

## **Regional policy and regional capacities in the Republic of Bulgaria**

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### **1. History, concepts and legal-administrative background of regional policy**

Until 1989 the policy for regional economic development and the policy for planning physical assets and liabilities (functions, tasks and authorities) were highly differentiated and bore the mark of a centrally planned and governed state. Considerable socio-economic disproportions between regions and municipalities were recorded for the first time in the early 1980s. The most serious problems were found in the frontier and mountain areas. The nationalisation and collectivisation of property had a negative effect on the development of urban and village areas. As a response, the State Planning Committee - the agency predetermining the localisation of production activities and the public services - tried to encourage local economic development and provide social assistance to residents of backward areas. Most efforts aimed at creating small- and medium-sized enterprises, subsidizing construction work and new settlers in the depopulated regions. This policy did not achieve substantial results due to the lack of private entrepreneurial initiatives predetermined by the nature of the property, the low level of infrastructure in backward regions, the persistence of inefficient production units of big state-owned enterprises, the inefficient usage of domestic resources and the low level of qualified human resources in local areas.

After 1989 fundamental changes in the policy approach towards regional economic development took place. The new principles of regional policy are decentralisation, functional appropriateness, long- and medium-term planning, and stable development. *Decentralisation* implies to extend the rights of local authorities. In this respect, the parliament has adopted laws regulating the rights and duties of local authorities, the local budgets, municipal property, the right of partnerships in solving regional problems etc. A National Community of Municipalities was established to influence the legislative activity of the parliament. *Functional appropriateness* means to taking into account regional differences, specialties, traditions, potentials for economic development, areas of interest to the residents and geographic location of the municipalities. *Long-term plans* and medium-term programmes are to set major priorities of a complex development comprising economic, social, cultural, educational, infra-structural aspects. *Stable development* is to be attained by integrating sectoral activities, plans and programmes.

Reforms towards decentralisation prevailed in the period from 1991 to 1995. In comparison with the experience of the communist time, the main differences of the new approach of regional development policy are in planning, adoption and

acceptance of programmes. Planning will be carried out from the bottom upwards, i.e. by the local authorities. The regional councils of municipalities are to hold discussions on regional development plans. The Council of Ministers will adopt the National Plan for Regional Development in coordination with a special consulting council on regional development at the Council of Ministers. The members of this council are ministers and regional governors.

Entrepreneurship is based on changes in property rights, a clear distinction between municipal and state property and the constitutional equality of rights for private, municipal and state property. Priorities of economic development are defined with respect to the new foreign policy orientation of the country. Accordingly, those projects dominate which are related, or belong, to the Trans-european infra-structural networks for trans-border cooperation. The new approach of regional development policy envisages that sectoral policies will be integrated into a long-term National Plan for Regional Development (7 years) and financial resources be concentrated on specific regional programmes. Annual evaluation reports are to be prepared in order to assess the achievement of objectives formulated in the National Plan for Regional Development.

In order to achieve uniformity in the understanding of regional development policy and for the assessment of the regional capacity, it is necessary to clarify the essence and meaning of the terms used. *Region* is a concept with various connotations, but for the purpose of regional development policy in Bulgaria it is used in its geographic, socio-economic and administrative meaning. Thus, regions are areas with distinct natural, geographic and economic characteristics and problems. In this respect, the general classification assumed by the European Union is most popular. It defines regions as under-developed or less privileged, rural or depressive with branches undergoing intensified restructuring.

Simultaneously, regions are administrative-territorial communities specified by a legal instrument, where the governing functions of the State are being executed. Until 1999 Bulgaria has been divided into nine administrative regions, the so-called *oblasti*. According to the Constitution of the Republic of Bulgaria (Art. 142), "A region (*oblast*) shall be an administrative territorial unit entrusted with the conduct of a regional policy, the implementation of state government on a local level, and the ensuring of harmony of national and local interests". In the accession process of Bulgaria to the European Union, the territory of the country will be considered as a part of the space of the EU, characterised by instruments and mechanisms typical for the member-states under Objective 1.

*Regional development* is a process of re-allocation of the national income between various regions of the territory of the country. This process is characterised by the interaction of different structural policies implemented by the State on the territory of a certain region, a partnership between the institutions working for the socio-economic prosperity of a defined territorial

community and a complex socio-economic policy based on infrastructural development and defined system of regional economic mechanisms.

*Regional planning* (physical planning) is a process of coordination of sectoral policies on the territory of the country. It is developed through a system of strategies, forecasts and plans of territorial structure, elaborated and approved by a legal procedure. In the Republic of Bulgaria this procedure is stipulated by the Act on the Structure of Territorial and Populating Areas. At the regional level the so-called plans of regional territorial structure are being developed. They define the main guidelines, the conception and development programme of the region.

*Regional policy* consists of budgetary and financial instruments to control and reduce regional differentiations. It is an indirect involvement in the processes of market development aimed at balancing the socio-economic development of regions. The main instrument of regional policy are investment subsidies granted under definite conditions, in definite regions, for innovations and modernisations of production capacities and for public utilities. Subsidies include bonuses for job creation, accelerated depreciation rates and grace periods for investment credits.

Since 1999 Bulgaria has a new territorial-administrative structure consisting of 28 counties which reflect the earlier territorial-administrative division into 28 counties, having been in force from 1959 until 1987. The administrative reform of 1987 established oblasti (regions) as larger administrative-territorial units. This reform did not effect substantial changes mainly because the administrative reforms at the county level were delayed and the regional governors lacked powers to ensure the effective implementation of regional policy. In accordance with the Constitution an oblast is not a level of self-government and the oblast (regional) governor is appointed by the Council of Ministers. The predominating deconcentrated state structures on the level of the old counties were not eliminated and continued to operate within their old territorial boundaries, thus proving their vitality. The specific characteristics of administration impeded the cooperation between the state administration and the local self-governments and affected the efficiency of regional policy implementation. As a consequence, the new legislation of 1998 obliges the Council of Ministers to bring the existing deconcentrated state structures in conformity with the approved borders and territorial coverage of the new counties.

While having in mind these changes, the assessment of regional discrepancies and capacities in this report is based on the analysis of the nine oblast which existed until 31 January 1999 and were used as a basis of regional statistics after 1987.

## **2. Regional differences and capacities**

Despite the relatively small size of the country, one may easily identify the existence of certain territorial imbalances in the distribution of resources and

material production factors and in the living conditions, as well as in the participation of the regions in the national economy. The characteristics of this diversity of regional potentials are valid not only for large regions but also for individual municipalities, in a number of cases leading to manifestations of a strong polarisation of the national economic space.

### Unemployment level

In the late nineties the level of unemployment in Bulgaria marked a sharp increase compared to the level at the beginning of the period. The strong dynamics of this process shows clearly manifested regional trends, thus defining the observed developments as being steady and characteristic for the quality and degree of adaptability of the existing economic structures in the regions.

**Table 1: Regional unemployment rates**

<b>Region</b>	<b>1991</b>	<b>1992</b>	<b>1994</b>	<b>1995</b>	<b>1997</b>	<b>1998</b>
Bourgas	11.2	12.2	11.7	10.8	13.2	10.5
Varna	10.4	10.1	10.9	11.6	16.1	10.1
Lovetch	8.9	9.1	11.2	11.1	14.2	10.9
Montana	13.0	13.6	19.4	19.6	20.8	17.7
Plovdiv	15.5	17.5	15.2	16.6	16.9	11.8
Rousse	11.0	12.3	14.3	12.9	20.4	16.2
Sofia	12.0	13.2	13.0	12.5	14.2	10.3
Haskovo	12.2	13.1	13.0	12.3	11.3	11.3
Sofia City	8.0	7.5	6.3	4.3	5.0	3.5
<b>Bulgaria</b>	<b>11.3</b>	<b>12.0</b>	<b>12.4</b>	<b>12.0</b>	<b>13.7</b>	<b>10.8</b>

Source: National Office of Employment

For the whole period the Sofia-City Region is characterised by the lowest level of unemployment and a definite downward trend (from 8.0% in 1991 to 4.1% in 1998). The regions of Bourgas, Varna, Lovetch and Sofia have unemployment rates close to the national average. Unemployment in Plovdiv and Haskovo regions shows positive trends, characterised by a considerable reduction of the differences with respect to the national average. The regions of Montana and Rousse have an unemployment level which is considerably above the national average. Unemployment in Bulgaria bears the following main features:

- the process is the result of the economic crisis that has set in. At the beginning it was not triggered by structural changes in the production sphere or by technological renovation in the manufacturing sector, but rather by the drop in production output and the closure of a number of manufacturing facilities, companies etc. In the period after 1996 unemployment is "fueled" further by structural changes in the economy.

- high youth unemployment and a high contingent of unemployed with low level of skills and insufficient educational background. Youth unemployment is the highest in the regions of Sofia, Bourgas and Haskovo.

### Business density

One may note a strong inter- and intra-regional differentiation in the development of the private sector in Bulgaria. At the end of 1997 the region with the highest density of companies had twice as many companies per resident as the region with the lowest density, while in 1995 the difference was about fourfold. The highest number of registered private companies is recorded for Sofia-City (19.3% of the total number of companies), followed by Plovdiv (15.2%). The lowest number is recorded for Rousse (7.1%) and Montana (5.4%). The remaining regions, Bourgas, Varna, Lovetch, Sofia and Haskovo, show an almost identical number of registered companies (appr. 10-11%). By the end of 1997 the number of active business entities per 1000 residents, irrespective of the type of ownership, was the highest in Sofia-City (90 companies). In the other regions this figure is two times lower (Table 2).

**Table 2: Active business entities by regions in 1997**

<b>Region</b>	<b>total number</b>	<b>per 1000 inhabitants</b>
Bourgas	43204	51
Varna	44431	54
Lovetch	44391	46
Montana	23972	40
Plovdiv	67636	56
Rousse	34395	46
Sofia	42734	45
Haskovo	41931	47
Sofia City	105020	90
<b>Bulgaria</b>	<b>447714</b>	<b>50</b>

Source: Statistical Yearbook, NSI, 1998

### Investment activity

The amount and nature of invested capital determines the development of regions. The very limited investment resources of the country have to a large extent delayed the restructuring process and the attainment of positive economic growth. The largest inter-regional differences become visible when investment costs are compared. The regional distribution of investments shows that there is a concentration in Sofia-City. From 1991 until 1994 the amount of investments per capita in Sofia was about two times above the country's average, and since 1995 it has been three to four times higher. In the other regions the amount of per-capita-investment is considerably lower. On a comparative scale one may note that Bourgas and Varna are slightly ahead of the others, and Montana and Rousse are clearly lagging behind. A summary

conclusion would be that the rate of acquisition of long-term material assets, particularly in the section "machines and equipment", is far below that of the "depreciation rate". As a consequence, the physical wear and technological obsolescence of the productive assets will have lasting consequences for the competitiveness of production and the future rates of production in all regions.

**Table 3: Investment costs (million BGL, current prices)**

Region	1991	p.c.	1992	p.c.	1993	p.c.	1994	p.c.	1995	p.c.	1996	p.c.
Bourgas	6649	5.45	13119	11.02	12449	10.7	30624	25.70	58216	48.91	117628	98.93
Varna	2348	2.67	2899	3.40	3841	4.51	5138	6.05	5420	6.36	17923	21.29
Lovetch	2489	2.51	4740	5.17	4103	4.48	7169	7.89	5569	6.07	30536	33.98
Montana	2015	1.92	3938	3.87	3390	3.35	4962	4.97	4566	4.48	13283	13.52
Plovdiv	1758	2.68	2626	4.16	2790	4.45	11858	19.08	2401	3.80	9243	15.15
Rousse	2608	2.02	7162	5.86	7299	5.97	6790	5.56	9673	7.92	23634	19.58
Sofia	1528	1.81	2340	3.04	2062	2.69	8908	11.68	3548	4.61	8001	10.60
Haskovo	3799	3.77	3839	3.89	3700	3.77	5180	5.32	10754	10.90	15543	16.14
Sofia City	1583	1.49	2864	3.16	3913	4.32	3579	3.97	6252	6.89	32417	36.21
<b>Bulgaria</b>	<b>24778</b>	<b>2.75</b>	<b>43626</b>	<b>5.14</b>	<b>43547</b>	<b>5.14</b>	<b>84208</b>	<b>10.02</b>	<b>107250</b>	<b>12.64</b>	<b>268207</b>	<b>32.16</b>

### Foreign direct investment

The country's delay in attracting foreign investments casts its impact on the dynamics and quality of economic development. The regional distribution of foreign investment as of 31 December 1997 shows its predominant concentration in the capital (41.1%), followed by Varna (19.8%), Sofia (11.3% and Lovetch (8.4%). Foreign direct investment per capita is the highest in the regions of Sofia-City (US\$ 0.43), Varna (US\$ 0.27), Sofia (US\$ 0.14), Lovetch (US\$ 0.10), while the country average is US\$ 0.15 (Table 4).

It is worth noting that the considerable inter-regional differentiation in foreign investment corresponds to a certain degree to the regions' major comparative advantages and the national functions performed by them. The share of foreign direct investment in industry is the highest in Varna, Sofia and Lovetch, where it amounts to more than 66% of the total volume of investment in industry countrywide. In the case of transport the volume of investments is the highest in Sofia-City (93%) and Bourgas (6.2%).

**Table 4: Foreign direct investment by regions in 1997**

Region	FDI in thous. US-\$	FDI per capita
Bourgas	514920	0.43
Varna	27890	0.03
Lovetch	248310	0.27
Montana	105010	0.10
Plovdiv	48070	0.07
Rousse	37550	0.03
Sofia	55440	0.07
Haskovo	141940	0.14
Sofia City	57450	0.06
Undefined	15270	
<b>Bulgaria</b>	<b>1251860</b>	<b>0.15</b>

Source: Agency for Foreign Investments, 1998

### Gross production output

With respect to the indicator of gross production output, i.e. gross domestic product by region, the output of the most developed region is about three and a half times the output of the least developed region, whereby the intensity of these differences has been relatively constant throughout the nineties. The regions of Bourgas and Sofia-City reached the highest per-capita gross production output in 1995 (Table 5), 30% above the national average. The regions of Varna and Lovetch were close to the national average, the other regions had lower levels. Montana and Sofia were ranging at the bottom with indicators that are some 20% below the national average.

**Table 5: Gross domestic product by regions in 1995**

Region	Gross Production Output p.c. (thous. BGL)	% of the national average	Place in the rank list of regions
Bourgas	293.9	126.9	2
Varna	304.7	131.6	1
Lovetch	230.8	99.7	3
Montana	228.8	98.8	4
Plovdiv	192.7	83.2	8
Rousse	211.0	91.1	6
Sofia	200.3	86.5	7
Haskovo	184.4	79.6	9
Sofia City	215.0	92.8	5
<b>Bulgaria</b>	<b>231.6</b>	<b>100.0</b>	

Source: "Statistika" Journal, vol.3, 1998, NSI

### **Human resources**

Not only the economic, but also the human potential plays a decisive role for the development and capacity of the regions. Sofia-City has the best demographic potential with respect to size and age structure: 14.4% of Bulgaria's population live in Sofia and Sofia's population has a high labour potential, a high share of young persons, a very low fertility rate and 32% of the population have university or college education and 18% of the population have high school education.

Although Lovetch has the most residents among Bulgaria's regions (14.5%) and is characterised by very good demographic characteristics, population has been declining there. The demographic potential of Montana is most unfavorable, with the highest number of municipalities suffering from migration losses. The regions of Bourgas, Varna, Plovdiv, Rousse and Haskovo are in general characterised by a relatively favorable age structure, preserved labour force and reproduction potential, although in these regions there are areas and municipalities with a negative demographic situation. On a comparative scale the population of the regions of Varna and Plovdiv stands out with higher educational skills.

### **Economic structure and specialisation of production**

The "passive" structural changes, caused by the impact of the economic crisis (different rate of decline of production, setting up of new production facilities, increase of production output in certain branches and sectors with comparative advantages), have been intensified by an "active" factor - the Governmental Programme for Structural Reform. This programme aimed at accelerating privatisation and rehabilitation, the liquidation of companies with negative production results and the organisational and technological restructuring.

A comparative evaluation of the quality characteristics of individual regions can be obtained by constructing a complex index composed of the GDP per capita, the unemployment rate, the investment and foreign direct investment per capita, the density of companies and the average annual wage in the public sector. This index shows the existence of considerable disbalances (Table 6). The regions of Sofia-City, Bourgas and Varna manifest the highest level of completeness and reasonable quality of their economic structures. The structures of Rousse and Montana are distinguished for obviously negative characteristics for the whole period under review and occupy the last places in the ranking of regions. The remaining regions (Plovdiv, Lovetch and Sofia) manifest a certain instability in their development as they have been changing their ranks frequently.



**Table 6: Complex index of regional capacity in 1997**

Regions	index	ranking
Bourgas	0.49	1
Varna	0.40	2
Lovetch	0.39	3
Montana	0.32	5
Plovdiv	0.14	9
Rousse	0.33	4
Sofia	0.18	8
Haskovo	0.26	7
Sofia City	0.28	6

### 3. Regional policy - towards economic and social integration of the regions

A series of experiments have been conducted in Bulgaria since 1991 in order to develop measures and economic regulators to settle problems in underdeveloped regions. Until 1998 various instruments for intervention in the less favoured regions were used. The examples are as follows:

- subsidies for transport companies that operate in mountainous and rarely populated regions (DM 13 millions in 1999);
- subsidies for the provision of basic services to remote small villages in the mountains (DM 2.6 millions in 1999);
- financing of regional programs and pilot projects by the funds for “Protection of the Environment” and for “Vocational Training and Unemployment” which aim at creating alternative jobs in regions affected by the restructuring of mining industry. Specific data on the financial scope of these funding programs is not available;
- promotion of ecological agriculture in mountainous regions by the fund for “Protection of the Environment”. Detailed information on the volume of this fund is not available;
- support of crossborder cooperation between the border regions of Bulgaria and Greece under the PHARE-CBC and INTERREG-2 programs which includes 46 Bulgarian municipalities. For the period 1994-1999 the EU commitments amount to ECU 124 millions and the contribution of the Bulgarian state amounts to USD 23 millions. The priorities in this cooperation are improvement of border crossings, development of infrastructure (in particular transport and water supply) and the improvement of the environment.

A special programme for the development of the Bulgarian Black Sea coastal region has been elaborated with the financial support of the World Bank. It includes 15 municipalities bordering on the Black Sea. This programme aims at improving physical planning, introducing geographic information systems in planning and management and elaborating complex programs for socio-

economic development and environmental protection. Beginning with 1999, regional policy in the Republic of Bulgaria is implemented according to the provisions of the special Regional Development Act which was approved in September 1998 by the Council of Ministers and is in a process of adoption by Parliament. This act regulates the specific objectives, tasks, priorities and instruments of regional development policy. The basic objectives of the regional development policy are (1) the creation of prerequisites for sustainable development of regions, (2) the reduction of interregional differences in the field of employment and incomes and (3) the implementation of interregional and crossborder cooperation and European integration. Regional development will be carried out by

- creating and developing crossborder, national and regional infrastructure;
- creating favourable regional and local investment conditions;
- using local, national and foreign resources;
- increasing the skills of the human resources;
- coordinating sectoral policies and activities;
- including non-governmental organisations in the process of regional development.

The basic instrument for intervention will be the national plan for regional development which will be elaborated for a 6-year period. Annual prognoses and reports will be prepared. Procedures for the elaboration, coordination, approval and fulfillment of the integrated National Plan for Regional Development are being introduced. The regional governors will:

- organise the elaboration, public discussion and evaluation of a regional development plan;
- submit the regional development plan and the annual evaluation reports to the Minister of Regional Development and Public Works;
- establish regional councils for regional development. These councils will support the activities of regional governors and express their opinions on the development plans and evaluation reports. The regional councils will include the mayors of all the municipalities in the region and a representative of the Municipal Council of each municipality.

A Regional Development Council within the Council of Ministers will be established. Its members will be the regional governors and the ministers of finance, labour and social policy, agriculture, forests and agrarian reform, transport, industry, environment and waters, education and science, health and of culture. The Minister of Regional Development and Public Works is the Chairman of this Council. He is responsible for the implementation of regional policy, comprising the:

- integrated elaboration, implementation and evaluation of the National Plan for Regional Development;
- submitting of the plan for approval by the Council of Ministers;

- provision of information and scientific expertise for the activities of Regional Development Councils.

The National Plan for Regional Development combines the development initiatives of regions and municipalities. It defines the objectives, principles and priorities for regional development for a 6-year period and determines the regions for targeted socio-economic assistance. Four types of regions are distinguished. *Growth regions* are the territories of municipalities or groups of municipalities located around big cities of more than 300000 inhabitants with developed economic functions, technical and social infrastructure that will be stimulated in view of achieving high economic growth. *Development regions* will cover the territories of municipalities located around cities of 100-300000 inhabitants with developed social and technical infrastructure which will be selected for stimulation of the socio-economic development of the region. *Crossborder cooperation regions* are border territories of municipalities and *regions with specific problems and priorities* include the territories of municipalities with urgent socio-economic problems or with key functions for the national economy.

The instruments for the achievement of these objectives are investment subsidies, credits, direct investments, state and local charges, guarantees and securities. They will be specified in the plan according to the different types of regions. The initiatives for regional development include the:

- building of economic infrastructure and of trans-European networks (transport, telecommunications, energy) and protection of the environment;
- provision of services to small and medium-sized enterprises (consulting, equipment, financial management), promotion of research and development. The Council of Ministers has decided to establish a special Promotion Bank that will support projects focussing on small and medium-sized enterprises;
- direct investment in the education and health infrastructure.
- vocational training and job placement activities;
- infrastructural development focussing on the revival of industrial activities and environmental protection;
- specific projects providing, for example, research, training and the creation of regional and municipal information systems.

### **Resources**

Expenditure will be financed from the state budget and from national funds managed by the state bodies, budget organisations and municipalities. Of utmost importance for the implementation of the plan will be the following funds:

- National Fund for “Protection of the Environment”, spending resources for environmental protection in big cities and industrial areas;

- National Agricultural Fund, promoting the employment of young people in farming and supporting the complex development of rural regions, including the creation of new infrastructure, adaptation of rural structures, fostering of rural tourism, and of the cultural heritage, promotion of local productions;
- National Road Network Fund, directed mainly toward the development of transeuropean roads, energy efficiency, the national airway transport system, the water supply and communication systems;
- National Fund for Vocational Training and Unemployment supplemented by the fund for regional initiatives (founded at the recommendation of the World Bank), mainly supporting the creation of new employment and the improvement of the skills of the labour force in regions with high structural unemployment.

The municipalities will contribute to the implementation of projects by the provision of terrains for construction, unfinished construction sites, granting rights for construction, right of use, free construction plans and issuing of construction permissions. Bearing in mind the specific features of economic development and capacities of different regions, the regional policy of Bulgaria will be implemented in a specific way which complies with the EU principle for balanced development of regions. This is one of the main objectives of the Treaty of Rome, later reinforced by the Treaty of Maastricht and the Treaty of Amsterdam.

#### **4. The new challenges**

The political will of the Bulgarian Government to conduct a sustainable and targeted regional policy will face new challenges in the course of its implementation. These challenges comprise the

- acceptance and implementation of an integrated approach for the development of backward regions;
- coordination and efficient use of structural assistance consisting of subsidies from the budget, national funds, municipal resources and EU funds;
- identification of regions and areas eligible for assistance and of general selection criteria and requirements;
- reflection of the specific features of each region in a way that relates them to the potential for local development and the needs of the entire country;
- programme development based on sufficient and reliable information;
- division of funds among projects;
- improvement of the selection and assessment of projects;
- definition of the amount of grant depending on the project type;
- improvement of the quality of governance, financial control, monitoring and evaluation of programmes;

- enhancement of the financial capacity to implement complex regional programmes, including specifying of the mechanisms for proportional participation of the national funds and the local resources for funding;
- provision of resources for co-financing of programmes funded from EU resources; definition of regional priorities, operational programmes, schemes for business promotion, scientific and research programmes;
- design of indicative general financial plan comprising the national contributions as well as those of the Community by each priority;
- insufficiently developed and prepared administrative capacities to manage and target the process;
- inter-institutional coordination which clarifies the role of sectoral ministries with respect to their importance for the implementation of regional policy.

### **General conclusions**

Taking into account that the entire territory of Bulgaria will be considered as an objective-1 region in the structural policy of the EU, even at this stage the Bulgarian Government needs to undertake structural actions to prepare the country for a targeted policy complying with EU requirements and procedures. In this context, the general conclusions to be made, are the following:

1. The main principles upon which the future of an enlarged EU will be based are sustainable economic development, competition among regions, decentralisation of governance to regional and local levels in compliance with national legislation and regional, cross-border and inter-regional cooperation.
2. A regional policy which aims at the reduction of socio-economic disparities will be based upon the National Plan for Economic Development. The plan rests on an analysis of the current situation and of the key needs, is modeled according to EU requirements and develops a strategy to build partnership and receive consultancy from the EU.
3. The structural element of the National Economic Development Plan shall be the National Regional Development Plan which should contain a description of the current situation by regions (areas) and identification of zones to which different measures for support and development will be applied, in compliance with the priorities laid down by the law. The main priorities of regional development need to be identified and an indicative general financial plan will be added.
3. For accomplishing such actions institutional units for managing the National Economic Development Plan shall be set-up which will be entrusted with the coordination, development, resources provision, implementation, control and evaluation.
4. The cooperation between central, regional and local authorities, the Government and social partners as well as the governmental and non-governmental sector should be extended. Interrelations between similar

institutions of the country and those of EU member-states need to be strengthened, including promotion of city twinning programs. Partnership and cooperation between the Bulgarian institutions and the Committee of Regions, the Congress of Local and Regional Authorities with the Council of Europe and other European-level institutions is highly desirable. Networks of cooperation between research institutes, technological parks, business centres for promotion of entrepreneurship, etc. should be developed.

