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**DECENTRALIZED REGIONAL POLICY - OPPORTUNITY FOR SUSTAINABLE
DEVELOPMENT OF THE REGIONS IN BULGARIA**

ABSTRACT

of dissertation thesis for obtaining the educational and scientific degree "doctor"

Area of higher education: 3. Social, Economic and Legal Sciences

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The dissertation thesis was discussed at the Department Council (DC) on and is sent for defense by decision of the DC of the Department of Economic Sciences at the Faculty of Economic and Social Sciences of the University of Plovdiv "Paisii Hilendarski" dated 09.06.2023.

This dissertation contains an introduction, three chapters, a conclusion, a bibliography, a list of abbreviations used, a list of figures (36 figures) and a list of tables (12 tables). It consists a total of 217 pages. Of them: introduction, three chapters and conclusion - 191 pages, bibliography of used sources - 18 pages. The bibliography consists of 304 sources, of which 72 are in Bulgarian and 232 in English.

The publications on the topic of the dissertation work are three independent and one co-authored.

The public defense of the dissertation work will take place on **29.09.2023**, at 1:00 p.m. in Meeting Hall, Rectorate of Plovdiv University "Paisii Hilendarski".

The author is a full-time doctoral student in the Department of Economic Sciences of the Faculty of Economic and Social Sciences at Plovdiv University "Paisii Hilendarski".

The defense materials are available to interested parties on the website of Plovdiv University "Paisiy Hilendarski" (<https://uni-plovdiv.bg>).

1. OVERVIEW OF THE DISSERTATION THESIS

1.1. Relevance and significance of the Dissertation Subject

The topic of the dissertation work is relevant for several reasons. Firstly, the sustainable and balanced development of the regions is an actual strategic problem not only for Bulgaria, but also for the entire European Union (EU). Existing interregional and intraregional inequalities (economic, social, demographic, geographical, infrastructural, etc.) continue to hinder sustainable territorial development and socio-economic convergence between European regions at different levels. Sustainable development as a socio-economic concept is an increasingly relevant issue for modern societies around the world in view of deepening environmental challenges on a planetary scale, climate change and significant social disparities between countries and also within their regions.

Achieving sustainable development is a strategic objective of the EU, which is aimed at finding the balance between economic growth, public welfare and environmental protection. No less important is the institutional dimension of the concept, which is gaining more and more weight in the determination and implementation of specific policies, especially related to territorial cohesion. The type of institutional system in which a given regional policy is implemented largely determines its effectiveness and impact. In this regard, the dissertation examines decentralization as a tool for increasing the effectiveness of regional policy and as an opportunity to achieve the sustainable development of the regions in Bulgaria.

The global sustainable development goals are already integrated horizontally in all EU policies and initiatives, as well as in the package of measures under the Green Deal. All this gives rise to obligations to the member states to synchronize their national policies in accordance with the accepted goals for limiting harmful emissions and achieving climate neutrality on the continent by 2050. Bulgaria also faces the challenge of meeting these ambitious EU environmental targets, which will also have a significant regional impact, especially in regions whose economies are dominated by coal mining and electricity generation. But not only coal regions are a problem for Bulgaria's green transition. A large part of the cities in the country are faced with environmental challenges related to the cleanliness of the air (fine dust particles), access to drinking water, the compromised (or not built) plumbing infrastructure, as well as the absence of sustainable urban mobility and adequate prevention measures (adaptation) of floods and other risks of extreme natural disasters.

Secondly, acute social and demographic problems do exist in the Bulgarian administrative regions and municipalities, and the interregional disparities are diverse and multidimensional. The current state policy cannot ensure balanced territorial development and similar quality of life in all regions. Cohesion with respect to the regions in the EU is also unsatisfactory, with the exception of the progress of the South-West region, which is exclusively due to the rapid growth of the capital Sofia. All these features of regional development in Bulgaria direct the present study to search for the reasons for the unsuccessful regional policy in the country, to analyze the quality of strategic planning and the institutional architecture of regional development, as well as the effectiveness of the programs and measures for the development of the regions implemented so far after the country's accession to the European community. For this purpose, however, it is necessary to analyze the characteristics of the EU's cohesion policy, its influence on the Bulgarian policy for regional development, as well as to compare the experience of other member states in overcoming regional differences and promoting sustainable territorial development.

Another reason, following the conducted literature review, shows the existence of a limited number of scientific studies that cover the complex sustainable development of regions and that relate the role of decentralization to the implementation of effective regional policies in the EU member states. The new integrated territorial approach of the EU and the integrated territorial investments (ITIs), which are oriented to the problems of the specific place, cannot be defined unambiguously as decentralized instruments. In economic theory, sustainable and balanced territorial (spatial) development is not studied enough, which makes us classify it as a serious scientific problem. Separate directions in economic science, such as geoeconomics, regional economics and economic geography, study regionalization, regional differences, urbanization and localization economic factors, but still regional policy, as an independent management phenomenon, does not take a priority place in the modern economic thought.

The topic of the dissertation is also relevant in relation to the delayed process of financial and administrative decentralization in Bulgaria, which has been stalling for two decades, despite the adopted strategies in this direction. All of the above substantiates the relevance of the topic of the dissertation in the context of the green transition initiated by the EU, and in view of the unsatisfactory development of the regions in Bulgaria, despite the progress of Sofia and some large cities such as Plovdiv, Varna and Burgas. But the difference in the economic development of the capital

and other urban centers is excessive. Sofia produces over 50% of the country's GDP. The monocentric scenario for spatial development, which is realized in practice, points to the need of search for new solutions to achieve sustainable and balanced development and overcome regional inequalities.

1.2. Object and subject of the study

The object of this research is the regional policy of Bulgaria in the context of the applied cohesion policy of the EU and the goals for the green transition. An important aspect of the research is the way of programming the funds from the European Structural and Investment Funds and their appropriate thematic and territorial application in Bulgaria.

The subject of the research is the decentralized approach in planning and conducting the regional policy in Bulgaria as an opportunity to achieve sustainable and harmonious development of the regions. The focus of the dissertation work is the justification of the types of decentralized policies for achieving sustainable and balanced regional development and overcoming interregional inequalities. Special attention is paid to the integrated territorial approach, based on the specific place or local specifics (place-based approach). The Integrated Territorial Investment (ITI) instrument, which also includes a bottom-up approach, is being explored.

1.3. Research thesis

The main scientific hypothesis of the dissertation work is that the subsidiary principle of territorial development management, realized through the implementation of a decentralized policy by authorized regional institutions, creates much better conditions and opportunities for sustainable and balanced development of the regions in Bulgaria. The research suggests a positive relationship between the degree of decentralization and the successful implementation of regional policy, including the achievement of the EU's sustainable development goals.

The additional hypothesis advocated by the research is that the reasons for the limited effectiveness of ESIF investments in Bulgaria and their low added value for sustainable development are due to the lack of multi-level management, as well as the established centralized management of the programs and the non-compliance with territorial characteristics and needs of target regions.

1.4. Purpose and tasks of the study

The main purpose of the dissertation paper is to prove (highlight) the advantages of the decentralized approach in conducting a regional policy and the use of integrated territorial investments. The study also has two specific sub-objectives:

- A) To discover connections and dependencies between the decentralized management of regional development and the achievement of harmonious and sustainable development at the various regional levels in Europe;
- B) To justify the need for the application in Bulgaria of the integrated territorial approach, based on the local specifics (place-based approach), and for strengthening the decentralization process.

The tasks of the dissertation are:

1. Review and systematization of the theoretical concepts and directions of economic science in the field of the dissertation work.
2. Carrying out a critical analysis of regional development and regional policy in Bulgaria based on the application of the EU's cohesion policy in the country for the period 2007-2020.
3. Analysis and determination of the main reasons for the deepening economic and social imbalances between the regions in Bulgaria and the limited convergence with the regions in the EU, against the background of the significant financial resources invested in line with European solidarity for the period 2007-2020.
4. Study and comparative analysis of the policy of regional decentralization in EU member states and its relationship with social progress and sustainable development of NUTS2 level regions.
5. A case study for a decentralized policy for territorial development in Bulgaria, based on the specific place and initiated "bottom-up" by the business sector in cooperation with local authorities.
6. Analysis of the institutional framework (system) of regional development, strategic planning and the achieved results of the implementation of the regional policy in the country after joining the EU.

1.5. Methodology and limitations in the scope of the study

The research methodology includes:

- analysis and synthesis of scientific theoretical statements and research on the topic of the dissertation, related to regional development, regional policy of the EU, decentralization and sustainable and balanced development;
- statistical toolkit of the comparative method for analyzing the social progress of the NUTS2 level regions in the EU and its relationship with the degree of decentralization of the member countries.
- correlation, regression and cluster analysis of dependencies between a group of indicators.
- Qualitative analysis of the institutional system of regional development and the implemented regional policy in Bulgaria after joining the EU.
- case study related to the development model of the city of Plovdiv, its agglomeration area and the adjacent Trakia Economic Zone (TIZ) through decentralized policies to attract investments in industrial zones, development of cultural tourism and IT business.

Structurally, the dissertation contains an introduction, three chapters and a conclusion.

The dissertation research follows a deductive scientific logic. First, the general theoretical aspects and characteristics of regional policy as a tool for planning and modeling the territorial and spatial development of countries are summarized. In the second place, a comparative analysis of the results and impact of the regional policy within the countries of the European Community is carried out. The third stage of the research is aimed at the peculiarities and problems of regional policy in Bulgaria, as it also includes a study of good practice for successful regional policy in the country, initiated with a bottom-up approach. The aim is to draw relevant conclusions about the importance of the decentralized approach in planning and programming of regional development, to highlight specific recommendations and to justify the need to implement a decentralized regional policy in Bulgaria.

At the same time, an inductive method is also used to substantiate the main hypothesis of the dissertation by conducting a case study in Bulgaria, from which generally valid conclusions applicable in the general theory of regional politics can be drawn. The example of the city of Plovdiv is indicative of the possibilities of the decentralized integrated approach to local and regional development.

The methodology of the dissertation research also includes a substantive analysis of official strategic documents, legislation and scientific literature. Official statistical data from Eurostat, NSI,

EC, OECD, as well as information from public institutions at the European, national and regional level are used.

The current study mainly uses the positive approach to assess the development of the regions, based on empirical observations and official statistics. At the same time, a normative approach is also applied, through which certain solutions/models are proposed for more efficient use of public resources through decentralized regional policy. The studies of good examples are also used, through which the thesis of the dissertation is supported.

For the comparative analysis of the development of the regions in the EU, the following are used: the indicators of the Europe 2020 strategy for sustainable development, monitored by Eurostat, the regional GDP per capita expressed in purchasing power standards (PPS) in the EU, the Regional Competitiveness Index (RCI) of the European Commission (EC), as well as the EU Regional Social Progress Index (EU-SPI). To determine the degree of decentralization, the following indicators are used: share of municipal expenses in total public expenses (% GDP) in EU member states; regional authority index (RAI) etc.

Dissertation limitations

1. Time limitation: the regional policy in Bulgaria, as the object of the study, is considered in the context and application of the European regional (cohesion) policy and covers the period 2007-2020. For a large part of the socio-economic indicators, data as of 2019 is used to avoid distortion of the results of the health crisis in 2020.
2. Spatial (territorial) focus: the analysis of the regional policy in Bulgaria, as well as the statistical study of the regions in the EU, are focused on the regions of the NUTS2 level, according to the general classification of territorial units for statistical purposes of the EU. The territory of Bulgaria is divided into six regions for planning at the NUTS2 level with the adoption of the Law on Regional Development in 2004, amended and supplemented many times. The study focuses on the development of the NUTS2 level regions in Bulgaria since the country's accession to the EU, allowing comparisons on a European scale.
3. Theoretical limitations: the research does not have the task of carrying out a complete historical review of the theoretical concepts and currents in the field of regional policy, decentralization and sustainable regional development. The presented economic theories are used only to clarify the philosophy and main characteristics of regional policy, as well as to analyze the leading economic

paradigms within the EU cohesion policy. The dissertation does not claim to cover all theoretical aspects of the sustainable and balanced development of the regions, but focuses on the type and effectiveness of regional development policies implemented in the different regions of the EU. An important element in the theoretical framework is the justification of the regional development approach based on local specificities and the role of decentralization in its implementation.

4. The discussion on the administrative-territorial organization of the Republic of Bulgaria is not a direct object of research of the present work. But some conclusions from the dissertation would be useful for the optimization of the functions and powers of the local self-government bodies and for a possible reform of the administrative-territorial units.

5. The dissertation does not deal in detail with the policy for the development of rural areas in Bulgaria and the EU. Some of the research results suggest a deeper coordination of agricultural and regional policy at the local level.

2. STRUCTURE AND CONTENT OF THE DISSERTATION RESEARCH

This dissertation contains an introduction, three chapters, a conclusion, a bibliography, a list of abbreviations used, a list of tables and a list of figures.

The text is organized in the following structure:

INTRODUCTION

CHAPTER ONE - ESSENCE AND CHARACTERISTICS OF REGIONAL POLICY AND SUSTAINABLE TERRITORIAL DEVELOPMENT

1. Nature and characteristics of regional policy and its place in economic theory
2. Basics of sustainable and balanced regional development
 - 2.1. Balanced development of regions in the EU
3. Regionalization and decentralization
 - 3.1. Relationship between decentralization and economic development
4. Fiscal decentralization and fiscal federalism
 - 4.1. Theoretical arguments for the need for fiscal decentralization
 - 4.2. Principles of fiscal decentralization
 - 4.3. Development of the theory of fiscal federalism
 - 4.4. Challenges to fiscal decentralization

5. Multilevel governance and regional politics
6. Integrated territorial approach to regional development

CHAPTER TWO - REGIONAL POLICY IN EU COUNTRIES AND ITS RELATIONSHIPS WITH DECENTRALIZED GOVERNANCE AND SUSTAINABLE DEVELOPMENT

1. The cohesion policy of the European Union
 - 1.1. Historical development of cohesion policy
 - 1.2. Multilevel governance in the European Union
2. Comparative analysis of the social progress of the European regions of the NUTS2 level and the degree of decentralization of the countries in the European Union
 - 2.1. General provisions of comparative analysis
 - 2.2. Methodology of applied comparative research
3. The relationship between sustainable urban development and decentralized management
4. Current problems and trends in decentralization and regional development

CHAPTER THREE – REGIONAL POLICY IN BULGARIA - CHARACTERISTICS AND PERSPECTIVES

1. Regionalization and decentralization in Bulgaria
 - 1.1. The unrealized decentralization
2. Peculiarities of regional policy in Bulgaria after joining the EU
 - 2.1. Results of the implementation of regional policy
 - 2.2. Perspectives for the period 2021 – 2027
 - 2.3. Challenges in the implementation of integrated territorial investments
3. Decentralized regional policy – the case of Plovdiv
 - 3.1. Creation of greenfield industrial parks
 - 3.2. Development of the IT sector and outsourced business services
 - 3.3. The "Plovdiv 2019" project
4. Prospects and challenges for regional policy in Bulgaria in the context of the transition to a green economy
 - 4.1. Nature and content of the transition to a green economy
 - 4.2. Regional policy in Bulgaria and the just green transition

CONCLUSION

References

3. BRIEF DESCRIPTION OF THE DISSERTATION STUDY

In the introduction of the dissertation, the importance and relevance of the problem are clarified, the object and subject of research are indicated, the research thesis, hypotheses, goals and tasks, the methodology and limitations that are imposed, as well as the structure of the dissertation research are formulated.

3.1. First chapter. Nature and characteristics of regional policy and sustainable territorial development

The first chapter presents the main scientific directions that deal with the problems of regional development and regional policy. Regional (spatial) economy and socio-economic geography are the main scientific fields investigating the spatial aspects of social development, the formation of regions, their characteristics and potential for growth. The independent scientific direction, called regional science or regional studies, is also actively developing.

The first chapter is structured in six paragraphs. The first part presents the essence and characteristics of regional policy, as well as its place in economic theory. The main scientific approaches to explain regional development and economic differences between regions are described. In the second part of the first chapter, the concepts of sustainable and balanced regional development are presented.

The third part comments on the essence and significance of the processes of regionalization and decentralization. They determine the territorial basis of regional development and form the institutional system of governance of the states. It also analyzes the relationship between decentralization and economic development. The fourth paragraph of the chapter discusses the theory of fiscal federalism and seeks theoretical arguments for the need for fiscal decentralization of the public finance system. The principles and challenges to fiscal decentralization are analyzed.

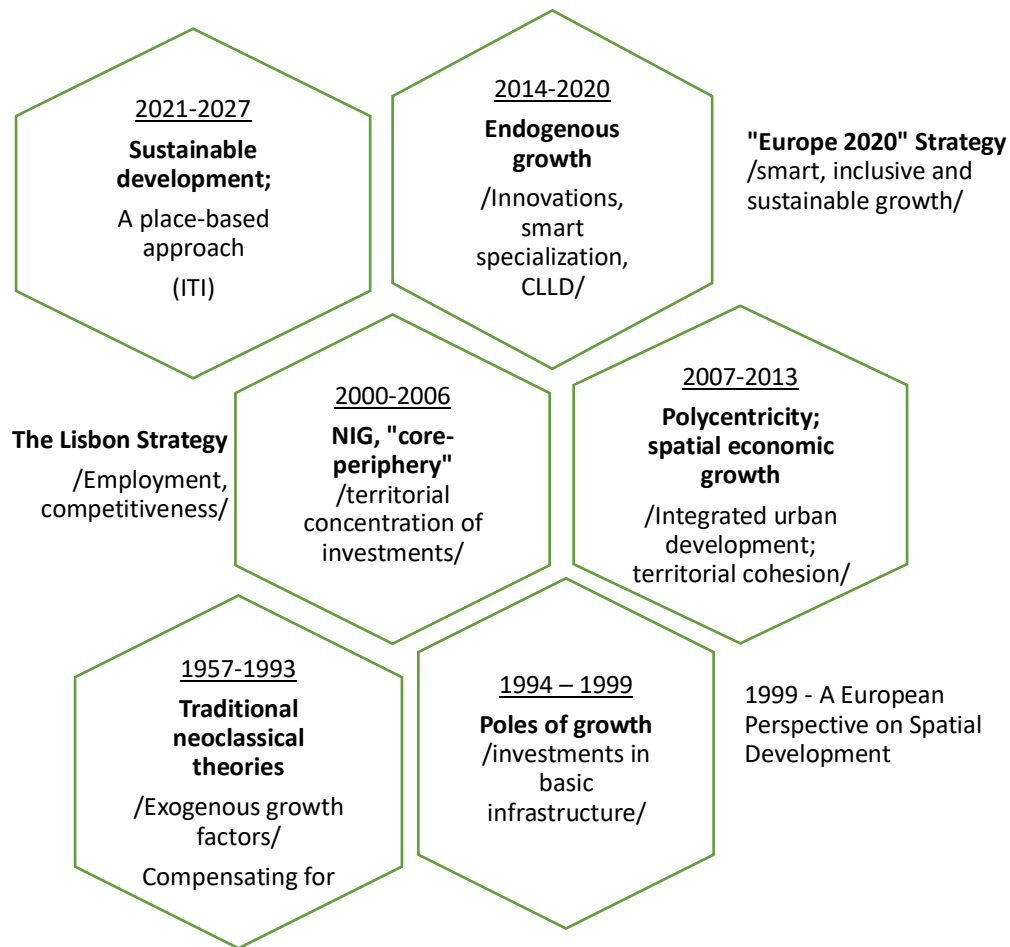
The fifth paragraph of the first chapter includes a presentation of multi-level governance as one of the distinctive features of the EU's cohesion policy with its shared governance at different levels and analyzes its relationship with regional policy. The last paragraph of the chapter analyzes the new integrated territorial approach to regional development in the EU, based on the specific place and local specifics (place-based approach). The approach, representing a reform of the cohesion policy, is to be applied in Bulgaria as well.

3.2. Second chapter. Regional policy in the EU countries and its relations with decentralized management and sustainable development

The second chapter presents the cohesion policy in the EU and analyzes the role of decentralization for the sustainable development of the European regions of the NUTS 2 level.

Figure 1 depicts the leading theoretical strands underlying the EU's cohesion policy philosophy.

Figure 1. Theoretical trends in EU cohesion policy



Source: Author's interpretation

The theoretical analysis in the first paragraph of the second chapter clearly shows that the EU's cohesion policy is becoming an "urban" policy. There is a definite distinction (demarcation) between the cohesion policy and the Common Agricultural Policy of the Union, which also includes the development of rural areas. Empirical economic data prove that rural-urban linkages are not improving and peripheral rural areas are lagging behind cities. This could generate socio-political tensions between the center and the periphery, which in turn could catalyze new processes of regionalization and decentralization. Many scholars in the field of urban economics and the New Economic Geography have identified the source of the growing socio-economic divide between urban and rural areas in the EU.

The new integrated territorial policy approach for the period 2021-2027. is an attempt to achieve a more sustainable balance between investments in urban areas and their related nearby functional areas, including purely rural areas. However, there is still an ongoing scholarly debate about the orientation of cohesion policy. Some researchers continue to advocate its focus on lagging regions, while other authors justify support for urban regions. Arguments for full coverage of the territory by ESIF interventions are also defended. But in any case the rapprochement between European regions remains the primary objective of the EU's cohesion policy, therefore the lagging peripheral regions must not be forgotten.

The emphasis on integrated urban development and the mandatory implementation of smart specialization strategies can stimulate Member States to reorient their regional policies towards nationally funded programmes. Moreover, many countries already apply national policies to overcome regional imbalances, especially developed countries that are not covered by the cohesion policy.

A 2019 EC study fully analyzed nationally funded policies to address territorial disparities in 11 Member States. All countries except Italy and Spain are Cohesion Policy countries (Bulgaria, Croatia, Czech Republic, Hungary, Poland, Portugal, Romania, Slovakia and Slovenia). The research identified that the most frequently implemented types of measures are direct support for business development and innovation, transport infrastructure projects and tax incentive schemes to support trade and improve the business climate. Most of the policies in question, funded at national level, have a pronounced spatial focus, targeting backward regions with specific economic problems, for example high unemployment. However, most measures are developed and

implemented at the national level with limited involvement of regional authorities. This is particularly characteristic of Member States where sub-national authorities spend only a small share of public expenditure (as in Bulgaria, Croatia, Hungary, Portugal, Romania and Slovenia). National policies provide additional funding for measures representing a national priority or for which ESIF funding is insufficient or ineligible.

In the second paragraph of the second chapter, the regional policy in the EU member states and its relationship with the decentralization and social progress of the regions is investigated. The study also covers sustainable urban development in Europe. Trends and effects of decentralization on economic growth and regional inequalities are also discussed. An applied comparative statistical study is carried out, which reveals relationships and dependencies between indicators of a socio-economic nature within the regions at the NUTS 2 level of the EU.

For the purposes of the study, the level of decentralization in the respective European countries was determined by the share of municipal expenditure in total public expenditure as a percentage of the country's GDP. This is the most commonly used indicator to measure the level of fiscal decentralization. This indicator is preferred because it is very suitable for comparative statistical analysis of all European countries, regardless of the type of their administrative-territorial organization and multi-level governance. The municipal level of government is available for both unitary and federal states. Furthermore, the volume of expenditure incurred by local authorities is indicative of their actual functions, responsibilities and the policies they are charged with implementing.

Within the EU, regional and local authorities ensure the implementation of more than 65% of actions under the Sustainable Development Goals, carrying out one third of public expenditure and two thirds of public investment. The share of expenditure incurred by sub-national authorities is highest in federal Member States (Austria, Belgium and Germany, Spain) and in Member States with highly decentralized governance (Denmark, Finland and Sweden). In 2019, in Denmark, 65% of public spending was carried out by subnational authorities, in Sweden – over 50%, and in Spain, Belgium, Finland and Germany – over 40%.

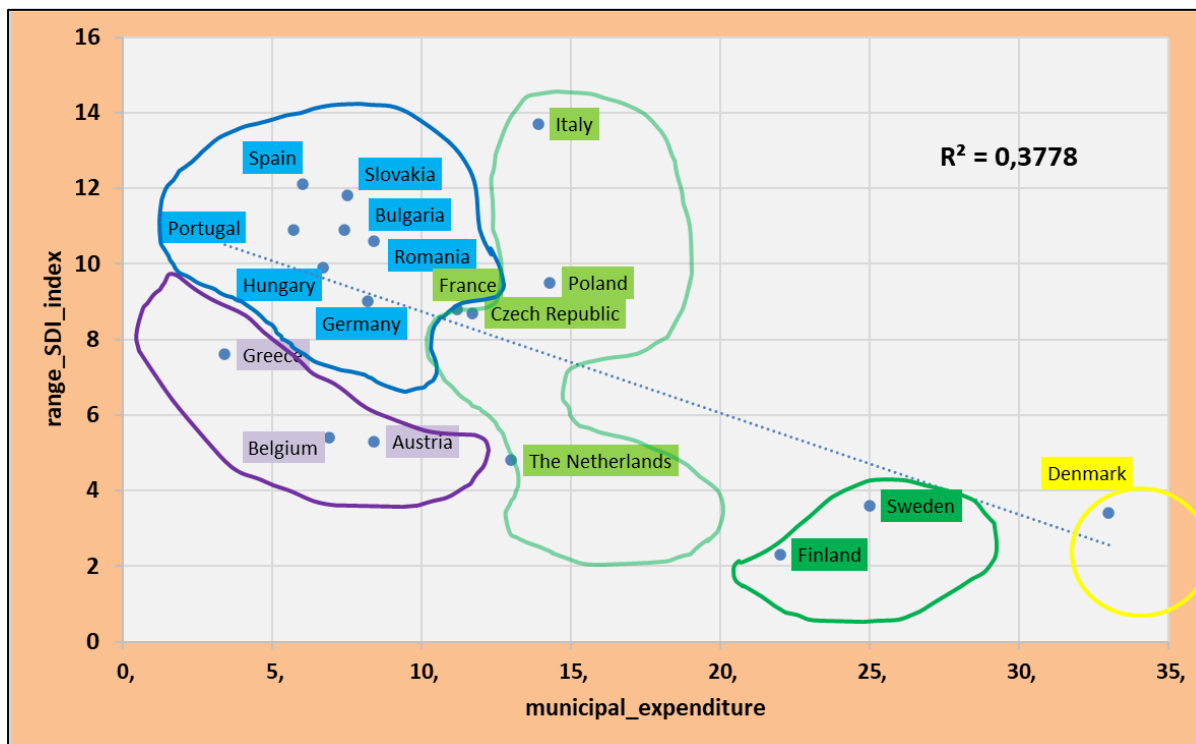
The research comes to the conclusions that fiscal decentralization enables effective use of the potential of the regional economy, and reaching higher economic activity corresponding to the higher share of GDP per capita.

The dissertation evaluates the successes of the EU's cohesion policy by identifying a statistically significant relationship between the level of decentralization of the countries in Europe and the effectiveness of the regional policy, measured by the deviations in the value of GDP per capita and the achieved social progress of the regions from level NUTS 2 within the EU. Social progress is represented by the Social Progress Indicator (EU-SPI), which includes various components such as basic human needs, well-being and opportunities. These dimensions cover a range of indicators, such as access to education, health care, housing conditions, personal safety, as well as factors related to environmental quality, social inclusion and personal freedom. This indicator is preferred for the study, as it illustrates the complex development of the regions and is closest in content to the concept of sustainable development, including social and environmental indicators.

The statistical analysis of the study includes the following tools:

- Descriptive analysis of data by basic statistical indicators;
- Graphical analysis for visualization and visualization of the relationships and dependencies between the indicators;
- Variation analysis, for the scope and variation of the data by regional basis;
- Regression analysis to determine the best model describing relationships and dependencies between indicators;
- Cluster analysis to define certain groups of countries by values of the indicators used.

Figure 2. Cluster groups according to the Affinity Propagation algorithm for the countries by share of municipal expenditure in total public expenditure (% of GDP) and Range of the Social Development Index of the regions (EU-SPI)



Source: own calculations

The general conclusions from the cluster analysis made in the dissertation work can be outlined in the following aspects:

- Bulgaria stands out in a group of countries that have a low level of municipal expenditure and suffer from a high value in the scope of the social indicator in their regions. In reality, Bulgaria lacks fiscal decentralization and there are many regional inequalities and inconsistencies. Here, in addition to other countries close to us, such as Romania, Hungary, Slovakia, the countries of the Iberian Peninsula, together with Germany, fall. It should be borne in mind, however, that Germany is a federal state and the municipal expenditure indicator used does not show the real level of decentralization, as the other sub-national authorities (provinces and regions) in the country also have a share in the total public expenditure.

- Italy, Poland, France, despite the higher share of municipal expenses, again fail to achieve a lower range in the values of the social indicator by region, which clearly expresses the differences in the development of their regions from the NUTS2 level.

- On the other hand, countries such as Belgium, Austria and the Netherlands, despite their low to average share of municipal expenditure, manage to do very well in achieving even regional development, expressed through the social progress index. It should also be noted here that Austria and Belgium actually have a higher degree of decentralization, as they have a federal state structure and the regional authorities also have a share in the general public expenditure, as well as responsibilities towards regional politics. This probably further contributes to the achievement of balanced and sustainable development of their regions.

- Sweden, Finland and Denmark are indicative of how the high share of municipal expenses corresponds to the achievement of regional social cohesion and balanced development of the regions.

The conclusions of the correlation-regression analyzes support the scientific hypothesis about the importance of decentralization as a management tool for increasing the effectiveness of regional policy and achieving better economic development and social prosperity of the regions.

Our own statistical research proves that decentralization has a serious impact on the design and impact of regional policy on sustainable regional and urban development. A comparative analysis of other similar studies also shows that the decentralization of budget expenditures has positive effects on economic growth, but also demonstrates mixed results in terms of regional inequalities. But the majority of researchers concentrate on the socio-economic aspects of inequalities, mainly measuring the deviations in income (regional GDP). However, the use of the indicator of social progress at the regional level in decentralization research gives a more complex picture of the effectiveness of regional and local policies not only in an economic dimension, but also of the possibilities of achieving the global goals for sustainable development, including in a territorial aspect .

3.3. Third chapter. Regional policy in Bulgaria - features and perspectives

In the third chapter, the overall system for regional development in Bulgaria is critically analyzed and the reasons for the unsatisfactory results of the implemented regional policy are sought. The institutional framework of the regional policy, strategic planning, programming and the achieved results of the interventions in the regions are analyzed. The reasons for the non-implementation of decentralization are discussed at length.

The state policy for regional development in Bulgaria does not sufficiently achieve the set goals for sustainable and balanced development of the regions. For direct observers of the policy planning, programming and implementation process, this is no surprise. The goals set in the Law on Regional Development and in the strategic documents at the national, regional and local level sound wonderful, but their implementation is not being worked on in a complex, consistent and comprehensive manner. All programs, tools and measures to support regions and municipalities are configured in a way to respond to the formal requirements of the European regulations in order to be able to use the funds from the European funds. Regional and local development policy relies solely on EU solidarity to implement key interventions in the regions. But this way of implementing a formal regional policy does not respect the main principle of the European cohesion policy for the complementarity of investments. ESIF funds do not supplement the national measures to support the regions, as they are very limited, and the exact opposite happens - the state supplements the European aid by providing part of the mandatory co-financing of the operational programs. In 2019 The European Commission finds that Bulgaria, Italy and Romania do not meet the requirements of the regulations on the complementarity of interventions. As a result, the Commission has informed these countries that they need to increase public investment to reach the required levels.

In the first paragraph of the third chapter, an analytical review of the processes of regionalization and decentralization in Bulgaria is made. Governance in Bulgaria is highly centralized and does not allow the implementation of significant decentralized policies initiated by the regions and local authorities. The NUTS2 level regions in Bulgaria are not institutionalized, but created for statistical purposes. On the other hand, NUTS3 regions are administrative-territorial units, but without real policy-making powers. Municipalities as local authorities suffer from the lack of financial independence, which hinders their sustainable development. In practice, no real

regional policy is implemented in the country, which is based on real processes of regionalization and decentralization. The principle of subsidiarity also does not find practical implementation in the country, as there is a lack of multi-level governance.

In the process of joining the EU, and after that, Bulgaria made attempts to decentralize public administration by adopting national strategies for the decentralization of state administration for certain periods (2002-2005, 2006-2015, 2016-2025). and programs for their implementation. In 2006 The Council for the Decentralization of State Administration (SCG) was established as a permanent advisory body to the Council of Ministers in the implementation of state policy in the field of decentralization. The chairman of the SDSU is the Minister of Regional Development and Public Works.

The functions of the SDSU are aimed at assisting the Council of Ministers in the implementation of the state policy in the field of decentralization on the basis of a unified strategy for the decentralization of the state administration. However, the last published annual report on the implementation of the decentralization strategy was for 2014. At the same time, analytical reports on decentralization at the regional and municipal level are also published on the specialized portal for decentralization, but the last such materials are from 2013.

In the annual report on the implementation of the Decentralization Strategy for 2014. a review of the Program for its implementation was made and the progress of the planned measures was assessed. The main conclusions of the report indicate that key reforms have not been implemented in the area of transfer of resources and powers to local authorities, while there is no progress in the restructuring of municipal services. It has been reported that urgent measures are needed to revise the legislation concerning the functioning of local self-government and its compliance with the European Charter for Local Self-Government. Reforms at the regional level, related to the activity of regional administrations, remain "on the books". The report concludes that the consequences of the lack of good enough coordination at this level affect the state's ability to conduct effective regional policy.

The last active strategy for decentralization covers the period 2016-2025, for which there is no official information on the implemented measures and achieved goals. No annual reports have been published to monitor the strategy and evaluate the results of the measures envisaged in the program for its implementation. In the analytical part of the Strategy for Decentralization 2016-

2025. key conclusions are drawn regarding the implementation of the measures envisaged in the previous strategy, the planned reform at the regional level of government, as well as the international comparisons made for Bulgaria's progress in the field of decentralization compared to the unitary states in the EU for the period 2006-2014. Regarding the reform at the regional level of government, it is stated that the proposed ideas and scenarios for decentralization have not been implemented, which requires that in the period 2016-2025 special attention be paid to the reform of the regional structures of the central executive power and to further develop the mechanisms for coordination and coordination of the policies applied on the territory of the district.

On the other hand, the comparative analysis within the unitary states in the EU shows that the global financial crisis has led to delaying the process of decentralization in the EU. The funds received by the municipalities in Bulgaria under the European programs do not supplement, but replace the regular sources of funding for local services. The biggest difference in the structure of local government revenues in Bulgaria, compared to those in other EU countries, is the extremely low share of local taxes.

The main conclusion regarding the implementation of the measures of the Decentralization Strategy for the period 2006-2015 is that the decentralization process is greatly delayed, there is a lack of sustainability and consistency in the promotion of reforms. On the one hand, this is related to the influence of the global financial and economic crisis in 2008, but it is also due to the financial policy implemented in the country during that period. As a result, municipalities are the most affected public institutions. The results of the implementation of the Strategy for the period 2006-2015 are defined as unsatisfactory, as only 39% of all measures have been implemented. None of the strategic objectives have been fully met. In general, the measures did not contribute to achieving the main goal – decentralization of services, powers and resources from higher to lower levels of government. Even in the period 2010-2013. a process of centralization of the state administration took place. With the lowest degree of implementation are the measures under strategic objective 2, concerning the regional level of management. None of the indicators for reporting the progress of financial decentralization have been reached. There is a lack of broad political support to continue the decentralization process in the long term.

All these problems with the decentralization of government make the subject a saga or a lost cause, at least at this stage. The apparent lack of political will for reforms, the postponement

of financial decentralization, as well as the reluctance to introduce a regional level of self-government (or even to reform the district level) lead to the accumulation of additional inconsistencies and imbalances in the development of the regions and continued ineffectiveness of the regional policy.

Centralization has covered to an even greater extent the system for managing EU funds, as in both past program periods the operational programs co-financed by ESIF were structured at the national level and the line ministries were the governing bodies. As is widely known in most member states, operational programs are territorial and regional institutions and authorities are actually involved in their management. The Bulgarian model of managing funds from European funds, combined with weak local and regional authorities, makes it difficult to focus investments according to the specifics and real needs of the regions. Stakeholders at the local and regional level do not fully participate in the strategic planning of regional development, the programming of EU funds and the selection of interventions under the operational programs.

The need for regional policy in Bulgaria to be based on the specifics of the specific place is increasingly evident today. However, its orientation towards local characteristics requires a new management model based on decentralization and strengthening the role of regional institutions and municipalities. The new model must include effective mechanisms for coordination between levels of government.

In the second paragraph of the third chapter, an in-depth critical analysis of the features of regional policy in Bulgaria, strategic planning and programming of funds from European funds related to regional policy is carried out. The results of the implemented policies during the past two program periods of the country's membership in the EU are summarized.

After the country's accession to the EU in 2007, the Bulgarian governments have the opportunity to implement a regional cohesion policy through special programs for regional development, as well as through the various sectoral operational programs co-financed by ESIF, in combination with national policies and measures. The analysis shows that the implemented projects under various initiatives and programs with European co-financing have an indisputable positive impact on the Bulgarian regions and macroeconomic effects. The analysis of the empirical data, as well as numerous studies, however, show that the socio-economic and demographic differences in and between the regions of Bulgaria and those of the EU persist or deepen. Cohesion and

convergence towards the regions in the EU are unsatisfactory except for the progress of the South-West region.

The state policy for regional development (regional policy) in Bulgaria is formulated in the Regional Development Law, which states that it creates conditions for balanced and sustainable integrated development of regions and municipalities and covers a system of legally regulated documents, resources and actions of the competent authorities aimed at reducing interregional and intraregional differences in the degree of economic, social and territorial development, ensuring conditions for accelerated economic growth and a high level of employment. With the amendment of the law in 2020, the scope of the regional policy was supplemented with the promotion of investments, competitiveness, innovations, as well as with the provision of a territorial basis for sustainable spatial development and the implementation of integrated territorial investments.

A peculiarity of the Bulgarian state administration and administrative-territorial organization is that the real executive power is exercised at the national and local level. State institutions at the national level in a hyper-centralized way determine the policies, priorities and public investments in the relevant sectors and regions. Local self-government in the form of municipalities has powers and competences to solve local problems. But due to limited financial autonomy and administrative capacity, municipalities experience enormous difficulties to effectively realize their responsibilities. The regional governors of the administrative regions, as representatives of the state power, do not have the institutional and financial resources to determine the directions of regional development even at the district level. The state does not rely on them for the coordination of measures for regional development, although according to the Constitution the district is an administrative-territorial unit for conducting regional policy. In practice, there is no intermediate/regional level of government that has competences and implements policies to solve wider territorial problems from a supra-municipal level. With few exceptions in relation to municipalities, the principle of subsidiarity is still not applied in state administration.

In NUTS 2 planning regions, regional development councils (RDCs) have been established, which are collective bodies for the implementation of regional development policy in the respective regions. The most important functions of the regional development council are to coordinate the implementation of state policy in the respective region, to approve and monitor the implementation of the regional development plan (RDP), as well as to carry out regional coordination in the

implementation of operational programs co-financed by the funds of EU. However, these functions are not effectively exercised. The RSD do not have the powers and mechanisms to determine the priorities of the regional policy and to control the investment instruments and programs. The development of the RPR is initiated and financed by the Ministry of Regional Planning and Development. The participation of the representatives of the SSR in the monitoring committees of the operational programs is formal. Their positions when making decisions in the committees are not agreed in advance by the members of the SSR.

From a strategic point of view, until now, the SSR, as a type of territorial body, has a passive role in the implementation of the regional policy, its coordination at the regional level and the implementation of the relevant RDP. The decisions and proposals of the PSR do not have binding effect and are rarely reflected in the priorities of the sectoral institutions at the national level or are implemented with great delay. The main reason for this is that public policies and investments are sector-oriented and poorly coordinated at the regional level. This makes it difficult to address regional needs and emphasize the territorial dimension of interventions.

After the accession of our country to the EU, the policy for regional development in Bulgaria is based entirely on the norms of the regional policy of the EU, known as the cohesion policy, and as a territorial basis for regional development, regions at different levels are distinguished, according to the general classification of territorial EU Units for Statistical Purposes (NUTS).

Following the guidelines of the EU, our country formats its regional policy in a National Strategy for Regional Development (NSRR 2005-2015 and 2012-2022) and a National Spatial Development Concept 2013-2025. (NKPR). The objectives of these planning documents are generally aimed at achieving a sustainable and balanced development of the regions, with a focus on integrated urban development, and overcoming regional inequalities in economic, social and territorial aspects. These goals are also partially implemented in the regional development plans of the NUTS2 level regions, regional development strategies (NUTS3) and municipal development plans. Although NSRD gives a territorial focus to sectoral strategies, the coordination of policies at the regional level is still ineffective and this is one of the main reasons for the unsatisfactory results of investments with European funds in the regions.

The strategic planning of regional development is also ineffective. In addition to the strategic documents at the national level, the Ministry of Regional Planning and Development also develops the regional plans for the development of the NUTS2 planning regions, which during the period 2021-2027. become integrated territorial development strategies (ITSRs). In this activity, the ministry is supported by its own state company "National Center for Territorial Development" EAD (NCTD). As the NUTS2 level regions do not have their own administration, budget and capacity, their development planning is carried out centrally by the line ministry. However, this is unproductive because the interested parties in the region themselves do not fully participate in the planning process, as well as in the implementation of the planned measures. In practice, the regional development plans in the two program periods remain only "on paper". They have been developed in order to be able to meet the requirements of EU regulations for the implementation of operational programmes. The same is happening with regional development strategies.

The lack of administrative capacity at the regional/district and municipal level for strategic planning and policy-making has an effect on the future results of the planned measures and interventions at the regional and local level. But this problem also exists at the central level. As an example, we can point out the unification of the functions of strategic planning and implementation (financing) of the regional policy in one body - the Main Directorate "Strategic Planning and Programs for Regional Development" at the Ministry of Regional Development. The Directorate is the Managing Authority of the operational programs for regional development, co-financed by ESIF, during the past two program periods, and also for the new period 2021-2027. In no other sectoral body at the state level is there such an overlap of functions.

In 2019 The Audit Chamber of the Republic of Bulgaria published an audit report of the system for strategic planning and implementation of the regional policy for the period 2012-2016. According to the national control body, the implementation of the legal requirement to create documents for spatial development of the respective territories is hindered due to unsecured funding. As a result, conditions have not been created to achieve the goal of the 2014-2020 program period, namely to take into account the territorial aspect in development planning. The lack of developed schemes for spatial development presupposes failure to achieve the quality of documents for strategic planning of regional development, with which to ensure conditions for balanced regional development.

The administrative capacity of MRRD, regional administrations and municipalities does not ensure timely and quality planning of regional development. This is supported by the identified gaps in the content of the developed and adopted strategic documents. A significant shortcoming of the documents for strategic planning of the regional development at the three territorial levels is that a clear connection with the sectoral strategies is not ensured. The reason for this is the lack of a territorial aspect in sector strategies. The main conclusion in the system audit is that the process of planning and monitoring the implementation of the regional development policy is ineffective.

During the period 2007-2013 investments under the structural funds and the cohesion fund of the EU are aimed at a large number of settlements and a wide range of operations and sectors. A competitive selection of projects is applied under all programs without regional prioritization. The same measures apply in all regions. With few exceptions, the interventions lack an integrated character and a clear focus on territorial differences. For example, energy efficiency measures in educational infrastructure are financed without being accompanied by a complete modernization of the educational institutions. Partial repairs are carried out on road sections without ensuring overall regional connectivity and accessibility.

In addition, it is striking that during the period the most significant infrastructure projects were implemented in the southern regions, such as the completion of the "Trakia" and "Maritsa" highways, the partial modernization of the Sofia-Plovdiv and Plovdiv-Burgas railway lines, the extension of the metro in the city of Sofia, ring road and northern speed tangent of Sofia, etc. All this reinforces interregional inequalities in terms of infrastructural provision.

The regional policy has been revised for the 2014-2020 program period. by strengthening the urban dimension and social inclusion by concentrating interventions according to special preconditions for each programme. Since 2013 the state adopted an urban model of moderate polycentrism, aimed at supporting 39 cities from the first to third hierarchical level, defined as engines of growth and 28 cities - balancers as support centers in peripheral areas. The centers of the first and second level, as well as their agglomeration areas, are the spatial focus of the economic policy and growth zones. For the first time, a type of territorial approach is supported - community-led local development (CLLD), for the implementation of local development strategies. In general, however, the sectoral logic of the interventions is preserved in accordance with the 11 thematic objectives of the cohesion policy.

The CLLD approach in Bulgaria is implemented at the municipal level in rural areas and is mainly supported by Program for the development of rural areas 2014-2020, as well as from part of the operational programs co-financed by the ERDF and the ESF. However, the analysis of the supported interventions shows that the same measures that are programmed at the national level are included in the local strategies. This means that local initiative groups also lack the administrative capacity to make self-contained bottom-up, micro-level policies.

In the third paragraph of the third chapter of the dissertation, a case study is conducted as an example of successful regional and local development implemented through decentralized policies and specific local approaches. Such an example is the city of Plovdiv, which managed to become an attractive city with a high quality of life, an attractive business center and a leading tourist destination. Plovdiv is the driver of the economic development of the region of the same name, but also of the entire South Central region for planning at the NUTS 2 level.

The development of the city of Plovdiv and its agglomeration area in the last decade is related to the rapid development of industry, information technologies and cultural tourism. Several industrial zones have been successfully created and developed around the city, attracting significant foreign investment. The information technology (IT) and outsourcing services sectors are developing. The city is the European Capital of Culture (ECC) in 2019, which contributes to its transformation into an attractive year-round tourist destination at the world level. The region's successes in these three areas are entirely due to the implementation of local strategies and decentralized policies initiated by the local community.

The emergence and development of greenfield industrial parks near the city of Plovdiv, which in 2013 were united under the common brand "Thrace Economic Zone" (TEZ), is an example of a decentralized policy with regional significance. The entirely private initiative of a local construction holding grew into a specific public-private partnership with nine municipalities from the Plovdiv region. The creation of greenfield industrial zones is a completely local initiative that has nothing to do with state regional policy. However, the unique local model of public-private partnership (PPP) is not a typical example of a PPP, as it is not normatively regulated and it lacks the classic outsourcing from public institutions to the private sector. The contribution of the municipalities in the decentralized partnership model is mainly expressed in the promotion of the region as a competitive investment destination, the fast administrative service for investors, the

spatial planning of the territory, the design of the infrastructure, the improvement of educational and social services, as well as the assistance to ensure workforce for business.

The economic trends and business statistics for the Plovdiv region are eloquent and clearly show the influence of the decentralized process of industrialization on the overall development of the Plovdiv region. The gross domestic product (GDP) of the district has been growing steadily since 2000. ever since it is invariably in second place in terms of absolute size after that of the capital Sofia. It even increased during the crisis year 2020. compared to other leading regions. Proof that the industrial zones are important for the development of the region is also the number of persons employed in the processing industry. In the Plovdiv region in 2020. over 69 thousand people work in the processing sector, which is 32.7% of all employed persons in the region. Their number decreased slightly compared to 2019, but this is the largest absolute number of persons employed in the manufacturing industry by region and represents a share of 14.8% of all persons employed in this industry in the country.

The development of the IT industry and outsourced business services is the second pillar in the decentralized development model of Plovdiv, which enriches the profile of the local economy. The local government has also made a significant contribution to the growth of the city's technology sector. Since 2011 Plovdiv municipality implements a targeted strategy and consistent measures to attract companies from this sector. According to data from the Plovdiv municipality, the city is becoming a rapidly developing IT&BPO location with over 7,000 employees, as well as a preferred destination for freelancers. Over 200 companies in the IT sector and B2B services operate in the city today.

A third significant decentralized policy of regional importance (not in order of importance), which "unlocks" the development of Plovdiv in a tangible way, is the implementation of the "Plovdiv 2019" project. The initiative of local artists and intellectuals for Plovdiv to be the European Capital of Culture in 2019. was supported by the local government in 2011 as well. Municipal Foundation "Plovdiv 2019" was established, which organizes and implements the project.

In parallel with the preparation and implementation of the large-scale cultural project, the local administration is focusing on the renewal of the urban environment and the exposure of the numerous objects of immovable cultural heritage in the city center. Plovdiv is known like the oldest

living city in Europe. Its thousand-year history is a distinctive feature and a fundamental element in its potential for the development of cultural-historical tourism. The renewal of the “Kapana” creative industries district, the restoration of historical landmarks and the holding of various cultural events are gradually energizing the city and positioning it as a year-round destination for cultural and festival tourism. An important result of the implementation of the "Plovdiv 2019" project is the creation of a completely new economic sector in the local economy - tourism. Until then, the city did not offer such a comprehensive product and was practically absent from the tourist map of Bulgaria and Europe. Official statistics clearly show that after the start of the project, the city becomes attractive for tourists, including foreign citizens, as well as for investments in the hospitality industry.

The synergy between economy and culture is the unique achievement of the decentralized model of integrated territorial development of the Plovdiv region. Local entrepreneurship contributes to attracting significant investment in the industry and technology sector, but the positioning of the city as a European Capital of Culture contributes to the overall improvement of the regional business environment and to the promotion of the region as an attractive business and tourist destination. The example of Plovdiv shows that regional policy can be created and implemented in a decentralized manner. Decentralized policy in this particular case provides the necessary opportunities for sustainable development of the entire region without the direct support of the central government.

3.4. Conclusion

The theoretical analysis and literature review of research related to regional policy, decentralization and socio-economic development of regions in the EU found that the institutional context and consideration of the particularities of the specific place (region) have a role in the design and success of policies. The comparative statistical study of the social progress of EU regions shows that there is a significant correlation between decentralized multi-level governance and the sustainable development of these regions, as measured by the Regional Social Progress Index. The results of the comparative analysis clearly demonstrate that decentralization matters for the effectiveness and success of regional development policy and should be taken into account in

the planning and programming of regional policy, as well as in the construction of the institutional framework of multi-level governance.

Bulgaria can learn from the experience of the decentralized unitary states in the EU in possible reforms related to regionalization and implementation of financial decentralization. Proposals for such reforms come from various research organizations, but they are also embedded in the platforms of some leading political parties.

In the development of the regions in Bulgaria, there are significant social and economic imbalances that limit the opportunities for accelerated growth and real convergence both between the Bulgarian regions themselves and between those in the EU. Despite the enormous amounts of ESIF funds invested in Bulgaria to date, the macroeconomic effects of regional policy instruments do not ensure the necessary cohesion and sustainable development. This is largely due to the poor coordination of public policies and the lack of multi-level governance.

From an institutional point of view, there are many problematic factors at the regional level, limiting the effectiveness and impact of cohesion policy instruments. The decentralization process is practically frozen at both the regional and municipal levels. This is evident from the information on the specialized portal for decentralization, as well as from the reports on the implementation of the decentralization strategy. The reasons for the termination of the decentralization process are complex - the financial crisis in 2008, the lack of political will to implement reforms in this direction, etc.

Next, although they are formally involved in the process, regional institutions (RSR, regional administrations) and local authorities do not have the authority to define policies and allocate planned funds to support the regions. Local self-government in Bulgaria, due to a lack of fiscal decentralization, is highly dependent on the government and transfers from the republican budget.

In summary, the regional policy implemented so far in Bulgaria fails to achieve its goals for sustainable and balanced development of the regions, due to several essential reasons:

- Failure to apply a complex territorial approach to solving socio-economic problems, oriented to the specific conditions and potential of individual regions;

- Absence of targeted national measures towards disadvantaged areas, implemented in parallel with interventions in line with European solidarity;
- Ineffective coordination with sector policies at the regional level;
- Centralized planning and programming with unsatisfactory participation of local stakeholders;
- Lack of authorized regional institutions and financially independent local authorities.

From 2021 in addition to the traditional instruments of the cohesion policy, new EU funds aimed at the green transition and the recovery from the crisis caused by the corona virus will also operate. They provide an outstanding opportunity to have a large-scale impact on interregional imbalances and would have high added value if adequately addressed within an integrated and decentralized territorial approach.

4. CONTRIBUTIONS OF THE DISSERTATION THESIS

Theoretical and Methodological Contributions

- An author's definition of decentralized regional policy has been formulated and its application in Bulgaria has been substantiated through the study of a specific case and through a detailed analysis of the weaknesses and challenges facing regional development policy in the country;

- A specific methodological toolkit was applied and appropriate statistical indicators were selected to study the relationship between the degree of decentralization and the economic and social progress of European regions at the NUTS2 level. In order to achieve better objective results, a selection of member countries with roughly comparable characteristics was made. The methodological toolkit includes: descriptive analysis of the data according to the selected statistical indicators; graphical analysis for visualization of relationships and dependencies between indicators; variance analysis for the magnitude and variation of data at the regional level; regression analysis to determine the best model describing relationships and dependencies between selected indicators; cluster analysis to define certain groups of countries by values of the indicators used.

Theoretical and Applied Contributions

- A statistically significant relationship has been identified between the degree of decentralization of the member states (as a building block of regional policy), social progress and sustainable development of EU regions;
- The main problems and strategic errors in the planning and programming of the regional policy in Bulgaria, which hinder the social cohesion and sustainable development of the Bulgarian regions, are highlighted;
- Appropriate measures and recommendations have been identified for the implementation of a targeted regional policy to overcome regional disparities in Bulgaria;
- A good example of decentralized regional policy is presented and the constructive role of integrated regional investments and public-private partnership is proven, with recommendations for expanding this successful model.

5. LIST OF PUBLICATIONS ON THE TOPIC OF THE DISSERTATION

1. Mollov, Y. (2021) Regional policy in Bulgaria after accession to the European Union - features and perspectives. In: Proceedings of the Sixth Scientific Conference of the "Economics" Department, organized on the occasion of the 100th anniversary of the University of National and World Economy: "Economic challenges: crisis, shocks, restructuring, policies" (19.11.2020), UNWE Publishing complex, Sofia , ISBN 978-619-232-466-7. pp. 384-3952.

Mollov, Y. (2021) Integrated territorial investments - a challenge and an opportunity for the economic development of the regions in Bulgaria, Conference proceedings "Economic challenges to Bulgaria (2021-2023) - sustainability and risks", Higher School in Insurance and Finance, ISBN 978-619-7622-05-8, pp. 428-438

3. Raychev, St., Madzhurova B., Mollov, Y. (2021) Perspectives and challenges for the regional policy in Bulgaria in the context of the transition to a green economy, Conference proceedings "Economic, regional and social challenges in the transition to a green economy", Plovdiv University Press, 2021, ISBN (print) 978-619-7663-08-2, ISBN (online) 978-619-7663-07-5, pp.328-340

4. Mollov, Y. (2023) Decentralized regional policy - the case of Plovdiv. In: Proceedings of the International Scientific Conference 2022 "Economic Development and Policies: Realities and Prospects. Challenges and risks in the conditions of overlapping crises", Sofia, BAS Publishing House "Prof. Marin Drinov" (in press)*

*The conference was held in the period 21-22.11.2022.

DECLARATION OF ORIGINALITY

I declare that this dissertation is a completely author's product and, in its development, no foreign publications and developments have been used in violation of their copyrights.

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