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EXPLORING THE NEXUS OF LOCAL AND CENTRAL BUDGET EXPENDITURES IN BULGARIA: A FUNCTION-BASED ANALYSIS OF LOCAL GOVERNMENT SPENDING

ABSTRACT

The article represents an analysis of the expenditures of local governments in Bulgaria, focussing on nine key functions, including general public services, defence, public order and safety, economic affairs, environment protection, housing and community amenities, health, education, and social protection. Using statistical data from 2017 to 2021, this study examines the distribution of expenditures at the local level and explores their interrelation with central budget allocations in 2021. The findings reveal notable trends, such as the growing emphasis on general public services, consistent funding for the education and health sectors, and fluctuations in housing, community amenities, and public order and safety expenditures. The study highlights the strategic allocation of resources to meet evolving local needs and underscores the importance of continuous evaluation and prioritisation in resource management. This research contributes to understanding the fiscal dynamics at the local level and provides valuable insights for policymakers and practitioners in optimising public finance management.

KEYWORDS: local government expenditures, central budget expenditures, functions, public finances

JEL: H50, H72, H77

INTRODUCTION

Governments bear the responsibility of providing a wide range of goods and services to their populations, contributing to the overall well-being and social welfare of society. The provision of these services varies across countries, with some services falling exclusively under the government's purview, while others involve collaboration with nongovernmental entities. (OECD, 2021a) Additionally, governments play a significant role in income redistribution through social benefits and subsidies, aiming to promote equity and social cohesion.

In contemporary societies, government expenditures primarily serve the purpose of delivering public services and ensuring income transfers across society. Unlike government revenues, which are susceptible to economic fluctuations, government expenditures tend to exhibit relatively lower variability. This stability can be attributed to the long-term implementation of policies that guarantee specific entitlements to citizens, such as universal primary education.

Understanding the dynamics and patterns of government expenditures is crucial for effective fiscal management and efficient allocation of resources.

In Bulgaria, local finances are regulated by a set of key legislative acts, including the Local Self-Government and Local Administration Act, the Municipal Budgets Act, and the Annual State Budget of the Republic of Bulgaria Act. (European Committee of The Regions, 2023) These acts provide the legal framework for the management and regulation of local financial affairs. Furthermore, Bulgaria has embarked on a decentralisation process since the adoption of the Decentralisation Strategy in 2006, with the aim of improving local governance and empowering municipalities.

Within the framework of the two-tier system in Bulgaria, comprising the central government and 265 municipalities, the allocation of revenue between these levels of government is carefully defined. This allocation is the result of comprehensive reforms implemented between 2003 and 2007, aimed at ensuring transparent financial responsibilities and sustainable financing for municipalities. Revenue streams for local governments in Bulgaria consist of own revenue, including local taxes, user fees, and non-tax revenue, as well as intergovernmental transfers from the central government. These transfers encompass general allocations for delegated activities, general equalisation transfers for local activities, and conditional transfers specifically designated for capital expenditure. Understanding the mechanisms of revenue assignment and intergovernmental transfers is crucial for analysing the financial dynamics and functioning of local governments in Bulgaria. (Nenkova, 2019)

Methodological Framework

According to the OECD Classification of the Functions of Government (OECD, 2021b), two levels of functions can be distinguished. The first level encompasses General public services, Defence, Public order and safety, Economic affairs, Environmental protection, Housing and community amenities, Health, Recreation, culture and religion, Education, and Social protection. At the second level, each function further breaks down into specific key functions. Under General public services, categories include Executive and legislative organs, financial and fiscal affairs, external affairs, Foreign economic aid, General services, Basic research, Public debt transactions, Transfers of a general character between different levels of government, and more. Defence includes Military defence, Civil defence, Foreign military aid, and others. Public order and safety encompass Police services, Fire-protection services, Law courts, Prisons, and more. Economic affairs cover General economic, commercial and labour affairs, Agriculture, forestry, fishing and hunting, Fuel and energy, Mining, manufacturing and construction, Transport, Communication, Other industries, and more. Environmental protection comprises Waste management, Waste water management, Pollution abatement, Protection of biodiversity and landscape, and others. The second level under Housing and community amenities includes Housing development, Community development, Water supply, Street lighting, and more. Health incorporates Medical products, appliances and equipment, Outpatient services, Hospital services, Public health services, and others. The function of Recreation, culture, and religion, encompassing Recreational and sporting services, Cultural services, Broadcasting and publishing services, Religious and other community services, etc., is not covered in the present study. Education includes Pre-primary and primary education, Secondary education, Post-secondary non-tertiary education, Tertiary education, Education not definable by level, Subsidiary services to education, and so on. Social protection covers transfers for Sickness and disability, Old age, Survivors, Family and children, Unemployment, Housing, Social exclusion, and more.

This article provides an in-depth analysis of the allocation of local government expenditures across nine fundamental functions (first level). The research explores statistical data related to the proportion of each function relative to total expenditures for the period 2017 to 2021, while also examining the interrelation between local budget expenditures and central budget expenditures for 2021. Each figure (from Figure 1 to Figure 9 inclusive) has been constructed using the same methodology. Specifically, the clustered column and line chart on the left side illustrates the ratio between total local government expenditures and expenditures for a specific function in millions of euros (on the y-axis, i.e., the vertical axis, the expenditures for the specific function are on the left, while the total local government expenditures are on the right) for each calendar year from 2017 to 2021 inclusive (on the x-axis, i.e., the horizontal axis). The portion of the figure on the right side (pie chart) presents the proportion between local expenditures for the specific function and expenditures from the central state budget for the year 2021. The data used for calculations and figure construction are sourced from the National Statistical Institute of Bulgaria (NSI) and Eurostat, and the underlying data can be directly accessed through the embedded link provided below each figure. By shedding light on these dynamics, this study offers valuable insights into the financial landscape of local governments and the coordination of resources between local and central levels.

1. General Public Services: Examining Expenditures and Trends

This particular category of expenditures pertains to a distinct classification of expenses undertaken by local governmental bodies in their endeavour to provide essential administrative and regulatory services to the public (Martinez-Vazquez & Timofeev, 2005). The scope of this function encompasses a diverse range of activities that are fundamental to maintaining effective governance and the smooth functioning of local communities. Within the domain of general public services, local governments assume responsibilities such as public administration, legislative activities, financial management, and legal services (Boadway & Shah, 2007). These encompass the administrative tasks involved in policy formulation and implementation, resource management, and compliance with legal frameworks. Expenditures incurred by local governments in this area are crucial to upholding the principles of transparency, accountability, and good governance, which are essential to foster public trust and democratic practises.

The allocation of financial resources to general public services reflects the prioritisation of efficient administrative operations, legal compliance, and the general well-being of local communities. Through prudent financial management, local governments aim to optimize resource utilization, streamline administrative processes, and enhance service delivery to cater to the diverse needs of the public. It is vital to acknowledge the significance of general public services within the broader context of local governance, as they form the foundation for effective and responsible decision-making, institutional stability, and the provision of essential public services (Bird & Smart, 2002). By investing in this function, local governments contribute to the overall development and welfare of their communities, fostering an environment conducive to economic growth, social cohesion, and citizen participation.

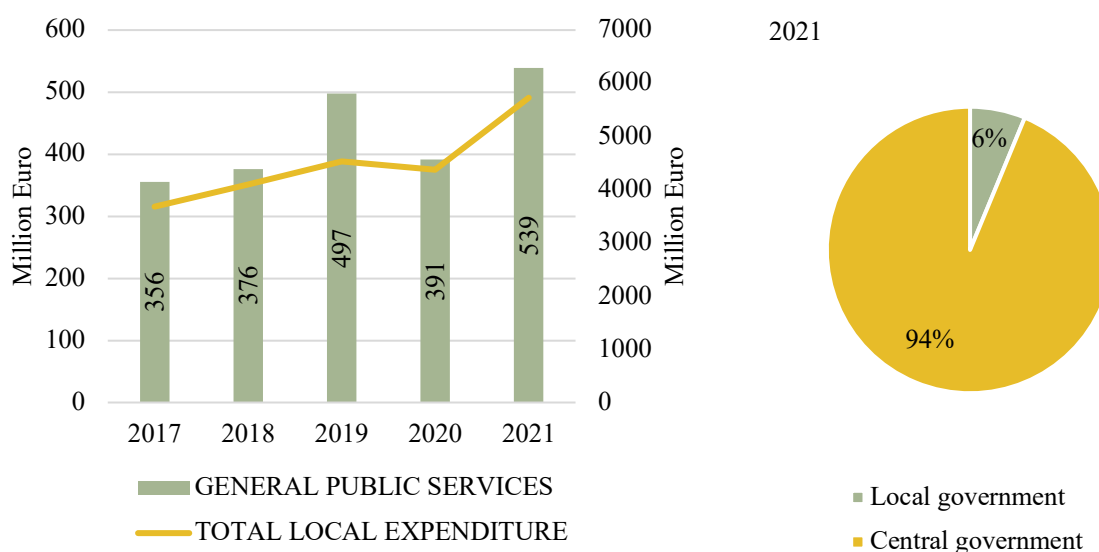
Figure 1 visually represents the depiction of the proportion of expenditure dedicated to local general public services in relation to the overall local expenditures, as well as the interrelationship between local budget expenditures and central budget expenditures in Bulgaria from 2017 to 2021. This graphical representation provides valuable insights into the financial dynamics and budgetary patterns observed within the Bulgarian local government context.

By examining the relative share of expenditure allocated to local general public services in relation to the total local expenditures, Figure 1 offers an overview of the resource prioritization within the realm of public service provision at the local level. The proportional allocation of

funds to general public services sheds light on the extent to which local governments in Bulgaria emphasise the administrative, regulatory and governance functions crucial for maintaining effective local governance and ensuring the well-being of their communities.

Furthermore, Figure 1 captures the interplay between the expenditures of local budgets and the central budget, illustrating the intricate relationship between these two tiers of government in terms of financial flows. Understanding the financial interactions between local and central budgets is essential to understand the broader fiscal dynamics and mechanisms at play within the Bulgarian governance framework.

Figure 1. Trends in Local Government Expenditures for General Public Services in Bulgaria (2017-2021)



Proportion between expenditure for local general public services and total local expenditures

Interrelation between local budgets' and central budget expenditures

Source: Author's calculations based on [NSI](#), [Eurostat](#) data, 2023

From the aforementioned figure, it is apparent that the expenditures allocated to local general public services (6%) are notably lower in comparison to the expenditures derived from the central budget (94%). Consequently, they exhibit a mere 1 (from local budgets) : 16 (from the central budget) ratio for the year 2021. Throughout the period from 2017 to 2021, there exists a fluctuating pattern in relation to expenditures for local general public services, with the highest values observed in 2021, comprising 9.4% of the overall local expenditures.

2. Defence: Analysing Resource Allocation for National Security

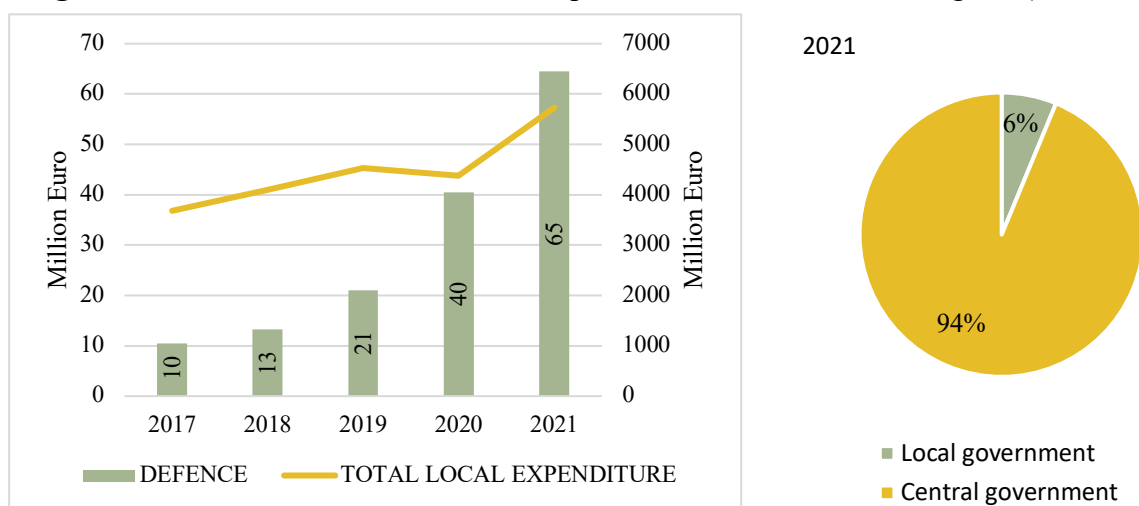
As evidenced, it becomes apparent that local government expenditures encompass a wide array of functions, among which defence holds paramount significance. Defence expenditures refer to the allocation of financial resources by local governments to protect national security and maintain military capabilities at the local level. These expenditures play a pivotal role in safeguarding citizens, preserving territorial integrity, and ensuring overall national stability. The allocation of financial resources to defence reflects the commitment of local governments to uphold national security interests. Through investment in defence, local governments demonstrate their dedication to shielding their citizens from external threats and maintaining a secure environment within their jurisdiction. Defence expenditures contribute to the

development and maintenance of military infrastructure, including military bases, training facilities, and equipment procurement (Penchev, 2017).

In addition, defence expenditures are vital to preserving territorial integrity. Local governments allocate resources to strengthen border security, deter potential aggressors, and respond effectively to security challenges or border disputes that may arise. By investing in defence capabilities, local governments ensure the protection of their territorial boundaries and uphold national sovereignty. The stability of a nation is intricately tied to its defence capabilities. Defence expenditures enable local governments to establish robust systems, encompassing intelligence networks, emergency response mechanisms, and strategic partnerships with other defence entities. These measures contribute to maintaining stability by deterring external threats, responding to emergencies, and promoting regional security cooperation. Moreover, defence expenditures have broader socioeconomic implications. The defence sector often serves as a catalyst for technological advancements and innovation, leading to the development of cutting-edge military technologies and generating spin-off benefits for other industries. Consequently, this stimulates economic growth, creates employment opportunities, and fosters technological progress within the local community.

Defence expenditures by local governments are critical for safeguarding national security, preserving territorial integrity, and ensuring overall national stability. These expenditures reflect the commitment of local governments to protecting their citizens and maintaining a secure environment. By investing in defence capabilities, local governments contribute to the well-being of their communities and foster socioeconomic development. Understanding the importance of defence expenditures at the local level provides valuable insight into the strategic priorities and efforts undertaken by local governments to ensure the safety and prosperity of their nations. Figure 2 shows the proportion of defence expenditures made by municipalities relative to total local expenditures for the period 2017 to 2021. On the right side of the figure, the ratio between local expenditures and central budget expenditures for the year 2021 for the function of defence is presented.

Figure 2. Trends in Local Government Expenditures for Defence in Bulgaria (2017-2021)



Proportion between expenditure for local defence and total local expenditures

Interrelation between local budgets and central budget expenditures

Source: Author's calculations based on [NSI](#), [Eurostat](#) data, 2023

Throughout the 5-year period under examination, defence expenditures experienced a notable increase, rising from 10 million euros in 2017 to 65 million euros in 2021. This upward trajectory signifies an increasing emphasis on activities pertaining to defence and underscores the recognition of their crucial role in ensuring national security and stability.

Concurrently, the aggregate local expenditure demonstrated an overall growth pattern, rising from 3,681 million euros in 2017 to 5,728 million euros in 2021. This expansion signifies a general augmentation in the financial resources allocated to various functions at the local level, including defence.

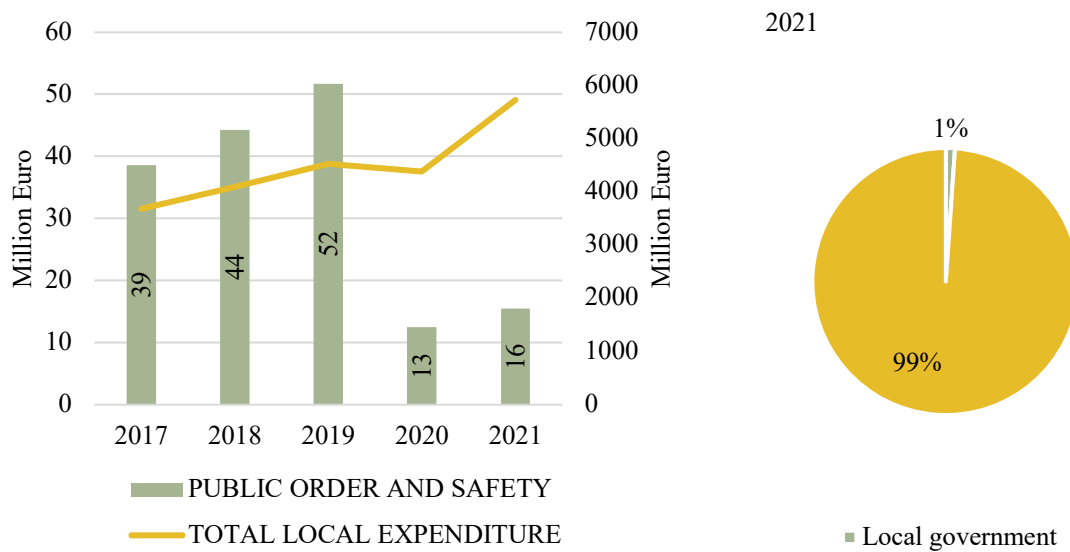
An examination of the ratio between defence expenditures and the total local expenditure for each year provides additional insights into the relative significance of defence within the broader budgetary framework. In 2017, defence accounted for approximately 0.3% of total local expenditure, while by 2021, this proportion had increased to approximately 1.1%. This gradual upward shift elucidates a growing prioritisation of defence spending relative to other local functions.

Based on the data, the interrelation between local budgets' expenditures and central budget expenditures becomes evident, with a ratio of 6% to 94%, simplistically represented as 1:16. This substantial disparity in the allocation of financial resources between the two budgetary entities underscores the predominant role of the central government in financial decision making and resource allocation.

3. Public Order and Safety: Assessing Fluctuations and Factors Influencing Expenditures

The function of public order and safety encompasses a broad spectrum of activities and initiatives aimed at safeguarding public safety, preventing and addressing criminal behaviour, and maintaining social order. These efforts encompass the allocation of financial resources to support law enforcement agencies, emergency response services, community policing programmes, crime prevention initiatives, and the establishment and maintenance of public safety infrastructure. Analysis of expenditure patterns in public order and safety allows policymakers, researchers, and stakeholders to assess the effectiveness and efficiency of resource allocation in addressing crime prevention, law enforcement, and emergency response. It facilitates the evaluation of the impact of public order and safety expenditures on the overall security and quality of life within local communities. Examination of local government expenditures dedicated to public order and safety within a broader fiscal context provides a comprehensive understanding of the financial landscape and budgetary considerations at the local level. Moreover, it contributes to the scholarly discourse on public finance, governance, and the role of local authorities in ensuring public safety and security.

Figure 3. Trends in Local Government Expenditures for Public Order and Safety in Bulgaria (2017-2021)



Proportion between public order and safety expenditures and total local expenditures

Interrelation between local budgets' and central budget expenditures

Source: Author's calculations based on [NSI](#), [Eurostat](#) data, 2023

The data provided illustrate the fluctuating nature of expenditures in the public order and safety function over the course of several years. In 2017, the allocated expenditure amounted to 39 million euros, which experienced a modest increase to 44 million euros in 2018, and increased further to 52 million euros in 2019. However, a significant decline occurred in 2020, with expenditures plummeting to only 13 million euros. Subsequently, in 2021, the expenditure marginally rebounded to 16 million euros.

An analysis of this data yields valuable insights. Firstly, it reveals a consistent upward trend in public order and safety expenditures from 2017 to 2019, indicating a growing emphasis on maintaining law and order and ensuring public safety within local communities. However, the sharp decrease in 2020 suggests a departure from this trend, potentially influenced by factors such as alterations in budgetary priorities or the impact of external events. The slight increase observed in 2021 suggests a renewed focus on the importance of public order and safety.

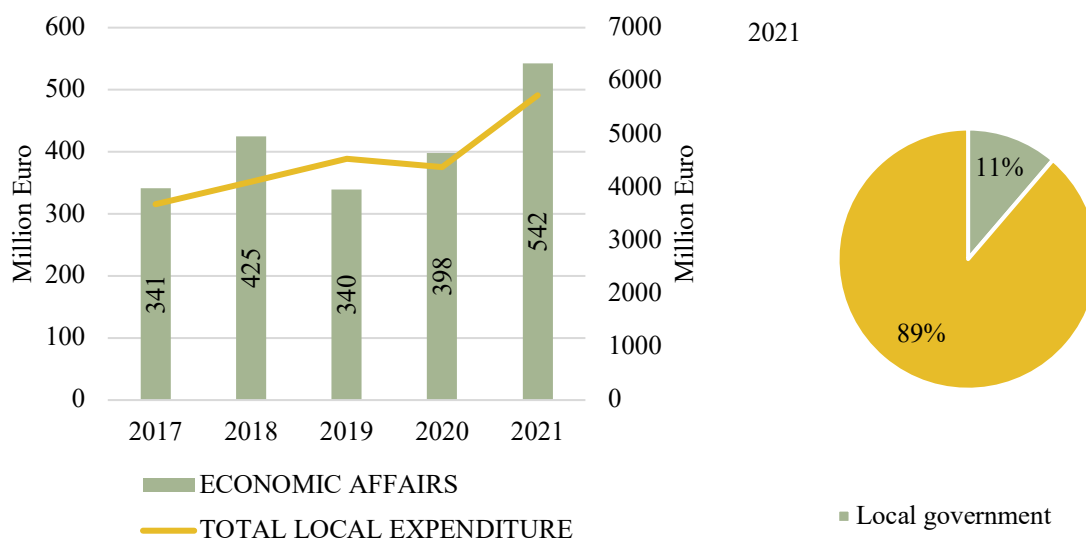
Moreover, when considering the proportion of public order and safety expenditures relative to the total local expenditure, it becomes apparent that these expenditures constitute a relatively small portion of the overall budget. For example, in 2017, public order and safety expenditures accounted for approximately 1% of total local expenditure, and this proportion remained relatively stable throughout the 5-year period. Furthermore, the interrelation between expenditures from local budgets and the central budget for public order and safety in 2021 indicates that local budgets' contributions constitute only 1% of the total in relation to the central budget.

These findings shed light on budgetary allocations and resource distribution in the context of public order and safety. They provide valuable information for policymakers, researchers, and stakeholders, enabling them to assess the relative importance and prioritization of public order and safety within the overall fiscal framework.

4. Economic Affairs: Exploring Investments in Economic Development

On a global scale and considering the decentralised nature of economic activities, local authorities possess a wide range of powers that encompass diverse activities of significant social and economic relevance. These activities reflect the pivotal role played by local governments in fostering economic development, addressing local needs, and promoting the well-being of their communities. The powers vested in local authorities allow them to participate in initiatives such as infrastructure development, urban planning, investment attraction, entrepreneurial support, and the facilitation of regional trade and commerce. Through these activities, local governments contribute to enhancing local economies, creating employment opportunities, and nurturing sustainable and inclusive growth. Delegation of economic activities to local authorities acknowledges their unique understanding of local contexts and their ability to tailor strategies that align with the specific needs and aspirations of their communities.

Figure 4. Trends in Local Government Expenditures for Economic Affairs in Bulgaria (2017-2021)



Proportion between expenditure for economic affairs and total local expenditures

Interrelation between local budgets' and central budget expenditures

Source: Author's calculations based on NSI, Eurostat data, 2023

The data represent the expenditures in the function of economic affairs by local governments over a five-year period from 2017 to 2021, as well as the total local expenditure during the same timeframe. Analysing trends in economic affairs expenditures allows us to gain insight into the financial commitment and resource allocation dedicated to promoting economic development and enhancing the well-being of local communities. In 2017, the expenditure amounted to 341 million euros, which increased to 425 million euros in 2018. However, there was a slight decrease in 2019 with an expenditure of 340 million euros. In 2020, the expenditure increased again to 398 million euros and in 2021, it further rose to 542 million euros. These fluctuations suggest that local governments prioritise investments and initiatives aimed at stimulating economic growth and development. The increase in expenditure in 2021 compared to previous years indicates a heightened focus on economic affairs, potentially driven by the need to recover from the economic impacts of the COVID-19 pandemic or to seize new opportunities for growth. At the same time, the data indicate that local governments allocate a relatively smaller portion, specifically 11%, of their total expenditures towards economic affairs. This suggests

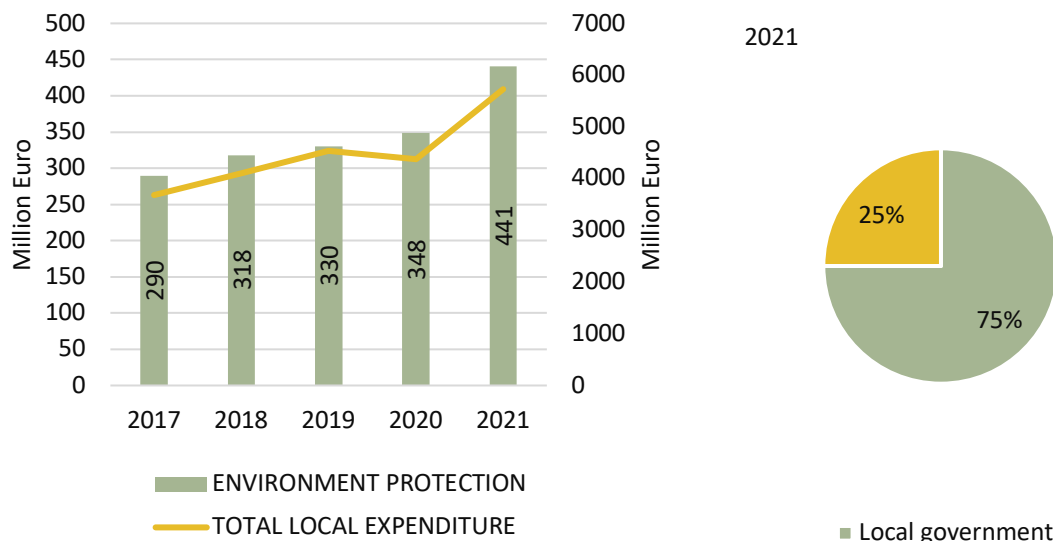
that while economic affairs are considered important at the local level, the majority of financial resources for these activities are sourced from the central state budget, which contributes 89% of the funding.

The higher proportion of funding from the central state budget may indicate a recognition of the significance of economic affairs in driving national economic growth and development. It could also imply that certain economic initiatives or policies require a coordinated and centralised approach to ensure consistent implementation and effectiveness across the country.

5. Environment Protection: Evaluating Expenditures to Addressing Environmental Concerns

Local government expenditures in the function of environmental protection involve the allocation of financial resources to address environmental challenges, promote sustainability, and preserve natural resources within a specific jurisdiction. These expenditures reflect the commitment of local governments to mitigate environmental risks, conserve biodiversity, and ensure the well-being of their communities in an ecologically responsible manner. The analysis of local government expenditures on environmental protection provides insights into the priority placed on environmental sustainability and the allocation of resources for various environmental initiatives. It sheds light on the financial commitment dedicated to activities such as waste management, pollution control, conservation of natural habitats, promotion of renewable energy sources, and implementation of environmental policies and regulations. By investing in environmental protection, local governments contribute to overall resilience and quality of life within their communities. These expenditures help protect public health, mitigate the impact of climate change, and improve the ecological integrity of the local environment.

Figure 5. Trends in Local Government Expenditures for Environment Protection in Bulgaria (2017-2021)



Proportion between environmental protection expenditures and total local expenditures

Interrelation between local budgets' and central budget expenditures

Source: Author's calculations based on *NSI, Eurostat* data, 2023

The data presented elucidate the expenditures in the function of environmental protection by local governments over a period of five years, spanning from 2017 to 2021. A profound analysis

of these trends provides valuable insights into the financial commitment and allocation of resources dedicated to safeguarding the environment, addressing climate change, and promoting sustainability within local communities.

Examination of the data reveals a consistent upward trajectory in environment protection expenditures throughout the specified timeframe. In 2017, local governments allocated a total of 290 million euros towards this function, which experienced a moderate increase to 318 million euros in 2018. Subsequently, in 2019, expenditures further rose to 330 million euros, followed by a subsequent increase to 348 million euros in 2020. Finally, in 2021, the expenditures reached the highest point in the observed period, amounting to 441 million euros. This consistent growth in expenditures demonstrates the heightened emphasis placed by local governments on environmental conservation and sustainability, indicative of the recognition of the paramount importance of protecting natural resources and addressing environmental challenges for the long-term well-being of their communities.

Furthermore, it should be noted that environmental protection expenditures account for a substantial proportion of the total local expenditure. For instance, in 2017, these expenditures represented approximately 7.88% of the total local expenditure, and this proportion steadily increased over the years, reaching 10.75% in 2021. This escalation in the proportion of funds allocated to environment protection highlights the growing significance accorded to this function within the overall budgetary framework, underscoring the recognition of its crucial role in ensuring a sustainable future.

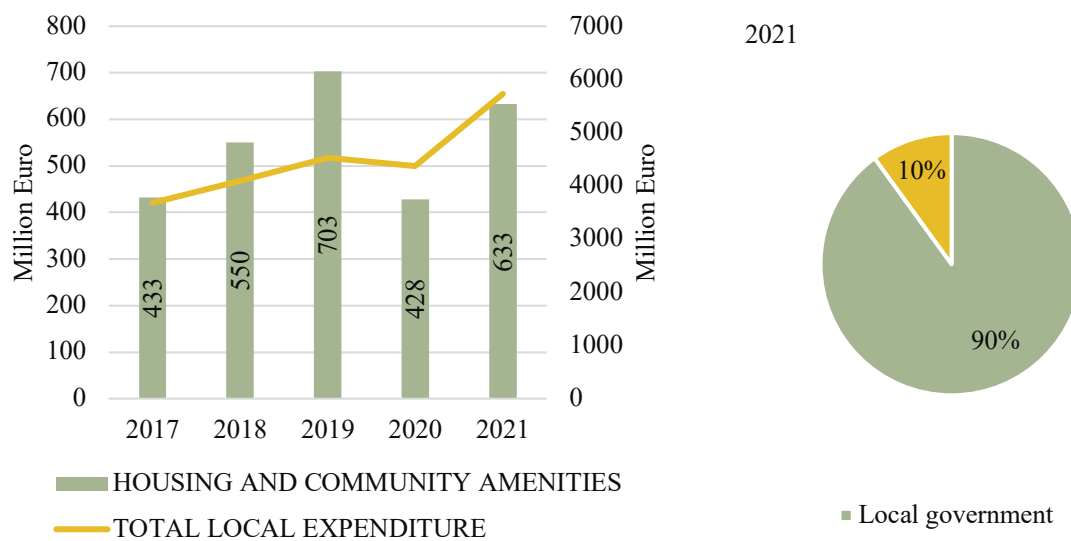
Moreover, the presented ratio between funds sourced from local budgets and the central state budget reveals that 75% of the financial resources allocated for environmental protection originate from local budgets. This emphasises the extent to which the responsibility for funding and executing environmental protection initiatives is delegated to the local level, highlighting the decentralised nature of decision-making and resource allocation in this domain.

The analysis of the data underscores the increasing investments made by local governments in the function of environmental protection, reflecting their growing commitment to environmental conservation and sustainability. The consistent upward trend in expenditures signifies the recognition of the vital role that protection of the environment plays in securing a sustainable future for local communities. Furthermore, the significant proportion of the total local expenditure allocated to environment protection substantiates its prioritisation within the budgetary framework, while the predominance of funds from local budgets underscores the delegated responsibility for financing this function at the local level.

6. Housing and Community Amenities: Investigating Investments and Initiatives for Infrastructure Development

The function of housing and community amenities encompasses a wide range of activities undertaken by local governments to ensure access to suitable housing and improve the overall quality of community life. These activities include the provision of affordable housing, urban development and planning, infrastructure maintenance, and the enhancement of community amenities such as parks, recreational facilities, and public services. Local governments play a crucial role in addressing the housing needs of their communities and promoting social well-being. Through their expenditures in housing and community amenities, they aim to create inclusive and sustainable living environments that foster social cohesion, enhance quality of life, and support economic development. (EC, 2023; OECD, 2019)

Figure 6. Trends in Local Government Expenditures for Housing and Community Amenities in Bulgaria (2017-2021)



Proportion between expenditures for housing and community amenities and total local expenditures

Interrelation between local budgets' and central budget expenditures

Source: Author's calculations based on NSI, Eurostat data, 2023

The data presented, as depicted in Figure 6, provides insight into the expenditures in the function of housing and community amenities by local governments over a five-year period. Through a meticulous analysis of the data, we can discern notable fluctuations in the expenditure patterns across the observed years, indicating varying levels of emphasis and resource allocation toward housing and community amenities within the broader local government budget.

In 2017, the expenditure in the housing and community amenities function amounted to 433 million euros. This figure witnessed a substantial increase in 2018, reaching 550 million euros. The upward trend continued in 2019, with expenditures further rising to 703 million euros. However, a significant decline was observed in 2020, as expenditures decreased to 428 million euros. In 2021, there was a slight recovery, with expenditures reaching 633 million euros. These fluctuations highlight the dynamic nature of resource allocation and budget priorities in the realm of housing and community amenities.

Examining the percentage of expenditures allocated to housing and community amenities, relative to total local expenditures, further elucidates the varying levels of financial commitment to this function over the five-year period. The percentage fluctuates between approximately 9.78% and 15.49%. In 2017, the percentage stood at 11.75%, indicating a moderate allocation of resources to housing and community amenities. The following year, 2018, witnessed an increase in the percentage to 13.42%, reflecting a heightened emphasis on this function. The highest percentage of 15.49% was observed in 2019, indicating a significant allocation of resources towards housing and community amenities. However, the percentage experienced a notable decline in 2020, dropping to 9.78%. It marginally increased to 11.04% in 2021, suggesting a slight recovery in the allocation of resources to this function.

The fluctuations in the percentage of expenditures allocated to housing and community amenities reflect the changing priorities and the dynamics of resource allocation within the overall local government budget. These variations indicate that the level of financial commitment and prioritisation of housing and community amenities may differ in different years, influenced by a range of factors such as policy changes, budgetary constraints, and evolving local needs and priorities.

Moreover, the interrelation between local budgets and central budget expenditures reveals that 90% of the total expenditure for housing and community amenities is sourced from local budgets. This highlights the significant role local authorities play in financing and addressing the needs of housing and community development initiatives. The substantial reliance on local budgets underscores the delegated responsibility and decision-making authority of local governments in addressing housing and community-related challenges and facilitating their development.

The analysis of the data underscores the fluctuating nature of expenditures on the housing and community amenities functions of local governments. The varying levels of financial commitment and resource allocation reflect changing priorities and dynamics within the overall local government budget. The interplay between local budgets and central budget expenditures further emphasises the significant role of local authorities in financing and addressing the needs of housing and community development initiatives.

7. Health: Understanding Expenditures and Trends in Healthcare Services

The allocation of financial resources by local governments to the function of health is of paramount importance in protecting the well-being and healthcare services available to their respective communities. Recognising their pivotal role, local governments are responsible for providing essential funding and support for a wide range of healthcare initiatives that include hospitals, primary care centres, public health programmes, and health promotion campaigns.

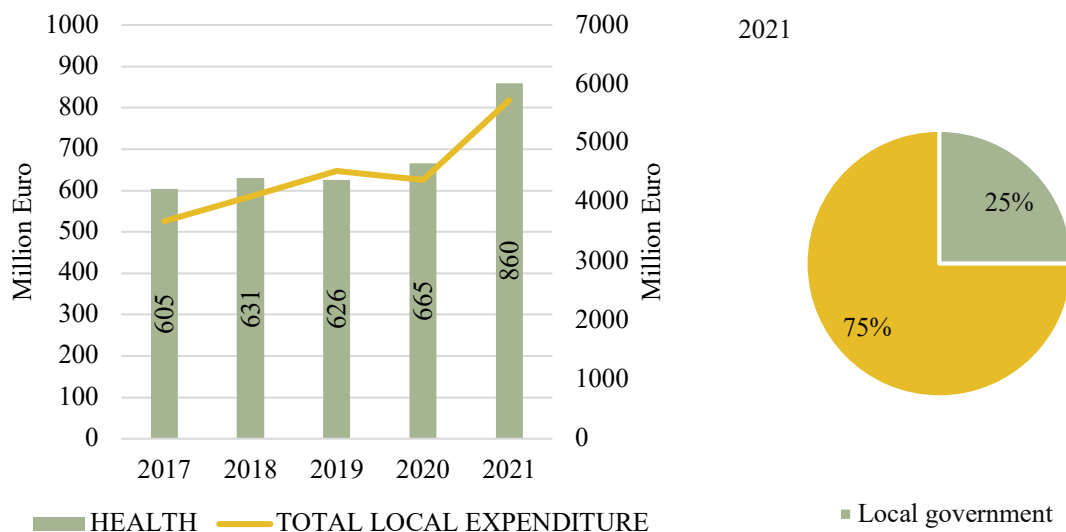
The allocation of financial resources to the function of health underscores the local government's commitment to prioritise the healthcare needs of their communities. By dedicating financial resources to the establishment and maintenance of hospitals, local governments ensure the availability of medical facilities that provide critical care and treatment to people in need. Similarly, the allocation of resources to primary care centres acknowledges the importance of preventive healthcare services and the provision of comprehensive and accessible medical care to community members.

Beyond physical infrastructure, local governments also play a crucial role in funding and supporting public health programmes. These initiatives encompass a wide range of activities aimed at promoting health, preventing diseases, and improving overall population well-being. Public health programmes may include immunisation campaigns, disease surveillance and control measures, health education and awareness campaigns, as well as the provision of essential public health services such as maternal and child healthcare, family planning, and environmental health. One of the significant challenges in Bulgaria is retaining medical specialists in the sector. (Shotarova, 2022)

Furthermore, local governments recognize the value of health promotion campaigns in fostering a culture of wellness and disease prevention within their communities. By allocating financial resources to such initiatives, they strive to educate and empower individuals to adopt healthy lifestyles, make informed health choices, and engage in activities that contribute to their overall well-being. Health promotion campaigns often involve community engagement, partnerships

with healthcare professionals and organizations, and the dissemination of accurate health information and resources. (Yotova & Penkova, 2008)

Figure 7. Trends in Local Government Expenditures for Health in Bulgaria (2017-2021)



Proportion between expenditure for health and total local expenditures

Interrelation between local budgets' and central budget expenditures

Source: Author's calculations based on [NSI](#), [Eurostat](#) data, 2023

Examining patterns within health expenditures provides us with valuable insights into the financial commitment and allocation of resources towards the provision of healthcare services and the advancement of public health within localised communities. Figure 7 presents a data set that illustrates the fluctuation of these expenditures throughout the observed years.

Upon careful examination of the data, it becomes apparent that health expenditures exhibited considerable variation over the specified timeframe. Commencing in 2017, the recorded expenditure amounted to a total of 605 million euros. Subsequently, there was a slight increment, leading to an expenditure of 631 million euros in 2018. However, a minor decrease occurred in 2019, resulting in a sum of 626 million euros. Following this decline, a subsequent surge occurred in 2020, raising the expenditure to 665 million euros. Ultimately, a significant increase materialised in 2021, with health expenditures soaring to a notable 860 million euros.

The aforementioned figures convey an overall ascending trend in health expenditures over the duration of the 5-year period, indicating an expanding financial commitment on the part of local governing bodies to invest in the realms of healthcare services and public health initiatives. The conspicuous upsurge observed in 2021, compared to the previous years, underlines an increased emphasis placed on addressing the healthcare needs of the local population. Thus, this analysis illuminates a positive trajectory characterized by augmented financial allotment from local governments, explicitly directed towards supporting healthcare services and promoting public health.

These expenditures epitomize the recognition accorded to the significance of accessible and high-quality healthcare in fostering the well-being and welfare of localized communities. By allocating substantial financial resources to healthcare, local governments demonstrate their acknowledgement of the vital role played by healthcare services and public health initiatives in

bolstering community welfare. Consequently, these trends signify a collective effort to fortify the healthcare landscape, ensuring its efficacy and adequacy in meeting the needs of the local population.

The intricate relationship between expenditures allocated by local budgets and those derived from the central budget reveals a notable distribution pattern in which approximately three-quarters of all health-related expenditures stem from local budgets. This interplay between local and central budgetary allocations signifies the substantial responsibility shouldered by local governments in financing healthcare services and underscores their commitment to providing adequate and accessible healthcare to their communities.

Examination of health expenditures provides an illuminating overview of the financial dedication and allocation of resources toward healthcare services and public health initiatives. The observed upward trend in expenditures demonstrates the growing commitment of local governments to address health care needs and promote public health. By recognizing the significance of healthcare and allocating substantial resources, local governments affirm their dedication to fostering the well-being and welfare of their communities. The distribution pattern between local and central budget allocations further underscores the pivotal role of local governments in the financing of healthcare services.

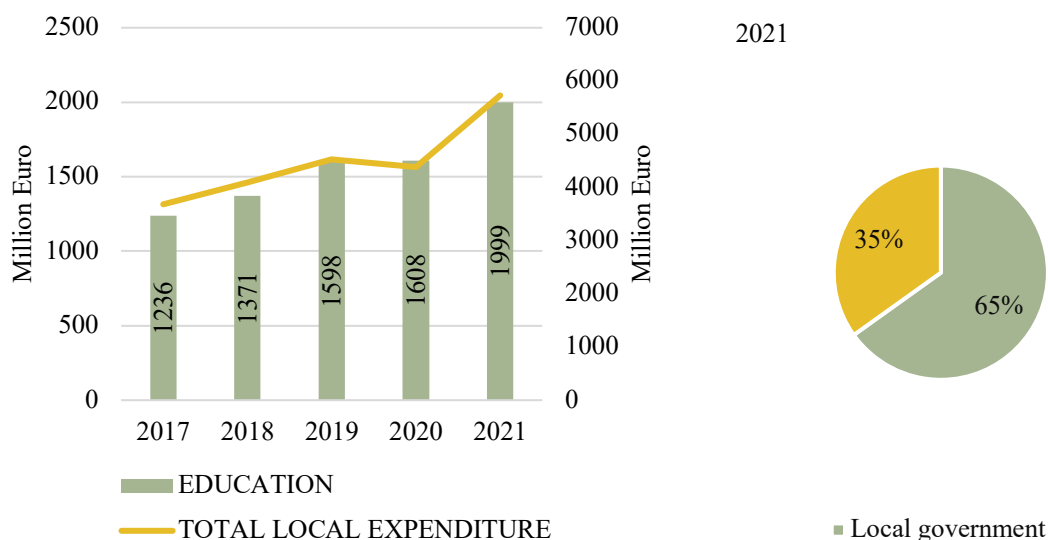
8. Education: Examining the Public Investments in Education Facilities and Services

Local government's expenditures by function, specifically pertaining to education, represent the allocation of financial resources by local governing bodies to support educational endeavours within their jurisdiction. This encompasses the broad spectrum of educational activities, ranging from pre-primary to tertiary levels, and encompasses various aspects such as infrastructure development, teacher salaries, curriculum development, and educational initiatives. In the Bulgarian context, higher education institutions stand as exceptions, as they operate autonomously, and municipalities do not bear responsibility for their funding. (Berberova-Valcheva et al, 2023) The trajectory of higher education development is predominantly oriented towards public-private partnerships rather than local initiatives aimed at fostering its growth. (Valcheva & Valkov, 2020) Another opportunity for enhancing education in the country lies in the implementation of dual education. (Boyanov, 2018)

The primary objective of local governments in allocating funds to education is to ensure the provision of high-quality educational services to their constituents. These expenditures are crucial to facilitating the effective functioning of educational institutions, fostering an environment conducive to learning, and equipping students with the necessary skills and knowledge for their personal and societal development.

Local governments allocate funds to enhance educational infrastructure, including the construction and maintenance of schools, libraries, laboratories, and other facilities essential for optimal learning experiences. Local governments may also allocate funds to support various educational initiatives that promote inclusion, equal access, and improved educational outcomes. This could encompass programs to address educational disparities, such as scholarships or grants for underprivileged students, special needs education, and initiatives to bridge the digital divide.

Figure 8. Trends in Local Government Expenditures for Education in Bulgaria (2017-2021)



Proportion between expenditures for education and total local expenditures

Interrelation between local budgets' and central budget expenditures

Source: Author's calculations based on [NSI](#), [Eurostat](#) data, 2023

The expenditure on education exhibits a consistent upward trajectory, indicating a steadfast commitment by the local government to allocate increasing financial resources to the education sector. Starting at 1236 million euros in 2017, it progressively rose to 1999 million euros in 2021, reflecting substantial growth in investment.

To gauge the relative importance of education within the broader local budget, it is essential to consider the proportion of education expenditures to total local expenditure. In 2017, education expenditures constituted approximately 33.6% of total local expenditure. The subsequent years saw minor fluctuations, with 2018 and 2021 witnessing similar proportions of 33.5% and 34.9% respectively. Notably, 2020 recorded the highest proportion of 36.7%. These variations suggest that while the local government has consistently increased investment in education, it has also directed resources to other sectors and services. The data highlight a commendable commitment by the local government to allocate increasing financial resources to the education sector, as evidenced by the steady increase in education expenditures. The data indicate an interrelation between local budgets and central budget expenditures in 2021, with the proportions allocated as 65% from the local government and 35% from the central government. This distribution highlights a significant role that local governments play in the allocation of financial resources compared to the central government.

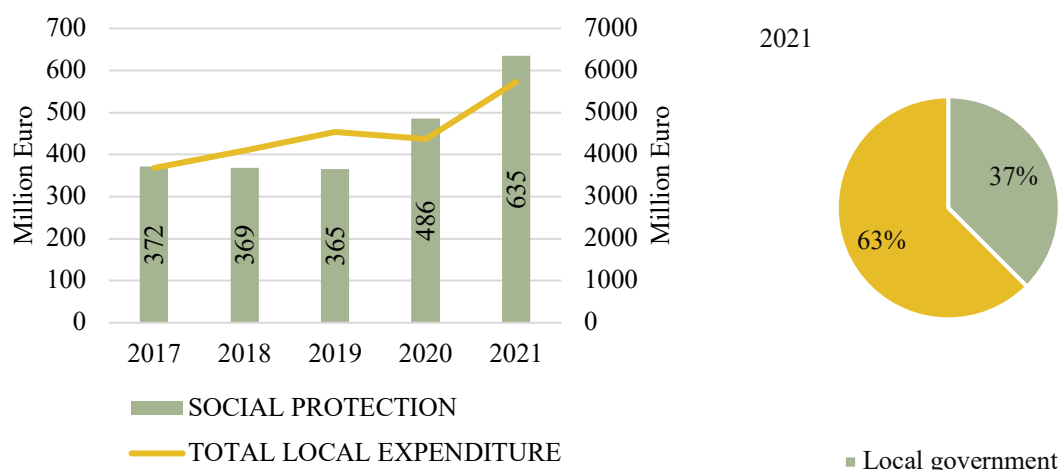
9. Social Protection: Analysing Expenditures for Addressing Social Welfare Needs

The expenditures by local government in the area of social protection pertain to the financial resources that are allocated by these governing bodies with the purpose of supporting and implementing a variety of social welfare programs and services for the benefit of their residents. Social protection encompasses a wide spectrum of initiatives that aim to promote overall social well-being of the community, address social risks, and alleviate vulnerability within the population. Such expenditures typically encompass the funding of various programmes, including, but not limited to:

- Welfare assistance: This category involves the provision of financial aid and social support programmes that target individuals and families who are experiencing economic hardship or specific life circumstances. Examples of such programmes include cash transfers, food assistance initiatives, and housing support measures.
- Healthcare and medical services: Local governments allocate resources to ensure the availability of healthcare services within their jurisdiction. This includes the establishment and maintenance of primary healthcare centres, clinics, and the implementation of public health initiatives. Moreover, preventive healthcare programs that specifically target vulnerable populations are also included in this category.
- Social services: Local governments provide a variety of services that address the needs of the community in relation to childcare, elderly care, disability support, and rehabilitation services. The objective is to safeguard the well-being and foster the inclusion of vulnerable groups within the community.
- Employment support: This category encompasses initiatives that seek to promote employment opportunities, vocational training, job placement services, and unemployment benefits. These measures are implemented to mitigate the adverse effects of unemployment and facilitate the integration of individuals into the labour market.
- Social housing: Local governments invest in initiatives related to affordable housing, rental assistance programmes, and housing schemes that are designed to address homelessness and provide suitable housing options for low-income individuals and families.

By allocating financial resources to these different functions, local governments aim to ensure the provision of social protection measures that contribute to the overall welfare and development of their communities.

Figure 9. Trends in Local Government Expenditures for Social Protection in Bulgaria (2017-2021)



Proportion between expenditures for social protection and total local expenditures

Interrelation between local budgets' and central budget expenditures

Source: Author's calculations based on [NSI](#), [Eurostat](#) data, 2023

From 2017 to 2021, social protection expenditures showed an upward trend. The figures increased from 372 million in 2017 to 635 million in 2021. This indicates a growing commitment of local governments to invest in social welfare programmes and services aimed at promoting social well-being, addressing social risks, and reducing vulnerability within their communities.

Compared to overall local expenditure, social protection expenditures represented a relatively small proportion. In 2017, social protection expenditures represented approximately 10% of the total local expenditure. This proportion remained relatively stable in the following years, ranging from 8.9% to 14.6%. By 2021, social protection expenditures accounted for around 11.1% of the total local expenditure.

The increasing trend in social protection expenditures indicates a recognition of the importance of supporting vulnerable groups and addressing social challenges. However, the relatively small proportion of total local expenditure allocated to social protection suggests that there may be competing priorities or limitations in available resources for social welfare programmes. The data indicates that a majority of social protection expenditures, approximately 63%, are financed through the national budget, while local budgets contribute only 37%. This highlights the significant role of the central government in funding social welfare programmes and the limited financial autonomy of local governments in this area.

CONCLUSIONS:

In summary, the conducted analysis allows us to draw several overarching conclusions:

- The expenditures for general public services exhibited a consistent upward trajectory, demonstrating a growing emphasis on activities associated with general administration, legislative services, and other public service functions. The figures escalated from 698 million euros in 2017 to 1056 million euros in 2021, highlighting an expanding allocation of resources in this domain.;
- The expenditures in the field of defence experienced significant growth during the observed period. The allocation of resources increased from 20 million euros in 2017 to 127 million euros in 2021, indicating a substantial commitment to maintaining national security and addressing defence-related priorities.;
- Public order and safety expenditures have fluctuated throughout the years. Although an overall increase was observed, the figures notably declined in 2020 and 2021, amounting to 25 and 30 million euros, respectively. These variations could be attributed to factors such as changes in crime rates, shifts in resource allocation strategies, or adjustments in law enforcement priorities.;
- The expenditures in the domain of economic affairs exhibited fluctuations, but demonstrated an overall increasing trend. The figures culminated in 1064 million euros in 2021, indicating a focus on activities related to economic development, infrastructure investments, and support for businesses and industries.;
- The expenditures allocated to environmental protection witnessed a gradual increase, reflecting the commitment of local governments to address environmental concerns, sustainable development and conservation efforts. The expenditures increased from 568 million euros in 2017 to 864 million euros in 2021;

- The data also revealed fluctuations in expenditures for housing and community amenities. While there were significant increases in 2018 and 2019, the figures experienced a decline in 2020 and then rose again in 2021, totalling 1240 million euros. These variations reflect changes in investments and activities associated with housing, infrastructure development, and community enhancement initiatives.;
- The expenditures allocated to health displayed a steady growth pattern, underscoring the significance placed on healthcare services. The allocation of substantial resources resulted in an increase from 1186 million euros in 2017 to 1686 million euros in 2021, indicating a commitment to ensuring public health and well-being.;
- Education expenditures exhibited consistent growth, emphasising the importance attributed to investing in education. The figures rose from 2424 million euros in 2017 to 3919 million euros in 2021, highlighting the government's dedication to providing quality educational facilities and services.;
- The expenditures directed toward social protection demonstrated a gradual increase, illustrating the commitment of local governments to addressing social welfare needs. The figures increased from 729 million euros in 2017 to 1246 million euros in 2021.

Overall, total local expenditure experienced an upward trend, increasing from 7218 million euros in 2017 to 11232 million euros in 2021. This signifies an expanding commitment to providing essential services and addressing societal needs.

In conclusion, the analysis of local government expenditures by delegated function in Bulgaria from 2017 to 2021 reveals several key findings. The upward trajectory of expenditures in general public services indicates an increased emphasis on administrative and governance functions, reflecting efforts to enhance public service delivery and streamline administrative processes. The consistent growth in education and health expenditures highlights the government's prioritization of investing in human capital development and ensuring access to high-quality education and healthcare services.

Fluctuations in expenditures are observed in various functional areas, such as housing and community amenities and public order and safety, suggesting potential shifts in policies and resource allocation strategies. The overall increase in total local government expenditures demonstrates the government's commitment to meeting the evolving needs of local communities, promoting socio-economic progress, and improving the overall quality of life.

The analysis also underscores the strategic decision-making process employed by local authorities in resource allocation, as evidenced by the variations in expenditure levels across different functional areas. This reflects the government's efforts to balance competing demands and optimise resource allocation to effectively address local needs.

These findings provide valuable insights into the financial commitment and resource allocation patterns of local governments in Bulgaria. They serve as a basis for understanding the priorities, trends, and challenges in the provision of essential services and highlight the government's ongoing efforts to meet societal needs and foster sustainable development.

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