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# **HUMAN RESOURCES IN REGIONAL ADMINISTRATION - FINANCIAL, MANAGEMENT AND ORGANIZATIONAL ASPECTS<sup>1</sup>**

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**Abstract:** Public administration supports the activities of the state authorities by ensuring the actual functioning of the state administration. It regulates the relations between the citizens and the state institutions and local institutions, administers their rights and obligations, as well as the ways they are implemented. Regional administration is an important part of the public administration. It assists the district governor to carry out the state governance and ensure consistency between national and local interests in conducting regional policies and achieving the strategic goals and priorities of the government programme. Modern understanding of the theory of quality of human capital involved in public administration highlights the key importance of this factor at national level. Global changes related to the adaptation of the Bulgarian administration to the European one have put an even greater emphasis on integration, capacity increase, career opportunities, optimizing the costs and improving human resources management in the state administration.

**Key words:** regional administration, human resources, management policy, programme budget, quality of human capital.

**JEL:** G28, H83, Q18, R58.

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## Introduction

Since the establishment of the state life of the citizens has been inextricably linked to the public administration, which regulates their relations with the state and local institutions, administers their rights and obligations, as well as the ways of their implementation. This determines the complexity of defining the concept of "public administration", which is laden with ambiguous significance.

Public administration supports the activities of the state bodies, thus ensuring the effective functioning of the state government. According to the competencies and activities that are carried out by the public administration in order to exercise the powers of the relevant government body, public administration can be general and specialized. The positions of officials in the administration can be: managerial, expert or technical (Milinov, 2015, p. 14).

Regional administration is part of the public administration. It assists the regional governor, as a sole executive authority in the district to carry out state governance and ensure consistency between national and local interests in conducting the regional policy and achieving the strategic goals and priorities of the government programme. The functions, organizational structure and its composition shall be determined by the Rules of Procedure adopted by the Council of Ministers and the regional governor shall submit an annual report on the activity of the regional administration (Milinov, 2015, pp. 13-18).

The territorial division and boundaries of administrative centres in the Republic of Bulgaria (districts and municipalities included in them) have been approved by Decree No. 1 of 05.01.1999 of the President of the Republic of Bulgaria (prom., SG, No. 2 of 08.01.1999). There are seven municipalities in the administrative and territorial boundaries of the district, where effective management of human resources has been examined.

In the studied period, between 2009 and 2017, the activities of employees in the regional administration<sup>4</sup> have been determined and regulated by the following normative documents:

### **1. General legislation for administration:**

- Administration Act (AA)
- Law on the State Budget of the Republic of Bulgaria
- Spatial Development Act (SDA)
- Law on the Administrative and Territorial Structure of the Republic of Bulgaria (LATS RB)

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<sup>4</sup> Note. The paper examines the financial management of human resources in the District of Kardzhali.

- Public Procurement Act (PPA) and Regulations in this field
- Concessions Act (CA)
- 2. Acts regulating the activities of regional administration:**
  - State Property Act (SPA)
  - Rules for Implementation of the SPA
  - Structure Rules of the Regional Administrations (SRRA), etc.

By Decree of the Council of Ministers No 215 / 12.10.2005 (promulgated in State Gazette, issue 83 of 18.10.2005) and subsequent amendment to the SRRA (State Gazette No. 5/2010, in force as of 19.01.2010) district governors are designated as secondary budget authorizing officers at the Council of Ministers.

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## I.

Each organization has **four main types of resources - human, financial, material and information resources**. These are the most important resources for organizational systems and, by means of management functions, they have been used in the most effective way to achieve certain goals of the organization.

The modern understanding of the half-a-century-old theory of quality of the human capital highlights the key importance of this factor at a national level. That is why, in recent years, researchers have paid more attention to issues related to human resources. Attracting talented people from all regions and continents has already been included in the priorities of the European Higher Education Area to guarantee workforce creating added value. Nowadays, human resources can be defined not only as an important factor, but also as a decisive one for the development of the national economy (Zahariev, 2012, p. 11).

Any approach to understanding human capital would also involve the specific significance of national human resources for achieving economic growth, which determines the importance of investing not only in the physical capital but also in the formation of human capital. What is more, human capital potential actually means potential economic growth as well. On this basis, it is clear why the modern modification of the standard production function of Cob Douglas has the type (Zahariev, 2012, pp. 55-56):

$$Y = \alpha K^{\alpha} L^{\beta} H^{\gamma},$$

where:

Y is the national income;  
A – the parameter for advances in technology;  
K – the capital;  
L – labour;  
H – the term for human factor / capital;  
a,b,g– constants.

The value of term H includes widened and advanced knowledge, skills, health, better organization and management, i.e. all the components that make up human capital. In particular, if one of the factors is improved or all three together are improved, it is possible to achieve a marked increase in the resultant value - national income (Zahariev, 2012, p. 57).

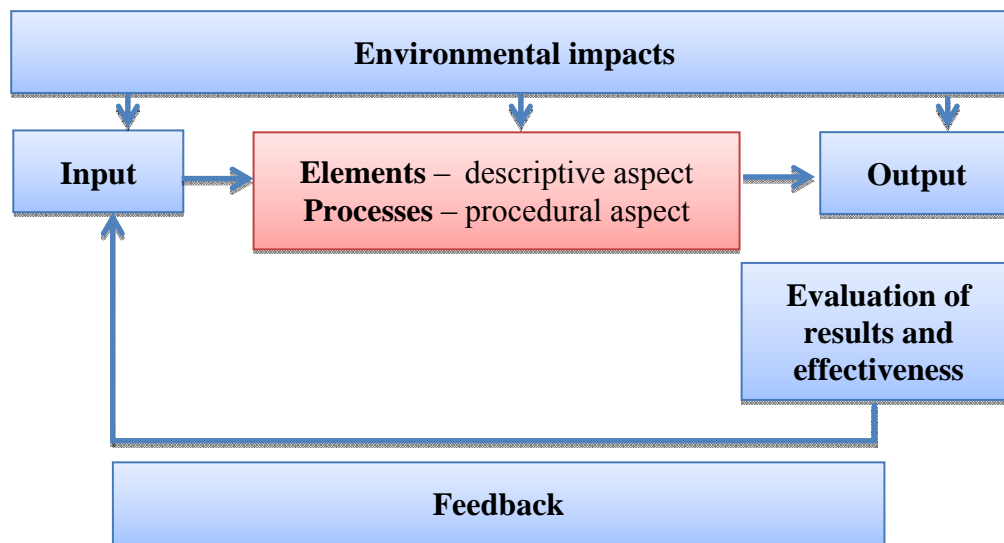
The overall global changes of the late 20th century and early 21st century predetermine new directions in the development of administrative knowledge and practices in order to use and implement them in solving major problems of individuals and the society as a whole. In this sense, Torrington (1989) is very precise in the assertion that "staff management is formed at the expense of assimilation of some additional aspects that form and complement the constantly evolving set of expertise. Human Resource Management (HRM) is not a revolutionary discovery; the proposed model is just another aspect of the multifaceted role of financial management." The new challenges of the 21st century also impose new dimensions of human resource management. Forthcoming global changes, associated with adaptation activities of the Bulgarian administration with the European one, imply the necessity of going through a long and complex integration process, suggest more opportunities for career development and improving human resources management in the state administration. The human resources management system covers all the activities that have to take place within its framework, the relations between them, their interaction with the environment and their way of functioning, in order to realize the objectives of the organization. This concept has been schematically represented in Figure 1 (Shopov & Atanasova, 1998, p. 25).

As a result of the above mentioned challenges, the question of effective management of human resources in public administration acquires particular relevance and practical application value.

The global crisis links the issue of human resources management with ensuring savings in the administrative system and maintaining the administrative structures without affecting the quality of their activities.

Invariably, every new government comes up with solutions aimed at creating conditions for increasing the efficiency of budget planning and spending of budget funds. Furthermore, measures, plans and programmes

Figure 1. Human Resources Management System



been taken and made only in theory, as well as other legislative measures for administrative reforms have been made, whose adoption would reduce administrative costs. That is why, in the midst of the financial and economic crisis, the Council of Ministers adopted Decree No 156 of 17 June 2009 on limiting non-interest expenditures for 2009 in the budget enterprises. It was announced that the approved measures were in accordance with the buffers set in the Law on State Budget of the Republic of Bulgaria for 2009, which would allow timely response to the worsened international environment and make it possible to achieve flexibility in the implementation of the budget. The aim was stabilizing the fiscal position in the conditions of global financial and economic crisis and realizing the priority benefits. The reforms have been stalling for years. Together with the positive changes that have been made, corrupt practices were widespread, which in itself speaks of a partial implementation of *the four main objectives of the administrative reform and it had to be finalized in 2013. The example that can be given is the e-government, which has become a common name for a failed administrative reform.* The lack of well trained staff and specialists, the underestimation of the European education and training programme, such as Lifelong Learning, carried out by the Centre for Human Resources Development in Public Administration in general, are a proof that there are serious gaps in Bulgaria in the field of strategic planning of public administration training.

Human resources development in the regional administration predetermines the effective absorption of the EU funds. In fact, since our accession to the EU in 2007, the Ministry of Finance has annually announced

information campaign on the opportunities for access to EU funding. As money has belonged to the European taxpayers, and since our accession, to the Bulgarian taxpayers as well, the principles that should be followed when these procedures are conducted are set out in the regulations and EU directives.

It has already become a vicious practice, funds from the Human Resources Development Operational Programme (HRD OP) to have been redistributed in the latest deadlines, to avoid the risk of losing European funds within the relevant programme period. For example, only in May 2013, BGN 41.5 million from EU funds, which were saved from finalized and suspended projects, were transferred to other projects, so that they would not be lost.

During the programme period of HRD OP, which began in 2014, the question of how the EU subsidies for human resources are distributed, is again raised. The budget of this programme is EUR 895 million, or nearly BGN 2, 036 billion, with national co-financing included. This resource is 20% more than the previous programming period. Over 60% of the total program budget is set aside for employment policies, 30% is for social inclusion and 4% for modernizing labour market institutions, social inclusion and health.

By the beginning of December 2014 Bulgaria has sent only three programmes for final approval in Brussels – "Human Resources", "Regions in Growth" and "Competitiveness" and they are the only ones that might eventually have a chance to get approval by the end of the year.

The advance payments on "Human Resources" for the new period amount to 1% of the amount under the contract.

There are a number of centres, institutes and non-governmental organizations that deal with the human resource management problem, but overall, the lack of a National Human Resources Strategy shows unawareness of the need to achieve purposefulness, consistency, active policy of succession and efficient use of resources in organizations in future. In recent years, huge resources have been spent on developing instruments for attestation of civil servants. Again, due to "lack of administrative capacity", the attestation of the civil service has been conducted formally, as a result of which low activity and irresponsibility have been stimulated in the clerkship.

What is required is that regional administrations have a clear modern vision for development, defined in their Statements of Revenue and Expenditure, which should result in a clear planning process and the pursuit of government goals. However, for the period under review, this was not taken to its full comprehension and understanding by all representatives of the administration. Although to a lesser extent, this fact affects the overall strategic planning process in the regional administration, that has been studied towards supporting the logical link between documents from different hierarchical levels.

Expenditures for the implementation of the main human resources management activities in the regional administration, which are under survey, have been systematized in several ways: costs related to human resources management activities, for example, the costs for advertising vacancies in selection procedures, fees for consultants on job evaluation, etc. There is a possibility for expenses related to the activities of the Human Resources Management Unit to be grouped by key human resource management activities such as job optimization, recruitment, human resource planning, training and development, etc.

Responsibility for human resources management, financial management and cash management is to be taken by the governor. In some cases, the costs for performing key activities in the sphere of human resource management are decomposed into three main groups:

- personnel costs in the human resources management unit;
- costs for services outside the unit;
- material resources costs.

## II.

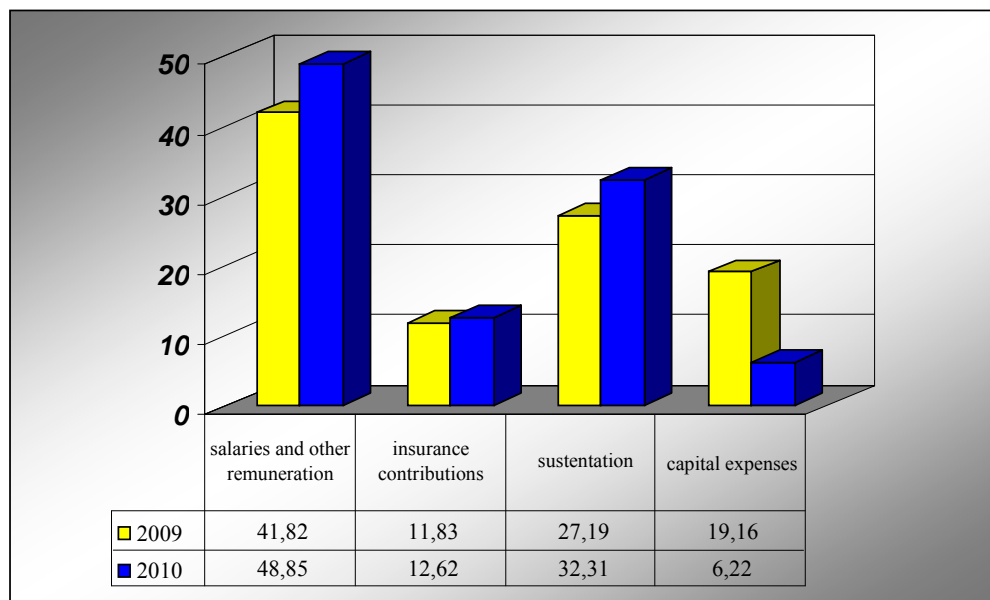
According to reports on the activities in the period 2010-2016, the effectiveness of human resources management in the Kardzhali Regional Administration is going to be examined. We shall start with analyzing human resources management, financial management and cash management in the district as early as mandate 2009-2012 of the governor. It can be stated that, during the entire period, the reported cash expenditure in the budget account of the district administration was up to the amount of expenditure specified in the plan. Sustentation costs averaged 29.9% of all costs, and capital expenditure averaged 20.1%. During the same period wage costs averaged 97.8% of the approved costs in the specified plan. For example, the expenses incurred in 2012 were 99.3%, in comparison to the expenses in the previous year - 2011. Different types of expenditure in the period 2009-2010 also showed a downward trend.

At the close of Budget year 2010, the expenditure did not exceed the approved annual budget, which was mainly due to the strict observance of the budget discipline, the measures taken to achieve savings in different costs indicators, the effective role of the internal financial control which was introduced, the timely reimbursement of expenditures for consumables made by state entities, property users - state-owned properties, etc.

The costs for materials, services, business trips and representative costs were dramatically reduced after the crisis in 2010. All supply and

outsourcing contracts were reviewed and some of them were terminated as inappropriately signed in 2009 (See fig. 2).

*Figure 2. Relative values of reported budget expenditures according to major indicators for 2009 and 2010*



In 2010, there was a 10% increase of the gross salary compared to 2009. The Political Cabinet in 2009 consisted of 5 people and 27 employees, while that of 31.05.2013 was made up of 4 people and 28 employees. That decrease is a result of the increased follow-up control on expenditure, this trend continued to be observed in the period from 2010 to 2013: reduction in sustentation costs in absolute terms by 4.00% on average for the period between 2010 and 2012, reduction in the relative share in the overall costs structure by economic elements from nearly 33.8% (2010) to 33.0% in 2012.

The measures that were taken in 2011, with the aim of optimizing the costs, were reported by the Council of Ministers. After the analysis that was made at the end of the first half-year on cash spending of the budget, in a letter of the Council of Ministers № 02.09-214 / 24.06.2011, it was stated that the regional administration showed good results, which was a criterion for sound financial management when spending budget funds in previous years. The results that were shown, in terms of revenues and expenses generated by the district administration, were included in the budget and the report on its implementation. According to the provided information, the following *conclusions* can be drawn:



- Exceeding of costs has not been reported in different paragraphs;
- A negative tendency has been observed, in relation with some of the types of expenditures, according to the specified plan in 2012 and in comparison with 2011, while with the rest of the types the tendency has remained the same;
- A relatively constant performance, between 98% and 100%, for the period 2009-2012, was reported in relation with costs for wages and salaries for staff hired under labour and service contracts; the costs for mandatory contributions paid by employers; interest costs; subsidies;
- As far as capital expenditure is concerned, the biggest failure has been reported. In 2010, such costs were not reported, but in 2011 they were 69 per cent and in 2012 - only 43 per cent of those specified in the plan; this tendency continued over the next two years.

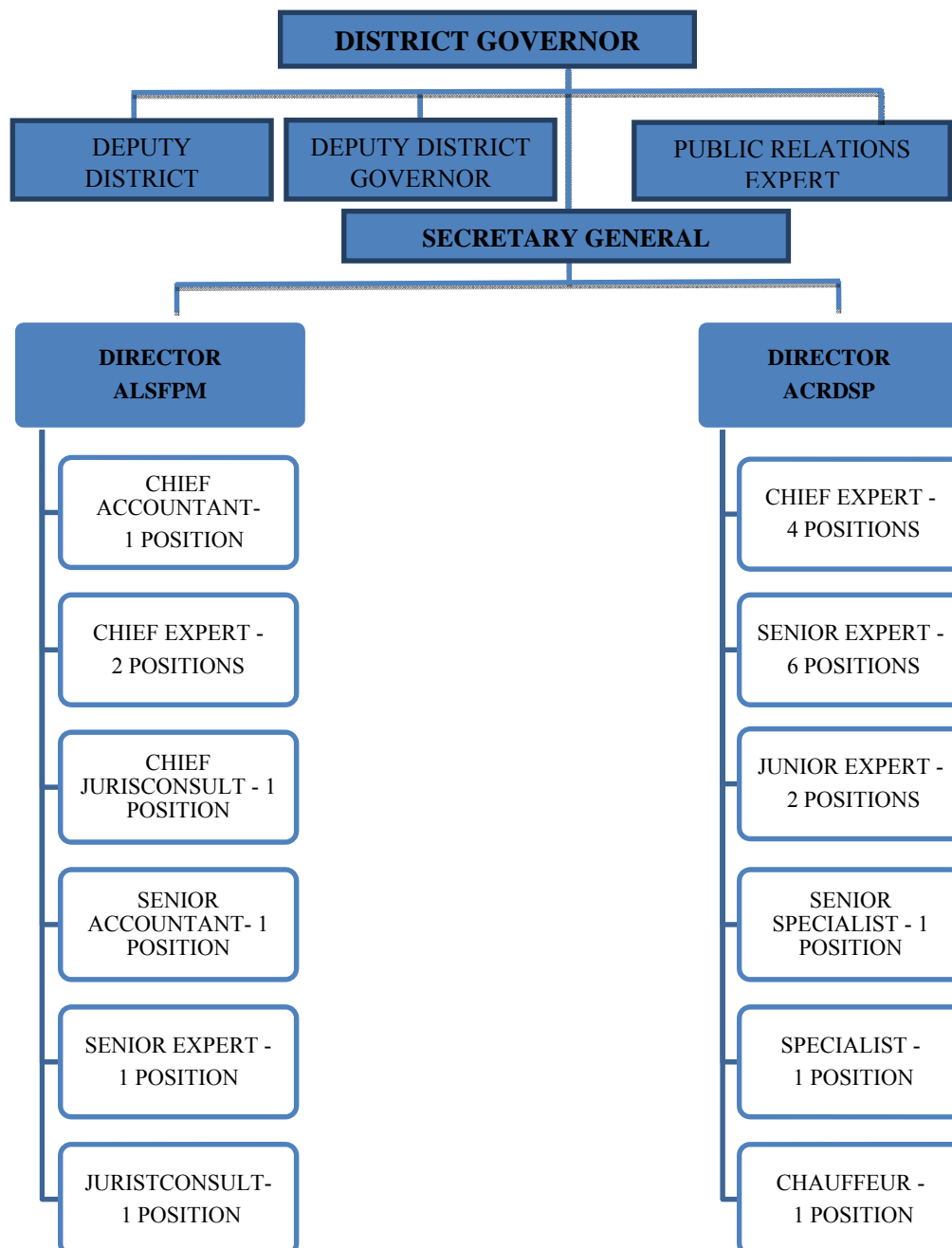
Labour costs for the period under review were about 68.5% of the budget on average. The highest relative share in the structure of expenditures was spent on staff or personnel – salaries and social security contributions, which showed increase both on a planned basis and in the report. This trend cannot be estimated unambiguously, because personnel costs at unchanging numbers (for the period of mandate 2009/2012 - 32 persons) depended mainly on the income policy of the government. By Decree No 171 of 15 August 2013 amending and supplementing the Rules of Procedure of the Council of Ministers and its Administration, adopted by Decree No 229 of the Council of Ministers of 2009 (promulgated in SG, issue 74 of 23 August 2013), the Rules of Procedure of the regional administrations were amended, which led to a reduction in the total number of employees in the regional administration under study, from 32 to 29 positions. In both directorates personnel is reduced respectively: in the Directorate of Administrative control, regional development and state property" to 16 employees and in Directorate of Administrative-legal services, finance and property management to 8 employees. (See fig. 3)

Since July 1<sup>st</sup> 2012 on the basis of changes in the Rules of Procedure of the regional administrations and the adoption of the classifier of the positions in the state administration, the change in the Civil Servants Act and Decree of the Council of Ministers 67 new job requirements and wage levels have been adopted, the retirement class has been removed from the salary of civil servants and the salary is made up of individual basic salary plus additional remuneration for achieved results, which is paid three times in the current year and once in January of the following year. Staff evaluation and percentage upon receipt of DMS have been described in the Ordinance on salaries of civil servants and in the Wage Rules of the administration.

During the period, despite the economic crisis and in conditions of good

financial discipline, a 10% increase in the average wage of employees was achieved. The increase did not include the remuneration of the political cabinet, which remained unchanged. An increase in staff training costs was foreseen.

Figure 3. District administration structure after 2013



In order to create conditions for a modern and efficient administration, that is close to the citizens, projects have been developed to implement an innovative model for good governance and to improve the awareness and capacity of district administration.<sup>5</sup>

The District Administration of Kardzhali has participated in the project **"People in Administration - the Key to European Cooperation"**, which was financed by OP "Administrative Capacity", Priority Axis II "Human Resources Management", sub-priority 2.5. "Transnational and Interregional Cooperation", Budget line BG051PO002 / 10 / 2.5-01 in partnership with the Regional Administrations of Smolyan, Plovdiv, Pazardjik, Haskovo and ESU-Padua of Veneto District Administration, Italy. The contract was signed on 02 April 2012. The main idea of the project is to improve the management of human resources and to increase the capacity of the employees in the regional administrations of the South Central Region (SCR). A Situational analysis of the qualifications and functions of District Administrations employees in carrying out tasks at regional, national and European level has been made. **With purpose of increasing the administrative capacity an analysis of the good policies in the field of human resources management has been carried out** and a model for interaction and teamwork between Bulgarian and European partners has been developed. Specialized training and traineeships have been carried out between the European partners and those from the SCR.

In the period between 28.04.2014 and 28.01.2015, the district administration designed a project on improving the qualification and professionalism of its employees. For a period of nine months, specialized training for more efficient performance of their duties was provided. To achieve more efficient management of human resources and increased motivation, commitment and potential and to improve the teamwork of the district administration officials, 22 of them underwent training at the Institute of Public Administration on "Personal skills for effective management" in 2014, 21 employees participated in team performance training, five employees obtained B1 level certificates in English, and five employees obtained B1 level certificates in Greek.

The optimization of the staff led to actual occupied positions in the

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<sup>5</sup> The project has been carried out with the financial support of the Operational Program "Administrative Capacity", co-financed by the European Union through the European Social Fund, budget line BG051PO002 / 10 / 1.6-02 – Contract № 10-16-1/07.06.2012 PROJECT "The right to good governance and good administration - guaranteed right of citizens in the district of Kardzhali" priority I - Good Governance, Sub-priority 1.6., Transnational and interregional cooperation.

PROJECT: "Improving the qualification and professionalism of the employees in the Regional Administration - Kardzhali", Contract № A13-22-30/28.04.2014.

**SWOT analysis of the regional administration activities related to management of the objectives set for the development of human resources**

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>✓ Continuity in applying the administrative reform;</li> <li>✓ Establishing effective internal and external control on the administration activities;</li> <li>✓ Good educational level of employees in the regional administration;</li> <li>✓ Elimination of bureaucratic practices and introduction of the “one-stop-shop” principle;</li> <li>✓ Significant reduction of the costs related to human resources management.</li> </ul>	<ul style="list-style-type: none"> <li>✓ A cumbersome for management and development of human resources and inefficient promotion of career development;</li> <li>✓ Need for new practices for permanent reporting of the objectives achieved;</li> <li>✓ No feedback from the citizens;</li> <li>✓ Poor coordination at regional level between district and municipal administration and units of the central executive power;</li> <li>✓ Lack of a mechanism for objective assessment of the fulfillment of the set main goals and the level of satisfaction of the citizens;</li> <li>✓ Need for inventing new mechanisms for motivation and career development of employees;</li> <li>✓ The objectives of the regional administration and the internal units - directorates and departments - do not fully meet the European standards.</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>✓ Combining good Bulgarian traditions in the field of administrative services and effective European practices;</li> <li>✓ Effective anti-corruption policy and a faster pace of change in the perceptions of society for Operational Programme "Administrative Capacity";</li> <li>✓ Developing internal procedure for ongoing reporting of objectives;</li> <li>✓ Collaboration with other institutions at regional and central level in order to fight corruption;</li> <li>✓ Realizing a good partnership with citizens and businesses;</li> <li>✓ More precise internal acts, rules and guidelines for effective human resource management.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Useless anti-corruption policy and ineffective changes for solving the problem;</li> <li>✓ Keeping formal contacts for partnership between regional administration and municipal administrations;</li> <li>✓ Upward trend in the number of employees in the regional administration;</li> <li>✓ Poor career development opportunities in the regional administration compared to the private sector;</li> <li>✓ Mistrust of society to the results of the administrative reform in the district and weak economic development in the region.</li> </ul>

regional administration in 2016 in accordance with the basic establishment plan for 24 employees. 23 of them had a master's degree, and only one had a Bachelor's degree. As of December 31<sup>st</sup> 2016, age structure of the employees working in the Kardzhali District Administration is the following:

- up to 29 years - 1 employee;
- from 30 to 59 years - 21 employees;
- 60 and over 60 years - 2 employees.

Wages and salaries of the employees in the district, hired under labour contracts towards 31.12.2016, are worth BGN 291,506.

In order to improve the efficiency of the district administration, which should offer accessible and high quality administrative services, funds from the state budget and from operational programmes for the period 09.02.2017 to 09.05.2017 were provided - a total of BGN 2, 519, 989. This will help achieve the important goals of the government programme, from the Operational Program "Human Resources Development" 2014-2020 BGN 1,023,398 were received for 236 jobs under the "Training and Employment of Young People" scheme.

By means of SWOT analysis, the district administration and decision-making mechanism related to the management and development of human resources and the opportunities for changes with the aim of improving the efficiency can be assessed.

The efficient management of the system of all public institutions and departments is reflected in the development and improvement of five components - functionality, management software, control, operability and change management. The application of this model describes the terms of financial mechanisms for optimizing the budget expenditures on the provision of public services, as well as in terms of their quantitative and qualitative characteristics offered to their users.

#### **Drawn conclusions:**

➤ To approbate the methodology for assessing the quality of human resources in all district administrations and make recommendations for their improvement. A major and determining factor for achieving the objectives of the regional administrations, as well as performing the functions of the district governor, assigned by the law, is the optimization of the administrative structure on the basis of a budget, oriented towards the results and use of budgetary resources, which need to be supported by the expected outcome of their spending.

➤ The cost indicators are mainly in terms of the financial and human resources used, as trends in their variations are mostly due to external factors – State income policy and price increases.

- There are certain positive trends in some ratios between results and resources used, especially in terms of costs.
- There are opportunities to use less resources in order to achieve the same results or to increase the results obtained by using these resources.
- The responsibility for the management of human resources, financial management and cash management remains the responsibility of the district governor.

## Conclusion

As a result of our study we can draw the conclusion that the decisive factor for increasing the efficiency of administration and achieving the goals, facing district administration, is the governor. The opportunities for optimizing the administrative structure are based on budget resources, whose spending is related to expected results. An effective methodology for assessing the **quality of human resources** through external assessment and certification in all regional administrations will improve and determine the effective absorption of European projects. Spending of EU funds and financial resources from the state budget for the training of regional administration employees should be done in accordance with the government priorities and the approved fiscal framework; increasing the capacity of administration will make solving responsible and expert tasks of national importance more likely. Providing more opportunities for training, career development and incentives, which has not been widely practiced at the time of the study, would give impetus to human resources to generate new and rational ideas for the development of the region.

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  - size of page – A4, 29-31 lines and 60-65 characters on each line;
  - line spacing 1,5 lines (At least 22 pt);
  - font – Times New Roman 14 pt;
  - margins – Top - 2.54 cm; Bottom - 2.54 cm; Left - 3.17 cm; Right - 3.17 cm;
  - page numbering – bottom right;
  - footer text – size 10 pt;
  - graphs and figures – Word 2003 or Power Point.
- 4. Layout:**
  - title of article, name of author, academic position and academic degree – font Times New Roman, 14 pt, with capital letters Bold – centered;
  - workplace, postal address, telephone and E-mail;
  - abstract in Bulgarian up to 15 lines; key words – 3 to 5;
  - JEL classification of publications on economic topics (<http://ideas.repec.org/j/index.html>);
  - main body (main text);
  - tables, graphs and figures are software inserted in the text (they should allow linguistic corrections and translation in English). Numbers and text in them should be written with font Times New Roman 12 pt;
  - formulas are inserted with Equation Editor.
- 5. Rules for footnote:** When citing sources, authors should observe the requirements of **APA Style** at <http://www.apastyle.org/> or at <http://owl.english.purdue.edu/owl/resource/560/01/> or at <http://www.calstatela.edu/library/guides/3apa.pdf>.  
Each author is responsible for promoting ideas, content and technical layout of the text.
- 6. Manuscripts of lecturers without an academic rank** should be accompanied by a transcript of the minutes of the Department meeting at which the proposed paper was discussed.

**From 1st of January 2017 the English language title of the journal is changed from “Narodnostopanski archiv” (transliterated from Bulgarian) to “Economic Archive”.**

**Authors of papers published in Narodnostopanski arhiv journal are responsible for the authenticity of the materials.**

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