determining the municipal waste tax after 2022, but as long as the tax is determined on a cost-oriented basis, the municipalities' own revenue base will not be expanded, but rather their powers will be expanded;
* new way of determining the tax on vehicles for cars and trucks with a technically permissible maximum mass of not more than 3.5 tons is regulated , which gives greater opportunities for expanding the own revenue base of municipalities in connection with the basis for determining of the tax on these cars and the abolition of certain reliefs (eg for an existing catalytic converter and its replacement with an ecological coefficient);
* the range of real estate taxable has been expanded, and it is accepted that tax is due in cases where within two years of completion of the building under construction, respectively - within one year of drawing up a statement of findings under Art. 176, para. 1 of the Spatial Planning Act, the building has not been put into operation or a use permit has not been issued. The adoption of this provision also expands the own revenue base of the municipalities;
* with the prepared draft law for amendment and supplement of the Local Taxes and Fees Act (LTFA), prom. SG, no. 96 of 2019, in force since January 1, 2020, the circle of persons who are subject to patent tax has been expanded, and it is accepted that the persons registered under Art. 97a of the Law on VAT, when carrying out patent activity, are subject to patent tax. Until the adoption of the provision, the said persons paid corporate tax when carrying out patent activity. The adoption of the provision is not a new source of revenue for the municipalities, but it will lead to the expansion of their own revenue base;
* A mechanism has been set up to consult with citizens and businesses during public discussions of the draft municipal budget and the results of its implementation. 16 properties representing archeological and immovable cultural values have been provided to the municipalities free of charge for management.

During the analyzed period the following normative changes were made:

* of 2016 with the Public Finance Act ( promulgated SG No. 15 of 15 February 2013, effective 1 January 2014 ) new fiscal restrictions have been introduced for municipalities regarding expenditure commitments and the amount of commitments. At a later stage, at the end of 2016, procedures and criteria were introduced for municipalities with financial difficulties, which are not perceived unambiguously, as state support is reduced to interest-free loans, such as deciding whether, when and how much the loan was granted to the Minister of Finance;
* Since 2018, in the Law on Local Self-Government and Local Administration (LLSGLA), significant changes have taken place in the chapter on inter-municipal cooperation. New regulations have also been introduced to prevent corruption among local voters and the administration;
* with legal changes in the field of education and especially in the field of social assistance, the municipalities received a large number of new responsibilities. They were defined as activities delegated by the state, with limited rights of municipalities to manage them. This increased the imbalance in the ratio of local - delegated activities, which is directly visible in the structure of municipal budgets, in the ratio of state transfers - local revenues;
* the scope of municipal revenues from concessions is gradually increasing. The provision to the municipalities of a part of the concession fee (50% for the underground resources and for the waters) according to the location of the concession area or site is regulated;
* with the implemented changes the tax powers of the municipal revenue units are expanded, a normative opportunity is provided for the collection of fees determined by the municipal council from the concessionaire, incl. and his right to retain all and part of the amount of fees collected.

The analytical review of Strategic Objective 3 "Civil control over the actions of public institutions" covers information on the implementation of the following priorities:

Priority 1: Equal participation of local authorities in the development of the legal framework affecting local self-government;

Priority 2: Expanding the participation of municipal structures in decision-making affecting their competencies;

Priority 3. Stimulating the creation of civic structures on a territorial basis and their participation in the process of formulating, adopting, implementing and monitoring the implementation of local policies.

The civil control over the activity of the municipalities is most pronounced, as the municipalities provide various channels and forms of communication both with the representatives of the local community and of the respective municipal structures. Independently, municipal councils delegate a number of new powers to municipal structures, but in compliance with the current restrictions of the Public Finance Act (PFA), for example, regarding the granting of the right to manage a delegated budget.

Strategic goal 4 is aimed at solving the problems related to the effective provision of services and the coordination of the state administration at the regional level. The implementation of the priorities for achieving the strategic goal is analyzed as follows:

Priority 1. Establishment of deconcentrated institutions at regional level;

Priority 2. Strengthening the capacity of regional institutions and expanding the scope of their competence;

Priority 3. Exploring the possibilities for creating a second level of local self-government.

For the implementation of Priority 1 and Priority 2, the Ministry of Regional Development and Public Works has undertaken a set of activities related to the implementation of a significant part of the envisaged measures. Concrete results have been achieved for analyzing the state of the existing regions and preparing a proposal for changes in their borders; transforming Regional Development Councils (RDCs) into bodies with clear rights and responsibilities; increase the capacity of regional institutions to implement regional policy, including the empowerment to manage funds under EU programs after 2020

STRATEGIC PART

The vision of the state of decentralization of public administration in Bulgaria outlines the basic expectations and future characteristics of the desired result of the implementation of the Decentralization Strategy. The updated vision for the state of decentralization of public administration in Bulgaria at the end of the period of the Strategy is defined as follows:

**The distribution of powers and resources between levels of government allows local authorities to strengthen their financial independence and capacity to develop and implement local policies for growth and employment and to provide quality public services based on the principles of good democratic governance.**

Strategic goals and priorities of the decentralization process in the period 2021-2025

The updated strategic goals and priorities of the Decentralization Strategy for the period 2021-2025will be implemented on the basis of the principles of subsidiarity, proportionality, partnership and good governance.

The strategic objectives cover the following main areas of activity to strengthen the decentralization process in the period 2021 - 2025:

* Expanding the powers to manage important activities for the local community, including some of the delegated, providing management of resources of local importance - natural, cultural, historical, etc. , expanding the capacity of municipalities to develop the local economy and employment, and when taking actions, for example for emergency-temporary measures for protection of immovable cultural values located on their territory;
* Encourage efforts to prepare and implement the necessary reforms in the field of financial decentralization. Efforts should be focused on building a balanced and stable model of fiscal relations and conducting budgetary and fiscal policies that strengthen the autonomy of local governments and their ability to improve public services, participate more effectively and efficiently in the processes of planning investments in economic growth, more and better jobs, digital transformation and the development of the green economy at the local level;
* Improving local government in municipalities by stimulating the implementation of European principles of innovative and good democratic governance at local level and promoting the implementation of effective local policies and good practices in partnership with civil society;
* Strengthening the capacity of regional institutions, expanding the scope of their competence to conduct a coordinated policy for regional and local development, with the aim of supporting the role of regional development councils, which coordinate the implementation of state policy for regional development in the region. level 2.

Based on the analysis of the situation and the challenges to the decentralization of public administration, including in specific sectors, updated strategic goals and priorities for their achievement have been formulated .

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| STRATEGIC GOALS AND PRIORITIES FOR THE PERIOD 2021-2025 |
| **Strategic goal 1** | Protection and development of the own sphere of activity of the local self-government[[1]](#footnote-1) |
| ***Priority 1.*** | Full exercise of the powers of local authorities in their own field of activity |
| ***Priority 2.*** | Expand the powers of local authorities and provide resources of local importance |
| **Strategic goal 2** | Development of local finances[[2]](#footnote-2)  |
| Stable and efficient financial system at the municipal level[[3]](#footnote-3) |
| ***Priority 1.*** | Expanding the municipalities' own revenue base in accordance with their legal responsibilities |
| ***Priority 2.*** | Improving the budgetary relations between the state and the municipalities[[4]](#footnote-4)  |
| Stable financial condition and relations of the municipal budgets with the state budget[[5]](#footnote-5) |
| **Strategic goal 3** | Development of local democracy and expansion of interaction with civil society |
| ***Priority 1.*** | Strengthening the European principles of innovative and good democratic governance at local level |
| ***Priority 2.*** | Promoting the implementation of effective local policies and good practices in partnership with civil society |
| **Strategic goal 4** | Increasing the influence of regional institutions for conducting coordinated policy for regional and local development |
| ***Priority (only)*** | Strengthening the capacity of regional institutions, expanding the scope of their competence and strengthening the role of regional governors in implementing the principles of decentralization |
| Strengthening the capacity of regional institutions and expanding the scope of their competence in order to continue the process of deconcentration[[6]](#footnote-6) |

System for monitoring the progress made and evaluating the implementation of the strategy

The monitoring and evaluation of the Decentralization Strategy are key stages in the overall process of implementation of the strategy and represent an important tool for improving the policy for decentralization of public administration.

Monitoring the progress made is essential for taking timely action to overcome emerging issues in its implementation and, if necessary, taking action to make changes and optimizations. In this sense, the monitoring strives to achieve efficiency and effectiveness, expediency and legality of the actions taken and sustainability of the results in the implementation of the Decentralization Strategy.

The evaluation of the implementation of the Strategy on the basis of the achieved results provides key conclusions and recommendations for adaptation and reform of the decentralization policy in the long run.

The progress monitoring system includes the following components:

* the main monitoring indicators;
* the sources, methods and periodicity for collecting, processing and analyzing the information;
* the actions of the responsible institutions and monitoring units, the organization and methods of their work;
* the system of reporting, the forms and the ways of providing public information.

Decentralization is a complex and multifaceted process that encompasses financial / fiscal, administrative and political dimensions. While measuring decentralization in its qualitative administrative and political aspects is equally complex, financial flows to, from and between different levels of government can be used to assess aspects of fiscal decentralization.

1. The opinion of the Ministry of Finance is that the formulated strategic goal and its priorities are unclear and need to be edited. [↑](#footnote-ref-1)
2. According to the formulation of the strategic goal given by NAMRB. [↑](#footnote-ref-2)
3. According to the formulation of the strategic goal given by the Ministry of Finance. [↑](#footnote-ref-3)
4. According to the wording of the priority given by NAMRB. [↑](#footnote-ref-4)
5. According to the wording of the priority given by the Ministry of Finance. [↑](#footnote-ref-5)
6. The name of the priority is according to the final opinion of the General Directorate "Strategic Planning and Regional Development Programs", Ministry of Regional Development and Public Works. [↑](#footnote-ref-6)