

PANDEMIC CRISIS AND LOCAL GOVERNMENT FISCAL HEALTH

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Abstract

The crisis brought on by the COVID-19 pandemic has strained the capacity of central governments and their healthcare systems but has also had an impact on the financial situation of local territorial units. Insofar as local authorities play an essential role in the enforcement of the lockdowns put in place to curb the pandemic, municipal spending has increased and the funds necessary to keep the measures in place have put an additional burden on municipal budgets, jeopardising essential public service delivery. This paper traces the changes in revenue and spending at local level in Bulgaria triggered by COVID-19 by looking at the level to which the crisis brought on by the pandemic has jeopardised the financial health of municipalities and contributed to an increase in the number of municipalities experiencing financial difficulties. In connection with this, the procedure for financial recovery of municipalities in Bulgaria and its effectiveness have been examined by looking at whether in the period 2016 – 2020 the number of municipalities experiencing financial difficulties has increased or decreased. The analysis covers the key factors that may lead to an increase in the number of municipalities with financial difficulties, including decreasing local tax collection rates, increasing municipal debt and arrears, etc. The capital activity of local authorities has also been explored. Measures for improving the local governments' financial conditions and mitigating the negative effects of the crisis triggered by the pandemic have been proposed.

Key words: municipal budgets, financial recovery, Bulgaria, pandemic crisis

JEL: H71, H72, H74, H75

Introduction

Since the last financial crisis of 2008 – 2009 the fiscal health of local governments has become a frequent topic of discussion. Some governments have managed the negative impact of economic downturn effectively. However, in many countries around the world the consequences of the crisis have dramatically changed intergovernmental fiscal relations and the role of local public sector. The current fiscal climate remains challenging and it seems unlikely that local governments will experience sustained relief from fiscal pressure in the near future.

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Over a short period of time the COVID-19 pandemic became a strong catalyst for a large-scale social, healthcare and financial crisis which has affected all levels of government. It has had a serious impact on the functioning and the finances of central governments alike as well as for the budgets of local and regional authorities in all countries. According to a survey conducted by the Council of European Municipalities and Regions in May 2020 local and regional authorities face serious challenges relating simultaneously to a significant increase in expenditure and a significant drop in own revenue (CCRE-CEMR, 2020). Similar conclusions are set out in the report of the Organisation for Economic Cooperation and Development (OECD, 2020). According to the authors of the report, the COVID-19 pandemic will contribute to a strong decrease in revenue both from shared taxes and own tax revenue. Shrinking economic activity and lower consumption, coupled with the falling employment rate as a result of the COVID-19 pandemic, and especially the lockdowns imposed to curb the spread of the disease, will automatically result in lower tax revenues from the personal income tax, corporate tax and value added tax. Furthermore, measures such as tax reductions, tax exemptions and tax deferral, which are elements of the recovery packages applied by governments at national and subnational level, may cause a further mechanical drop in tax revenue. According to the forecast of the income and expenditure of local and regional authorities in South-East Europe (NALAS, 2020) healthcare, hygiene, social care and protection and local economy support costs are expected to increase by 10%, and even 20%, for more than 70% of subnational governments in the region, and a drop of 20% in own revenue is expected by more than 80% of local authorities.

Local government spending has also been on an upward trajectory in Bulgaria on account of the need to procure protective clothing, hire additional staff in social assistance and healthcare, and put in place and enforce various measures to protect the local population and provide additional support to the most vulnerable groups. The measures taken by the municipalities to counter COVID-19 and the measures taken to support citizens and local businesses comprise social, educational, health and economic measures aiming to support medium-sized businesses, awareness raising measures, and measures to support and strengthen the capacity of hospitals and frontline professionals. Ensuring that municipal hospitals are adequately equipped and prepared to provide treatment to patients with COVID-19 requires significant spending on repairs, reconstruction, furnishing and procuring equipment – costs, which have to be covered from municipal budgets at the expense of financing other activities and, in some cases, from donations. The most widespread financial measures designed to support citizens are the extended deadline for the payment of certain local taxes until 30 June (as opposed to 30 April) with a discount of 5%, the removal of “blue zone” paid parking

arrangements in some cities and the waiver of the fees payable for attendance of nurseries and kindergartens. The measures in the social assistance domain aim to facilitate schemes such as “meals-on-wheels” programme for elderly persons with disabilities and the distribution of protective masks to elderly people in municipalities. The economic measures in support of businesses include the waiver of the obligation for rent payment for the duration of the lockdown by the tenants of municipal properties and the waiver of the patent tax payable for the length of the lockdown. Enormous resources – human and financial – has been mobilised at local level to ensure the uninterrupted provision of care to the most vulnerable groups as well as the supply of products, medicinal products and detergents for the disinfection of public buildings and means of transport, restructuring municipal activities without violating the fundamental rights of citizens whilst ensuring the safety of the general public and the workers and employees of services and enterprises that continue to operate.

The pressure on the budgets of local authorities in the short-, mid- and long-term will remain considerable. While financial resources at local level will remain constrained due to lower tax revenue and income from fees or the management of municipal property on account of the slump in economic activity, closed local businesses and the economic slowdown mean that local governments will face the challenges to respond adequately to citizens’ undiminished service expectations. The significant drop in revenue, coupled with continually rising spending, is likely to significantly increase debt levels in local government. The above reasons mean that there is a significant risk of an increase in the number of municipalities with financial difficulties. Initiating procedures for declaring local authorities’ insolvent has once again risen to the top of the agenda of governments. The matter was discussed at the meeting of expert group on the finances of local authorities of the European Council of Municipalities and Regions on 14 May 2020 and the authorities in the Czech Republic have actively discussed the topic in recent years. Financial support for local authorities on account of their deteriorated fiscal health will play a crucial role in mitigating the negative consequences of the pandemic crisis.

This paper aims to examine and analyse the changes in the income and spending of municipalities in Bulgaria due to the pandemic crisis. The analysis is focused on the extent to which the pandemic is a prerequisite for an increase in the number of municipalities experiencing financial difficulties. In connection with this, the procedure for financial restructuring of municipalities in Bulgaria and its effectiveness have been examined, i.e. whether in the period 2016 – 2020 the number of municipalities experiencing financial difficulties has increased or decreased. The analysis covers the key factors, which may lead to an increase in the number of municipalities with financial difficulties, including a drop in local

tax collection rates, an increase of municipal debt and arrears, etc. The capital activity of local authorities has also been explored. Measures for improving the financial situation of municipalities and mitigating the negative effects of the crisis triggered by the pandemic have been proposed. For this purpose, the study has relied on available data about the execution of municipal budgets on a cash basis during the period 2014 – 2020 and data on the execution of municipal budgets on a cash basis as at April 2020. The data used is publicly available on the website of the Ministry of Finance and the website of the National Association of Municipalities in Bulgaria.

The paper is structured into three parts. The first part examines the change in municipal revenue and spending during the period 2007 – 2019 and sets out the main trends in development observed before the onset of the pandemic crisis. The results of the execution of municipal budgets as at April 2020 are presented and compared to the data reported for the same period in the previous year. We should note that the analysis of the results as at April are a snapshot of municipal budgets at the time, which may improve or deteriorate, depending on changes in the spread of the virus and the measures to be taken to respond to the resulting crisis. The main risks that may lead to an increase in the number of municipalities experiencing financial difficulties have been outlined.

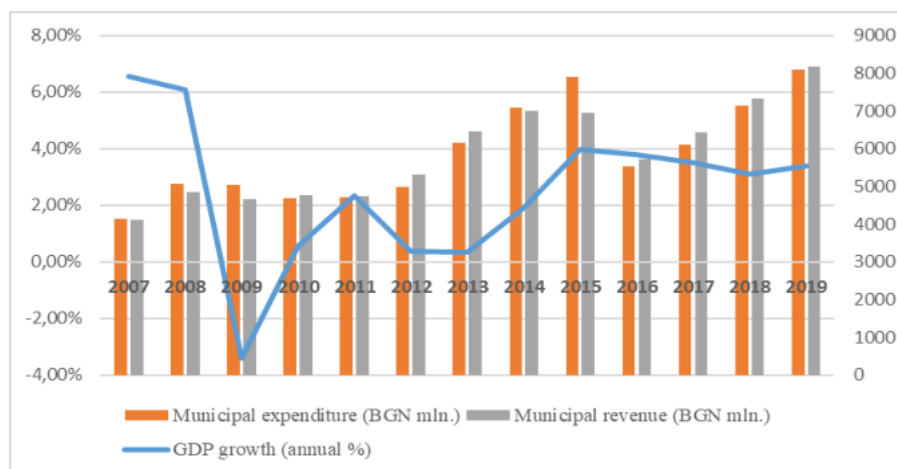
The second part of the paper places an emphasis on the procedure for the financial recovery and restructuring of municipalities in Bulgaria, and more specifically on the criteria municipalities must satisfy. The change in some criteria has been traced and a comparative analysis has been offered of the results reported in the first and second quarters of 2019 and 2020, respectively. An overview has also been made of the municipalities experiencing financial difficulties in the period 2016 – 2020 and future development trends have been outlined.

The third part sets out an overview of the measures, which municipalities may take to lower and mitigate the risks of financial difficulties arising at local level and the instruments they can use to ensure additional resources in local budgets. A brief summary of some of the financial support measures for local governments in Europe has been compiled.

Municipal revenue and expenditure

In recent years, there has been a gradual increase in municipal revenue on account of the higher receipts from local taxes and fees and a moderate increase in income from central government transfers. The upward trend in economic development has also had a positive impact on the revenue from taxes levied on property transactions and donations, tourist tax and some local taxes, as well as the higher rate of collection of main tax revenue. The increase in spending is due to the increase in remuneration (increases in the minimum salary) and the

higher cost of external services and current repairs. Figure 1 shows the changes in municipal revenue and expenditure and the change in GDP during the period 2007 – 2019.

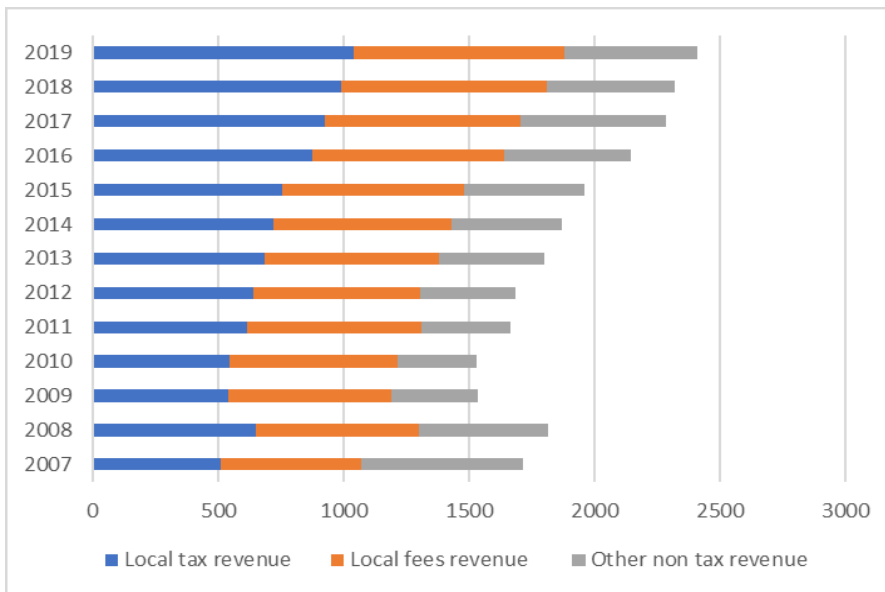


Source: Ministry of Finance, National Statistical Institute; own calculations

Figure 1: Municipal revenue and expenditure (BGN mln.) and GDP growth (%) for the period 2007 – 2019

Except for the drop in municipal revenue in 2010 and 2011 as a direct consequence of the financial and economic crisis of 2008 – 2009, the revenue of local authorities has been steadily increasing. In 2019, the increase in municipal revenue stood at approximately 13% and that of municipal spending at 12%. Naturally, the assessment of budget revenue is heavily influenced by the income from annual and extraordinary subsidies from the budget of the central government, which forms a significant part of the total income of municipalities in Bulgaria.

The gradual increase is also noticeable in the analysis of the own revenue of municipalities. During the period 2011 – 2019 tax revenue increased by approximately 8%, with the most significant increases of 13% and 16% registered in 2011 and 2016, respectively. The revenue from municipal fees also steadily increased in the period 2013 – 2019 by approximately 3% on average. One of the drivers for the increase in municipal fees has been the higher fees for municipal waste collection introduced by most municipalities. The income from municipal waste collection fees form a significant share of total municipal fees. Other non-tax revenue remained stable, with a trend to their gradual increase in the last two years. Figure 2 sets out the structure and change in municipal own revenue in the period 2007 – 2019.



Source: Ministry of Finance; own calculations

Figure 2: Structure of own municipal revenue for the period 2007 – 2019 (BGN mln.)

This warrants the conclusion that municipal budgets are characterised by an increase in own revenue and improved tax collection rates in recent years. The summary results show that local authorities have faced the crisis triggered by the COVID-19 pandemic in a relatively good fiscal health.

However, the COVID-19 pandemic put an abrupt end to the positive trends in the development of the finances of local governments. According to a survey conducted by the National Association of Municipalities in the Republic of Bulgaria (NAMRB) in the period 30 April – 11 May 2020, the own revenue of municipalities in the period 1 March – 31 April 2020 declined by 41% as compared to the same period in the previous year. For tax revenue, the drop stood at 45%. This represents a decrease in reported own revenue by almost a half as compared to the same two-month period of the previous year, with the largest municipalities (provincial centres) being most strongly affected by a decrease typically in the range of 44% to 46%. The loss of own revenue in the period March-April 2020 as compared to the same period in the previous year exceeds BGN 159 million. A decrease by approximately 11% in planned annual revenue has been projected.

During the first six months of the year, the extension of the deadline for payment of property tax and municipal waste collection fees with a discount also had an

impact on the collection rate of own revenue. This effect has been compounded by some local retailers paying municipal fees having to temporarily close down.

A more accurate comparison of the own revenue in local authority budgets can be made on the basis of the data on budget execution on a cash basis as at the end of June. According to the data published by the Ministry of Finance the total amount of the own revenue as at 30 June 2020 was approximately 8% lower than the own revenue reported during the second quarter of 2019. This represents a decrease in municipal revenue by approximately BGN 100,5 million. The execution of the budget in terms of own revenue collection differs across the individual municipalities. A more significant decrease has been observed in the municipalities that act as provincial sectors and the municipalities with well developed tourism and thriving local businesses.

On account of the need for measures to contain the pandemic and the increase in healthcare and social spending, municipalities are unable to adjust their spending to the rate of decrease in own revenue. According to the survey conducted by the NAMRB local governments have been able to cut their spending as at the end of April compared to the same period in 2019 by only BGN 44 million. Data about the execution of municipal budgets as at 30 June 2020 on a cash basis shows that municipal spending (local, delegated and co-financed) are very similar to the figures reported as at 30 June 2019. A minimal increase by 1.5% has been reported.

Local authorities are unable to take significant measures to cut spending during a pandemic. There is a potential for changes to the budgets by reallocating planned capital expenditure by way of generating savings. However, this would require municipalities to ensure that fresh funds are available to cover urgent costs relating to the provision of home-based care services to the elderly, the most vulnerable groups, the anti-pandemic measures to be put in place, etc. The fiscal results for the first half of 2020 show a decrease in own revenue and clearly demonstrate that municipalities are currently unable to cut spending during the pandemic. This can be regarded as a first red flag indicating a deterioration in the financial situation of municipalities and an increase in the number of local authorities experiencing financial difficulties.

Naturally, the crisis has had a different impact on each municipality, depending its size, financial autonomy, population, level of development of local business, etc. In order to present a fuller picture in terms of the risk of serious financial difficulties arising in municipalities, it is necessary to also look at other indicators for the first and second quarter of 2020, such as changes in municipal debt, arrears, financial commitments under the budget of each municipality. The values of some of these indicators are also criteria for qualifying a municipality as experiencing financial difficulties.

Procedure for the financial recovery and restructuring of municipalities in Bulgaria

Assessing local government fiscal conditions and its fiscal health is an important part of local financial management and a matter of interest for the central government in order to assist financially distressed local territorial units. A host of factors affect local government's financial condition or local government's ability to meet its financial and service obligations – the structure adequacy of revenue system, the spending responsibilities and unfunded mandates by central governments, external shocks etc. Appraisals of local government fiscal health and performance, usually a system of indicators and measures of financial conditions is applied. In order to present a full picture of local government fiscal health public finance literature offers different indicators trying to capture the main aspects of local financial conditions concerning the ability of local governments to balance their budgets, to pay current bills and to fulfil future financial obligations, as well as to carry its current and future service delivery obligations (Honadle, Costa and Cigler, 2004; Wang, Dennis and Tu, 2007).

According to Chapter 8a of the Public Finance Act for a Bulgarian municipality to qualify as having financial difficulties, it should cumulatively satisfy three or more of the following conditions³:

1. Does not satisfy the requirements and criteria for municipal debt service, including:
 - The annual amount of municipal debt repayment in each municipality does not exceed 15 per cent of the average annual amount of the own revenue of the municipality and the total equalisation subsidy for the last three years, calculated on the basis of the annual reports on the execution of the municipal budget.
 - During the current budget year municipal guarantees with a nominal amount of 5% of the total amount of revenue and the total equalisation subsidy as per the budget execution report for the previous year have been issued.
2. An excessive increase in the expenditure committed – as at the end of the year, the expenditure committed under municipal budgets exceed 15 per cent of the annual average amount of expenditure reported in the last 4 years;
3. Excessive increase in the expenditure committed – as at the end of the year, the expenditure committed under municipal budgets exceed 50 per cent of the annual average amount of expenditure reported in the last 4 years;

³ The criteria for municipalities experiencing financial difficulties take into account the fiscal rules, which municipalities are required to observe. For more information, see Chapter Two Fiscal Rules of the Public Finance Act.

4. There is a significant increase in arears under the budget or in the arears under the budget at the end of the year exceed 5 per cent of the expenditure of the municipality in the last year;
5. Negative budget balance has been generated – the municipality's budget balance has been negative in each of the last three years;
6. Low property and motor vehicles tax collection rate – the average property and motor vehicle tax collection rate is below the average for the two taxes for all municipalities for the previous year.

These parameters reflect a number of financial indicators (in line with the provisions laid down in the Public Finance Act), which municipalities are required to comply with in order to be in an adequate financial situation. Municipalities with proven financial difficulties may be subjected to a mandatory financial restructuring procedure. The procedure in question may last between one and three years. The Ministry of Finance monitors the performance of municipalities and assesses any changes that occur against a set of financial indicators determined in advance.

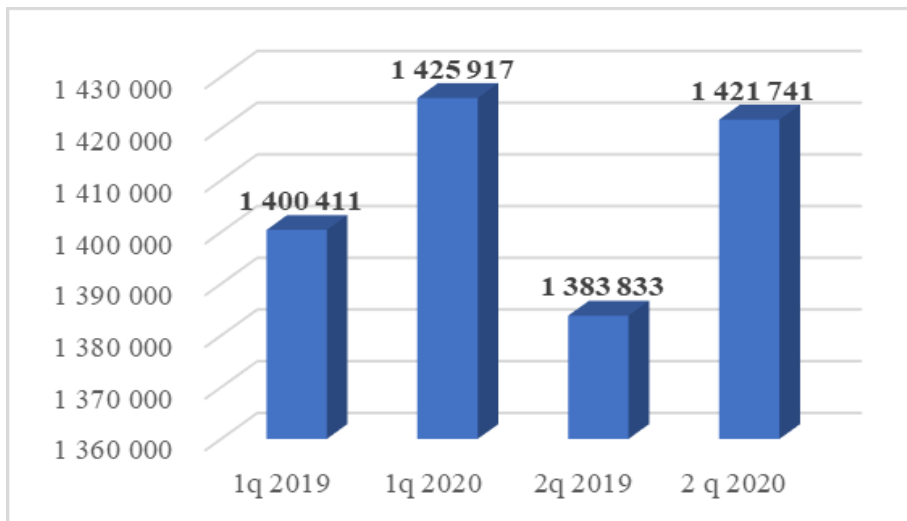
In the period 2016 – 2019, the number of municipalities experiencing financial difficulties was as follows: in 2016 – 36; in 2017 – 32; in 2018 – 13; in 2019 – 17; in 2020 – 16 (Ministry of Finance, 2020). Some municipalities satisfy three of the criteria envisaged in the law but perform inconsistently under four or five of the fiscal indicators.

The municipalities experiencing financial difficulties may apply for interest-free loans, which are subject to approval by the Ministry of Finance. In total there are eleven municipalities with coordinated plans for financial restructuring and approved interest-free loans aiming to support and improve their financial indicators and performance. Acting on a proposal from the Minister for Finance, the Council of Minister may adopt a decision to grant an additional subsidy from the budget of the central government may be granted to a municipality to cover its loans, where a trend toward sustainable improvement in its financial situation is established. In other words, a possibility exists for the interest-free loan to be written off, which creates a moral gambling risk.

Regarding the number of municipalities experiencing financial difficulties, it should be noted that during the period 2016 – 2018 some municipalities improved their fiscal position, including through higher tax collection rates, reduced their arears and introduced an obligation for committed expenditure and other commitments within the limits envisaged by law.

The drop in municipal revenue and the lower tax collection rate, coupled with the increase in municipal spending and arears on the rise, create conditions for breaching some fiscal parameters and therefore further compounding the difficulties experienced by municipalities. The lack of sufficient financial resources also creates conditions for an increase in municipal debt financing,

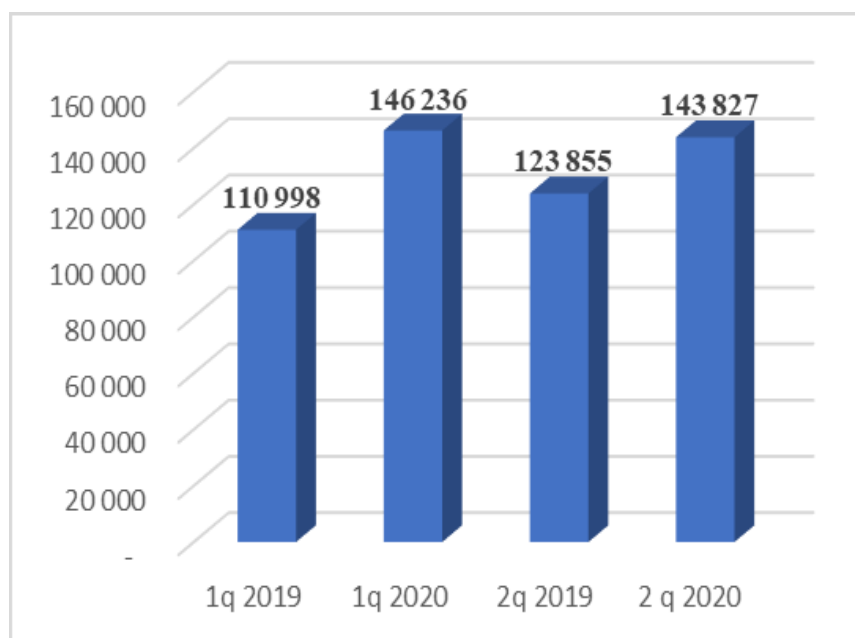
which can compound financial stress at municipal level. In order to conduct an interim assessment of the criteria and financial indicators relating to the financial restructuring procedure, a comparative analysis has been presented of the indicators municipal debt amount; amount of arrears; share of arrears of the planned expenditure in the budget; share of commitments undertaken under the budget of planned expenditure; share of the expenditure committed under the budget of planned expenditure; share of capital expenditure in total expenditure (investment activity).



Source: Ministry of Finance.

Figure 3: Municipal debt in the first and second quarters of 2019 and 2020 (in thousand BGN)

Municipal debt rose by 2% during the first quarter of 2020 as compared to the first quarter in 2019 and by approximately 3% during the second quarter of 2020 as compared to the same period in the previous year. It is important to note that debt amounts do not include the interest-free loans received for the purpose of financial restructuring and to cover temporary cash shortages and some specific debt instruments used by municipalities.



Source: Ministry of Finance.

Figure 4: Arears in the first and second quarters of 2019 and 2020 (in thousand BGN)

Arears register an increase by 32% compared to reported data for the first quarter and 16% compared to the reported data for the second quarter of 2020 as compared to the second quarter of 2019. A comparison between the first and second quarters of 2020 shows a decrease of the total amount of municipal debt by approximately 1 per cent.

Table 1: Values of indicators related to the procedure for financial recovery of municipalities

	Share of budget arrears in planned expenditure	Share of commitments under the budget of planned expenditure	Share of budget expenditure commitments in planned expenditure
1q 2019	1.51%	33.09%	3.64%
1q 2020	1.87%	36.74%	3.69%
2q 2019	1.63%	32.93%	3.62%
2q 2020	1.80%	36.20%	3.52%

Source: Ministry of Finance.

The remaining indicators are liabilities under the budget as a share of planned expenditure; commitments under the planned budget expenditure and the share of arrears from planned expenditure.

The summary indicators show that during the first quarter of 2020 there was an increase in the value of all indicators. The greatest increase was registered in the share of commitments under the budget of planned expenditure, which increase by almost 4 per cent. The least significant differences in data for the first quarter of 2020 were registered in spending obligations. In the next quarter of 2020, the value of the indicator even decreased compared to the data reported in 2019.

Quarterly data indicates a significant drop in the investment activity of municipalities. The share of capital expenditure of total spending stood at 10.51% during the first quarter of 2019 and 7.55% during the first quarter of 2020; the same indicators during at the end of the second quarter of 2019 stood at 11.74% against 8.10% as at 30 June 2020. This data shows that municipalities have put part of their capital spending on hold and that some of the funds are being reallocated to cover current expenditure.

This warrants the conclusion that there is a risk of increase in expenditure allocated to debt repayment, covering arrears and the spending commitments of municipalities. These indicators vary between municipalities and a more detailed picture of the financial risks for each municipality requires an additional analysis beyond the scope of this report. If the trend of continued increase in the value of these indicators persists, the number of municipalities experiencing financial difficulties at the end of 2020 will also increase.

The empirical analysis warrants the conclusion that there are certain risks for the fiscal stability of the budgets of local authorities. These are mainly related to lower own revenue and lower collection rates, the lack of possibilities to significantly curb municipal spending, the higher debt service costs and the cost of covering arrears and other spending obligations. In view of the financial parameters, which municipalities are required to satisfy under the Public Finance Act, and the criteria for financial restructuring a threat has been identified of an increase in the number of municipalities with financial difficulties in Bulgaria. The approaching winter season and the expected second wave of the coronavirus pandemic will place an additional burden on municipal finances and create additional challenges for municipalities. Timely measures need to be taken to mitigate fiscal risks and ensuring that central governments mobilise additional support to strengthen municipal budgets.

Possibilities to mitigate the financial difficulties experienced by local authorities

The central government can take various measures to mitigate the financial burden placed on local and regional authorities in connection with the pandemic caused by COVID-19 thereby limiting the number of municipalities experiencing financial difficulties. The study briefly outlines measures that are successfully implemented in some European countries. It also sets out the measures adopted by the Bulgarian government in support of municipalities.

The UK government has supported local authorities by two tranches in the total amount of 3,5 billion EUR to enhance their capacity to address the consequences of the pandemic. The funds are mostly intended to support the provision of social services to the elderly and finance the provision of health services (CCRE-CEMR, 2020). Austria is following a different approach by providing support for the investment programmes of municipalities (CCRE, 2020). Financing in the total amount of 1 billion EUR will be provided over the period 2020 – 2021 to support economic development and enhance the recovery of the local economy. An emphasis has been placed on green and sustainable infrastructure. Discussions are under way on the provision of additional financial support to boost the liquidity of municipalities, depending on the policy of the individual regions. Estonia is following a similar policy of supporting investment. The government has provided 30 million EUR to support the operation of local authorities and an additional 30 million EUR for the improvement of local roads. In addition, the government has provided 70 million EUR in support of small and medium-sized municipal investment projects (CCRE-CEMR, 2020).

The report of the Network of Association of Local Authorities in South-East Europe (NALAS, 2020) contains specific recommendations for supporting local and regional authorities, and more specifically for ‘increased financial decentralisation, stronger local tax powers, higher intergovernmental transfers, more flexible rules on local borrowing, etc. SEE local governments also expect a higher level of engagement of the national government in enhancing digital infrastructure and digitalisation of services. A report of the Organisation for Economic Cooperation and Development (OECD, 2020) contains recommendations for active cooperation between municipalities, regions and states with a view to faster and more adequate handling of the consequences of the crisis. For example, in Denmark municipalities have pooled their efforts to purchase protective equipment for municipal staff. Aarhus Municipality has set up a joint municipal unit for the purpose of protective equipment (Kommunalt Værnemiddel Indkøb) for the purpose of conducting a joint tender for the supply of protective equipment on behalf of the 98 municipalities in Denmark. In Belgium, the federal authorities have concluded an agreement for more intensive

coordination in the overall distribution of personal protection equipment in the care sector, for example through sharing information about reliable suppliers, levels of reserves, procurement, supplies, etc. They have also set up the so-called joint reserves available to all federal entities for the purpose of covering acute and urgent needs in the respective federal regions. The cross-border transfers of patients with COVID-19 are possible under existing cooperation agreements between France (Grand0Est), Germany (Rheinland Pfalz and Baden-Wurtemberg), Switzerland and Luxembourg (OECD, 2020, pp. 28-29).

The Bulgarian government has also taken certain measures to support local authorities, including but not limited to discounting the garnishment of municipal bank accounts for a period of two months after the lifting of the lockdown; providing interest-free loans from the budget of the central government; reallocation of transfers to provide sufficient funds to cover urgent expenditure. To date, the government has not announced or developed a comprehensive package of measures for support of municipalities from the budget of the central government.

Conclusion

The COVID-19 pandemic has posed serious challenges before local and regional authorities. Municipalities are required to provide adequate services to protect public health and socially vulnerable group in a situation of decreasing revenue. Subnational governments face both a social and healthcare but and a financial crisis. The consequences of the pandemic vary across countries, regions and municipalities, but experts unanimously agree that local and regional authorities remain in the frontline in the efforts to contain the pandemic and should receive financial support from central governments.

Bulgarian municipalities have entered the crisis triggered by the COVID-19 pandemic in relatively good financial health. In recent years, the budgets of local authorities have increased at a steady pace. During the second quarter of 2020 there was a sharp decline in the rate of collection of municipal tax revenue. Expert studies and forecasts indicate that municipal revenue will decrease compared to previous years. Local authorities are unable to cut spending at a rate that compensates for the drop in revenue. This creates a risk of underfunding certain activities and freezing the capital expenditure in most municipalities. There are also additional risks, which may also contribute to an increase in the number of municipalities experiencing financial difficulties, including an increase in municipal debt levels and arears; an increase in the commitments undertaken under the budget from planned expenditure and the share of commitments for expenditure under the budget from planned expenditure (as compared to the figures reported during the first two quarters of 2019).

Some countries in European have already adopted packages of measures designed to support local and regional authorities. Bulgaria has not taken such steps to date. In order to support municipalities and limit the number of those experiencing financial difficulties, and in view of the rapidly advancing second wave of the pandemic, initiating a discussion and taking urgent measures to support Bulgarian municipalities is recommended.

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