

# SOFIA CITY STRATEGY



May 2003



**SOFIA:**  
**THE CAPITAL CITY OF THE REPUBLIC OF BULGARIA**  
**'IT GROWS BUT IT DOES NOT AGE'**

PREPARED WITH ASSISTANCE FROM THE CITIES ALLIANCE  
(THE WORLD BANK AND  
THE UNITED NATIONS CENTRE FOR HUMAN SETTLEMENTS)

# SOFIA CITY STRATEGY

May 2003



**SOFIA:**  
**THE CAPITAL CITY OF THE REPUBLIC OF BULGARIA**  
**'IT GROWS BUT IT DOES NOT AGE'**

PREPARED WITH ASSISTANCE FROM THE CITIES ALLIANCE  
(THE WORLD BANK AND  
THE UNITED NATIONS CENTRE FOR HUMAN SETTLEMENTS)

The Sofia City Strategy is intended to provide a basis for sustainable development of the local economy and for the welfare of city residents. Developed by Sofia's city management with support from the Cities Alliance, the strategy is informed by recommendations from residents and business community members provided through workshops, surveys and consultations. The strategy has helped the municipal administration identify needed improvements in five broad areas – economy, services, urban structure, finance and municipal management and governance. To help the city administration effectively implement this long-term strategy, a Program Action Matrix outlines priority actions and objectives to be undertaken and addressed in the three to five year period ahead. The consultative and collaborative approach that has been undertaken in formulating the strategy has influenced and will continue to provide insight on the future role and operation of the city administration.

During the formulation of the strategy, **the vision for Sofia City** was adopted:

*Sofia is a capital of the Balkans, a city with a competitive economy and sustainable economic growth, a city with high quality of life, attractive for businesses, residents and tourists. Sofia has high quality of transport and essential urban services, a city with efficient urban management promoting transparent and fiscally sound business practices. Sofia's urban environment enhances opportunities for diverse economic and social development.*

This document was prepared with assistance from the Cities Alliance\* and summarizes the analyses, findings and recommendations of several years of a broad-based strategy development process. Key contributions to the strategy include analyses undertaken by Sofia municipality and Cities Alliance/World Bank staff, several seminars and meetings with residents, NGOs and civil servants in Sofia and the support of the USAID-funded Local Government Initiative in Sofia. The German Technical Cooperation Agency (Deutsche Gesellschaft für Zusammenarbeit) carried out an assessment of the municipal enterprise sector. Its findings and recommendations are outlined in a supplemental report to be presented to the municipality. The Cities Alliance support for facilitation of the development of the strategy and preparation of this document was supervised by Margret Thalwitz, Lee Travers (Sector Managers) and Sudipto Sarkar (Team Leader). Principal author Anders Zeijlon prepared this document with support from Sasha Tsenkova, Kremena Ionkova and Jane Ebinger. Editorial support was provided by Nisha Chatani Rizvi.

The views expressed here are the views of the authors and do not reflect the views of the World Bank.

*\* The Cities Alliance is a global alliance of cities and their development partners. It was launched in 1999 with initial support from the World Bank and the United Nations Centre for Human Settlements (UN-Habitat), the political heads of the four leading global associations of local authorities and 10 governments - Canada, France, Germany, Italy, Japan, the Netherlands, Norway, Sweden, the United Kingdom and the United States. The Asia Development Bank joined the Cities Alliance in March 2002. More information is available at [www.citiesalliance.org](http://www.citiesalliance.org).*



## Message from the Mayor

*My fellow city residents, visitors and friends of Sofia,*

*I am pleased to present to you the first ever Sofia City Strategy (SCS) and hope it offers a constructive and useful outline of the goals our city management has set out to achieve in the three to five year period ahead. Intended for a broad audience, this document is a summary of more than three years of strategy-related work based on the views and recommendations of a number of groups, individuals and experts.*



*Translating all the technical and consultative work undertaken into a comprehensive strategy document was no easy task. Inevitably, conflicting and overlapping ideas were at odds and proposals were either not fully developed or difficult to implement given the legal and financial constraints of the city. The quality of the work and the process that followed nevertheless provided valuable insight in identifying for our administration the right balance between competing priorities and selection of key actions and policies.*

*I would like to thank all participants who contributed to the development of SCS. The analyses, consultations and surveys carried out by international organizations and experts and the engagement with the city administration generated thoughtful discussion and helped to improve overall the way we who work for the municipality see our role developing in the future. We plan to monitor the implementation of the actions outlined in the strategy and continue to consult with Sofia's residents and stakeholders to ensure that they maximize the benefits of our efforts.*

*I hope you will enjoy reading about our city and, whether you are a resident, a visitor or one of us working for the administration, we hope you will join us in our collaborative effort to improve the way we live and work.*

A handwritten signature in black ink, which appears to read 'Stefan Sofiansky'.

*Stefan Sofiansky, Mayor of Sofia*

*May 2003*



<b>CONTENTS</b>	<b>PAGE</b>
<b>LIST OF BOXES, TABLES, FIGURES AND MAPS</b>	<b>6</b>
<b>ACRONYMS, GLOSSARY OF TERMS, CURRENCIES AND MEASUREMENTS</b>	<b>7</b>
<b>MAP OF SOFIA CITY</b>	<b>8</b>
<b>THE DEVELOPMENT OF THE SOFIA CITY STRATEGY</b>	<b>9</b>
<b>SUMMARY OF THE SOFIA CITY STRATEGY</b>	<b>12</b>
Purpose of the Strategy	12
City Economy	12
City Services	14
Urban Structure	16
City Finance	16
City Management and Governance	17
Program Action Matrix	18
<b>I. CITY ECONOMY</b>	<b>19</b>
Feedback from the Business Community	19
Sofia in the National Economy	19
Privatization and Economic Restructuring	20
Service Clusters Emerged as Stable Sources of Local Employment	22
Educated Labor Force but Low Employment Rates	23
Key Demographic Indicators and Poverty Data	24
Priorities for Action	26
<b>II. CITY SERVICES</b>	<b>28</b>
Feedback from City Residents and the Business Community	28
Infrastructure Services	30
Water and Wastewater	30
District Heating	31
Urban Transport	32
Solid Waste Management	33
Green Areas Preservation	33
Social Services	34
Health care	35
Education	35
Social Assistance	37
Administrative Services	37
Priorities for Action	39



<b>III. THE URBAN STRUCTURE</b>	<b>41</b>
Sofia’s Spatial Structure	41
Housing and Real Estate Markets	43
Office and Retail Space	45
Environmental Concerns	46
Sofia’s New Master Plan	46
Priorities for Action	48
<b>IV. CITY FINANCE</b>	<b>50</b>
The Budget Process	50
Revenues	51
Foreign Loans	52
Expenditures	53
Future Finances	53
Priorities for Action	54
<b>V. CITY MANAGEMENT AND GOVERNANCE</b>	<b>55</b>
Feedback from Residents and the Business Community	55
Sofia’s Constituencies	55
Areas for Improvement in the Municipal Government	56
Priorities for Action	57
<b>SUMMARY OF SURVEYS WITH CITY RESIDENTS AND THE BUSINESS COMMUNITY</b>	<b>59</b>
<b>PROGRAM ACTION MATRIX FOR SOFIA CITY STRATEGY</b>	<b>65</b>
<b>STATISTICAL ANNEXES</b>	<b>78</b>
<b>LIST OF WEB SITES</b>	<b>83</b>
<b>CONTACT INFORMATION OF THE MUNICIPALITY</b>	<b>84</b>



<b>LIST OF BOXES, TABLES, FIGURES AND MAPS</b>	<b>PAGE</b>
<b>BOXES</b>	
Box 1: Milestones in the Development Process of Sofia's City Strategy	11
Box 2: Fast Facts on Sofia	12
Box 3: A Brief History of Sofia	13
Box 4: The Privatization Strategy	29
<b>TABLES</b>	
Table 1.1: The Leading City Center	20
Table 1.2: Macroeconomic Indicators	20
Table 1.3: Employment and GDP by Sector	21
Table 1.4: Employment in Service and Manufacturing Sectors, 2000	22
Table 1.5: Unemployment Profile	24
Table 1.6: Demographic Indicators	24
Table 1.7: SWOT Analysis of the Economy	25
Table 2.1: Provision of Sewerage Services and Wastewater Treatments in European Capital Cities	31
Table 2.2: Public Transport, 2000	32
Table 2.3: Local Expenditure Assignments	35
Table 2.4: Municipal and State Responsibilities in the Social Sectors	36
Table 2.5: SWOT Analysis of Infrastructure Services	38
Table 2.6: SWOT Analysis of Social Services	38
Table 2.7: SWOT Analysis of Administrative Services	38
Table 3.1: Land Use in Constructed Area	41
Table 3.2: Average Population Density and Industrial Land in European Cities	42
Table 3.3: SWOT Analysis of Urban Structure	48
Table 4.1: Sofia Municipal Budget	50
Table 4.2: Sofia Municipal Budget Revenues	51
Table 4.3: Sofia Municipal Budget Expenditures	53
Table 4.4: SWOT Analysis of Finances	54
Table 5.1: SWOT Analysis of the Municipality's Management and Governance	57
<b>FIGURES</b>	
Figure 1.1: Private and Public Employment	21
Figure 1.2: Foreign Direct Investment	23
Figure 2.1: Share of Daily Commutes by Private Vehicles, 1999	33
Figure 3.1: Private Housing in Selected Cities, 1999	44
Figure 3.2: Real Estate Transactions in Sofia, 2000	44
<b>MAPS</b>	
Map 1: Map of Sofia	8
Map 2: The Green System of Sofia	34
Map 3: Sofia Municipality: Macrostructural Spatial Units	43
Map 4: The System of Multifunctional Centers in Sofia	47



## ACRONYMS

BGN	Bulgarian Leva
CA	Cities Alliance
EU	European Union
GDP	Gross Domestic Product
EBRD	European Bank for Reconstruction and Development
FDI	Foreign Direct Investment
LGI	Local Government Initiative (USAID)
NGO	Non-government organization
R&D	Research and Development
SCS	Sofia City Strategy
SME	Small and Medium Enterprise
SKGT	Stolichna Kompania za Gradski Transport/Sofia Public Transport Company
SWOT	Strengths, Weaknesses, Opportunities and Threats
UNCHS	United Nations Centre for Human Settlements (UN-Habitat)
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WB	World Bank

## GLOSSARY OF TERMS

mayoralities	(kmetstvo) an extension of direct self-government at the level of human settlements, especially those too small to be a distinct municipality
oblast	an administrative territorial division within former Soviet republics
rayons	districts

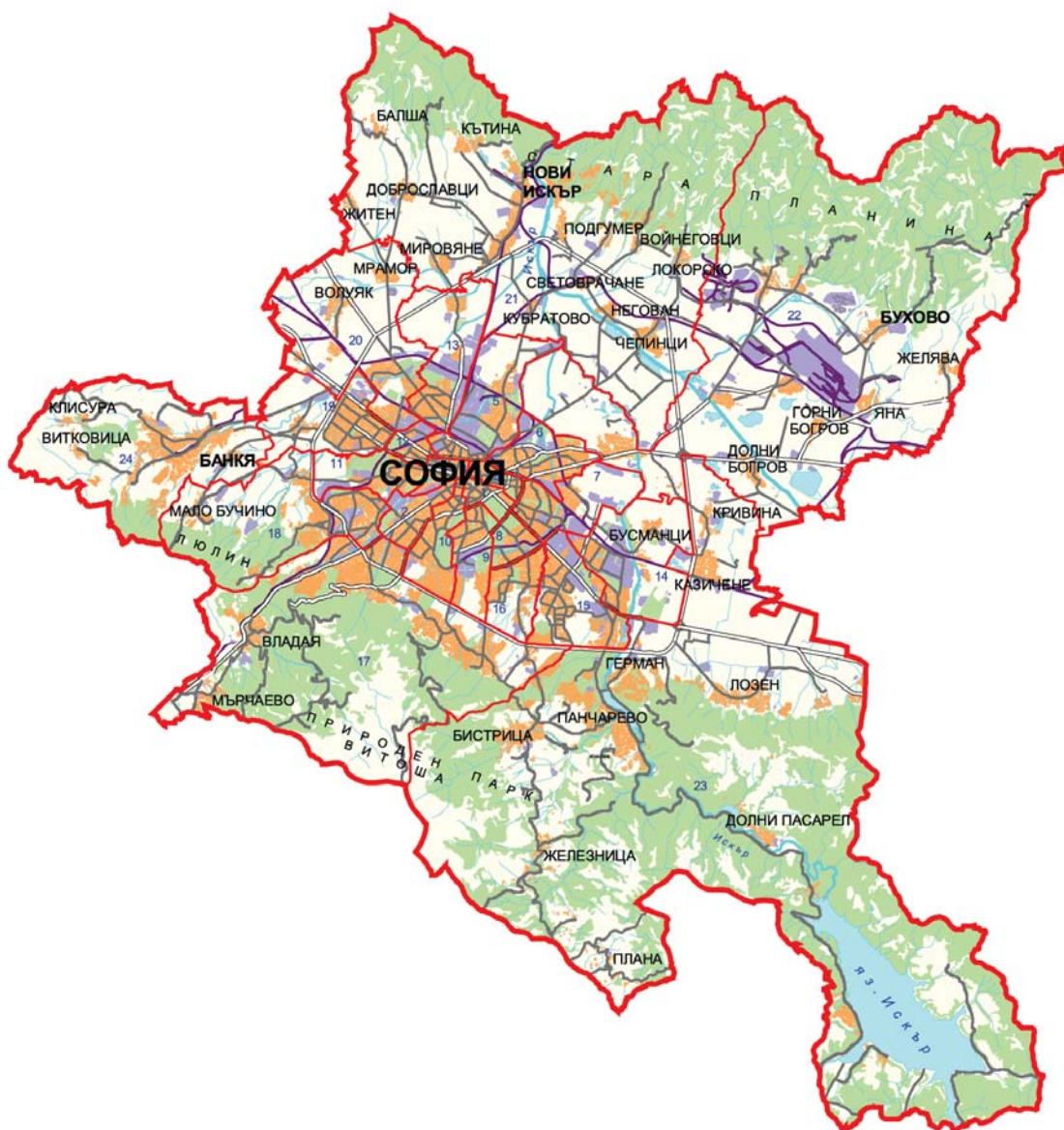
## CURRENCIES AND MEASUREMENTS

1.00 Bulgarian Leva (BGN) = 0.5 Euro = 0.5 U.S. Dollar

*Note:* All dollar amounts reflected here within are current U.S. dollars, unless otherwise specified.

ha	hectare
km	kilometer
m	meter
tcm	thousand cubic meters
sq km	square kilometer
sq m	square meter





Map 1 .Map of Sofia

© GIS Sofia

The map or parts of the it can't be copied in any form without the written permission of GIS Sofia



## THE DEVELOPMENT OF THE SOFIA CITY STRATEGY (SCS)

In September 2000, Sofia's municipal management initiated work to develop a city strategy with support from the Cities Alliance (CA). Launched with initial support from the World Bank (WB) and the United Nations Centre for Human Settlements (UN-Habitat), CA is a global alliance of cities and their development partners committed to improving living conditions in urban areas through city development strategies and, in poorer countries, urban slum upgrading.

The key objective of SCS is to enhance the development of the municipal management system to generate sustainable, long-term benefits for its residents. To this end, Sofia's Mayor and municipal administration engaged residents and business community members in a participatory process to develop the strategy. Feedback gathered during surveys and consultations with community members influenced the key components that now comprise the long-term strategy. Efforts to draw on preferences and expectations of these constituencies will continue to provide insight on the strategy's development and implementation. The experience of this collaborative process and the outcomes of the strategy formulation will be shared with other municipalities in the country.

The overall strategy development process for SCS evolved in five phases:

1. *Organization of the process and analytical work.* A Steering Committee chaired by the Chief Architect and supervised by the Mayor was set up to guide the strategy formulation process. This Committee served as the link between the community and the municipality in the development process and coordinated work of local and international consultants involved in a broad assessment of Sofia's economic, social and spatial structure.



2. *Formulation of a community vision.* The municipality began with a comparative analysis to identify strengths, weaknesses, opportunities and threats (SWOT analysis) related to the economy, city services, urban structure, finances, management and governance. Findings from these analyses were presented at a workshop in May 2001 that brought together 20 municipal officials, representatives from the Ministry of Finance and members of the international donor community. Together, the city administration and development partners identified the strategy's three main objectives: (i) promote sustainable economic growth; (ii) improve local governance; and (iii) improve the urban spatial structure.

A press conference after the first round of consultations with Sofia's stakeholders. Seated from left to right: Georgi Kourtev (World Bank), Penka Damyanova (translator), Sudipto Sarkar (World Bank), Tzvetina Bozhinova (Sofia Municipality), Mayor Stefan Sofiansky, Chief Architect Stoyan Yanev (July 2001)

**Sofia is a capital of the Republic of Bulgaria, a city with a competitive economy and sustainable economic growth, a city with high quality of life, attractive for businesses, residents and tourists. Sofia has high quality of transport and essential urban services, a city with efficient urban management promoting transparent and fiscally sound business practices. Sofia's urban environment enhances opportunities for diverse economic and social development.**

— *The vision of Sofia City adopted in March 2001*



3. *Formulation of a strategy based on feedback and analysis.* Central to the development of the SCS is the feedback from city residents and business community members gathered during the consultative part of the strategy process. Recommendations from surveys and consultations with Sofia's population informed the strategy and helped to identify for the municipal administration needed improvements and development priorities.



Sofia's community members participate in round table discussions during the first round of consultations. (July 2001)



A press conference after the first round of consultations. Seated from left to right: Supto Sarkar (World Bank), Sasha Tzenkova (World Bank and Calgary University), Mayor Stefan Sofiansky and Deputy Mayor Ventzeslav Nikolov. (July 2001)



The international donor community participate in the development of the SCS. Seated from left to right: Stefan Drager (Deutsche Gesellschaft für Zusammenarbeit – German Technical Cooperation), Anders Zeijlon (World Bank) and Hal Minis (USAID/LGI) on the far right. (April 2002)



Second round of consultations with representatives and experts from the municipality, academia, NGO, central government, among others. (April 2002)

*Surveys.* Citizens and key stakeholders participated in surveys undertaken by Alpha Research Ltd. in January 2002 and Club "Economika 2000" in March 2002. A sociological survey of 1,194 residents from Mladost, a peripheral municipality, and Vuzrazhdane, a central municipality, informed the administration in setting priorities and developing strategies for improving municipal services. A survey of high-ranking management from 102 companies was the first systematic attempt to explore the views of business community members and examine how to draw on their feedback in developing strategies and policies for improving Sofia's business climate (See Summary of Surveys with Sofia's Citizens and Business Community).

*Consultations.* Two rounds of consultations<sup>1</sup> brought together members of the local community, the international donor community, the private sector and officials from the municipality, state government and non-government organizations (NGOs). The first two-day workshop took place in July 2001 and the second round of consultations took place in April 2002 (during stage 4 of SCS's development). In July 2001, participants engaged in round table discussions on sector-specific issues, reviewed impediments to local development and shared new perspectives on infrastructure, social needs and opportunities. During this time, work to develop both the city center and periphery was also underway by the urban planning team; the 'Master Plan' team draws on the expertise of the city's architectural elite and encourages participation from affected groups to ensure plans are attuned to the needs of city residents. Noteworthy is the integral role of the World Bank and the United States Agency for International Development's Local Government Initiative (USAID's LGI) in the strategy development process. USAID LGI provided valuable advice to the SCS team on the consultation process and follow up.

*Other outreach efforts.* Community members were encouraged to submit comments on the draft SCS (available on the municipal web page; see web sites list at end of document) to 'Drop-in boxes' located in Sofia's 24 districts. Residents and stakeholders also participated in a weeklong strategy exhibit on the SCS approach, process and major trends in the development of Sofia's economy, finance and urban structure. Other outreach efforts to promote community participation include targeted dissemination of strategy materials to major stakeholders and a media campaign. This included advertisements in local newspapers, the use of

the municipal web site and local World Bank web site to post information, and press conferences.

<sup>1</sup> Round table discussions in July 2001 and April 2002 were professionally facilitated by USAID's Local Government Initiative, Club Ekonomika 2000 and the Foundation of Local Government Reform among others.

4. *Development of an action and implementation plan.* In April 2002, a second round of consultations brought together members of the local community, the international donor community, the private sector and officials from the municipality, state government and NGOs. Participants engaged in round table discussions on sector-specific issues and discussed the Program Action Matrix based primarily on community inputs from the first workshop. The strategic objectives and priority actions identified at this stage, by and large, comprise the current Program Action Matrix. (See Program Action Matrix).



Mayor Stefan Sofiansky listens to the findings of the round table discussions presented by the participants. (July 2001)

5. *Implementation of the long-term strategy.* The municipality has committed to meet the goals they set out to achieve in the three to five year period ahead, drawing on expressed expectations and needs of those surveyed and consulted. To ensure effective implementation of the objectives, the municipality will need to continually monitor, coordinate, control and adjust local development demand.

The components of the strategy in the forthcoming chapters present findings from these efforts to engage and respond to expectations and preferences of residents and business community members.

### Box 1. Milestones in the Development Process of the Sofia City Strategy

<b>September 2000</b>	Sofia's municipal management initiated work to develop a city strategy with support from the Cities Alliance.
<b>Late 2000</b>	A Steering Committee was set up to guide the strategy formulation process.
<b>March 2001</b>	Senior city management confirmed the major themes of the city development strategy and adopted a vision for the city.
<b>May 2001</b>	Findings from the SWOT analyses were presented to officials from the municipal administration, the Ministry of Finance and members of the international donor community and key objectives of the strategy were defined.
<b>July 2001</b>	Citizens and experts from public and private sectors engage in round table discussions on sector-specific issues at the first round of consultations.
<b>July 2001</b>	The 'Master Plan' team consults the public on two scenarios for development of the city architecture and the city periphery to ensure the Plan is attuned to the needs of those most affected.
<b>July 2001</b>	Community members participate in a weeklong strategy exhibit on the SCS approach, process and major trends in the development of Sofia's economy, finance and urban structure.
<b>January 2002</b>	Citizens from Mladost and Vuzrazhdane municipalities participate in a survey on the quality of municipal services.
<b>March 2002</b>	Key stakeholders participate in a survey on the current business climate.
<b>April 2002</b>	Citizens and experts from public and private sectors engage in round table discussions on sector-specific issues at the second round of consultations. The Program Action Matrix is drafted.



## SUMMARY OF THE SOFIA CITY STRATEGY

### Purpose of the Strategy

**The purpose of the Sofia City Strategy (SCS) is to combat poverty and provide the basis for sustainable development of the local economy and the welfare of city residents.** SCS is driven by the need to reevaluate the increased role of Bulgarian local authorities that resulted from the country's transition from socialism to a market economy.

Launching a long-term strategy for Sofia will provide the municipality with an opportunity to effectively implement the goals that it set out to achieve in the three to five year period ahead. Sofia's city management initiated work on the strategy in 2000 after Cities Alliance committed to support the initiative. The strategy draws upon the preferences and expectations of the population that were identified through analyses, consultations and surveys undertaken by international organizations and experts during strategy development. Five broad areas have been identified as key components of the strategy:

- I. The role of the municipality in the development and growth of the city economy
- II. The provision of infrastructure, social and administrative services available for citizens
- III. The physical planning and spatial landscape of the city
- IV. The financing of the city
- V. The management and governance exercised by the city administration

#### Box 2. Fast Facts on Sofia

- ◆ Official country name: Republic of Bulgaria
- ◆ Official language: Bulgarian
- ◆ Local currency: Lev (plural Leva)
- ◆ Motto: *It grows but it does not age*
- ◆ Population: 1,220,000
- ◆ Population density: 907 people per sq km
- ◆ Average age of population: 38.3 years
- ◆ Territory: 1,310 sq km
- ◆ Height above the sea level: 550 m
- ◆ Number of housing units: 475,900
- ◆ Utilized housing area: 30 sq km
- ◆ Living area per person: 15.1 sq m
- ◆ Centrally heated housing units: 437,000
- ◆ Length of the water supply net: 2,657 km
- ◆ Length of the drainage net: 822 km
- ◆ Length of electricity net: 7,823 km
- ◆ Telephone lines: 408,000
- ◆ Length of street net: 2,670 km
- ◆ Area of street net: 28.126 sq km
- ◆ Green zones in number: 2,810
- ◆ Green zones in hectares: 5,441 ha

Source: Sofia Municipality's Website  
([http://www.sofia.bg/en/index\\_en.asp](http://www.sofia.bg/en/index_en.asp))

Findings and recommendations for each component are summarized in the following sections.

#### I. City Economy

**Whilst continued macroeconomic stability is crucial for the city's growth, there are areas where the city administration can help to support the development of a competitive and productive local economy.** Three areas identified by the business community include: (i) improved outreach and communication; (ii) firm enforcement of a consistent and transparent regulatory framework for existing and emerging businesses; and (iii) reduction in the bureaucracy and delays in processing licenses and permits.

As Bulgaria's leading economic and cultural center, Sofia is a dominant part of the national economy – representing 15 percent of the population and accounting for 27 percent of Gross Domestic Product (GDP). Sofia generates close to 30 percent of all tax revenues and receives over half of the country's foreign direct investment (FDI).

Like the rest of the country, Sofia experienced hyperinflation and a significant decline in employment



and income during the 1990s. This recession was overcome with firm macroeconomic stabilization measures that facilitated growth and development of the economy from 1998 onwards, with Sofia well exceeding the national average growth rates. Despite recent progress, however, living standards remain below pre-transition levels and employment rates are at about 85 percent of the 1990 levels.

Since 1990 there have been two major structural changes in Sofia's economy; first, a shift from manufacturing to services, and second, a shift from the public to private sector. Although manufacturing remains an important source of income with a share of 26 percent of employment; service sectors now provide 74 percent of all jobs compared to 56 percent in 1990. Key service sectors are trade, retail and repair (19 percent of employment), transport and communication (11 percent), real estate (14 percent) and the publicly dominated social sectors – health, education and social care (20 percent). The new economy demands a workforce well educated in finance and business service industries, as well as service employees with basic qualifications. The rapid growth of the private sector, that employs 60 percent of the workforce (compared to 6 percent in 1990), can be attributed to the expansion of small and medium size enterprises (SMEs) and an assertive privatization process. A few large enterprises still provide about half of the jobs in the manufacturing sector; and the informal sector, provides an estimated 30 percent of local GDP.

To support the completion of Sofia's economic transition, foster growth of the local economy and respond to demands of the business community and other stakeholders, the city authority will

### **Box 3. A Brief History of Sofia**

Sofia is the capital of the Republic of Bulgaria and one of the oldest cities in Europe. Remnants from the Stone Age are in today's city center and date as far back as to the seven century B.C.. The city was settled in the first millennium by the Thracian Serdi tribe, followed by the Romans in 29 A.D.. The First Bulgarian Kingdom was established in 809 A.D., the Byzantines took control in 1018 and the Ottoman Turk invasion ended the Second Bulgarian Kingdom in 1382 (also the period when the city inherited its present name meaning 'wisdom'). The liberation of Sofia, which became the capital of the restored Bulgarian state in 1878, ushered in a period of growth and stability. Modernity thrived in what became the country's political and economic center. However, social and political turmoil ensued until the Soviet-backed Fatherland Front took control in 1944. Heavy industrialization and Stalinist style architecture influenced reconstruction efforts, leaving behind a city center where imposing government buildings stood beside old baroque and renaissance style structures. By 1989, when the Communist Government resigned, the city's population had increased to an estimated one million – a four percent annual growth rate since 1878.

The 1990 multi-party elections initiated the transition from a socialist to a market economy. Several years of economic recession and high inflation were succeeded in 1998 by increased economic stability and growth. Sofia started to reclaim its role as a vital European center fueled by enterprise and initiative. Service and retail sectors expanded, traffic levels increased and reconstruction and investment changed the appearance of the city. Today, Sofia is home to 15 percent of Bulgaria's population and accounts for an estimated 27 percent of the country's GDP.

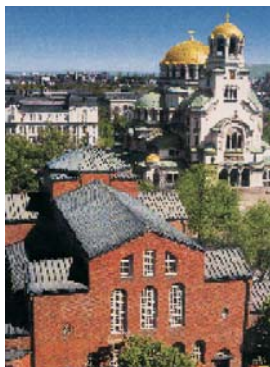
Despite considerable progress, many challenges remain for the city. Can we say more on challenges to help emphasize why SCS is needed? Living standards are below 1990-levels, many of Sofia's poor residents are dependent on public support and the infrastructure stock is poorly maintained. As Bulgaria's leading economic and cultural center, Sofia also faces the opportunities and risks that accompany the country's economic transition. In 1999, Sofia's city management started work to develop a medium-term strategy to help effectively focus the work of the administration on improving the livelihoods of city residents.



implement the following plans: (i) support private sector expansion of service sectors and SME and pursue options in manufacturing and industry; (ii) foster a favorable business environment through reforms in the regulatory framework; and (iii) work with other partners to ensure that the available education and training programs correspond to the needs of the local economy.

## II. City Services

**The city administration intends to improve the quality and delivery of infrastructure, social and administrative services with the expectations and preferences of the residential and business community in mind.** Whilst the city controls the provision of infrastructure services, accounting for the majority of the budget and staff, it has a more limited role in the provision of social services as social policies are largely determined by the central government. Thus, the city will continue to improve infrastructure services – financed by tariffs – and work with the State to develop policies to improve social services.



The city center: Saint Sofia Church (front) and Alexander Nevski Patriarchal Cathedral (back)

Whilst the city controls the provision of infrastructure services, accounting for the majority of the budget and staff, it has a more limited role in the provision of social services as social policies are largely determined by the central government. Thus, the city will continue to improve infrastructure services – financed by tariffs – and work with the State to develop policies to improve social services.

**Infrastructure Services.** The city intends to enhance private sector participation in the financing and provision of infrastructure services that are most often supplied by city-owned companies employing approximately 15,000 people, of which 11,500 work in one of the three major infrastructure services.

*Water and wastewater.* Since 2000, a private company named Sofiska Voda has had full responsibility for the operation and certain investments in the water and wastewater sector. Sofiska Voda employs about 2,000 people without any direct municipal financial support. Investments are under way to expand service levels, rehabilitate existing networks, reduce leaks and illegal connections, and improve supply reliability, billing procedures and financial management. The majority of city households have running water and two-thirds have sewerage connections.

*District heating.* Bulgaria's only city-owned district heating company, Toplofikacia Sofia, generates and distributes district heat and electricity. It employs 2,500 people. In an effort to promote private sector involvement, the World Bank (WB) and European Bank for Reconstruction and Development (EBRD) will help to set up a private operator to manage operations. Measures are underway to increase the financial feasibility of this utility and to expand the installation of individual meters and support to low-income households.

*Urban transport.* Sofia's public transport system was reformed in 1997. Stolichna Kompania za Gradski Transport/Sofia Public Transport Company (SKGT) was established and now employs an estimated 7,000 people. The SKGT Holding Company adopted a three-year investment and rehabilitation program, supported by the municipality, to increase the financial self-reliance and efficiency of the public transport company. The municipality supports discounted fares for passengers and provides funding for investments and works. Strategies to improve the public urban transport system include the provision of cost-efficient public transport services, expansion of the metro system and planning for increased levels of public and private transport. External financing supported early phases of this program by providing vehicles, equipment and institutional strengthening.

*Solid Waste Management.* Private companies, supervised by the municipality, are responsible for solid waste management – the collection and deposit of refuse. The city adminis-



tration supports a three-year program where the private sector will continue to provide waste collection services and will manage a new landfill site; the program also calls for a long-term solution to waste storage.

*Green Areas Preservation.* Sofia's abundant green space is a unique asset for a European capital. A local NGO, the Ministry of Environment and the municipality implemented a project to help preserve the green zones for city residents. Firm enforcement of development regulations is needed to protect green space from competing land use – shops, restaurants, etc. – and to ensure proper maintenance. Residents have expressed interest in volunteering to clean up and maintain these areas.

**Social Services.** The management of health care, education and social assistance largely rests with central authorities. The city is involved in maintenance of these services and expenditures are often shared between the city and the State. Expenditures typically consume about half of the municipality's budget. An estimated 75,000 people are employed in the public delivery of these services. Changes are, however, underway in the division of Municipal and State responsibilities for the social sectors. The roles of both the Municipality and the State are likely to rapidly decrease in the health sector when health reforms are completed in 2005. It is expected that the majority of municipal health facilities will be privatized over time. In the education sector, the current division of responsibilities is likely to be preserved. However, it is expected that there will be an increase in municipal managerial and operational control in the selection of school Principals and that more flexible education standards will be introduced to accommodate local needs. In the social welfare sector, it is possible that there will be a further increase in the State share of municipal social spending.



Sofia's green landscape is a unique asset for a European city center.

*Health care.* The city's health care facilities are expected to be privatized by 2005 when a national insurance scheme, introduced in the 1999 health reform program, comes into operation. Annual payments from the city to this sector will be more or less eliminated at that time.

*Education.* Management of education services is largely determined by the central government. The municipality finances almost 400 education facilities in Sofia, representing a significant share of the city's 2002 expenditure. The administration is working with the central government to narrow the gap between financial obligations and managerial responsibilities, to improve the management of facilities and to address other sector-wide issues. The municipality will collaborate with NGOs and the local business community to improve the quality and content of school programs.

*Social assistance.* The Social Protection Ministry is responsible for determining the social benefits, eligibility requirements, and for targeting of social assistance. The city supports the operation, maintenance and financing of the social welfare system. The city will work with the central government to align financial and managerial responsibilities, improve the delivery and targeting of assistance – particularly to vulnerable groups such as the elderly and handicapped – and address other sector-wide concerns.

**Administrative Services.** The municipality offers the following services: (i) issues birth, death and marriage certificates and other census-related documentation; (ii) provides individuals and families in need with housing, manages rentals and associated applications; (iii) issues permits and licenses for business activities; (iv) manages the sale of municipal housing and handles certificates, documentation and requests related to real estate transactions; and (v) approves and regulates construction activities. Whilst residents are generally satisfied with all services, the business com-



munity is less satisfied with last three services. Measures are underway to improve services by setting and monitoring service standards and streamlining application procedures including those for licenses, permits, housing and construction.

### III. Urban Structure

**In 1998, a Master Plan was launched to provide a framework for the city's future urban structure and to help the community take advantage of economic opportunities. Following consultation and extensive analysis, the concept has been further developed and broader application is under consideration by the Municipal Council.**

There are three types of residential housing in Sofia: (i) older neighborhoods that offer medical and education services and employment opportunities; (ii) high-density housing developments; and (iii) high-rise panel housing on the outskirts of the city with limited social services and fewer employment opportunities. Ninety-two percent of houses are privately owned. The housing market is stable and prices are relatively high. Turnover and new housing supplies are small. The city center also has a large share of industrial land.

Private businesses are emerging in retail, business administration, finance, consulting and management sectors; however, office and retail space in the city center is limited and poorly developed. Environmental degradation – poor quality of air, soil and water, excessive noise levels, deterioration of green areas and cultural heritage – is a growing concern for city officials.

City authorities are committed to rejuvenating Sofia's housing sector through area-based initiatives. Whilst economic growth, regulatory stability and consumer affluence should encourage future housing development, construction could also be supported through the better provision of urban land, more affordable infrastructure services and increased access to long-term credit. Measures are also underway to address the limited availability of office and retail space and to protect Sofia and its residents from further environmental degradation.

Reforms proposed in the city's Master Plan are needed to support new and emerging land use patterns. Three priorities are key to the implementation of the Master Plan: (i) the regenerative potential of existing urban structures; (ii) an improved and more cost-efficient framework for the development of infrastructure investments; and (iii) an interactive and flexible urban development process that adapts to future and changing needs of city residents and the local economy.

The SCS outlines the following priorities for action: (i) create a balanced spatial structure that enhances opportunities for economic growth and social diversity; (ii) improve the quality of life in existing residential areas; and (iii) ensure accessibility and sustainable use of environmental resources. The priorities of the Master Plan were taken into account while developing the SCS.

### IV. City Finance

**The city lacks the independence to secure and adequately plan revenue and expenditure levels, in line with local priorities, since the regulatory framework governing financial relations is largely controlled by central authorities.**

Sofia's budget has evolved over the past ten years: first, resources fell drastically during the transition and high-inflation years of the 1990s; second, resources expanded with the implementation of



macroeconomic stabilization reforms between 1997 and 1999 resulting in increased revenues and central government transfers to the city; and, more recently, municipal revenues (and expenditures) have declined, due primarily to reductions in central government transfers to the city.

Most of Sofia's revenue comes from the city's share of legally stipulated tax revenues, that have increased in line with economic performance and growth, and are collected by the Ministry of Finance. The remainder comes state transfers and tariffs determined, and sometimes collected, centrally. City management only controls fees related to garbage collection and municipal property sales.

On the expenditure side, payments for social services and transport dominate. Financing for other infrastructure services – water, sewerage and district heating – generally do not come from the municipal budget but are supported by revenues from the municipal companies providing these services. Most payments are determined by priorities and standards set by central authorities.

Other drawbacks associated with strong central government control are limited mobilization of the city's own resources and local tax base and unpredictable assessments of available funding that inhibit financial planning.

The city aims to forge a partnership with the central government to establish a transparent and stable framework for central-local financial relations in an effort to gradually increase Sofia's financial independence. Future reforms will focus on three inter-related areas – budget processes, revenues and expenditures.

## **V. City Management and Governance**

**The city management seeks to improve and develop the organization and internal capacity of the administration and their relationship to Sofia's residents and business community.**

The boundaries of Sofia Municipality coincide with those of the region of Sofia – one of 28 in Bulgaria – that is headed by a Governor. Main constituencies of the Municipal Government include: the Mayor and six deputy Mayors; District Mayors (of rayons); Mayors of mayoralities (kmetsvo); and the Municipal Administration. The SCS process has informed and will continue to provide insight on needed improvements in the municipality's management and governance. Surveys and consultations with city residents and business community members have revealed concerns related to access and communication with the administration and also the limited level of public knowledge about municipal affairs and agendas.

Measures underway to improve communication between citizens and the city administration and encourage community participation in local governance include: (i) the organization of the municipal administration; (ii) human resource management; and (iii) communications with residents and the business community.

Issues related to the municipal organization that will also be addressed include: (i) modest levels of decentralization and decision-making power of the 24 districts and 34 mayoralities; (ii) poor monitoring and evaluation capacity; (iii) centralized internal decision-making; (iv) lack of internal staffing policies and strategies; and (v) limited access to internal information.



## Program Action Matrix

**The Sofia City Strategy concludes with a Program Action Matrix that outlines in detail priority actions and objectives for the city administration to effectively implement the strategy to combat poverty, foster the development of the local economy and improve the livelihoods of city residents during the three to five year period ahead.**

Key recommendations in the Program Action Matrix are summarized below:

*City Economy.* Maximize the city administration's support for building a new economy through the following actions: sustain economic growth by creating a favorable business climate; broaden the economic base targeting growth sectors; and improve contact with the business community, central government and NGOs.

*City Services.* Improve the quality and delivery of infrastructure, social and administrative services through the following actions:

*Infrastructure services:* improve and expand water and wastewater treatments; improve the efficiency of operations and strengthen the financial position of district heating services; improve access to parking, decrease traffic congestion, improve efficiency of the subway and strengthen the financial position of the urban transport company; continue support for private provision of waste collection services and private management of a new land-fill site; and continue support for a plan to maintain green areas and help mobilize volunteer work.

*Social Services:* narrow the gap between financial responsibility and management authority to provide better targeting of social assistance and promote effective management of education facilities; forge a partnership with the central government to address nationwide sector issues and promote education sector reforms; and collaborate with the local business community and NGOs to improve the quality and content of education programs.

*Administrative services:* develop proposals to simplify and streamline the restrictive and bureaucratic regulatory framework for starting and running businesses; standardize public service procedures across districts; and establish a one-stop-shop for businesses to apply for all necessary documents.

*Urban Structure.* Provide a framework for the city's future urban structure to help residents and businesses take advantage of economic opportunities through the following actions: create a balanced spatial structure to enhance opportunities for economic growth and social diversity; improve the quality of life in existing residential areas; introduce effective measures to address environmental degradation; and improve housing, transport and other critical urban services.

*City Finance.* Improve the framework governing the city's finances to support the administration's management capacity and strengthen its financial self-reliance through the following actions: forge a partnership with the central government, stabilize the most uncertain revenue and expenditure areas; and establish a transparent and stable framework for central-local financial relations.

*City Management and Governance.* Improve the municipality's management capacity and organization to generate long-term benefits for residents through the following actions: improve the organization of the municipal administration; improve human resource management; and improve communications with city residents and business community members.



# SOFIA CITY STRATEGY

May 2003



**SOFIA:**  
**THE CAPITAL CITY OF THE REPUBLIC OF BULGARIA**  
**'IT GROWS BUT IT DOES NOT AGE'**

PREPARED WITH ASSISTANCE FROM THE CITIES ALLIANCE  
(THE WORLD BANK AND  
THE UNITED NATIONS CENTRE FOR HUMAN SETTLEMENTS)

## I. CITY ECONOMY

**Whilst continued macroeconomic stability and reform are crucial for the city's future economic growth, there are areas where the city administration can help to support the development of a competitive and productive local economy.** During the development of the SCS, two broad sets of objectives were identified for the municipality: (i) foster a favorable business climate through reforms in the regulatory framework and support for the expansion of SMEs, industry/manufacturing and services alike; and (ii) develop Sofia's human capital by ensuring education and training programs correspond to the needs of the local economy, forging partnerships between public and private parties and enabling local institutions to encourage participation of vulnerable and marginalized groups in the labor market.

To meet the above objectives and address concerns raised by the business community, actions will be implemented by city authorities over the three to five year period ahead to:

- ◆ create a favorable business climate
- ◆ broaden the economic base
- ◆ improve contact and consultation with the business community and partnerships with NGOs and the central government

A discussion of feedback from the community on the city's economy, the economic environment and actions to be taken by the municipality over the coming years follows.

### Feedback from the Business Community

**Consultations with, and a survey of representatives of Sofia's business community, NGOs and the public helped to inform the strategy process of concerns and expectations of stakeholders.**

Three major sources of general uncertainty and concern for the business community emerged: (i) the challenge of implementing sound and long-term business decisions, given the unpredictable and erratic nature of the economic climate during the transition period; (ii) the lack of consistency and transparency of the central government's regulatory framework, especially with regards to taxes; and (iii) the high costs and delays of the city's unnecessarily complex and restrictive administrative regulations. In elaborating on the third point, the business community members noted that licensing fees among various city districts (rayons) could allegedly vary by as much as 400 percent and the inconsistencies in licensing processes often result in delays of up to 6 months or more. Other concerns relate to excessive bureaucracy (e.g. 20 steps for a small retail business license and twice that many to open a coffee shop) and overall lack of available information on business licensing and building approval processes.



Sofia's Market Place.

### Sofia in the National Economy

**As the leading economic and cultural center of Bulgaria, Sofia represents 15 percent of the national population and active labor force and accounts for an estimated 27 percent of the country's GDP** – suggesting that Sofia's GDP-per-capita is close to twice that of the national average (Table 1.1). Sofia generates an estimated 45 percent of national retail revenues and close to one-half of the country's FDI. The education and medical facilities available for city residents and its unique archeological and cultural heritage warrants the capital city's leading role as a vital



European center.

<b>Table 1.1: The Leading City Center</b>			
	<i>Sofia</i>	<i>Rest of country</i>	<i>Bulgaria total</i>
<i>Population (million, %, end 1999)</i>	1.2 (15%)	6.9 (85%)	8.1 (100%)
<i>Active labor force (million, %, end 1999)</i>	0.5 (15%)	2.6 (85%)	3.1 (100%)
<i>GDP per capita, (end 1999)</i>	4 917	2 450	2 774
<i>Unemployment (% end 1999)</i>	4,5%	18%	16%

Source: Regional Statistical Office of Sofia, 2000

Like the rest of the country, however, the city economy suffered several years of recession during Bulgaria's transition from communist rule to a market economy. A significant decline in GDP and high price increases characterized the early 1990s and, though the economy was relatively stable in the mid-1990s, lack of systematic reforms and increased fiscal imbalances resulted in triple-digit inflation and a sharp decline in output in 1996 and 1997. The recession was overcome with support from firm nationwide stabilization reforms and policy measures that were initiated in earnest in 1997. Fiscal deficits were gradually reduced and the Leva was pegged to the German Mark by a currency board (still in place, the peg is now linked to the Euro). Table 1.2 shows that growth rates, since 1998, have been positive and single-digit inflation levels have been sustained. Annual national growth is estimated at 4.9 percent between 1999 and 2003 as compared to the negative average of -3.3 percent between 1989 and 1999.

<b>Table 1.2: Macroeconomic Indicators</b>											
<i>Year</i>	<i>1991</i>	<i>1992</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
<i>Percent change in consumer prices</i>	474	79	64	121	33	312	548	2	7	7	5
<i>Percent change in GDP</i>	-8	-7	-2	2	3	-10	-7	4	2	6	4

Source: National Statistical Institute, 2002

Several years of communist rule, the tumultuous transition period, the economic recession of the 1990s and recent economic stability and growth have all left imprints on Sofia's economy. Remnants of the old economic order coexist with and continue to be replaced by the building blocks of a modern and European city economy. Today's professionals and businessmen operate and manage new retail, service and manufacturing facilities in line with demands and opportunities associated with the new economic order. While luxury hotels and internationally diverse restaurants populate the thriving city center, old and dilapidated buildings reflect the poverty and hardship endured by this city and the residents over the years. A sense of uncertainty pervades about the virtues of the market economy together with a longing for the admittedly elusive stable past.

### **Privatization and Economic Restructuring**

**During the last ten to 15 years, two major structural changes have transpired in Sofia's economy; first, a shift away from manufacturing production to services, and second, from public sector production to private sector activities.**

The reorientation from an industrial to a service-oriented economy was largely a result of unmet demand for services that were, under the centrally planned economy, not a priority. During the socialist era, emphasis was instead on manufacturing for export markets within the Former Soviet Union and Sofia's economy incidentally followed a more rigorous industrialized pattern than most



other Central and Eastern European cities. Based on labor statistics, Table 1.3 reveals the extent of Sofia's de-industrialization process. Employment in manufacturing declined from 44 percent of total employment in 1990 to 26 percent in 2000; concurrently, employment in service sectors increased from 56 percent of total employment to 74 percent in 2000.<sup>2</sup> Estimates of the respective sectors' contribution to GDP are less reliable than the employment data, but show that services account for about 80 percent of the city's GDP. Service sectors include retail (13 percent), transport and communication (13 percent), finance and insurance (7 percent) and other services (47 percent). Manufacturing and construction account for the remaining 20 percent – manufacturing (13 percent), construction (6 percent), mining and agriculture (1 percent).

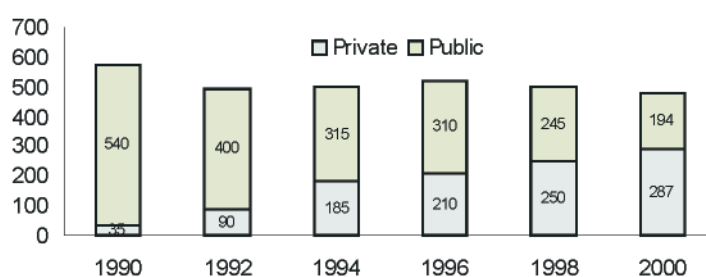
Table 1.3: Employment and GDP by Sector				
	Percent of people employed in Sofia			Sofia GDP by Sector
Year	1990	1995	2000	2000
Services	56	65	74	80
Manufacturing	44	35	26	20

Source: Regional Statistical Office of Sofia, 2001; and Sofia Municipality Market Analysis Department

The second major structural shift from public to private sector activities resulted from an aggressive privatization process and the rapid development of SMEs. The private sector today provides about 60 percent of jobs, compared to 6 percent in 1990. Firm privatization policies implemented in the mid to late 1990s led to the emergence of new private sector businesses and, as a result, Sofia's private sector consists today of a number of formerly public – and now private – companies and several small and new private businesses. Private sector growth and employment were also driven by the rapid expansion of SMEs that account for 95 percent of the total number of firms today. Though SMEs provide a framework for a flexible and competitive economy, many problems constrain their development, i.e. access to financing, difficulties in technological advances, lack of management capabilities and regulatory uncertainty.

Data show that the increasing private sector share of GDP reached 69 percent in 2000 after growing rapidly for several years. Figure 1.1 reveals, however, that increases in private sector jobs have not sufficiently offset the decline in public sector employment. 2002 estimates indicate that employment is at an estimated 85 percent of the 1990 baseline level. Low employment rates resulted largely from the sharp contraction of overall employment at the start of the transition to a market-based economy and are also due in part to the fact that many of the current private sector jobs are not net additions but former public sector jobs under private management.

Figure 1.1: Private and Public Employment  
(thousands of persons)



Source: Regional Statistical Office of Sofia, 2001

<sup>2</sup> Data on 'manufacturing' refer to industrial employment, mining and construction.



The informal sector – non-registered micro enterprises – provides a high share of small-scale services including retail, garments, tourism, catering, and other personal services such as childcare, housekeeping and home repair. Though many of these entrepreneurs stay outside the formal economy to avoid payroll taxes and social security contributions, estimates reveal that the share of the informal sector is as high as 30 percent and under-reported income in the retail sector and business services – according to a 2000 study undertaken by Sofia’s Center for Comparative Research – is estimated at 20 percent of total turnover. Even though these unregistered business activities were part of a rational – and in some cases the only available – survival strategy during the difficult 1990s, they should now be incorporated into the formal economy.

### Service Clusters Emerged as Stable Sources of Local Employment

**Growth in private sector services resulted from significant national import and export activities, increased real estate transactions and increased presence of major domestic and international company headquarters in the city center.** Service clusters emerged dramatically during the transition to a market-based economy (Table 1.4). Real estate and business services – law, accounting, management consulting, computer services, finance and insurance – emerged forcefully in the mid-1990s. Distributive services – retail, transport, communication and tourism – also expanded; although these services generate relatively low value added jobs, 2002 estimates indicate that they account for 30 percent of registered employment. Producer services – finance, insurance and real estate – provide an estimated 17 percent of jobs.

<b>Table 1.4: Employment in Service and Manufacturing Sectors, 2000</b>						
	<i>Numbers of employees (thousands)</i>			<i>In percent</i>		
	<i>Public</i>	<i>Private</i>	<i>Total</i>	<i>Public</i>	<i>Private</i>	<i>Total</i>
<i>Service Sector</i>	171	193	364	36	40	76
Trade and repair	4	85	89	1	18	19
Hotel and restaurants	2	12	14	0	2	3
Transport and communications	32	21	53	7	4	11
Finance and insurance	6	9	15	1	2	3
Real estate	20	46	66	4	10	14
Public administration	29	0	29	6	0	6
Health, education and social	78	20	98	16	4	20
<i>Manufacturing Sector</i>	23	94	117	5	20	24
Manufacturing	14	70	84	3	15	17
Construction and agriculture	9	24	33	2	5	7
<i>Total</i>	194	287	481	40	60	100

Source: Regional Statistical Office of Sofia, 2001

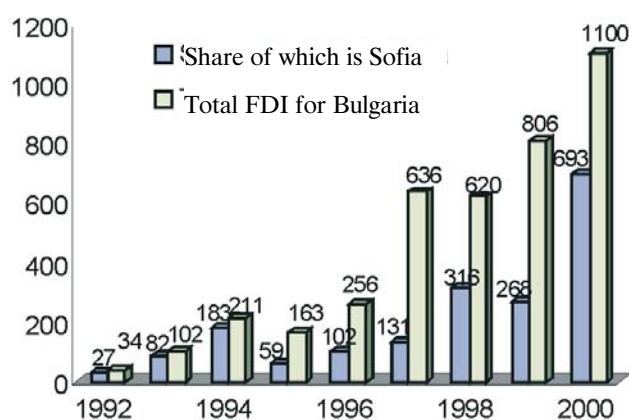
Manufacturing – now predominantly in private hands – remains an important source of income with a share of 26 percent of employment. Manufacturing of ferrous and heavy metals accounts for 30 percent of industrial output; mechanical and electrical equipment production generates 17 percent of total industrial employment; and chemical product and plastic production accounts for 10 percent of jobs. Food processing, printing and advertising services for the local market also provide a considerable share of employment. An estimated 50 percent of jobs in manufacturing and construction are provided by a few large enterprises in today’s economy. Sofia’s relative dependence on these companies is an imprint of the earlier socialist industrialization policies.



The public sector still retains a significant share of jobs related to the production of electricity, and the provision of natural gas and water, transport, social, health, education and public administration services. Economic restructuring of these services will be undertaken during the next few years.

Increased levels of FDI signal an improved city economy. Cumulative patterns of FDI (1992-2000) featured in Figure 1.2 indicate that Sofia has drawn in nearly 47 percent (or \$1.9 billion) of Bulgaria's total FDI. Sectors that benefited most from FDI were industry (50 percent), finance (20 percent) and trade (16 percent). Sustained high levels of investment in the future look promising with large-scale privatization effort underway in telecommunications, gas and electricity supply industries. Prospects of EU accession, tentatively scheduled for 2007, should also foster a relatively favorable investment climate.

**Figure 1.2: Foreign Direct Investment**  
(millions of dollars)



Source: Foreign Investment Agency, 2000

### Educated Labor Force but Low Employment Rates

**Sofia's tradition of excellence in education and 27 universities and colleges have generated a well-educated labor force that attracts new businesses to this leading European city.** The share of people with university education is 2.5 times the national average and the share of those with specialized secondary education is also considerably higher. An estimated 73 percent of people with university degrees work compared to 24 percent of people with only primary or lower education. The survival and growth of many businesses in the future is dependent on the supply of knowledge workers – people with good education and the ability to learn new skills.

In spite of Sofia's high education levels, the city has a fairly low coefficient of economic activity at 55.1 percent (percent of people who are either working or registered as unemployed compared to entire population). According to 2000 estimates, unemployment rates are at 4.5 percent – less than one-third of the national average. According to Table 1.5, 45 percent of the unemployed are over 44 years old and 56 percent had university or specialized secondary education



A resident visiting the city's Book Market.



illustrating a gap between labor market needs and skills offered. The new economy places a premium on specialized skills and higher educational qualifications mainly in the financial and business service industries, leaving many overqualified and educated candidates without jobs.

<b>Table 1.5: Unemployment Profile</b>			
	1996	1998	2000
<i>Rate of unemployment</i>	3,60%	3,50%	4,50%
<i>People over 44, share of total</i>	24%	38%	45%
<i>People with specialized secondary and/or university education, share of total</i>	65%	62%	56%

Source: Regional Unemployment Office, 2001

### Key Demographic Indicators and Poverty Data

**Even though incomes and living standards are higher in the capital city than in the rest of the country, key demographic indicators and poverty data reflect the adverse effects of the recession in the 1990s;** the city and its residents are still recovering from and dealing with some consequences of that period. Economic uncertainty and inadequate healthcare and social services contributed to the decline in natural growth rates and increase in mortality rates. The rate of natural increase (birth rate minus death rate) dramatically fell in the 1990s and reached its lowest level in 1997 at minus eight per 1,000 residents and today remains at minus three per 1,000. According to 2000 estimates, Sofia's population has recovered – largely due to urban migration into the city – to a relatively stable 1.2 million (Table 1.6). The average age of Sofia's population also rose from 37.3 in 1990 to 39.1 years in 1998. Sofia's 'economic dependency' ratio<sup>3</sup> is high at 27 percent and this, in turn, places high demand on the social security system. With relatively stable mortality rates, increased birth rates and the prospect of increased natural growth in the future, the city population is likely to overcome negative levels and continue to grow.

<b>Table 1.6: Demographic Indicators (thousands of persons)</b>		
	1995	2000
<i>Population</i>	1 193	1 222
Male	571	581
Female	622	641
<i>Population under working age</i>	201	182
<i>Population at working age</i>	722	755
<i>Population over working age</i>	270	273
<i>Employment rate</i>	50,80%	55,00%
<i>Unemployment rate</i>	6,60%	4,20%
<i>Birth per 1,000 population</i>	7,9	9,1
<i>Deaths per 1,000 population</i>	11,9	12,1
<i>Natural increase per 1,000 population</i>	-4	-3
<i>Infant deaths per 1,000 population</i>	12,9	7,9

Source: Adapted from Regional Statistical Office of Sofia, 2001

Poverty in Sofia – though less prevalent relative to the rest of Bulgaria – remains a serious problem, particularly for vulnerable and marginalized groups. A recent World Bank study revealed that an

<sup>3</sup> A key indicator of economic potential in any city compares the share of the population 60 years of age and older versus the population in employment age. Higher dependency ratio implies that less people are contributing to the social security system compared to the number of users.



estimated 5 percent of Sofia’s residents are poor<sup>4</sup> and concluded that rural residents are four to seven times more likely to be poor than people in urban areas. The *Human Development Report 2000* prepared by the United Nations Development Programme (UNDP) ranked Sofia’s standard of living second in the country based on a number of composite indicators – i.e. economic performance, labor market development, quality of life, etc. Recent economic growth has resulted in income growth (average income in 2000 increased by 14 percent) and estimates reveal that poverty in Sofia has been reduced to 1995 levels. In spite of this, people continue to spend as much as 44 percent of their income on food.

<b>Table 1.7: SWOT Analysis of the Economy</b>	
<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Geographically situated at crossroads of major European and transcontinental routes</li> <li>• Nationally the administrative, economic, financial, political, cultural, research and development city center</li> <li>• Attracts both foreign and national investors</li> <li>• Culturally fueled by enterprise and initiative</li> <li>• Existing industrial capacity and relatively stable industry clusters</li> <li>• Highly qualified and relatively affordable work force</li> <li>• Significant size of the local economy</li> </ul>	<ul style="list-style-type: none"> <li>• Turbulent restructuring process followed by slow economic growth</li> <li>• Declining industrial output, non-competitive production and loss of traditional markets</li> <li>• Poor conditions of industrial facilities and outdated technologies</li> <li>• Long-term unemployment and structural unemployment among educated citizens</li> <li>• Poverty affecting city residents, particularly vulnerable and marginalized groups</li> <li>• Insufficient and inefficient retraining programs for labor force</li> <li>• Complex and bureaucratic climate for business start-up, bureaucratic licensing processes and difficult access to loans</li> <li>• High share of unreported income and tax evasion in the informal sector</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Improve competitiveness through promotion of business and investment in Sofia</li> <li>• Encourage economic diversity, SME growth and development</li> <li>• Attract knowledge-based industries and utilize research and development (R&amp;D) capacity</li> <li>• Capitalize on existing human, financial, cultural and infrastructure resources</li> <li>• Prioritize employment retraining and learning</li> <li>• Empower local communities to encourage participation of disadvantaged groups in the labor market</li> <li>• Foster competitive economic development through local institutional capacity building</li> </ul>	<ul style="list-style-type: none"> <li>• Discontinued macroeconomic stability and less coherent reforms</li> <li>• Continuing social polarization, growing economic dependency of the population and social tension</li> <li>• The extreme transient nature of global firms and strategic investors</li> <li>• Competition for investment from the hinterland and other medium-sized cities across the country</li> </ul>

<sup>4</sup> To measure poverty, the WB report uses a poverty line equal to two-thirds of average consumption in Bulgaria. Expenses for rent (or its imputed value in case of owner-occupied housing) and the services of durables were not included in the calculation. In Sofia, where 97% of the housing is privately owned, and in most cases mortgage-free, the story of ‘income poor but asset rich seniors’ needs to be given some consideration. By all means this still continues to be one of the most buoyant housing markets in the country and house prices tend to be 10 to 15 times the annual household income. These ‘definitional problems’ also affect the operation of the system for social assistance, the administration of ‘heating subsidies’ and raise concerns with respect to the equity and efficiency of social support.



Poverty is particularly prevalent among children, long-term unemployed and ethnic minorities. Children and teenagers are especially susceptible to poverty and those individuals older than 55 are less severely affected. Among the vulnerable groups, the Roma are ten times more likely to be poor than a citizen of Bulgarian origin; and Bulgarian Turks are four times more likely to be poor than a resident of Bulgarian decent. Factors that contribute to the declining welfare for the population include: (i) private sector growth has not sufficiently offset the decline in public sector employment; (ii) a substantial decline in real wage levels since the start of the transition to a market-based economy; (iii) increased 'skills gap' and unemployment rates; (iv) the growing gap between high- and low-income earners; (v) inadequate social services and social assistance; and (vi) marginalization of ethnic minorities.

### **Priorities for Action**

The city will take the following actions over the coming three to five years:

#### *Create a favorable business climate:*

1. **Establish a consultative council** with representatives from the city administration and the business community to review and advise on how the municipality can support businesses.
2. **Conduct an audit of the regulatory framework that directly affects the business community;** proposals will be developed to simplify and streamline the rules in place; administrative barriers for the start-up and operations of businesses – including SMEs – will be reduced and building and construction permit processes will be standardized; and requirements for investment upgrades in infrastructure will be improved.
3. **Review business licensing procedures across districts** to ensure consistency in procedures and fees applied by rayon administrations. Services for the business community will be standardized and maximum time limits on these services will be controlled.
4. **Set up a front office** to provide information on all matters related to business licenses, permits, taxation and registration, and access to business premises. A system for electronic monitoring of building permits, business licensing and registration will be set up. Possibilities of making available on-line licensing application procedures will be examined.

#### *Broaden the economic base:*

5. **Implement a marketing program** targeting primarily national and international investors and a broader audience. This program will provide information about business and real estate investment opportunities and promote business parks in an effort to expand new technological developments and investments that would foster the development of local SMEs. Branch-specific web pages for the public will be available.
6. **Foster research and industries partnerships** and attract knowledge-based industries capitalizing on existing R&D capacity.
7. **Commission studies to look at business incentives and future growth** to identify alternatives for SME support and assess future growth clusters that will include retail, transport and communications, business and financial services.



8. **Encourage economic development** - continue privatization of municipal enterprises and promote continued economic development of Sofia's international transports links and infrastructure projects.
9. **Strengthen the capacity of the Foreign Investment Department.** A user-friendly database of available office space locations and other real estate properties – will be available for local and foreign businesses and investors.

*Improve contact and consultations with the business community and partnerships with NGOs and central government:*

10. **Establish an economic development team**, under the Mayor's leadership, to build stronger relationships locally with central government authorities and European and other international institutions.
11. **Set up advisory task forces** to develop coordinated programs to promote growth in key sectors in a given timeframe. Key partners will participate in these task forces on different issues including but not limited to: nurture research and industry partnerships; attract knowledge-based industries capitalizing on existing R&D capacity; and support local networking among companies with good export potential, i.e. garment, footwear, electronics, engineering and software production.
12. **Improve dialogue between the business community and the education sector** to narrow the 'skills gap' between labor market needs and available education and courses. The municipality, employers, trade unions and relevant education institutes can work collectively to develop high quality, low-cost training programs that correspond to the current economic climate. More effective communication between both sectors would help in identifying actions for employment retraining and improve basic skill levels of long-term unemployed, working poor and other disadvantaged groups.
13. **Forge partnerships with the central government** to review national policies and local taxes and fees and ensure consistency among them.
14. **Strengthen the administration's internal capacity overall and clearly define responsibilities** for those who work with the business community and investors.

The Program Action Matrix at the end of this document provides further details of the priority actions.



## II. CITY SERVICES

**The city administration intends to improve the quality and delivery of infrastructure, social and administrative services with the expectations and preferences of the residential and business community in mind.** Infrastructure services include water and wastewater, district heating, urban transport and other infrastructure-related services such as solid waste management and green areas preservation.



According to municipal data, buses, trams and trolleys transported 67 percent of commuters to work and only 3 percent traveled by metro in 2000.

The administration's services in the social sector include health care, education and social assistance. Administrative services available for the residents include census data and applications related to housing rentals; services for the business community include licenses and permits for businesses, privatization of municipal property and real estate transactions, and urban planning.

Informed by surveys and consultations with Sofia's residents and business community members, and as part of the overall strategy to sustain and enhance the productivity of the local economy and the welfare of residents; infrastructure services will be improved. The municipality intends to work with central government authorities, NGOs and the

local business community to improve delivery of education services. They will forge a partnership with the central government to align social responsibilities and address other sector-wide concerns.

A discussion of feedback from the community on the city's services, the services themselves and actions to be taken by the municipality over the coming years follows.

### Feedback from City Residents and the Business Community

**Surveys were carried out to assess citizens' views on the scope and quality of infrastructure and administrative services.** Consultations with the residential and business communities revealed that:

- ◆ The business community was less satisfied with the city's administrative services than residents, but two-thirds of residents and stakeholders surveyed were satisfied overall. Residents revealed that they have limited knowledge of the municipality's function and available administrative and other services. Seventy percent were not aware of the services provided by the city, 40 percent, however, suggested that improving services should be a priority. Only 11 to 18 percent of the residents felt that improving the business permit processes should be a priority. Of those aware of the services provided, residents were most satisfied with the Organizational Administrative-Informative Activity Department and least satisfied with the Registration and Control of Business Activity Department and the Territorial and City Planning Department. Reasons for satisfactory service include politeness (25 percent), speed (24 percent) and good general organization (12 percent); reasons for dissatisfaction include poor organization (12 percent), rudeness (5 percent), refusal of service (1 percent) and requests for bribes (0.6 percent). Overall, there were two to three satisfied clients for each dissatisfied one.
- ◆ Fifty to 82 percent of residents surveyed identified three high priority areas where they felt the city should do more: (i) maintenance of the green areas; (ii) sanitation and cleanliness of the neighborhoods; and (iii) street maintenance. Areas of medium priority included water and wastewater, garbage collection and streetlights, and to some extent, public transport and administrative services.



- ◆ Business community members felt that street cleaning and snow removal were particularly weak. They were pleased with water and wastewater, district heating and some aspects of city transport services (the subway was very popular). They identified that improvements are needed in road maintenance, solid waste management, parking, street numbering designation and streetlights.
- ◆ The business community is also frustrated with: excessive procedures involving multiple agencies and delays of up to two months in registering and re-registering a business; delays of up to six months for issuing licenses; and applying for permits related to construction activities was perhaps the most difficult process identified.
- ◆ Three of the fastest deteriorating areas were security (a state responsibility), parking and maintenance of green areas; and three of the fastest improving areas were street maintenance, street lights and sanitation.

Very few of those surveyed thought that the municipality was the appropriate body to improve social services, given that central government authorities are largely responsible for this sector.

Taxes and other financial aspects – also outside the municipality’s control – were identified as the primary concern of the business community. Other areas under management of the central government include defense, national utilities (electricity and telecommunications), police and fire prevention.

Recommendations from the business community to improve the delivery of services include: (i) consolidate licensing and other business-related services in all districts; (ii) provide on-line applications for business-related services; (iii) establish one-stop shops for business permits and other needs; (iv) reduce the turn-around time for registrations and permits; and (v) reduce the number of procedures and agencies involved in processing business-related documentation.

A low 20 percent of the businesses surveyed had themselves invested in upgrading infrastructure at their location. Residents were only willing to pay for improved security services. About 75 percent of citizens, however, expressed interest in volunteering to clean up and maintain the green areas in their part of the city.

#### **Box 4. The Privatization Strategy**

The privatization of municipal companies is part of the city’s overall strategy to privatize all municipal enterprises – in whole or in separate units – and non-housing municipal property used for economic activities. The Sofia Privatization Agency responsible for the implementation of this strategy has, since a year after its establishment in 1992, signed about 2,000 privatization contracts and privatized an estimated 90 percent of targeted municipal property – excluding the Transport Holding Company, the District Heating Company, the Metropolitan and the municipal housing property. An earlier study undertaken by the agency revealed that privatization of 27 percent of the city’s property led to an estimated \$86 million of investments and 14,000 new jobs. Of the revenues from privatization, the Municipal Privatization Fund accounted for 86 percent, the Municipal Environment Protection Fund for five percent and the Privatization Fund for nine percent. Of the proceeds in the fund covering privatization expenses, long-term assets for municipal infrastructure accounted for 37 percent, an investment portfolio of new companies or minority shares for 30 percent, capital investment reserves and the emergency fund for 10 percent, write-offs of non-collectable receivables from municipal enterprises and short-term loans to commercial enterprises for 18 percent and emergency fund to commercial enterprises for seven percent.

By mid-2002, the municipality owned 54 commercial enterprises with separate accounts from the municipal budget approved by the Municipal Council. Privatization of nine municipal commercial enterprises was scheduled in 2002 and privatization procedures were initiated for another six enterprises. Plans are underway to re-register seven additional enterprises under the Commercial Act and thereafter separate their accounts from the municipal budget. The city administration is the largest shareholder of the Municipal Bank (67 percent) and has minority holdings in several companies including the Hilton hotel and the Central shopping market place.



The concerns raised by the business community are addressed in the City Economy chapter under “Priorities for Action”. The Program Action Matrix at the end of this document provides further details of the priority actions.

## Infrastructure Services

**Enhancing private sector participation in the financing and provision of infrastructure services is central to the municipality’s strategy for improving these services.** Today, services suffer from limited investments and aging capital stock in these companies, resulting in significant losses and weakened finances. Private sector operation of utilities will help improve their financial position, reduce their dependence on external subsidies and foster efficiency gains, improved managerial and technical practices and increased equity investments. These efforts are intended to improve the quality and delivery of infrastructure services and increase consumer satisfaction and their willingness to pay for services. Findings from a 1999 study revealed that of the 15,000 employees in municipal enterprises, 11,500 (77%) work in one of the three major infrastructure services – water and wastewater (2,000), district heating (2,500) and public transport (7,000).

*Water and wastewater.* Private sector participation is perhaps most advanced in the provision of water and wastewater services. Years of under-investment and back-logs in rehabilitation, upgrading and expansion of these services led to, in October 2000, a concession contract that assigned responsibilities for water and wastewater operations and major investments to a special purpose company named Sofiska Voda. The selected company is an established international operator and has won a 25-year concession contract. Seventy-five percent of Sofiska Voda’s shares are owned by International Water. ViK accounts for the remaining 25 percent and handle some property and few functions – i.e. cleaning of riverbeds – that were not outlined in the contract.

Efforts are underway to improve service standards from their current levels. One to two percent of underground pipes will be rehabilitated annually and a geographically based inventory system will assist in future expansion and investments. External financing of Euro 50 million has been committed so far.

To ensure the financial viability of Sofiska Voda, the implementation of an active leak-detection program will help significantly reduce losses caused by non-registered use and leaks (currently estimated at 64 percent of all water produced). The development of a new system for billing and collection will improve billing procedures (the collection rate is currently 90 percent of billed customers) and financial management. Eight local service centers have replaced the single service center located in the city outskirts and customers can report leakage and other related concerns at a telephone center. The poor quality of the drinking water will also be addressed, however, chemical contamination of drinking water caused by old in-house pipes is the responsibility of flat owners.

Sofia’s water supply network is an estimated 2,500 kilometers (km) in length and includes nine water reservoirs and two water purification plants. The main source of drinking water (surface water) comes from three reservoirs: Iskar dam, Passarel and Kokalyane intake. Sofia’s water supply system serves virtually all 1.2 million city residents, including an estimated 330,000 families (most of which have individual flat meters) and 63,000 industrial users. A 2001 study reveals a significant decline in water consumption by Sofia’s residents since the early 1990s, 146 liters of water consumed per day as compared to 370 liters in the early 1990s, bringing water consumption levels more in line with most Western European cities. (Table 2.1).



<b>Table 2.1: Provision of Sewerage Services and Wastewater Treatments in European Capital Cities, (percent of total population)</b>		
	<i>Provision of sewer services</i>	<i>Wastewater treatment</i>
<i>Sofia</i>	94	56
<i>Belgrad</i>	87	20
<i>Vilnius</i>	88	55
<i>Budapest</i>	92	85
<i>Riga</i>	94	82
<i>Zagreb</i>	98	n/a
<i>Tallinn</i>	99	100
<i>Minsk</i>	100	n/a
<i>Prague</i>	100	100
<i>Ljubljana</i>	100	98

Reforms are also underway to improve and expand Sofia's sewerage and wastewater treatment facilities and services. Ninety-four percent of the population is connected to the sewerage system and only 56 percent of the generated wastewater is treated. Other areas (e.g. in Bankja, Kremikovtci, Novi Iskar, and Vrazdebna) have partially developed sewerage systems. Wastewater facilities are not set up in some villages supplied by water. In industrial areas, wastewater containing industrial pollutants and heavy metals is discharged directly into rivers. The Bistritza wastewater treatment plant has no sewerage system in place and could potentially infiltrate numerous hot mineral springs.

*District heating.* Bulgaria's only city-owned district heating company Toplofikacia Sofia generates and distributes district heat and electricity (sold to the National Electricity Company) through two large and 10 small thermal plants. The heating supply network is an estimated 830 km in length and serves approximately 350,000 (or 70 percent) of apartments in the city at its pre-transition peaks.

In an effort to promote private sector involvement in the provision of district heating, the city administration decided in September 2001 to introduce a private operator to manage operations. Work was initiated in June 2002 to identify options for private sector participation, prepare bidding documents and assist the municipality during the selection of the private operator. Kozloduy International Decommissioning Support Fund may provide grant resources of \$26 million. Proposed lending from the World Bank (Euro 26 million) and the EBRD (Euro 30 million) will support rehabilitation of the network and demand side measures. This will reduce network heat and hot water losses and reduce energy consumption in households.

To ensure the financial viability of Toplofikacia Sofia, measures must be implemented to address the company's significant annual losses of about 10 percent of costs (2000 revenues were BGN 247 million and expenditures were BGN 271 million). Factors contributing to these losses include: (i) high costs incurred from the purchase of gas (the primary source of fuel); (ii) poor maintenance and repair of the plants and distribution network; (iii) unreliable collection of bills; and (iv) discontinued service of many customers due to high costs. The installation of individual meters and thermostatic valves that measure and control heat consumption is intended to make district heating more affordable and encourage households to reconnect. The government and city officials are also exploring ways to expand coverage of existing energy benefit programs to support low-income households wishing to reconnect.



*Urban transport.* Sofia's public transport system was reformed in 1997 with the establishment of the SKGT Holding Company and its six subsidiaries. Modeled after the public transit authorities in London and other big cities, the companies comprise of the following: Sofia City Transport Company responsible for the management of the Holding; the Electrotransport and Autotransport companies in charge of bus and tram transport services; and Autoremont, Tramcar and Transremontstroi companies responsible for maintenance and support for the two transport service providers. Outside the SKGT Holding, Sofia's first metro line, managed by the municipal company Metropolitan, opened in 1998.

SKGT Holding is dependent on the city administration's financing of investments and operational support (many passenger fares are discounted or free). To strengthen the company's financial self-reliance and increase private sector involvement in the public transport sector, SKGT Holding adopted a three-year investment strategy. The municipality will finance capital investments for construction, upgrade rail tracks and contact networks, reconstruct tram, trolley bus depots and bus garages and address institutional and organizational issues. The company's increased tariffs will help recover its operational expenses and ultimately fund its own investments and expansion costs. Early phases of the investment strategy were supported by an external credit of Euro 66 million for the provision of vehicles, equipment and institutional strengthening.

Strategies in place to improve the urban transport system include: (i) the provision of more effective and cost-efficient municipal public transport services (including trams and buses) managed by SKGT Holding; (ii) the expansion of the subway system; and (iii) support for increased levels of urban public and private transport through adequate planning for road and transport infrastructure.

According to municipal data, buses, trams and trolleys transported 67 percent of commuters to work and only 3 percent traveled by metro in 2000 (public transport data featured in Table 2.2). Average commuting time by public transport in Sofia is 30 minutes, relatively high given the city's size. Efforts underway to address the delays and inefficiencies of public transport services include reconstruction of main thoroughfares and tramway lines and renovation of street lighting. Further expansion of Sofia's subway system will reach an estimated 520,000 people (nearly 40 percent of Sofia's population). Since its establishment in 1998, the underground metro line has seven stations and links Ljulin-one of the largest housing estates-to the city center; and the municipality has envisaged further expansion linking the existing Ljulin stations to the Mladost settlement. Adequate planning for roads and transport infrastructure are also underway to address demands of the growing economy and increased city congestion and transportation needs. Over the last decade, traffic in the capital city has increased by 35 percent due to increased personal mobility, growth in freight and passenger traffic and a six to eight percent annual growth rates for private automobiles. Figure 2.1 shows that public transport remains dominant in Sofia (at only 18 per-

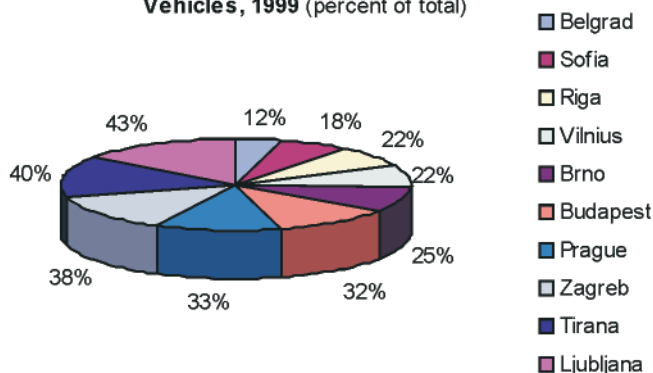
<b>Table 2.2: Public Transport, 2000</b>				
	<i>Passenger trips, millions</i>	<i>Route length, kms</i>	<i>Number of lines</i>	<i>Number of vehicles, thousands</i>
<i>Tramway</i>	213	184	15	400
<i>Trolleybus</i>	102	105	10	122
<i>Bus</i>	428	836	76	650
<i>Metro</i>	12	7	1	
<i>Private passenger cars</i>				420

Source: Sofia Municipality, 2002



cent), while private vehicles play a greater role in some of the other European capitals. <sup>5</sup>

**Figure 2.1: Share of Daily Commutes by Private Vehicles, 1999 (percent of total)**



Source: UNCHS (Habitat) Database, 2001

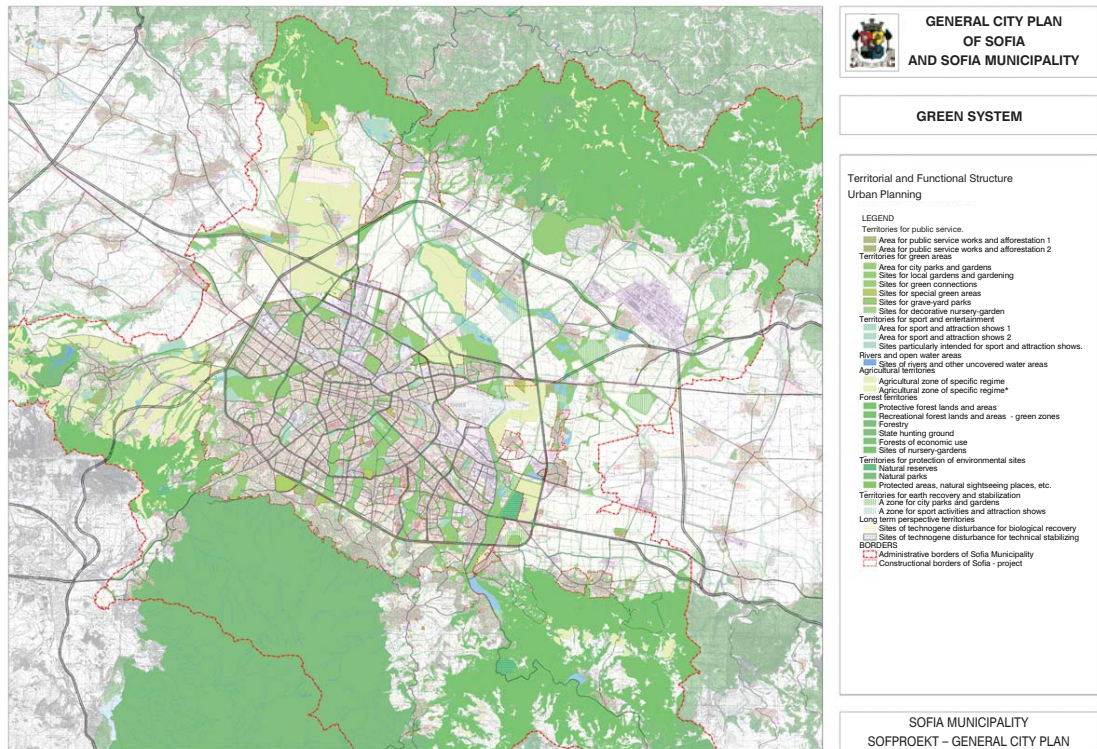
Decentralization of jobs and residences will further intensify mobility patterns thus requiring higher investment in public transport to maintain its competitiveness. Alternatively, growth in car ownership that results from population dispersal will increase the cost of urban services and lead to high levels of investment in highways, roads and transport networks. To effectively meet these demands, efforts to maximize land use integration and transportation planning are essential – e.g. mixed land – use patterns and clustering of urban functions along existing transportation corridors. Major capital investments will also involve central government authorities interested in contributing to Sofia’s competitiveness by maintaining capital spending – especially for major transit and transportation infrastructure such as airport and highways.

*Solid waste management.* Private sector participation has been active in solid waste management – the collection and deposit of refuse. Several contracted private companies – supervised by the municipality – are responsible for refuse collection, street cleaning and snow clearance in seven districts. The city administration launched a three-year Solid Waste Management Program to support continued private provision of waste collection services and private management of a new landfill site. This Program also calls for a long-term solution to store waste – an estimated 320,000 tons collected annually. The previously used landfill has been shut down to prevent further environmental degradation; the new landfill in Suhodol will be full in about two years; and the use of the recently closed Dolny Bogrov’s sand-mine pits (water filled) that threatened the city’s groundwater system with leaking pollutants has also recently been stopped.

*Green areas preservation.* With an estimated 2,810 green zones, Sofia’s abundant green space is a unique asset for a European city. Large gardens and parks directly link continuous green corridors to Mount Vitosha – a national park and the Balkan’s first environmental protection zone (Map 2). Over 85 percent of city residents are within a 15-minute walk of urban green space and they have expressed concerns of poor maintenance and lack of clear policies for preservation of these areas. A local NGO, the Ministry of Environment and the municipality are implementing a project – Green Sofia for Us and Our Children – that calls for firm enforcement of development regulations to protect green space from redevelopment as commercial land use (retail, restaurants, petrol stations, etc.) and ensure proper maintenance.

<sup>5</sup> Studies commissioned by the Master Plan Department of Sofia in 1998, 1999 and 2000 explored commuting patterns in the city. However, because of differences in sampling technique, it is difficult to identify with certainty the trend in the modal split and mean commuting time. Trips with public transport have declined considerably from 79.1% in April 1999 to 64.7% in December 2000.





**Map 2. The Green System of Sofia**

## Social Services

**The Municipality intends to work with the central government authorities to align the managerial and financial responsibilities in the education and social welfare sectors and promote the continued privatization of the health sector.**

The city administration is involved in the maintenance and finance of health care, education and social assistance. Expenditures are often shared between the city and the State and consume about half of the city's budget. Managerial and decision-making power has shifted several times between central and sub-national governments. Today most of the management and decision-making remains with the central government. Relative to other countries, Bulgaria's expenditure assignments are in line with the Nordic concept of significant local government involvement in social service provision. At the same time, municipalities in Bulgaria have limited actual managerial capacity. (Table 2.3)

<b>Table 2.3: Local Expenditure Assignments</b>				
	<i>Bulgaria</i>	<i>Latvia, Hungary</i>	<i>Denmark, Sweden, Norway</i>	<i>Greece, Portugal, Spain, Italy</i>
<i>Kindergartens</i>	X	X	X	
<i>Primary education</i>	X	X	X	
<i>Secondary education</i>	X	X	X	
<i>Health</i>	X	X	X	
<i>Social welfare</i>	X	X	X	
<i>Utilities, housing, transport</i>	X	X	X	X
<i>Public safety</i>		X	X	
<i>Culture and tourism</i>	X	X		

Source: WB, 2002

The healthcare sector is still in transition due to the national health sector reform currently underway; long-term municipal involvement in the provision of healthcare is expected to decrease (Table 2.4).

*Health Care.* The 1999 health sector reform introduced a national insurance scheme that will ultimately cover health care services for the public and also provides a possibility for gradual privatization of the city's health care facilities—about 70 polyclinics, eight hospitals and a number of institutions for children and the elderly. The administration, however, remained obligated to provide free health care for residents by either retaining ownership of the health facilities or making payments to the privatized institutions based on the number of residents in the part of the city they service. The municipality will continue to privatize the remaining municipal health care facilities and pay annual negotiated fees to the privatized bodies. The administration's health care costs have already declined – estimated at 10 percent of total expenditures in 2002 – but these payments are expected to be eliminated by 2005 when privatization is complete and the national insurance scheme becomes fully operational.

*Education.* The municipality is formally responsible for operation and maintenance costs of almost 400 education facilities – 82 primary, 99 secondary and high schools and nearly 200 kindergartens and daycare centers. Vocational schools were also transferred to local management in 2000, with only few exceptions like the Trade College that is supervised directly by the Ministry of Education<sup>6</sup>. Spending for education – the largest single budget item – increased to 28 percent of total municipal expenditures in 2002.

Despite the city management's financial responsibilities in this sector, managerial decisions – including salaries, teachers-per-class requirements, class size and curriculum – are regulated by central government. School principals are appointed by and report to the Regional Inspectorate under the Ministry of Education, limiting the administration's authority in operational decisions.

<sup>6</sup> Secondary vocational schools that continue to be financed and managed centrally include secondary schools judged to be of national importance.



<b>Table 2.4: Municipal and State Responsibilities in the Social Sectors</b>			
	<b>Municipality</b>	<b>State</b>	<b>Trends</b>
Education	<ul style="list-style-type: none"> <li>Provides primary, secondary, vocational education and training as well as kindergarten and pre-kindergarten schooling</li> <li>Operates and maintains education facilities</li> <li>Finances operation, maintenance, and capital costs (spending representing the largest single budget item)</li> </ul>	<ul style="list-style-type: none"> <li>Provides education and training at specialized secondary and vocational schools (e.g. schools of national interest, such as schools for disabled, trade, transport) and tertiary education</li> <li>Defines educational standards that are mandatory for the municipality (such as: class size, teacher/student ratio, average salary, approves curriculum)</li> <li>Appoints and lays off school Principals</li> <li>Effectively monitors compliance with sector standards through the Education Inspectorates (regional bodies reporting to the Ministry of Education)</li> </ul>	<ul style="list-style-type: none"> <li>Likely to preserve current division of responsibilities but increase municipal managerial and operational control in terms of selection of school Principals, flexible education standards accommodating local needs</li> </ul>
Social welfare	<ul style="list-style-type: none"> <li>Everyday management of nine centers and several smaller facilities for social assistance</li> <li>Finances at least 25% of social spending (with remainder financed with a central transfer) on three benefit programs: guaranteed minimum income, birth encouragement allowances, benefits for disabilities</li> <li>Finances improvements in social infrastructure for people with physical disabilities Finances 75% of municipal social assistance through earmarked budget transfer</li> </ul>	<ul style="list-style-type: none"> <li>Finances 75% of municipal social assistance through earmarked budget transfer</li> <li>Finances in full winter heating subsidies</li> <li>Creates standard eligibility requirements, coverage, and targeting for the socially assisted groups</li> </ul>	<ul style="list-style-type: none"> <li>Possible further increase in the state share of municipal social spending (the state share used to be 50% in 2001 and increased to 75% of municipal spending in 2002)</li> <li>Cease of automatic rights to benefits linked to social status and introduction of a needs-based system</li> </ul>
Health	<ul style="list-style-type: none"> <li>Runs more than 100 municipally owed polyclinics, hospitals, child and elderly health facilities</li> <li>Municipal health spending decreased following the establishment of the national insurance fund in 1999</li> <li>Finances the health premiums to the national insurance fund for the unemployed</li> </ul>	Runs specialized, university and regional hospitals	<ul style="list-style-type: none"> <li>Municipal and state role likely to rapidly decrease when health reforms are completed in 2005</li> <li>The majority of municipal health facilities are likely to be gradually privatized</li> <li>Municipality to retain some facilities to provide free care to residents</li> </ul>



*Social Assistance.* The city administration provides operation, maintenance and financial support to the social welfare system. The municipality's nine centers offer social assistance to city residents – accommodation for those in need; food from 22 kitchens during winter; home services for the elderly and handicapped; and financial support determined by earnings below social minimum wage and size of the household. In 1998, about 10,000 residents received one-time payments, 2,300 received monthly payments and 25,000 received vouchers for electricity payments; an estimated 200,000 citizens received some other form of benefit such as free transport. Other municipal responsibilities include operation and maintenance support for social care institutions, health care premiums for the uninsured and other small programs.

By 2001, the municipality was required by law to contribute 50 percent of the targeted social assistance, but since 2002 the state finances 75 percent of the municipal social spending through a targeted central transfer and the municipal budget financed the remaining 25 percent. The administration, in fact, contributes more than half and finances operation costs including the maintenance of the centers. Social assistance expenditures amounted to 4.5 percent of total expenditures in 2002. But like the education sector, central government is largely responsible for managing social assistance. Social benefits, eligibility requirements, coverage and targeting of social assistance are responsibilities of the Social Protection Ministry, leaving the city with limited managerial authority.

### **Administrative Services**

**The Municipality intends to improve the quality and delivery of the various services it provides to the residents and the business community.** Residents are generally satisfied and deal mainly with the first two listed departments, while the business community members are less satisfied with all services and deal primarily with the last three listed departments: (i) the Organizational Administrative-Informative Activity Department issues certificates for birth, death, marriage (to a foreign citizen), including other census-related documentation; (ii) the Housing Provision Department targets individuals and families in need of housing and manages municipal rentals and associated applications; (iii) the Registration and Control of Business Activity Department issues certificates for registering a business, peddling permits, liquor licenses, tobacco product licenses and permits; (iv) the State and Municipal Real Estate Department manages sales of municipal housing, processes requests for restitution of real estate property, issues certificates on the condition of real estate property and letters to the notary for canceling leases; and (v) the Territorial and City Planning Department approves projects for basic or additional construction, issues acts for legalizing illegal construction, real estate plans, protocols for starting a construction site and statements on new buildings to authorize their exploitation.

### **SWOT Analysis of City Services**

A Strength Weakness Opportunity and Threat (SWOT) analysis was carried out for the city services. The SWOT analysis was the outcome of a discussion workshop held as part of the consultative process for the development of the SCS. A table is presented summarizing the SWOT results for each of the cities services: infrastructure, social and administrative.



<b>Table 2.5: SWOT Analysis of Infrastructure Services</b>	
<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>Developed infrastructure network in place</li> <li>Progress on reforms include private sector concession in place for water and wastewater and plans underway for improving the provision of district heating</li> </ul>	<ul style="list-style-type: none"> <li>Uneven standards of services after years of under investments and poor maintenance</li> <li>Unaffordable services for city residents</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>Continue reform efforts: sustain progress made in water and wastewater, follow through with reforms in district heating, follow up with market-based mechanisms for urban transport and other services</li> <li>Explore residents' willingness to volunteer in neighborhood maintenance</li> </ul>	<ul style="list-style-type: none"> <li>Reduced public support for the privatization of municipal service providers</li> <li>Macroeconomic instability making basic services unaffordable</li> </ul>

<b>Table 2.6: SWOT Analysis of Social Services</b>	
<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>Successful implementation of plans for privatization and financing of health care</li> <li>Functioning systems in place and operating for education and social assistance provision</li> <li>Traditional high quality of education</li> </ul>	<ul style="list-style-type: none"> <li>The municipality's obligation to finance education and social assistance with limited managerial authority</li> <li>The difficult transition period led to increased poverty causing pressure on social assistance</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>Establish partnerships with central government to build stable frameworks and agreements on funding and management arrangements for health care, education and social assistance</li> <li>Continue the privatization of health care facilities</li> <li>Form partnerships with private agencies and NGOs in education</li> <li>Improve targeting of social assistance to the most needy and vulnerable</li> </ul>	<ul style="list-style-type: none"> <li>Disruptions in the privatization of the health care program or in the ability of the national health insurance scheme to adequately finance the care</li> <li>Uncertainty regarding future division of rules and responsibilities with central government</li> </ul>

<b>Table 2.7: SWOT Analysis of Administrative Services</b>	
<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>Knowledgeable staff, established routines</li> </ul>	<ul style="list-style-type: none"> <li>Services perceived as inadequate by the business community</li> <li>Poor outreach to residents resulting in limited knowledge about administrative services and the municipality's functions</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>Establish service standards</li> <li>Monitor and reward performance</li> <li>Facilitate and streamline procedures and set up front office</li> <li>Form partnerships with clients and central government to address issues related to administrative services</li> <li>Better information about services provided (as outlined in 'Strategic Objectives and Priorities of Action' in the City Economy Chapter)</li> </ul>	



## Priorities for Action

City authorities will implement the following actions over the coming three to five years:

### *Infrastructure Services:*

1. **Water and wastewater:** Continue support for ongoing concession arrangements that, as implementation progresses will improve and expand coverage of water and wastewater treatment, reduce costs related to unaccounted-for-water and improve financial sustainability of the water and sewerage sector. Efforts to address water supply and sewer infrastructure deficiencies and ensure adequate provision of services to new housing developments are also underway. The city officials will also better inform the public about the concession contract.
2. **District heating:** Improve the efficiency of operations and financial position of Sofia Toplofikacia. Ensure adequate investment funding available and continue to strengthen the service provider's financial self-reliance. Support and implement findings of a study on introducing private participation in the operations and management of the district heating company.
3. **Urban transport:** Continue to strengthen the financial self-reliance of the Holding company and its six subsidiaries. Collaborate with external financiers to further the companies' business practices and increase use of private sector practices. Develop market-based mechanisms to enhance the scope and quality of urban transport. Improve access to parking and decrease traffic congestion in the city center. Optimize on the use of public transport, continue expansion and improve efficiency of the subway, improve public transport to reduce travel time and expand pedestrian and bicycle zones.
4. **Solid waste management:** Continue support for the implementation of the three-year plan and the contracting of private companies for refuse collection. Assess and monitor the performance of street cleaning and snow clearance services and establish plans for a new landfill to replace the current (not sustainable) locations.
5. **Green area preservation:** Continue support for a plan to maintain and protect green areas. Help mobilize residents' volunteer work.

### *Social Services:*

6. **Narrow the gap between financing responsibility and management authority:** The municipality will work with the central government to narrow the split in financing responsibility and management authority to provide incentives for cost-efficiency and local low-cost solutions – the party responsible for financing should also participate in managing operations. Reforms underway include clear definition of roles and responsibilities for regional inspectorates and the municipal department of education and an examination of the limited municipal authority over institutions managed by the Ministry of Education.
7. **Forge partnerships with central government authorities** to address nationwide sector issues and promote education sector reforms that include: (i) the relatively low level of pre-set teachers' salaries (BGN 270 per month in Sofia in 2000)<sup>7</sup> that discourages qualified teachers and young professionals from the field; employment in the private sector offers better remuneration and career prospects and teachers have little interest to invest their own time or

<sup>7</sup> Source: National Statistical Institute



resources in training; (ii) the low average annual cost per student in primary and secondary schools (below BGN 400 in 2001) cannot efficiently finance up-to-date teaching materials and teachers' training; and (iii) the poorly regulated and controlled system for monitoring and evaluation of teachers' performance.

8. **Collaborate with the local business community and NGOs** to improve the quality and content of education programs through the following: (i) identify alternative ways to engage private and public partnerships and city partnerships with NGOs (potential areas for NGO cooperation include community management of schools, programs for dropout school children, enhancement of the qualifications of teachers and development of other community-based programs); (ii) research and discussion on market qualification needs to ensure secondary school curriculums correspond to market needs; and (iii) encourage schools to emphasize relevant knowledge and skills that would increase the marketability of students.
9. **Align financial responsibility and managerial authority** for improved delivery and effective targeting of social assistance. The social welfare system is largely managed by central government authorities and the municipality, despite its financial support, exercises limited managerial influence.
10. **Forge partnerships with the central government and NGOs** to improve delivery and effective targeting for social services to city residents, particularly the handicapped and the elderly. Some measures at the sector-wide level to target the city's most needy residents include: eliminate automatic rights to benefits linked to social status and coordinate the various forms of social assistance to help reduce duplication of support to recipients qualifying for benefits in more than one way; develop affirmative actions programs for the handicapped – i.e. training of teachers and parents of handicapped in techniques of integrating children into school and improve access of handicapped to public buildings, the metro and buses; and provide signs and markers for the blind at major public places – i.e. traffic signals. The municipality may also collaborate with NGOs to develop programs for the illiterate and engage pensioners in community programs or organize re-training for the unemployed. Availability of social day houses for the elderly and handicapped is under consideration.

***Administrative Services:***

The 'Priorities for Action' in the City Economy chapter outline the efforts proposed by the municipality to improve administrative services.

The Program Action Matrix at the end of this document provides further details of the priority actions.



### III. URBAN STRUCTURE

**The objective of Sofia’s spatial planning is to promote adequate land use to support the economy and the well-being of the residents.** This includes promoting the supply of office and retail space, addressing environmental degradation, and improving housing, transport and other critical urban services. The urban structure component of the SCS takes into account prospects for Sofia’s growth identified in the blueprint and priority areas for action outlined in the Master Plan for Regional Development of Sofia District<sup>8</sup>.

During the development of SCS, three objectives for the city administration were identified: (i) create a balanced spatial structure that enhances opportunities for economic growth and social diversity; (ii) improve the quality of life in existing residential areas; and (iii) ensure accessibility and sustainable use of environmental resources.

#### Sofia’s Spatial Structure

**Although ranked as one of the most densely populated European cities – 105 people per hectare (ha) – Sofia is not very compact for its size<sup>9</sup>.** The territories that fall under the municipality’s authority include the compact city – the main source of growth and prosperity – three other major urban settlements and 34 smaller settlements called mayoralties. Forests and agricultural land comprise 82 percent of its landscape and areas with major residential or commercial developments account for the remaining 18 percent. Six macro structural units orchestrate the spatial relationships between the compact city and the area of wider economic influence. The city’s socialist legacy has dramatically influenced its spatial structure.

Two particularly evident characteristics of this legacy are:

- *The high share of industrial land in the city center.* Industrial land use accounts for 20 percent of constructed areas (Table 3.1)-three to four times more than in many other European cities (Table 3.2)-and 34 percent of industrial land is located close to the city center. Although this large share of industrial land provides sites for office, commercial and residential development demanded by the growing economy, its redevelopment requires significant investment in infrastructure.

<i>Housing up to 3 storeys</i>	26
<i>Housing estates</i>	17
<i>Sports and entertainment</i>	2
<i>Central Business District; business and administration</i>	11
<i>Other housing</i>	17
<i>Industrial</i>	20
<i>Transport</i>	3
<i>Other</i>	4

Source: Sofia Master Plan, October 2001

<sup>8</sup> The Plan for Regional Development of Sofia District (oblast) is the primary mechanism to bid for funding of major investment projects within the national capital investment program. It is guided by the vision that Sofia is a prosperous region with sustainable development that protects the environment and delivers benefits to all citizens.

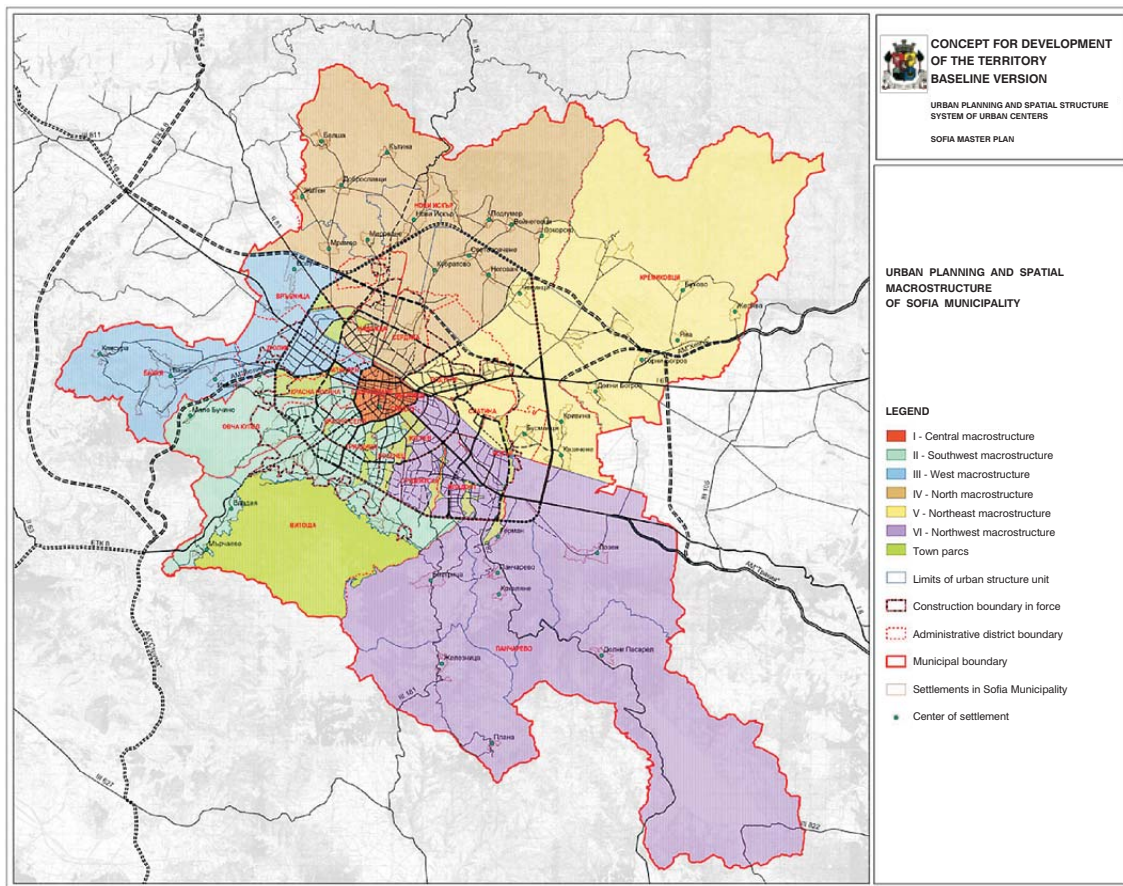
<sup>9</sup> The pockets of very high densities in the large high-rise residential areas of the northwest (above 400 people per/ha) and southwest (up to 500 people per/ha) contribute to the dispersion of the population. The average distance per person to the center is 4.4 km. The average distance per person to the center is 4.4 km. Sofia has a dispersion index of 1.15-relatively high for a European city.



<b>Table 3.2: Average Population Density and Industrial Land in European Cities</b>		
	<i>Average population density in the constructed area of some European cities (people per ha)</i>	<i>Industrial land (as percent of constructed area)</i>
<i>Berlin</i>	38	n/a
<i>Ljubljana</i>	46	27
<i>Marseille</i>	53	n/a
<i>London</i>	62	n/a
<i>Budapest</i>	63	n/a
<i>Krakow</i>	65	28
<i>Warsaw</i>	67	15
<i>Prague</i>	71	13
<i>Paris</i>	88	5
<i>Sofia</i>	105	20
<i>St Petersburg</i>	121	44
<i>Yerevan</i>	168	n/a
<i>Barcelona</i>	171	24
<i>Moscow</i>	182	32

- *Densely populated prefabricated housing estates in peripheral areas and a lower population density in the city center.* Massive investments in prefabricated housing estates resulted in high-density residential areas on the outskirts.

Urban development patterns have been mostly dominated by the public sector. Historically, the redevelopment of inner city neighborhoods- Faculteta, Pirotaska and Zenski Pazar-has been constrained by fragmented land ownership and complexities related to infill construction. As Bulgaria's leading economic and cultural center, Sofia has attracted a disproportionately high share of investment in cultural and recreational facilities.



**Map 3: Sofia Municipality: Macrostructural Spatial Units**

## Housing and Real Estate Markets

**The city administration is committed to rejuvenating Sofia's housing sector through area-based initiatives.**

Residential environments in Sofia can be divided into three categories:

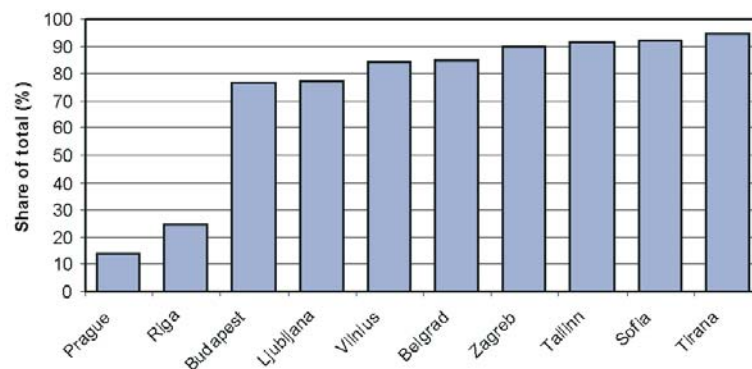
- ◆ *The older neighbourhoods* built in the first half of the twentieth century. These areas offer health and education facilities as well as employment opportunities; homes are surrounded by abundant green landscapes and are often easily accessible by public transport, walking or cycling.
- ◆ *High-density housing developments* located relatively close to the city center and well served by retail, leisure and social facilities and public transport.
- ◆ *High-density, high-rise panel housing estates in the city's outskirts* where an estimated 50 percent of Sofia's population reside. Built by State enterprises and allocated in accordance with socialist principles, the demand for these poor quality, low-energy efficiency apartments has sharply declined. Limited social services, fewer employment opportunities and longer commuting patterns compromise the quality of life, particularly in some



rayons – Ljulin, Mladost and Studentska – where 80 percent of the people reside in panel high-rise housing. Redevelopment is constrained by lack of mortgage financing, inefficient legal frameworks for condominium management and a lack of organizational capacity to address technical and financial problems.

Sofia’s housing market is characterized by a high share of privately owned housing (92%), reflecting a traditionally high level of homeownership further supported by the housing privatization schemes of the 1990s. This is different from many other Middle and Eastern European cities (e.g. Tirana, Vilnius and Tallinn) where recent mass privatization policies account for most of the homeownership (Figure 3.1). Prices are generally stable and somewhat increasing after having recovered from the 1997 market collapse.

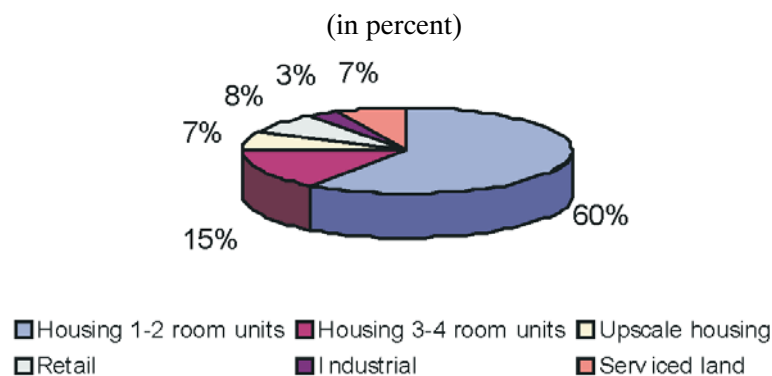
**Figure 3.1: Private Housing in Selected Cities, 1999**



Source: UN Habitat , 2001; NCURD Sofia, October 2001

The level of supply of new housing, however, is one of the lowest in Europe (estimated at about 10 percent of pre-transition levels). Less than 1 percent of housing stock is traded every year, and an estimated 60 percent of real estate transactions include transfers of one to two room apartments (Figure 3.2). Very little new housing is under construction; housing output has reached historically low levels at less than 1 unit per 1000 residents per year. Construction is mostly undertaken by medium-sized firms that produce less than 30 units per year. Maximizing the regenerative potential of existing urban housing structures and providing inner city housing through infill projects are two options to fill the gap in supply.

**Figure 3.2: Real Estate Transactions in Sofia, 2000**



Source: Dimitrov, D. Housing Database; NCURD Sofia, October 2001



Land barter and equity financing are strategies used by cash constrained municipal and state authorities to mobilize housing construction funds. For example, in exchange for approval of building permits developers today incur infrastructure development costs (up to 30 percent of the sales price). Developers typically grant ownership of infrastructure and facilities to the utility companies and municipal enterprises after construction is complete. These strategies are expected to become increasingly irrelevant as the financial sector matures and access to long-term credit improves<sup>10</sup>.

Whilst macroeconomic and regulatory stability and increased consumer affluence should increase construction and the volume of housing traded on the local market, there are also ways that the city administration can help. First, improved provision of urban land for development would address the issues related to fragmented and insufficient land supply. Second, the planning for and provision of more affordable infrastructure services would also contribute to increased supply levels. Critical for the success of these efforts will be development partnerships that bring investors, city government and local communities together. Pilot projects are already underway for housing reforms in Mladost and Nadezda.

### **Office and Retail Space**

**Whilst the city center is the location of choice for most emerging private businesses the market for office and retail space is limited and poorly developed.**

Businesses are rapidly emerging in the retail, business administration, finance, consulting and management sectors. Office and retail space is typically supplied through leasing State or municipal premises in attractive inner city locations. There is a lack of available data on rents, office space use and leasing activities and office market investment flows are therefore difficult to assess. Anecdotal evidence reveals that larger companies – even foreign-owned subsidiaries – often refurbish existing residential buildings close to pedestrian zones or to the business center. Smaller firms typically operate out of apartments in central Sofia.

The existing retail landscape is constantly adjusting to accommodate demand from new or expanding businesses. Investments in new retail construction are limited as the focus remains on renovations of existing retail spaces. With the exception of Metro-Cash & Carry, green field investment in large-scale retail space is still marginal. Experts estimate a vacancy rate of less than 1 percent in the central city, while large retail spaces in the peripheral housing estates are not in demand. Transactions with retail space account for only 8 percent of all real estate transfers in Sofia.

Interview results indicates that private businesses are frustrated by the lack of available office space. Shortage of parking is of growing concern for both residents and the business community. Sharp increases in the number of parked cars in the central area and weak enforcement of fees for parking along city streets and sidewalks further contributes to traffic jams and parking problems. Actions to stimulate the residential housing market would support the office and retail sectors. This includes the development of more efficient land markets and realization of the regenerative potential of existing infrastructure.

---

<sup>10</sup> These issues are explored in more detail in *Housing in Transition and the Transition in Housing: The Experience of Central and Eastern Europe* (2000) by Sasha Tsenkova.



## Environmental Concerns

**In 2001, the Sofia Municipal Ecological Program concluded that only 12 percent of city residents live in ecologically sound conditions.** Outdated technology used by industry, increased transport and heating, insufficient or poorly maintained infrastructure and inconsistent or non-existent environmental policies have resulted in poor air quality, soil erosion and water pollution, excessive noise levels and degradation of green areas. An estimated 53 percent of Sofia's population is affected by air pollution caused by increased traffic volumes and heat and energy generating enterprises. Increasing traffic also contributes to congestion and noise pollution. Poor water quality is a growing concern.

Intensive industrialization accounts for excessive pollution in Kremikovtci, Nadezda, Sredetz and Vazrazdane rayons. Sofia's industries still generate close to 90 percent of Bulgaria's methane emissions and 70 percent carbon dioxide. Kremikovtzi – one of the Bulgaria's environmental hot spots – has disproportionately high quantities of heavy metals resulting in soil and ground water pollution.

The municipality is committed to addressing environmental concerns and protecting the livelihoods of city residents from further urban environmental degradation. Unleaded petrol was introduced in 1998 and public transport shifted from gas-guzzling buses to trams to improve environmental conditions for city residents. Under the existing water and wastewater concession contract, work is under way to improve existing networks and their financial management. Further actions will need to be coordinated with national efforts as laws and regulations on environmental issues are harmonized as part of the EU accession work.

## Sofia's New Master Plan

In April 1998, Sofia's municipality launched the preparation of a new Master Plan to provide a planning framework for the city's future urban structure. Changes in zoning regulations and other legal and organizational reforms are essential to support new and emerging land use patterns; the new Master Plan is the most important tool in this process. The CDS takes into account the recommendations in the Master Plan.

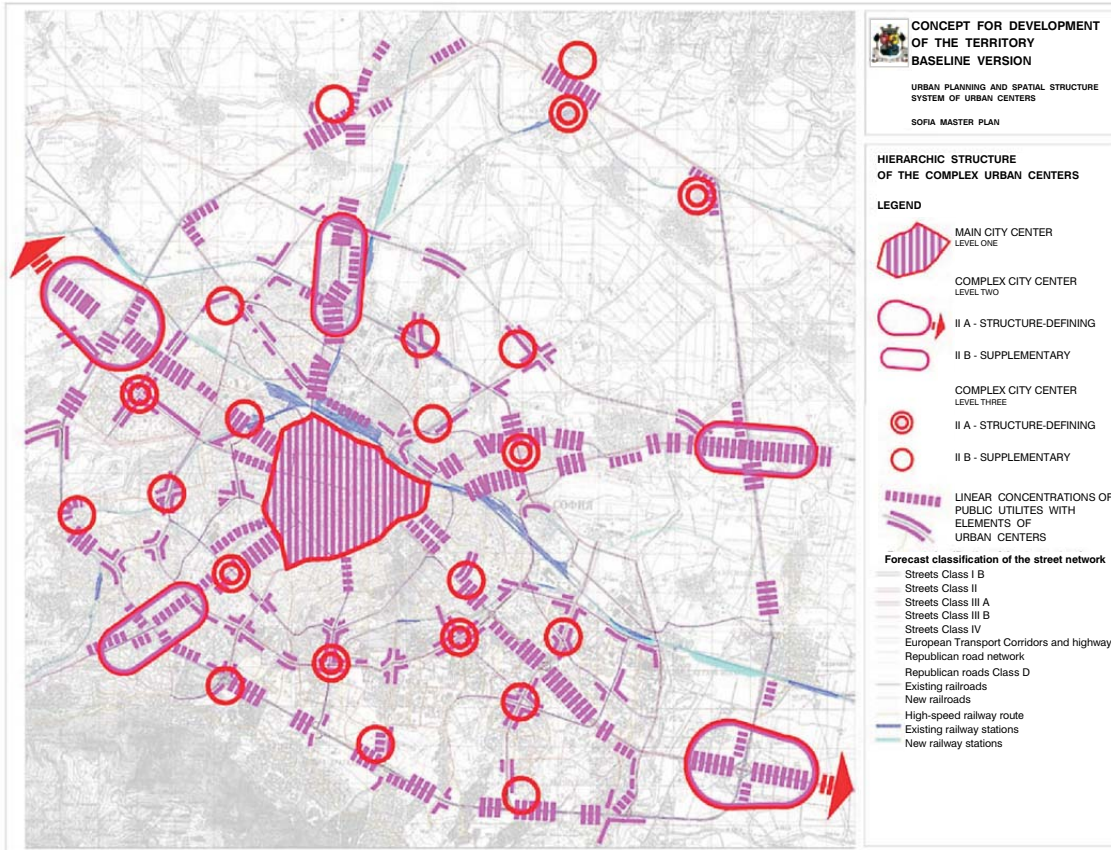
The Master Plan replaces the previous prescriptive 1967 plan with a more flexible approach. It draws on the expertise of over 300 architects and planners and includes participation from affected groups to help ensure that it is attuned to the needs of city residents and the local economy. Following consultation with the public on alternatives for Sofia's future development and extensive economic, social, technical and ecological analysis of the city, the concept 'Alternatives for Social, Economic and Spatial Development' was presented to the Municipal Council in July 2001. The Municipal Council authorized further work on the concept encouraging both dispersed development and optimal use of the potential of the compact city<sup>11</sup>.

Sofia's draft Master Plan integrated key ideas and concepts from this 'blueprint' for the development of different functional subsystems finalized in July 2002 and was subsequently approved by the Municipal Council in October 2002. At this stage, the refined 'blueprint' is being translated into documents and graphic materials that define future land use patterns for housing, employment, institutional uses, infrastructure development and environmental protection.

<sup>11</sup> Sofia's area of wider economic influence includes eight municipalities – Bozhurishte, Dragoman, Elin Pelin, Godech, Gorna Malina, Kostinbrod, Slivnitsa and Svoge.



The approved Plan promotes a polycentric structure serviced by an efficient public transport system, adequate housing, retail and employment opportunities and improvements in economic and social development. It promotes the establishment of peripheral ‘buffer zones’ for new investments in a broad range of functions. The Plan broadly identifies five development axes, three development zones and several development contours linked by a system of multifunctional centers, transport and infrastructure services (see Map 4).



**Map 4. The System of Multifunctional Centers in Sofia**

The following three priorities are key to the implementation of the Master Plan: (i) utilize the regenerative potential of existing urban structures, i.e. maximize the use of existing investments; (ii) establish a clearly defined and more cost-efficient framework for different phases of infrastructure development – new sewers, water lines, roads, etc. – to help guide development patterns and private-sector investment according to municipal priorities, yield better returns on public investment and minimize costs for private developers and the public; and (iii) establish a democratic, flexible and interactive urban development process that adapts to future changing needs of city residents and the local economy through public consultations.



Table 3.3: SWOT Analysis of Urban Structure	
<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Major national cultural, financial and government center</li> <li>• Attractive and diverse city center</li> <li>• Economically vibrant pedestrian zones in the city center</li> <li>• Well-developed system of streets, plazas and public open spaces</li> <li>• Housing and employment zones serviced by public transport</li> <li>• Natural resources, mineral springs and Vitosha National Park</li> <li>• Abundant green areas and rivers integrated with recreational facilities</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Improper use of industrial areas close to the city center</li> <li>• Traffic congestion and limited parking spaces</li> <li>• Housing shortages and growing housing costs</li> <li>• Poor quality panel housing estates with low energy efficiency, few public centers, limited employment opportunities and no rehabilitation mechanisms</li> <li>• Immature real estate markets with low levels of investment</li> <li>• Regulatory constraints for the development of land and real estate</li> <li>• Lack of a developer and proper institutional environment to facilitate investment in buildings and infrastructure</li> <li>• Environmental degradation including poor air quality, water pollution and soil erosion</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Implement Master Plan as a market-sensitive framework for future economic restructuring and growth</li> <li>• Promote a steady supply of business and office space in response to market needs</li> <li>• Develop a strategy for the regeneration of existing industrial areas</li> <li>• Facilitate the operation of real estate markets</li> <li>• Utilize existing capacity of residential areas and increase their attractiveness to business and residents</li> <li>• Facilitate the provision of affordable housing</li> <li>• Maintain the competitiveness of public transport</li> <li>• Maintain open green spaces and protect wild-life habitats</li> <li>• Capitalize unique natural resources – Vitosha Park and mineral springs-to develop an environmentally sensitive tourism infrastructure</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Sluggish growth in the local economy and continued social polarization within the urban structure</li> <li>• Lack of interest from strategic investors</li> <li>• Inadequate infrastructure investments due to restrictions on capital spending</li> <li>• Lack of long-term credits for real estate investment, discontinued macroeconomic stability and high interest rates</li> <li>• Environment for the operation of real estate markets corrupt and not transparent</li> </ul>

### Priorities for Action

City authorities will implement the following actions over the next three to five years:

*Create a balanced spatial structure that enhances opportunities for economic growth and social diversity:*

1. **Sustain the vitality of the city center.** Promote availability of a steady supply of business and office space in appropriate locations to respond to market needs, including low-cost premises for small businesses. Promote flexible use of land, including mixed-use development. Support the provision of adequate parking and enhance the existing network of pedestrian zones.

2. **Regenerate existing secondary centers** providing employment nodes and retail clusters. Support the development of employment nodes around the main rail termini and along well-served transport corridors. Make land available for high-tech, high growth industries and services. Develop a strategy for the regeneration of old industrial areas.
3. **Provide more state and/or municipal land for development** in accordance with market demand (re-zone industrial land and land for institutional uses as needed). Assist with the consolidation of fragmented land ownership. Simulate development through investment in infrastructure with clearly defined spatial implications (avoid the creation of ghost towns at the outskirts where high costs limit connection to water, sewer, etc.). Establish a transparent mechanism for contribution to infrastructure costs through development levies, acreage assessments, etc. .
4. **Streamline the planning and building permit process**, standardize procedures across rayons, establish a 'one-stop-shop' for interface with clients that handles all building permits, monitor the number and value of permits, and carries out start and completion surveys to evaluate completion times for reconstruction and new construction.
5. **Encourage public and private partnerships** in property development and in the delivery of services. The municipality could establish guidelines for and foster development of these partnerships.

*Improve the quality of life in existing residential areas:*

6. **Utilize the existing capacity of residential areas and increase their attractiveness to businesses and residents.** Encourage mixed-use development in housing estates including commercial and employment uses to create sustainable communities. Introduce area-based regeneration programs to retrofit panel housing. Promote mixed-use and mixed-tenure housing through infill development in existing neighbourhoods. Ensure the provision of essential social services and facilities in existing residential neighbourhoods. Empower local communities to take action and control maintenance of neighbourhood and public spaces including neighborhood improvement programs in areas for the socially disadvantaged.
7. **Promote an increased supply of affordable housing.** Remove regulatory constraints to ensure timely approval and construction of housing projects. Ensure adequate provision of infrastructure to service new housing developments. Increase the overall supply of rental housing to ensure labor and housing mobility. Address the needs of low-income groups, including ethnic minorities and people with disabilities.

*Sustainable use of environmental resources:*

8. **Protect the urban environment.** Maintain open green spaces and protect important wildlife habitats. Capitalize on the unique natural resources-Vitosha Park and mineral springs-to develop an environmentally sensitive tourism infrastructure. Promote new sites for strategic recycling and composting facilities. Develop a long-term waste management strategy. Address pollution and environmental health problems in Kremikovci and other industrial areas.

The Program Action Matrix at the end of this document provides further details of the priority actions.



## IV. CITY FINANCE

**The municipality's main strategy is to forge a partnership with the central government to create financial predictability and a stable framework for the city's finances.**

The share of local government expenditures in GDP and overall public expenditures in Bulgaria is more or less in line with levels of other transition economies; but Sofia and other municipalities have little authority to decide how funds are used. About 80 percent of expenditures are prescribed by central government, leaving about 20 percent that is mostly used for maintenance costs. This leaves little room for flexibility or new initiatives. Annual national budget laws prioritize spending, limiting the ability of the administration to allocate resources based on local needs and to determine service levels in accordance with local preferences.

Sofia's budget has evolved in phases over the course of the past ten years: first, the real value of budget resources fell drastically during the transition and high-inflation years of the 1990s; second, resources expanded with the implementation of macroeconomic stabilization reforms between 1997 and 1999 resulting in increased revenues and central government transfers to the city; and more recently, municipal revenues (and expenditures) have declined primarily due to reductions in central government transfers to the city. Two years ago the previous net-transfer from the center was replaced by a net tax. This is due to the introduction of a financial equalization system across all of Bulgaria's municipalities. A further reason behind the reduced revenue levels is the discontinued use of deficit financing. An estimated total of BGN 379 million was spent in 2002 – about BGN 316 per capita. (Table 4.1)

<b>Table 4.1: Sofia Municipal Budget (BGN million)</b>			
	2000	2001	2002 (planned)
<i>Tax and non-tax revenue, loans and other transfers</i>	356	481	490
<i>Transfers from Central Government</i>	19	-6	-101
<i>Total Revenues</i>	375	475	389
<i>Total Expenditures</i>	436	398	379
<i>Surplus</i>	-61	77	10

Source: Sofia Municipality

The regulatory framework governing financial relations is largely controlled by central government authorities. The dominant role of the central government in the city's financing is due in part to Sofia's socialist legacy, but is also an effect of cautious regulations from the transition years when many municipalities accumulated big financial arrears and had limited financial and management autonomy. As a result, the city administration lacks much of the independence and power needed to set revenue and expenditure levels in line with local priorities and carry out adequate financial planning. The municipality's main strategy is, therefore, to forge a partnership with the central government with the aim to replace current practices of year-by-year negotiations and ad-hoc decisions with a transparent and stable framework for central-local financial relations, and gradually increase and strengthen the city's financial independence. Future reforms will focus on three complementary areas: (i) the budget process; (ii) revenues; and (iii) expenditures.

### The Budget Process

**Today, the formulation and implementation of Sofia's municipal budget is closely integrated with the national budget process.** In autumn of each year a draft municipal budget is submitted to



the Ministry of Finance for review. After the approval of the national budget, the Mayor finalizes the municipal draft drawing on the budget decree provided by the Cabinet of Ministers and on the central government's current projections for revenues, transfers and taxes. The Municipal Council has one month after the budget decree is published to approve the city budget; delays reduce payments to monthly transfers of one-twelfth of the previous year's budget by the Ministry of Finance.

Various regulations safeguard the financial discipline of the municipal budget. Some of these are similar to those in other countries, i.e. foreign loans that are liabilities to the State must be presented to the Cabinet of Ministers and approved by Parliament; and national and municipal budgets are evaluated by an independent Court of Auditors. Others inhibit the administration's control over its local budget more than elsewhere, i.e. the municipality is bound by detailed expenditure priorities outlined in the budget decree; city budget deficits are permitted to run up to a maximum of 10 percent of local source revenues and can be funded by borrowing; loans must be approved within six months of the end of the term in office. Adjustments to the current year's budget undergo the review and approval procedures required when it was adopted and there are provisions for smaller changes – reallocations must be within the same budgetary classification and excess revenues can be used for acquisition of long-term assets of up to 10 percent of local source annual revenues.

## Revenues

**An examination of Sofia's revenues reveals that both tax and non-tax revenues have increased in line with the economic recovery and growth, while transfers from central government have declined.** Taxes are typically collected by one of the city's 25 Ministry of Finance collection offices. Personal state income tax accounts for the largest share of budget revenues, followed by corporate profit tax (including municipal tax) and other fees and charges (Table 4.2). Strong central government control of municipal revenues restricts mobilization of local resources and the tax-base. It limits the city's ability to align revenue with local priorities and inhibits planning for future capital investments.

Key issues are discussed below:

	2000	2001	2002 (preliminary)
<i>Total revenue, of which</i>	375	475	389
<i>Tax revenues, of which</i>	293	402	384
Share of state income tax	166	188	198
Corporate profit tax, including municipal tax	93	180	133
Property tax	30	31	50
Other	4	3	3
<i>Non-tax revenues, of which</i>	63	71	106
Fees and charges	31	45	67
Property revenues and rentals	20	18	24
Sale of municipal property	4	3	7
Other	8	5	8
<i>Transfers from central government and extra-budgetary funds</i>	19	2	-101

Source: Sofia Municipality



*Poor mobilization of local resources and tax-base.* Revenues are largely determined centrally and collected by the national administration. In addition to setting local tax rates and a range of local fees, the national government also determines the personal state income tax and the corporate profit tax (including municipal tax), together accounting for 68 percent of gross revenues in 2002. The municipality only has authority to set fees for solid waste and municipal property sales. Centrally determined taxes and fees do not correspond to local inflation or service provision levels. The current framework potentially contributes to local budgetary deficits and fiscal tensions between municipalities and the central government. Also, centrally determined taxes and fees disassociate them from the services actually provided and make taxpayers' accountability difficult. As part of a future framework, the city should be authorized to set and collect a greater share of the taxes and fees intended to finance the local service delivery.

*Unpredictable contributions from the center.* Central government transfers to Bulgaria's municipalities are designed to help cover local current expenditures and capital costs. As part of a nationwide financial equalization scheme across all 262 municipalities in Bulgaria, the method for calculating the State Current Expenditure Grant changed in 2001. A needs-based normative current expenditure amount is calculated for each of Bulgaria's municipalities and then reduced by the respective municipality's tax revenues. The difference (i.e. the normative expenditure amount in excess of actual tax revenues) is paid out as a central government transfer to help with the current expenditures. For Sofia and 18 other municipalities, however, the actual tax revenues exceed the normative expenditure amount. These municipalities instead pay in an amount to central government equal to the "excess" of tax revenues. This amounted to BGN 44 million for Sofia in 2001. Though the city administration recognizes the legitimacy of an equalization scheme across municipalities, the methodology applied should be reformed to ensure stability and predictability, thereby enabling Sofia and other municipalities to adequately project future revenue levels.

*Inhibit planning for future capital investments.* There are two policies that inhibit the city administration's planning of medium- and long-term investment programs. First, Sofia and other municipalities can spend only up to 5 percent of net savings or revenues from municipal property sales on capital investments. This limited revenue and expenditure authority of local governments – including those in good financial health – makes accumulating net savings difficult and inhibits prospects for improving infrastructure and urban services. Over the last few years, Sofia has often been exempt from these restrictions and has managed to sustain investment levels in line with other local transition economies at an estimated 20 percent of expenditures, but the restrictions nevertheless make planning difficult.

Second, local governments – including Sofia – receive central government transfers from time to time in the form of State Capital Expenditure Grants. Since no regulations to determine eligibility or size of these allocations are in place, rules for distribution of these grants are subject to change and are often the result of annual negotiations between the municipalities and the Ministry of Finance. The unpredictability and instability of this source of revenue hinders the municipality's investment planning and calls for a defined mechanism to allocate investment subsidies in a systematic and transparent way.

## **Foreign Loans**

**Sofia is among one of a few municipalities in Bulgaria that has successfully received loans without an explicit guarantee from the central government.** The administration received two loans in 1994 and one in 1998, both with a one-year maturity date and neither guaranteed by the State. Sofia also launched a successful BGN 100 million Eurobond issue in 1999 and paid it back in full in 2002 (the bonds had a three-year maturity date). The municipality is currently using two exter-



nal loans: an EBRD loan of BGN 70 million for urban transport (estimated at 7 percent interest over 10 years with three years grace for the principal, estimated to be fully disbursed by 2004) and a second loan from a Japanese bank supported by the government of BGN 220 million (estimated at 1.5 percent interest over 40 years with 10 years grace). Future loans are likely to support the upgrade of the district heating system, probably with a sovereign guarantee. Future borrowing will be carefully selected to ensure that debt service obligations remain manageable.

## Expenditures

**The share of local government expenditures of GDP and overall public expenditures in Bulgaria is more or less in line with levels of other transition economies; but Sofia and other municipalities have little authority to decide how the funds are used.** About 80 percent of expenditures are largely prescribed by central government, leaving only about 20 percent that are not prescribed centrally, most of which is used for maintenance, leaving little room for flexibility or new initiatives. Annual national budget laws prioritize spending restricting the municipalities to first pay for services identified at the national level, to pay the amounts determined centrally for these services. These arrangements limit the ability of the administration to allocate resources based on local needs and determine service levels in line with local preferences.

At 28 percent of total 2002 expenditures, education consumes the largest share of the budget (Table 4.3); financing for housing, construction and infrastructure-mainly maintenance and repairs-accounts for 20 percent of the total; diminishing but still large payments for discounted urban transport fares absorb 12 percent of total expenditures; and payments for health care account for 10 percent. Health care payments will be more or less eliminated by 2005 when privatization is complete and the national insurance scheme becomes fully operational.

<b>Table 4.3: Sofia Municipal Budget Expenditures (BGN million)</b>				
	2000	2001	2002	percent increase 2000-2002
<i>Total expenditures, of which</i>	436	398	379	-1
<i>Education</i>	98	109	107	9
<i>Housing, construction and infrastructure</i>	61	70	75	23
<i>Urban transport and discounted fares</i>	55	53	47	-15
<i>Health</i>	63	44	40	-37
<i>Capital Expenditures</i>	90	36	30	-67
<i>Social care</i>	16	25	17	6
<i>Administration</i>	15	16	16	7
<i>Interest payments</i>	10	10	11	10
<i>Road repairs</i>	12	11	10	-17
<i>Culture</i>	8	8	7	-13
<i>Other economic activities</i>	3	3	2	-33
<i>Other</i>	5	13	17	240

Source: Sofia Municipality

## Future Finances

**Any estimates of the funds that would be available during the implementation of the SCS are uncertain given the many regulations that are inextricably linked to the central government.**



Provided the macroeconomic stability and economic growth continue the base for local taxes and fees would also grow. The rules for the nationwide municipal equalization scheme should be stabilized, the framework for the state capital grants should be more transparent and a systematic process of allocating the cost responsibility for social services should be in place.

Table 4.4: SWOT Analysis of Finances	
Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Growing and increasingly diversified economy ensuring tax revenues in line with economic activity</li> <li>• Overall sound finances and ability to mobilize capital market funds without state guarantee</li> </ul>	<ul style="list-style-type: none"> <li>• Excessive dependence on the central government budget process and detailed regulation of revenues and expenditures</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Seek partnerships with central government to build a stable and transparent set of rules for revenue sharing, transfers and expenditure requirements</li> <li>• Continue careful and selective borrowing to expand the provision of infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Continued uncertainty about inter government transfers make financial planning impossible</li> </ul>

### Priorities for Action

The municipality's main strategy is to forge a partnership with the central government to:

1. **Stabilize the most uncertain revenue and expenditure areas.** The current municipal equalization scheme; revenues from future privatization and property sales; health sector savings and their distribution between the administration and the central government; and future levels of the capital expenditure grant.
2. **Establish a transparent and stable framework for central-local financial relations.** The administration will work with the central government to determine a transparent and stable framework for central-local financial relations in an effort to gradually strengthen the city's financial independence. Increased financial responsibilities undertaken by the municipality will help to ensure that human and managerial capacity is in place. Future loans should be carefully selected to ensure that debt service obligations remain manageable.

The Program Action Matrix at the end of this document provides further details of the priority actions.



## V. CITY MANAGEMENT AND GOVERNANCE

**Staff time and financial resources will be directed to the improvement and development of the organization and internal capacity of the municipality, drawing on feedback provided by Sofia's community members.**

Launching a long-term strategy for Sofia has provided the city administration with an opportunity to reflect on the political, social and economic changes that transpired during the tumultuous period of the 1990s; the SCS has also enabled the municipality to reevaluate the increased role of local authorities that resulted from these changes. This process has informed and will continue to provide insight on needed improvements in the municipality's management and governance, especially with respect to cultivating better communications and relations with city residents and business community members.

### **Feedback from Residents and the Business Community**

**Consultations with and survey of Sofia's residents and business community members informed the municipality of needed improvements in its management and governance.** Only 3 percent of citizens surveyed were informed of municipal affairs and services and 18 percent were unaware of what the administration does for them. The survey also revealed that residents could not distinguish between the responsibilities of the municipality and the central government. A survey of the business community revealed their concerns in communicating with the municipality and their limited knowledge of municipal affairs and agendas. Many raised concerns of limited access and responsiveness from the municipality. Others expressed interest in increased involvement in local governance and affairs and improved communication with the municipality.

### **Sofia's Constituencies**

Today, Sofia is one of 28 regions (oblasts) in Bulgaria, uniquely positioned where the regional and municipal boundaries coincide. Main constituencies and functions are outlined below:

*The Governor*, appointed by the Prime Minister, ensures that all matters presented to the Municipal Council are legal and do not challenge the authority of the Council; all State property within the region falls under the Governor's management.

*The Municipal Council* and its elected representatives govern the municipality for a four-year term. The Council is responsible for the approval of strategic and development plans; approval of the annual budget; service fees, contracts and concessions; acquisition and disposal of municipal property; and management of municipal companies (including indebtedness). The Council passes sub-acts – ordinances, decisions and instructions – and elects standing and ad-hoc committees.

*The Mayor*, elected by the citizens of Sofia, is responsible for the executive functions. Primary responsibilities include maintenance of public order; municipal budget implementation; management of long-term programs and other needed duties. Six deputy mayors – recommended by the Mayor and elected by the Municipal Council – assist the Mayor.

*Districts (rayons)* of Sofia each have a District Mayor, proposed by the Mayor and approved by the Municipal Council. The main functions of the 24 District Mayors include the implementation of municipal policies and administration of the budget. District Mayors and District Councils – with five to seven elected representatives – assist the City's Mayor through provision of services to the district population. Some of the larger rayons have a significant administrative apparatus.



*Mayoralties (kmetstvo)* are an extension of direct self-government at the level of human settlements, especially those too small to qualify as a municipality. Mayors of the 34 mayoralties in Sofia oblast are directly elected by a majority of registered voters, the scope of their responsibilities varies considerably and the Mayor coordinates their activities. The Mayor of a mayoralty may attend Municipal Council meetings but has no vote.

*The Municipal Administration* drafts and implements municipal development policies, and manages municipal property, enterprises and finances, education, health, public works and utilities, social assistance and environmental protection. The Municipal Council determines the budget and number of staff in the Administration. The Administration accounts for an estimated 4 percent of the total 2002 municipal expenditures (BGN 16.5 million), of which about 35 percent is for salaries ranging from BGN 100 to 900 per month and staff members average about BGN 250. The Administration, one of the largest employers in Sofia, has an estimated 1,700 staff members – 800 employees at headquarters and 900 in the 24 districts. The staff is well educated, qualified and often has international experience. The six deputy mayors are each responsible for one of the following areas: (i) finance and business affairs; (ii) transportation and infrastructure; (iii) education and culture; (iv) investments and construction; (v) ecology, environment and land reform; and (vi) public health care and social activities. The Chief Architect, responsible for spatial planning and related matters, also has the status of Deputy Mayor. The Chief Municipal Secretary coordinates and manages the Municipal Administration, the legal department and information technology. While in service the Mayor, the Deputy Mayors and the Municipal Secretary may not participate in political parties or conduct commercial activities.

### **Areas for Improvement in the Municipal Government**

**Surveys and consultations with city residents and business community members in addition to the municipality's evaluation of their administration have helped to inform needed improvements in the city's governance and management.** Outlined are areas that will be addressed:

*Number of district administrations and level of decentralization.* In spite of changes that have transpired over the years, modest levels of decentralization and decision-making power of the 24 districts have remained constant. A reevaluation of the number of districts and delegated authority might better serve the city.

*Poor monitoring and evaluation.* The municipality needs to improve its monitoring and its evaluation capacity to follow-up on the impact of policies and decisions and ensure compliance with standards and regulations.

*Centralized internal decision-making.* Sofia's relatively centralized manner of conducting everyday activities is perhaps not the most effective approach and efficient use of the administration's resources. Most decisions or problems are presented to the Mayor and/or his Deputies; perhaps a more flexible and decentralized approach to addressing issues and solving problems would expedite available resources and optimize the use of staff skills, in addition to fostering a healthy, motivated work environment for municipality employees.

*Lack of internal staffing policies.* No modern strategies for future staffing, benefits or incentives are in place. The administration needs to improve its internal capacity to deliver through identifying future skills needed, ensure they correspond to recruitment and training plans; standard job descriptions outlining the duties and obligations for various positions should be drafted to help evaluate performance and assess potential candidates; and a system for promotions – currently based on good and respectively unsatisfactory performance – should be in place; and sanctions –

currently made in an ad hoc manner without specific rules or guidelines – should be standardized.

*Poor access to internal information.* Estimates indicate that less than one percent of the information network connecting municipal departments is being utilized. Communication between units – with the exception of the Budget Department – is mostly verbal and staff that use computer systems are not sufficiently encouraged to use new tools or not trained in new technologies. The central municipal administration expects to increase the number of available computers for staff (an estimated 200 computers at present). The Ministry of Finance will include the municipality in a tax and information system on real estate; and the state administration will include the municipality in a fiber optic network linking 5 of the 24 rayons.

Table 5.1 SWOT Analysis of the Municipality's Management and Governance	
Strengths	Weaknesses
<ul style="list-style-type: none"> <li>Well-educated and knowledgeable workforce</li> </ul>	<ul style="list-style-type: none"> <li>Poor outreach to the community</li> <li>No modern human resource strategies in place</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>Examine ways to improve the internal capacity and effectiveness of the municipality's administration and examine ways to reduce the number of districts</li> <li>Improve communication with the community and launch information campaigns about the city administration services and activities</li> </ul>	<ul style="list-style-type: none"> <li>Continued rapid changes in the scope and content of municipalities' duties</li> </ul>

### Priorities for Action

To address concerns raised by city residents and the business community during the consultative part of the strategy process, the following actions will be implemented to help city authorities improve and develop the organization and internal capacity of the administration over the three to five year period ahead:

1. **Improve the organization of the municipal administration.** A review of the number of districts (now 24) and delegated authority to them is underway. An independent unit to evaluate actions and policies and compliance with established service standards will be set up. Measures to improve access to and quality of internal information and communications systems are also underway.
2. **Improve human resource management.** A staff strategy will be developed to identify future skills needed and ensure they correspond to recruitment and training plans; a review of department functions and staff positions will help to evaluate performance and assess potential candidates; a system for performance assessment will be put in place; and a review of staff benefits will be carried out.
3. **Improve communications with city residents and business community members.** An Ombudsman has been available to meet citizens to discuss administrative activities since February 2002 and an estimated 150 cases were presented during the first three months. A web page is available (<http://www.sofia.bg/>) with links to relevant information. Some of the rayons – such as Mladost – disseminate information about the municipality's available



services for their respective territory through information bulletins. A front office will be established and equipped to deal with residents' questions and service needs. Further, the existing system for dealing with residents' complaints will be strengthened and complemented with routines to monitor their processing. Municipal forms and letterheads would be harmonized. The committees of the Municipal Council would host open discussions with residents. Other measures under consideration include establishing standards for administrative services, monitoring and surveys related to delivery of municipal services and the development of a unified on-line municipal information system for residents including databases, forms, service standards and maps (currently underway).

The Program Action Matrix at the end of this document provides further details of the priority actions.

## Summary of Surveys with Sofia's Citizens and Business Community

**Central to the development of SCS is the feedback from city residents and business community members gathered during the consultative part of the strategy process.** Recommendations from these constituencies informed the formulation of the strategy and helped to identify for the municipal administration needed improvements, key objectives and priority actions in the three to five period ahead. Summaries of the surveys undertaken of the citizens by Alpha Research Ltd. and of the business community by Club "Economika 2002" are provided below; full reports of the results and evaluations of these surveys are available upon request to Sofia's municipality.

### Survey of Sofia's Citizens

**The survey of Sofia's citizens focused primarily on the quality of municipal services in Mladost, a peripheral municipality, and Vuzrazhdane, a central municipality. Feedback from respondents helped to inform the administration in setting priorities and developing strategies for improving municipal services for city residents.** The representative sociological survey reveals that citizens of both municipalities share many of the same concerns related to municipal services and the findings also reveal problems unique to each of the municipalities.

*Shared Concerns of the Surveyed Municipalities.* Common concerns shared by respondents in both Mladost and Vuzrazhdane municipalities are outlined below:

- ◆ *Security.* Participants in both municipalities raise concerns of security in their respective neighborhoods and school environments. Security concerns are not unique to the surveyed municipalities, but in fact reflect concerns at the national level; and though public security is not primarily a municipal activity – but a central government responsibility – police services are rated unsatisfactory and public assessments reveal the need for the administration to work with the central authorities to address these concerns. Of all services assessed, citizens noted that they are willing to pay only for improved security measures.
- ◆ *Sanitation and preservation of green areas.* More than 80 percent of respondents in both municipalities indicate that sanitation, landscaping and maintenance of green areas should be a top priority for the municipal government.
- ◆ *Local street and road maintenance.* Residents of both municipalities are relatively satisfied with local government measures to repair main streets and road surfacing in downtown Sofia; however, respondents from both communities feel that repair and maintenance of their streets in residential neighborhoods should also be addressed (respondents from Vuzrazhdane noted certain improvements in the past few years).
- ◆ *Central heating.* Of the surveyed municipalities, 80 percent of Mladost households are connected to central heating systems and 40 percent of Vuzrazhdane households are connected. Following the steep increase in prices of energy sources in recent years, costs of central heating are unaffordable for many residents. Approximately one-fifth of households in both municipalities have disconnected from central heating and one in six households are only partially heated; and many residents cannot afford to convert to alternate forms of heating. At present, feedback on the installation of individual heat meters is positive; results from this new system at the end of the current heating season will determine whether households have benefited from regulating their heat consumption and



bills. If results are positive, former users can reconnect to central heating; ensuring accuracy in calculating bills is of paramount importance.

- ◆ *Quality for price.* Apart from improved security, residents of both municipalities are not inclined to pay more for improved quality of any other services (although Mladost residents expressed some interest in paying for improved water supply and faster administrative services). The dominant opinion is that “the increase in various municipal taxes and fees has not resulted in better quality of services so far.” Criticism was aimed at the results of ‘the domestic waste free rise’, ‘the awarded concession of water supply’ and the correlation between ‘public transport quality and fares’. The radical increase of both the immovable property tax and the domestic waste free since the start of the year might generate strong public discontent, especially considering that municipal authorities have not informed the public of how these fees are calculated and spent.
- ◆ *Water supply.* Assessments of the water supply system are moderately positive in both municipalities, but respondents indicate that improvements in the system – the quality of water and the elimination of leaks and breakdowns – should be a priority. Feedback revealed more positive evaluations of water supply than sanitation services (both of have been farmed out by the municipal authorities to special companies).
- ◆ *Parking in central Sofia.* Car owners in both municipalities raised concerns of limited available parking. Residents in the centrally located Vuzrazhdane municipality have problems parking in the vicinity of their homes.
- ◆ *Familiarity with available municipal services.* Citizens in both municipalities are not well informed of available municipal services; this results in negative attitudes toward institutions and officials who are not directly responsible for the provision of particular services and also does not help to address problems with concrete solutions.

*Specific Problems of Mladost and Vuzrazhdane Municipalities.* Specific concerns unique to Mladost raised by respondents include: repair of municipal schools, nurseries and kindergartens; improve public transport to and from the area and address the timing of the services and traffic jams at intersections; landscape and maintenance of green areas and areas between apartment buildings; and construct new sports, recreation and entertainment facilities. Specific concerns unique to Vuzrazhdane raised by respondents include: repair of building facades; improve available market places and surrounding areas; improve administrative services; and develop new green areas, public gardens and recreational facilities.

*The Impact of the Socio-demographic Structure on Satisfaction with Municipal Services and Priorities.* Historical and social dimensions influenced the formation of the two residential areas (peripheral housing in Mladost and old central neighborhood in Vuzrazhdane) and their populations as a result are impacted by their respective social-stratification structures. The social profile of the Mladost municipality is more or less a middle class population. The majority of residents are younger but the percentage of pensioners is also high; there are a higher percentage of office workers and liberal professions; and the education level is comparatively high. Vuzrazhdane’s social profile is more heterogeneous as it covers old neighborhoods in central Sofia, some of the poorest former blue-collar areas, minority communities and slightly newer housing developments. The majority of citizens here are elderly and live in old homes; and though lower income brackets prevail, there are pockets of people with higher education, higher income levels and new social demands.



The social profiles of the surveyed municipalities have influenced their views on the quality of public services and on municipal priorities. Mladost residents are far more critical both of their district and capital city in general. These young, active residents often seek information about issues related to available services and citizens' rights; and many are inclined to volunteer for landscaping and maintenance of areas between apartment buildings. Initiatives and appropriate information campaigns launched by the municipality would encourage increased support and activity from these active community members. By contrast, Vuzrazhdane residents are more positive about the changes in public services both in Sofia and in their municipality. Located in central Sofia, many Vuzrazhdane residents benefit from general improvements in the city center; however, different parts of the residential area have distinct problems that people expect will be solved only by the municipal administration. Conflicting opinions among residents emerged from the survey – measures to improve public transport and street lighting were a priority for some respondents while others identified the repair of road surfacing and sidewalks as a key priority. Recreation and entertainment facilities were noted to be insufficient, but improvements in these facilities are not likely to benefit a large part of the elderly and low-income population that reside here.

In both Mladost and Vuzrazhdane municipalities, the public is not well informed of available municipal services and communication between the public and local government is weak. A small percentage of people have approached local government officials about a resolution of a given problem, thus the comparatively strong suspicions of non-transparency in municipal spending even though there is no actual proof. In spite of the overall approval of civil monitoring of municipal administration activities, there is very little participation of citizens' monitoring, especially in Vuzrazhdane.

#### *General Conclusions Drawn from Evaluations of Surveyed Municipalities:*

- ◆ *Environment.* Residents are most dissatisfied with the overall condition of their environment – security, sanitation, green areas, maintenance of streets, sidewalks and buildings. They lack differentiated knowledge and information about the range, content and entitlement to specifically municipal services that are rated far lower in the list of priorities than the deterioration of the overall environment.
- ◆ *Lack of Willingness to Pay.* The unwillingness of residents to pay more for improved quality of public service – except if this has a direct effect on personal security and household spending – reflects the low average income levels of the population.
- ◆ *Resistance to Local Tax and Fee Increases.* The prevalent public opinion is that price rises do not lead to better quality of service and this also accounts for the strong resistance to local tax and fee increases.
- ◆ *Communication.* Municipal authorities should conduct a much more active information policy, providing more channels and facilitating communication between the public and the administration; otherwise detachment and alienation result in negative public attitudes.

#### **Survey of Sofia's Business Community**

**Survey of Sofia's business community was the first systematic attempt undertaken to explore the views of business community members and examine how to draw on their feedback in developing strategies and policies for improving Sofia's business climate.** Participation from 102 companies represented the economy's structure (from trade, repair and technical services to real estate



transactions and business services) and most of the respondents were company managers and owners, deputy directors, executive directors, presidents and chief accountants who are directly involved in their companies' management and development. Key objectives of the survey were to: (i) distinguish effective regulative business mechanisms from those that are inefficient and ineffective; (ii) compare the quality of infrastructure and administrative services to the costs incurred by businesses for these services; and (iii) identify problematic stages in business development and develop strategies aimed at reducing barriers for small and medium businesses.

The questionnaire sought to engage and solicit feedback from respondents in five areas and findings from these efforts are outlined below:

*The quality and cost of infrastructure services.*

- ◆ *The quality of infrastructure services* generated overall more positive than negative feedback from respondents. Of infrastructure services, participants were most unsatisfied with waste collection, waste transportation and street cleaning, followed closely by road infrastructure, streetlights, street numbering and designation.
- ◆ *Prices of all infrastructure services are considered high relative* to the quality of services. Eighty to 90 percent of the respondents indicate a serious discrepancy in price-quality correspondence of central heating, parking lots and garages and street cleaning services; two-thirds noted a discrepancy between increased costs for buses, trams and trolleys relative to the quality of these services; and respondents noted price-quality disparities in taxi services and water and wastewater services.
- ◆ *Limited Demand for Transport.* The survey revealed the limited demand and usage of transport services by businesses.

*Costs for the provision of new infrastructure services.*

- ◆ *Weak Participation by Businesses.* Participation of businesses in the provision of new infrastructure or expansion and upgrades of existing infrastructure are very weak and limited to only indispensable improvements mainly in office infrastructure. The financial status of the enterprise and the lack of security result in low investment activity and discourage improvements in building new infrastructure; only 20 percent of the respondents participated in the provision of new infrastructure services.
- ◆ *Issues that Hinder Business Development.* Respondents identified several municipality-related problems that hinder business development: lack of partnership between the business community and the administration to share costs and responsibilities related to building new infrastructure; time-consuming bureaucratic delays in processing permits for architectural changes of infrastructure; and difficulties in securing public (municipal) spaces for business development.

*Regulations that restrict business growth.*

- ◆ *Financial Regulations.* Respondents identified financial regulations as major barriers restricting business development. More than two-thirds of the interviewed considered tax, administrative and legal the most burdensome of barriers; the amount of taxes and social insurance contributions received the most negative evaluation. Participants offer recommendations for reducing the tax burden: develop a differentiated regulation system based



on the company's size; simplify calculation and accountancy schemes; reduce time for the return of VAT from export; and stabilize the tax policy.

- ◆ *Administrative Regulations.* Instead of being an intermediary between business and clients, administrative regulations are perceived by businesses instead as non-transparent, slow and uncoordinated.
- ◆ *Lack of Information.* Participants noted that barriers in the registration phase of business development include lack of preliminary information and the need to contact several institutions; and barriers in the operation phase include taxes, insurance contributions and access to credits.
- ◆ *Company Registration Procedures.* Other concerns raised include the number of procedures required for registration or re-registration of companies, the duration of license issuance and the number of procedures and the duration of permit issuance.
- ◆ *The Municipality.* Respondents give the municipality an overall negative evaluation, ranking the municipality at the bottom of other institutions with respect to competency, service quality, transparency and coordination. City officials are incompetent and sometimes difficult to contact, according to some of the participants.
- ◆ *The Judiciary.* Businesses are open for control and inspections but do not trust the judiciary.

#### *Administrative barriers that restrict business growth.*

- ◆ Findings reveal that the number and types of administrative barriers (rather than their costs) imposed on businesses by the municipality hinder business development. Respondents raised concerns of delays in processing permits, of which most negative evaluation was targeted to the municipal architecture departments; hygiene inspections and re-registration regimes were criticized for their arbitrariness; some noted that the introduction of permission regimes and excessive new regulations and licenses obstruct activities aimed at business resurgence; others commented on delays in revealing for the public conditions for tenders; and participants urged that the Municipal Bank should have a priority policy in place to credit companies registered and functioning on municipal territory.

#### *Recommendations for an improved business environment.*

- ◆ *Impediments to Growth.* Participants identified the following as main impediments to business growth (sometimes resulting in business closings): amount of and frequent changes in taxes; unstable normative regulations; and complicated procedures for license and permit issuance.
- ◆ *Recommendations to Improve the Business Climate.* Recommendations put forward by participants for improving the business climate include: simplify administrative procedures involved in launching and registering a business; reduce the tax burden and amount of social security contributions through a differentiated regulation system based on the size of the company; improve the work of the administration; establish a pattern of contacts in which the administration can support businesses instead of controlling it.



- ◆ *Public Administration.* Additional concrete measures proposed by respondents related to the public administration in general and Sofia's municipal administration specifically include: improve the low quality of infrastructure services (through regular control of waste collection, waste transportation and snow cleaning; build parking lots with many levels; maintain street lights and widen coverage of street electrification; and improve the hygiene of city transport vehicles) and improve the municipality's management capacity of the quality of infrastructure services (through the establishment of a special office to inform the public of any changes in service usage such as water stoppage, road repair, sewer system or changes in city transport schedules and routes; modify the working time of municipal departments working with clients; increase the administration's competency regarding changes in the normative regulations of the provided services; and improve the coordination among Sofia's municipality with regional municipal administrations).

**PROGRAM ACTION MATRIX FOR THE SOFIA CITY STRATEGY<sup>12</sup>**  
 BASED ON VIEWS AND RECOMMENDATIONS OF CITIZENS AND STAKEHOLDERS  
 GATHERED DURING THE CONSULTATIONS

Goals	Diagnosis	Action
1	2	3
<b>I. THE CITY ECONOMY.</b> Maximize the city administration's support for building the new economy.		
Sustain economic growth by creating a favorable business climate	Survey indicates poor communication and understanding between the city administration and the business community	Establish a consultative council with representatives from the city administration and the business community to review and advise on how the city administration can support businesses
	The contents of the regulatory framework for starting and running businesses are overly restrictive and complex. Rules and regulations need to be made more supportive, transparent and consistent	Carry out a review of the contents of rules and regulations in place for registration, re-registration, licensing and issuing of construction permits. Develop proposals for simplifying and streamlining the rules in place
	The procedures for obtaining business permits, licenses, registration and construction permits are obscure, not evenly applied and a source of uncertainty and cost to the business community	Carry out a review to determine the extent of different treatment of businesses across the districts. Develop action plan to make treatment consistent in the whole city.
		Set service standards for services provided to the business community
		Establish a front office with a one-stop-shop for businesses to apply for all necessary permits licenses and carry out registration.
		Improve the regulatory provisions and streamline the building permit process; clarify requirements for investment & upgrades in infrastructure
Broaden the economic base	Formal employment is heavily dependent on a limited number of companies. Actions should seek to diversify the local economy targeting growth sectors.	Implement marketing program for the city; branch specific web pages
		Promote Sofia's business parks to foreign and domestic investors to create a critical mass of new technological development and investment.

<sup>12</sup> The goals, diagnosis and actions in this matrix were identified during various stages of the strategy's development process. In April 2002, a draft matrix was presented and discussed with residents, NGOs, the business community and city officials. The Program Action Matrix emerged from these consultations.



<b>PROGRAM ACTION MATRIX FOR THE SOFIA CITY STRATEGY</b> BASED ON VIEWS AND RECOMMENDATIONS OF CITIZENS AND STAKEHOLDERS GATHERED DURING THE CONSULTATIONS		
Goals	Diagnosis	Action
1	2	3
		<p>Work with partners to nurture research/industry partnerships and to attract knowledge-based industries capitalizing on existing R&amp;D capacity</p> <p>Carry out a study to identify growth clusters (retail, transport and communications, business &amp; financial services) and develop effective programs for business support for such sectors</p> <p>Carry out business incentive study that will identify alternatives for SME support, such as business incubators, etc.</p> <p>Maintain speedy privatization of municipal enterprises</p> <p>Strengthen the capacity of the Foreign Investment Department; improve the preparation and delivery of relevant information for investors</p> <p>Prepare and keep up-to-date an inventory of available buildings and sites and present it in a business friendly way</p> <p>Promote the continuing development of Sofia's international transport links and infrastructure projects.</p>
<p>Capitalize on the City's human resources</p>	<p>Sofia's has lower unemployment and a pull of highly qualified labor. A disproportionately high number of the unemployed have specialized and university education; these skills are no longer in demand in the new marketplace.</p>	<p>Develop an action program to promote discussion between the business community and the education authorities. Seek to identify programs that would close the 'skills gap' and provide responses to the changing labor market</p> <p>Work with employers and trade unions to develop action programs for re-training of workers</p> <p>Identify actions to increase employment among the long-term unemployed, working poor and other disadvantaged groups</p>
<p>Form partnerships to support the local economy</p>		<p>Create an economic development team, under the leadership of the mayor, to build stronger relationships locally, with central government and European and other International institutions</p>



**PROGRAM ACTION MATRIX FOR THE SOFIA CITY STRATEGY**  
 BASED ON VIEWS AND RECOMMENDATIONS OF CITIZENS AND STAKEHOLDERS  
 GATHERED DURING THE CONSULTATIONS

Goals	Diagnosis	Action
1	2	3
		Formalize the relations with central government to include reviews of the impact on the local economy by fees and taxes set centrally. Develop proposals in line with feed back from the local community.
		Establish time-limited advisory task forces to develop programs or tackle constraints hampering growth in key sectors
<b>II. CITY SERVICES.</b> Increase the scope and quality of services to promote the productivity and competitiveness of the local economy and the well being of its residents.		
<b>a. Infrastructure</b>		
Increasing the scope and quality of services provided	Infrastructure services suffer from limited investments and aging capital stock resulting in infrastructure deficiencies and weakened finances.	Develop/update long-term plans for all technical infrastructure systems; ensure their integration in short-term funding programs; coordinate and ensure the most rational use of limited resources.
		Continue policy of private sector participation in the provision and financing of infrastructure services
		Re-register enterprises whose accounts remain integrated into the municipal budget under the Commercial Act; introduce separate accounts and make plans to privatize them along with the other municipal commercial enterprises.
District heating	Topolfikacia Sofia has significant annual losses and limited efficiency.	Support the USAID funded study on how to introduce private participation in the operation and management of the District Heating company
		Implement agreed findings of the study and complete preparation of the EBRD and WB supported loan to the District Heating company
Water and sewerage	Years of underinvestment and backlog in rehabilitation, upgrading and expansion of these services	Sustain the concession contract for water and sewerage as main strategy to address water supply and sewer infrastructure deficiencies; initiate program for adequate protection of sanitary zones for fresh water sources and underground mineral waters
		Continued support for expansion of services linked with improved financial performance (collection efficiency)



<b>PROGRAM ACTION MATRIX FOR THE SOFIA CITY STRATEGY</b> BASED ON VIEWS AND RECOMMENDATIONS OF CITIZENS AND STAKEHOLDERS GATHERED DURING THE CONSULTATIONS			
Goals	Diagnosis	Action	
1	2	3	
		Ensure adequate provision of infrastructure to service new housing developments	
Urban Transport	The Public Transport system needs further improvement and needs to reduce its dependence on subsidies from the municipal budget.	Develop market based mechanisms to enhance the scope and quality of urban transport (such as differentiated pricing and demand-based adjustment in transit routes); focus transportation planning on integration of existing public transportation systems to reduce delays and improve access; continue improvement program with EBRD support for the urban transport companies to increase financial self-reliance (from the municipality). Continue expansion of metro as economically and financially feasible.	
	Inadequate parking and growing traffic congestion in the city center	Improve parking in the city centre through: (i) construction of multi story public and private parking facilities; (ii) ensure that existing parking lots are not used for other uses (commercial outlets, warehousing, etc.); and (iii) construct buffer parking lots to reduce the number of cars entering the city center.	
	Reduce traffic congestion in the city center		Reduce traffic congestion in the city center by relocating warehouses and industries from the city center (through land use rezoning); restrict access of heavy vehicles through taxes and fees.
			Restrict inner city blocks to pedestrians and service vehicles (commercial and passengers)
			Implement automated traffic management systems for public and private traffic (green wave, etc.)
	Although most of the daily trips to work are done by public transport, data indicate that it is becoming less competitive due to increasing costs and commuting time		Continue construction of the city subway and combine it with underground parking lots and other service outlets
Optimize the use of public transport; base future decisions on financing of public transport on assessments of trip length, ridership and value for public money.			

**PROGRAM ACTION MATRIX FOR THE SOFIA CITY STRATEGY**  
 BASED ON VIEWS AND RECOMMENDATIONS OF CITIZENS AND STAKEHOLDERS  
 GATHERED DURING THE CONSULTATIONS

<b>Goals</b>	<b>Diagnosis</b>	<b>Action</b>
<b>1</b>	<b>2</b>	<b>3</b>
<b>b. Social Services</b>		
Health care	Support the ongoing privatization process and prepare for the post-privatization phase	Continuation and finalization of Sofia's health care facilities with the aim of completing the program by 2005
		Form partnership with central government to plan for the city's role in post-privatization health care provision. Seek solutions to keep financial responsibilities and managerial power in the same body, be it local or central
Education	City is responsible for funding for primary and secondary education but has little managerial and operational control.  Many problems persist in the education sector, including poor match between education provided and labor market needs, high rates of drop outs, but the city has limited authority to take action	Form partnership with central government to align responsibility for funding with managerial control
		Take actions that can be done under the present laws and regulations. This could include:  A: forming private-public partnerships to develop proposals for reforming the curriculum in secondary schools in line with market needs  B: Introducing programs protecting children from dropping out of schools  C: Develop mechanisms for community management and community contributions in cash or kind.  D: Involve teachers', parents', and students' councils in a sustained dialogue on everyday management and school-performance.
		Form partnership with central government to promote education sector reform nation wide
Social Assistance	City is responsible for funding substantial parts of the social assistance provided but has little managerial and operational control.  Social Assistance: Poor system for distribution of social benefits. Need to target recipients better	Form partnership with central government to align responsibility for funding with managerial control
		Work with the central authorities to abolish automatic rights to benefits linked to social status and allocate benefits according to need instead.



<b>PROGRAM ACTION MATRIX FOR THE SOFIA CITY STRATEGY</b> BASED ON VIEWS AND RECOMMENDATIONS OF CITIZENS AND STAKEHOLDERS GATHERED DURING THE CONSULTATIONS		
Goals	Diagnosis	Action
1	2	3
	<p>Increase in social inequality and concentration of poverty; social polarization and unequal access to social services (formation of ghettos)</p> <p>Socially threatened drug-dependent groups including children.</p>	<p>Coordinate the various forms of social assistance to avoid duplication of support to recipients qualifying in more than one way.</p> <p>Develop support programs for the illiterate</p> <p>Develop affirmative action programs for the handicapped. This could include:</p> <ul style="list-style-type: none"> <li>- Training of teachers and parents to handicapped children in techniques to integrate the handicapped into regular schools</li> <li>- Improve access of handicapped to public buildings, metro and busses</li> </ul> <p>Signs and markers for the blind at major public places</p>
c. Administrative services		
	<p>The contents of the regulatory framework for starting and running businesses are overly restrictive and complex. Rules and regulations needs to be made more supportive, transparent and consistent</p>	<p>Carry out a review of the contents of rules and regulations in place for registration, re-registration, licensing and issuing of construction permits. Develop proposals for simplifying and streamlining the rules in place (also in A above)</p>
	<p>The procedures for obtaining business permits, licenses, registration and construction permits are obscure, not evenly applied and a source of uncertainty and cost to the business community</p>	<p>Carry out a review to determine the extent of different treatment of businesses across the districts. Develop action plan to make treatment consistent in the whole city (also in A above)</p> <p>Set service standards for services provided to the business community</p> <p>Establish a front-office with a one-stop-shop for businesses to apply for all necessary permits, licenses and carry out registration (also in A above)</p> <p>Set up a system for businesses to apply for permits and carry out registration electronically (also in A above)</p>

**PROGRAM ACTION MATRIX FOR THE SOFIA CITY STRATEGY**  
 BASED ON VIEWS AND RECOMMENDATIONS OF CITIZENS AND STAKEHOLDERS  
 GATHERED DURING THE CONSULTATIONS

<b>Goals</b>	<b>Diagnosis</b>	<b>Action</b>
<b>1</b>	<b>2</b>	<b>3</b>
	Reduce the time and effort needed for the public to obtain birth and marriage certificates and other documentation	Allow the public to apply for standard documents (certificates, etc) electronically  Set services standards for services provided to the public, e.g. a fixed response time for replying to letters or issuing birth certificates.
<b>III. THE URBAN STRUCTURE.</b> Provide a framework for the city’s future urban structure to help residents and businesses maximize on economic opportunities.		
Ensure that the Master Plan creates a balanced spatial structure to enhance sustainable opportunities	The Master Plan has reached an important milestone in its development. The following three priorities would be critical to its implementation: (i) utilize the regenerative potential of existing urban structure; (ii) establish a cost-efficient framework for the phasing of infrastructure investment (iii) establish a democratic development process that adapts to changing needs of city residents and the local economy through public consultations.	Presentation of “Blueprint for the Master Plan” should be followed by broad consultative and review process.
		Develop zoning (land use & density) maps specifying residential, administrative & retail, industrial and mixed uses; develop an inventory of state and municipal property as well as a digital cadastre of underground facilities and engineering communications.
		Continue to support the development of a Cadastre based on a unified information system (map and digital) to improve the functioning of the real estate markets; establish relationships with the Cadastre Agency and other specialized agencies
		Ensure that development in the Master Plan is in accordance with possible levels of investments in infrastructure and services determined by city’s financial realities
		Ensure that the Master Plan supports the regeneration potential of urban infrastructure already in place.



<b>PROGRAM ACTION MATRIX FOR THE SOFIA CITY STRATEGY</b> BASED ON VIEWS AND RECOMMENDATIONS OF CITIZENS AND STAKEHOLDERS GATHERED DURING THE CONSULTATIONS		
Goals	Diagnosis	Action
1	2	3
		<p>Establish a monitoring system (on real estate prices, office &amp; retail demand, etc.) to ensure market-sensitive development and adjustment of the Master Plan and follow-up detailed urban plans.</p> <p>Ensure adequate public consultation in the refinement of Sofia's draft Master Plan; establish sustainable mechanisms for ongoing consultative and review process by Sofia's residents and business community.</p>
Sustain the vitality of the city center	Sofia's city center has sustained a cluster of administrative, retail and service functions. While public spaces continue to attract residents and tourists alike, their redevelopment is constrained by the lack of resources and fragmented land ownership.	<p>Allow flexible use of land including mixed-use development; promote adequate parking in the city center (also see above II.a)</p>
		<p>Create pedestrian zones along Graf Ignatiev St. between Maria Luisa Blvd and Zenski Pazar, and a zone along Exzarh Yossif St between Maria Luisa Blvd and Zenski Pazar</p>
		<p>Preserve and capitalize on the value of the historical heritage through: i) Propose the nomination of Sofia's historic center in the 'World Heritage' list; ii) develop a program for cultural tourism and encourage investments in tourist infrastructure; iii) consider alternative ways to mobilize funds for the preservation of the historical heritage.</p>
Regenerate existing secondary centers providing employment & retail opportunities	Sofia's urban structure has a disproportionately high share of industrial land as well as a large number of secondary centers that need to be recycled in accordance with demand for retail and employment.	<p>Intensify the development of employment nodes around the main rail termini and along well served transport corridors</p>
		<p>Protect employment land of strategic importance for high-tech, high growth industries and services</p>
		<p>Develop a strategy for the regeneration of old industrial areas</p>



**PROGRAM ACTION MATRIX FOR THE SOFIA CITY STRATEGY**  
 BASED ON VIEWS AND RECOMMENDATIONS OF CITIZENS AND STAKEHOLDERS  
 GATHERED DURING THE CONSULTATIONS

<b>Goals</b>	<b>Diagnosis</b>	<b>Action</b>
<b>1</b>	<b>2</b>	<b>3</b>
		Ensure a steady supply of low-cost business and office space in appropriate locations in response to market needs
Improve quality of life in existing housing areas	Majority of residents live in high-density panel housing. Built by state enterprises and allocated in accordance with socialist principles, it has lower quality. Limited social services, fewer employment opportunities and longer commuting patterns compromise on the quality of life.	Encourage mixed land use in existing neighborhoods and peripheral housing estates; promote provision of small scale services and retail through infill development; create urban planning opportunities and legal prerequisites for the solution of parking problems in residential areas using residents' funds.
		Carry out an assessment of residential area conditions, determine priority actions, establish an advisory centers to facilitate private involvement in rehabilitation measures
		Support the creation of housing associations and the introduction of financial programs for rehabilitation of multifamily housing
		Examine and remove regulatory constraints to speed up and facilitate approval of housing projects. Examine ways to amend laws and regulations to support the renewal and maintenance of existing buildings
		Decrease taxes on real estate transactions; explore better possibilities to use concessions of municipal property
		Explore options to increase the supply of affordable housing for rent through public/private partnerships; establish guidelines for the management and maintenances of municipal housing.
		Remove regulatory constraints to ensure timely approval and construction of housing projects
Promote a sustainable environment	Outdated industrial technologies, increased levels of transport, insufficient or poorly maintained infrastructure and lack or inconsistent environmental policies have resulted in poor air quality, water pollution, excessive noise levels and degradation of green areas.	Preserve and develop the green system of Sofia through: i) develop action plans to mobilize local communities in maintenance of neighborhood space and public areas; ii) introduce effective planning measures to preserve designated green areas; iii) speed up the approval of the management plan for Vitosha natural park.



<b>PROGRAM ACTION MATRIX FOR THE SOFIA CITY STRATEGY</b> BASED ON VIEWS AND RECOMMENDATIONS OF CITIZENS AND STAKEHOLDERS GATHERED DURING THE CONSULTATIONS		
Goals	Diagnosis	Action
1	2	3
		<p>Promote alternative transportation; create bicycle paths among residential complexes; start connecting Mladost with Borisovata Gradina</p> <p>Develop program to expand recycling and composting</p> <p>Develop long-term solid waste management strategy; establish procedures for the selection of sites for solid and other types of waste; ensure support from international financial institutions for solid waste depot.</p> <p>Develop proposals to stimulate investments in tourist infrastructure capitalizing on mineral water use, cultural heritage, and natural resources; lobby for changes in the existing legislation on mineral water resources</p> <p>Address pollution and environmental health problems in Kremikovci and other industrial areas.</p> <p>Ensure financial support for the city's ecological program</p>
<b>IV. CITY FINANCES.</b> Improve the framework governing the city's finances to support the administration's duties and strengthen their financial independence.		
City Finances: Enable the city to do reliable financial forecasts and planning by establishing a stable and predictable system of inter-governmental fiscal relations	The city has no control over the significant part of its revenues that come from the central government capital and current expenditure grants	<p>Negotiate a long-term agreement on the amounts in the capital and current expenditure grants with central government</p> <p>Incorporate the methodology for the grants in the Municipal Budgets Act rather than in the Annual Budget Acts</p>
	The city has no control over almost all the fees and prices for the services delivered as they are determined by central government. This leads to a mismatch between expenditures for services provided and revenues received. The Constitution states that laws must set fees and taxes and Parliament from time to time approves changes; but the ranges set are narrow and quickly outdated.	<p>Negotiate a long-term agreement with central government to develop a framework within which Sofia would be able to determine its fees and taxes in a manner that reflects and corresponds to local needs. Work with the central government to identify legal obstacles and suitable amendments in legal and regulatory provisions.</p>



**PROGRAM ACTION MATRIX FOR THE SOFIA CITY STRATEGY**  
 BASED ON VIEWS AND RECOMMENDATIONS OF CITIZENS AND STAKEHOLDERS  
 GATHERED DURING THE CONSULTATIONS

Goals	Diagnosis	Action
1	2	3
	The city has no control over about 80% of its expenditures as the city carries out functions assigned and sometimes managed by the central line ministries.	Negotiate a mutually acceptable level of flexibility with central government allowing Sofia to revise the expenditure priorities
		Review and clarify expenditure mandates between central government, the city and the districts
	Other municipalities have benefited from pilot projects introducing delegated budgets for schools leading to savings and improved management	Introduce delegated budgets in education on a pilot basis
	Infrastructure investment needs exceeding the financial capabilities of the municipality. Capital investment restrictions in place.	Negotiate a medium term investment program with central government to replace the ad-hoc exemptions from the capital investment restrictions
<b>V. THE CITY ADMINISTRATION'S ORGANIZATION AND GOVERNANCE</b> Improve the organization and internal capacity of the municipality, especially with respect to their relations with citizens.		
Improved organization of the municipal administration	Sofia has as many as 24 districts, with limited powers delegated to district administrations	Consider reducing the numbers of districts and examine what powers can be delegated to them
	The impact of actions taken and policies pursued is often not monitored or assessed	Establish an independent unit in the municipality for monitoring and evaluation of actions, policies and service standards reporting to the mayor and/or city council
	Access to internal information should be improved. Today, a partial information system and intranet system is in place.	Improve access to information within the municipality and among the 24 rayons: (i) develop operational information system that is regularly updated and reliable; (ii) develop operational network system covering Sofia great municipality and the 24 rayons.
		Further develop inter-agency system for informational exchange: submit proposals for development of accessible pools of information and channels for electronic informational exchange to line ministries and agencies.
	Benefit from others' experience	Cooperate closely with NGOs that may provide technical expertise, national and international best practice experience



<b>PROGRAM ACTION MATRIX FOR THE SOFIA CITY STRATEGY</b> BASED ON VIEWS AND RECOMMENDATIONS OF CITIZENS AND STAKEHOLDERS GATHERED DURING THE CONSULTATIONS		
Goals	Diagnosis	Action
1	2	3
Enhanced internal efficiency for the municipal administration	Poor systems in place for selecting, motivating and developing staff	Carry out review of units and positions in current organization. Develop proposals for changes as needed to meet future demands.
		Ensure all positions have job descriptions and a clear understanding of the duties and obligations associated with the respective position.
		Carry out a review of current skills and the future skills needed; develop a training and recruitment strategy to match the future demands with skills in the organization
		Review the current benefits for staff and draw up a strategy future compensation and incentives for staff
		Introduce performance assessment and evaluation mechanism including reverse employee-management feedback
		Promote exchanges with other cities that have developed good practices in city management and control
Improved communications with and response to citizens from the municipality	<p>The administrative units of the city administration should be more service oriented. Today the system for citizens' complaints is slow and inefficient</p> <p>There are no established channels for two-way communication between citizens and the municipal administration</p>	Streamline the procedures for dealing with citizens' complaints and monitor their processing. Introduce harmonized municipal forms, letterheads,
		Set up an information office through which the citizens and municipalities can communicate
		Open discussions of the various committees of the Municipal Council for a community/citizens' representative.
		Organize regular public meetings/hearings/briefing sessions, encourage citizens to express views, and obligate public officials to answer them;
		Develop a set of service standards with maximum time allowed to provide various administrative services; and a corresponding system of sanctions in case standards are not met



**PROGRAM ACTION MATRIX FOR THE SOFIA CITY STRATEGY**  
 BASED ON VIEWS AND RECOMMENDATIONS OF CITIZENS AND STAKEHOLDERS  
 GATHERED DURING THE CONSULTATIONS

<b>Goals</b>	<b>Diagnosis</b>	<b>Action</b>
<b>1</b>	<b>2</b>	<b>3</b>
		Use traditional local social structures to monitor municipal service delivery and file actionable complaints with higher levels if needed.  Develop a unified information system for citizens including: <ul style="list-style-type: none"> <li>• Database -cadastre, ownership, taxes</li> <li>• Forms for municipal services</li> <li>• Service standards and fees</li> </ul> Technological service maps



**Annex 1: Municipal Budget ('000 BGN)**

	1998	1999	2000	2001	2002 (planned)
<b>TOTAL REVENUE</b>	<b>344,199</b>	<b>404,746</b>	<b>436,083</b>	<b>397,703</b>	<b>378,758</b>
<b>1. TAX REVENUE</b>	<b>224,886</b>	<b>259,833</b>	<b>292,979</b>	<b>400,690</b>	<b>382,411</b>
Income Tax	133,234	150,052	165,857	186,561	197,997
Tax on Profit	3,888	4,786	4,817	2,484	2,240
Tax for Municipalities	62,368	76,918	88,700	177,385	129,012
Tax on Dividends & Income	117	571	827	705	800
Property Taxes	23,865	25,616	30,328	31,102	49,979
Excises	8	-	-	-	-
Insurance Premiums Tax	49	54	120	100	110
Other taxes, according to Corporate Income Tax Law	-	1,743	2,280	2,314	2,223
Other Taxes	1,356	92	50	39	50
<b>2. NON-TAX REVENUE</b>	<b>34,930</b>	<b>49,630</b>	<b>63,681</b>	<b>71,642</b>	<b>106,762</b>
Revenue & Property Income	6,294	13,536	20,226	18,300	23,903
Municipal Taxes	21,216	22,727	31,281	45,060	67,015
Fines and Forfeits	2,470	8,155	6,064	5,090	6,600
Other Non-tax Revenue	230	1,109	2,300	(43)	1,737
Rev. from Sales of Mun. Prop.	4,715	4,100	3,807	3,232	7,502
Benefits	4	3	3	3	6
<b>3. INTERGOVERNMENTAL TRANSFERS</b>	<b>80,028</b>	<b>56,638</b>	<b>18,584</b>	<b>(5,897)</b>	<b>(100,779)</b>
<b>4. TRANSFERS TO/FROM EXTRABUDGETARY ACCOUNTS</b>	<b>-</b>	<b>199</b>	<b>-</b>	<b>8,134</b>	<b>621</b>
<b>5. LOAN REVENUE</b>	<b>(185)</b>	<b>(10)</b>	<b>-</b>	<b>230</b>	<b>-</b>
<b>6. DEFICIT FINANCING</b>	<b>10,668</b>	<b>39,295</b>	<b>60,839</b>	<b>(77,095)</b>	<b>(10,256)</b>
<b>7. REMAINING BUDGET SURPLUS/DEFICIT</b>	<b>(6,128)</b>	<b>(839)</b>	<b>-</b>	<b>-</b>	<b>-</b>



	1998	1999	2000	2001	2002 (planned)
<b>TOTAL EXPENDITURE</b>	<b>344,199</b>	<b>404,746</b>	<b>436,083</b>	<b>397,703</b>	<b>378,758</b>
Municipal Councils	649	519	380	214	300
Executive & Ordering Bodies	11,960	13,532	15,078	16,061	16,159
Defense and Safety	1,961	3,008	4,642	5,503	5,572
Education	73,660	82,149	97,741	109,251	107,419
Health Services	70,467	72,048	63,042	43,583	40,252
Social Cares	11,322	13,009	15,677	25,409	16,923
Urban Transport					
Discounted Cards	42,482	53,536	54,600	52,600	46,744
Housing, construction, infrastructure	39,750	49,715	60,826	69,607	74,816
Social Recreation	55	70	93	72	99
Physical Culture & Sport	445	309	576	716	509
Tourism	3	24	40	61	61
Culture	7,823	9,385	8,511	7,684	7,404
Land-dividing Commissions	284	339	359	389	345
Other Agricultural Activities	90	79	48	45	50
Road Repair	3,426	9,315	11,629	10,902	9,500
Other Economic Activities	1,115	2,232	2,894	2,608	2,196
Capital Expenditures	77,622	95,467	90,414	36,382	30,356
Interests on Loans	1,086	10	9,533	9,516	10,754
Other Expenditures	-	-	-	7,100	9,300
<b>EXPENDITURE BY KIND</b>	<b>344,199</b>	<b>404,746</b>	<b>436,083</b>	<b>397,703</b>	<b>378,758</b>
Wages and Salaries	64,300	69,207	64,100	65,900	68,725
State and Social					
Insurance Contributions	24,700	26,755	20,800	19,300	19,040
Maintenance	273,700	308,784	351,200	296,900	290,994
<i>Source: Municipality of Sofia.</i>					



**Annex 2: Basic Economic Indicators on Municipal Enterprises, 1999**

FIRMS	TOTAL REVENUE BG N°000	TOTAL EXPEND BG N°000	BALANCE		Acc. Receivables			Acc. payables			AV. # EMPLOYEES	AV. MOSALARY BG N°
			PROFIT BG N°000	LOSS BGN°000	TOTAL BG N°000	LONGTERM BG N°000	SHORTTERM BG N°000	TOTAL BGN°000	LONGTERM BG N°000	SHORTTERM BG N°000		
<b>MUNICIPAL ECONOMY- TOTAL</b>	<b>262,934</b>	<b>254,163</b>	<b>5,706</b>	<b>(564)</b>	<b>37,452</b>	<b>0</b>	<b>37,452</b>	<b>49,770</b>	<b>4,586</b>	<b>45,184</b>	<b>14,900</b>	<b>292</b>
1 Sofinvest EOOD	2,759	2,702	41	0	116	0	116	621	13	608	166	460
2 MDZ Balsha EAD	3,483	3,367	75	0	667	0	667	432	0	432	199	437
4 Ozelenjavane EAD	2,230	2,196	26	0	188	0	188	673	0	673	394	156
5 Patishta i Saorazenjia EAD	12,458	11,408	643	0	788	0	787	2,918	0	2,918	406	305
6 Metropolitan EAD	4,734	4,791	0	(57)	2,653	0	2,653	278	0	278	518	269
7 OF Universitetski Stroitel	110	158	0	(48)	10	0	10	115	0	115	30	122
9 BKS Tzentar EAD	4,829	4,815	10	0	657	0	657	1,014	0	1,014	250	321
10 Stroikoms Poduene EOOD	229	228	1	0	23	0	23	22	0	22	18	218
11 BKS Lozenetz EAD	641	637	3	0	70	0	70	75	0	75	46	192
12 BKS Zapad EAD	1,339	1,330	6	0	181	0	181	210	0	210	101	292
13 BKS Nadezda EAD	2,012	2,001	5	0	347	0	347	361	0	361	84	284
14 Iris 2000 EAD	207	188	13	0	9	0	9	32	0	32	17	176
15 BKS Bankja EOOD	248	247	1	0	1	0	1	9	0	9	30	192
16 SKGT Holding EAD	9,565	7,924	1,064	0	7,592	0	7,592	8,711	639	8,072	581	303
17 SKGT Avtotransport AD	67,327	66,661	360	0	8,220	0	8,220	13,056	42	13,014	3,287	338
18 SKGT Elektro- transport AD	42,420	42,245	86	0	2,736	0	2,736	3,371	42	3,329	2,381	340



FIRMS	TOTAL REVENUE BG N°000	TOTAL EXPEND BG N°000	BALANCE		Acc. Receivables			Acc. payables			AV. # EMPLOYEES	AV. MOSALARY BG N°
			PROFIT BGN°000	LOSS BG N°000	TOTAL BG N°000	LONGTERM BG N°000	SHORTTERM BG N°000	TOTAL BG N°000	LONGTERM BG N°000	SHORTTERM BG N°000		
<b>MUNICIPAL ECONOMY- TOTAL</b>	<b>262,934</b>	<b>254,163</b>	<b>5,706</b>	<b>(564)</b>	<b>37,452</b>	<b>0</b>	<b>37,452</b>	<b>49,770</b>	<b>4,586</b>	<b>45,184</b>	<b>14,900</b>	<b>292</b>
19 SKGT Avtoremont EAD	3,853	3,802	30	0	257	0	257	691	0	691	316	262
20 SKGT Tramkar EAD	7,351	6,895	298	0	665	0	665	1,370	0	1,370	438	347
21 SKGT Transre- montstroj EAD	2,553	2,246	202	0	172	0	172	103	0	103	103	363
22 Softaxi EAD	522	558	0	(42)	24	0	24	140	0	140	174	97
23 Vazeni Liniji EAD	554	664	0	(110)	5	0	5	121	80	41	54	231
24 VIK EAD	39,527	39,283	152	0	7,631	0	7,631	5,321	1,942	3,379	1,833	308
25 Patna Signalizacija EODD	11,372	11,302	43	0	550	0	550	666	0	666	293	285
26 Parkingi i Garazi EAD	2,465	1,711	499	0	200	0	200	940	547	393	100	225
27 Trauren Obreden Dom EOOD	2,827	2,551	270	0	375	0	374	483	60	423	177	240
28 Tchistota Iskar EODD	1,587	1,438	98	0	277	0	277	362	0	362	113	260
29 OF Metroproekt	187	186	1	0	0	0	0	73	0	73	27	259
30 Geosofpro EOOD	66	55	11	0	0	0	0	5	0	5	9	74
31 Gis Sofia EOOD	4	23	0	(19)	0	0	0	37	0	37	24	250
32 Sofiiski Imoti EAD	11,539	10,150	797	0	1,134	0	1,134	2,575	619	1,956	68	578
33 Utchenitcheski Stolove EOOD	706	718	0	(13)	77	0	77	147	0	147	61	97
34 Izdatelstvo Sofia EODD	196	194	2	0	0	0	0	0	0	0	1	83
35 Egida EAD	6,046	5,698	262	0	1,039	0	1,039	2,192	589	1,603	966	248
36 Sofinform EOOD	240	231	7	0	15	0	15	26	0	26	27	259
37 Sredetz OOD	1,260	1,162	63	0	9	0	9	99	0	99	107	358
38 Fina Mehanika EAD	274	261	9	0	8	0	8	20	0	20	19	298



FIRMS	TOTAL REVENUE BGN'000	TOTAL EXPEND BGN'000	BALANCE		Acc. Receivables			Acc. payables			AV. # EMPLOYEES	AV. MOSALARY BGN'
			PROFIT BGN'000	LOSS BGN'000	TOTAL BGN'000	LONGTERM BGN'000	SHORTTERM BGN'000	TOTAL BGN'000	LONGTERM BGN'000	SHORTTERM BGN'000		
<b>MUNICIPAL ECONOMY- TOTAL</b>	<b>262,934</b>	<b>254,163</b>	<b>5,706</b>	<b>(564)</b>	<b>37,452</b>	<b>0</b>	<b>37,452</b>	<b>49,770</b>	<b>4,586</b>	<b>45,184</b>	<b>14,900</b>	<b>292</b>
39 Uniordent EAD	850	938	0	(88)	3	0	3	20	0	20	72	170
41 Shevro EAD	938	907	21	0	55	0	55	214	0	214	89	228
42 Progres EAD	796	883	0	(87)	25	0	25	236	0	236	59	121
43 Lozana EAD	594	617	0	(23)	32	0	32	310	0	310	437	45
46 Chlebni Izdelija Knjazevo EAD	3,421	3,416	3	0	183	0	183	148	0	148	154	307
48 Slatina Bulgarplod EAD	2,761	2,760	1	0	133	0	133	185	0	185	142	197
50 Oborishte EOOD	330	328	2	0	18	0	18	7	0	7	85	140
51 Krasna Poljana EOOD	326	332	0	(8)	54	0	54	22	0	22	26	163
52 Kan OOD	574	572	1	0	2	0	2	16	0	16	26	77
53 OF Bukata	13	16	0	(3)	7	0	7	8	0	8	6	111
54 Pazari Mladost EAD	828	663	110	0	11	0	11	204	13	191	80	428
55 Studentski Pazar EAD	28	23	4	0	3	0	3	22	0	22	9	320
56 Pazari Vazrazdane EAD	1,949	1,503	148	0	38	0	38	63	0	63	117	280
57 Pazari Neven EAD	21	25	0	(4)	1	0	1	42	0	42	13	172
58 Pazari Slatina EAD	517	221	191	0	12	0	12	46	0	46	23	163
59 Pazari Oborishte EAD	295	106	124	0	52	0	52	201	0	201	35	221
60 Pazari Temenuga EAD	756	567	9	0	102	0	102	474	0	474	21	270
61 Pazari Vitosha EAD	30	46	0	(16)	13	0	13	141	0	141	18	487
62 Pazari Perunika EAD	126	172	0	(46)	13	0	13	106	0	106	58	338
63 Pazari Ljulin EAD	61	42	14	0	0	0	0	36	0	36	12	201
64 Toplofikatchija Sofia EAD	241,343	244,853	0	(3,510)	79,683	0	79,683	48,643	0	48,643	2,508	424



## LIST OF WEBSITES

Bulgarian Academy of Sciences: [www.acad.bg](http://www.acad.bg)

Bulgarian National Bank: [www.bnb.bg](http://www.bnb.bg)

Bulgarian National Television: [www.bnt.bg](http://www.bnt.bg)

Bulgarian Posts: [www.bgpost.bg](http://www.bgpost.bg)

Bulgarian Stock Exchange: [www.bse-sofia.bg](http://www.bse-sofia.bg)

Cities Alliance: <http://www.citiesalliance.org/citiesalliancehomepage.nsf>

General tourist information, tourism: [www.sofia.com](http://www.sofia.com)

Foreign Investment Agency of Bulgaria: [www.bfia.org](http://www.bfia.org)

Government of Republic of Bulgaria: [www.government.bg](http://www.government.bg)

Local Government Initiative (USAID): [www.lgi-bg.org](http://www.lgi-bg.org)

Mountain Rescue Bulgaria: <http://pss.bglink.net>

National Assembly of Republic of Bulgaria: [www.parliament.bg](http://www.parliament.bg)

National Institute of Meteorology and Hydrology: <http://weather.meteo.bg>

Ombudsman of Sofia: [www.csd.bg](http://www.csd.bg)

President of Republic of Bulgaria: [www.president.bg](http://www.president.bg)

Privatization Agency Bulgaria: [www.priv.government.bg](http://www.priv.government.bg)

Sofia City Council: <http://scc.sofia.bg>

Sofia Commodity Exchange: [www.online.bg/sce](http://www.online.bg/sce)

Sofia Municipality: [www.sofia.bg](http://www.sofia.bg)



## **CONTACT THE CITY ADMINISTRATION**

**Ms. Victoria Damyanova**  
Head of Foreign Investment Projects  
Department  
Sofia Municipality  
33, Moskovska Str.  
1000 Sofia, Bulgaria  
**telephone: +359 2 988 5132**  
**E-mail: [vdamyanova@sofia.bg](mailto:vdamyanova@sofia.bg)**

Prepress, design and printing Tip-Top Press Ltd.  
Printed in Bulgaria  
**ISBN 954-8964-48-1**