

CONSTITUTIONAL AND FINANCIAL LEGAL ASPECTS OF THE STATE BUDGET IN THE REPUBLIC OF BULGARIA

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Abstract

The study examines the role and place of the two major political institutions, namely government and parliament, in the preparation and adoption of the state budget. The importance of the state budget for the implementation of the political program for the management of the government, as well as the need for its public discussion in the parliament, is substantiated. That is why the annual state budget is adopted in the legal form of the law and the legislative procedure for its adoption is followed, focusing on its specifics. An analysis is presented of the position of the state budget in the budget system of the Republic of Bulgaria, and in particular - in the consolidated fiscal system. The legal regulation of the budgetary process is also examined, and its stages are monitored.

Keywords: government, parliament, legislative procedure, state budget, budget system, budget process

JEL Codes: K10, H61

Introduction

The state budget plays a key role in its governance. It is the financial instrument through which the implementation of state policy is ensured. Moreover, the very existence of the state is inconceivable without the legal regulation of the institute of state budget. It provides for the maintenance of state institutions, it is so necessary for their normal functioning, as well as the foundations of economic management. However, state finances should be in a certain balance in their revenue and expenditure parts. In this regard, the state budget should be planned in accordance with the basic budget principles such as unity, completeness, publicity, balance, community of use, specialization, timely elaboration, accuracy in calculations, age, clarity and economy (Stoyanov, 1938). Serving as a material basis of the institutional and functional structure of state, the state budget ensures the realization of so-called „Common good“ (Bliznashki, 2007, p. 76). In other words, it contributes to the establishment and preservation of the value consensus that forms the core of any society. In this sense, the state budget has not only financial and economic, but also social, legal and political significance. The saying of English historian Hallam is well-known that in England public freedoms were not won with blood, they were bought with money (Kostov, 1976).

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1. Methodology

The systematic, comparative-legal and historical-legal method was used in the research. The systematic method reveals the relationship between the analyzed constitutional and financial law institutes such as government, parliament, budget system, consolidated fiscal system, state budget, etc., which are relevant to the subject of the current study. The comparative legal method presents the good practices in foreign countries and the achievements in various foreign legislations in the legal framework of the institute of the state budget and through the historical-legal method, the historical development of the legal regulation in the Republic of Bulgaria of the adoption of state budget, its subject scope, structure and term of action is traced.

2. Constitutional bases of the state budget as a governance tool

In modern parliamentary governance, the role of government has a key role for the functioning of the political system in the country. This is determined by the historical development of parliamentarism from classical to rationalized parliamentarism after the Second World War. According to the traditional meaning of the principle of separation of powers, developed in its classical form by Montesquieu, on the basis of which the modern state is built in the New Age, the Council of Ministers is the holder of executive power.

In this sense, it plays the role of an executive body, implementing the operational governance of the country. This characteristic is constitutionally regulated in the Constitution of the People's Republic of Bulgaria (Article 38, 1947) and the Constitution of the People's Republic of Bulgaria (Article 98, 1971). However, the modern reading of this principle imposes on the traditional division of state power into legislative, executive and judicial (Article 8 of the Constitution of the Republic of Bulgaria, 1991) a new understanding of the principle of separation of powers. Exactly „policy-making”, „policy implementation” and „policy control” (Bliznashki, 2007, p. 72; Loewenstein, 1965, pp. 45-52). The dynamics of social processes predetermine the gradual shift of the political center of political decision-making from the parliament to the government. In practice, it turns out that from governing through legislation in classical parliamentarism to „governing of the government through parliament” in rationalized parliamentarism (Bradshaw & Pring, 1981, p. 9).

This kind of transformation in the structure of the modern political process is regulated in the text of Art. 105, para. 1 of the Constitution (1991), according to which the Council of Ministers governs and implements the domestic and foreign policy of the country. This provision is of key importance for the functional characteristics of the government, outlining two different levels in its activity, and hence both its main functions. In the systematic interpretation of Art. 105, para. 1 in connection with Art. 62, para. 1, second sentence of the Constitution (1991), the conclusion is imposed that the management and implementation of the country's policy are a function of the Council of Ministers, while the control over this policy is a function of the parliament in accordance with the new tripartite division of power. The National Assembly realizes its control function through the means of parliamentary control, characteristic of the parliamentary form of government - questions, inquiries (interrogations), inquiries (interpellations), vote of no confidence, surveys and polls (Art. 79, para. 3; Art. 89-90 of the Constitution, 1991). In this way, the parliament engages the political responsibility of the government for the policy pursued by it, on the one hand, and on the other hand - for the compliance of the implemented policy with the political goals set by the government, which it should achieve with its governance.

The function of political leadership of the government is realized through the preparation of its political program. In it, it outlines the political goals of its governance, as well as the means for achievement of them. In this way, it takes the political initiative for the

governance of the country and therefore bears the corresponding political responsibility before the parliament - how necessary and appropriate are the actions, taken by it (Bliznashki, 2009). It is logical for this program to be presented in the election of the government itself, although there is no explicit constitutional requirement in this regard. This „omission“ in the Constitution of 1991 has its basis in the political situation in the years immediately following the 1989 transition from totalitarian to democratic governance and from a planned to a market economy. The constitutional legislator suggested that profound structural changes in the socio-political and socio-economic life of the country could lead to frequent changes of governments and the need for the rapid formation of a government on a coalition basis. Precisely in order not to complicate this process, the current Constitution does not contain a positive constitutional provision in this direction. In parliamentary practice, there is a tendency for the Council of Ministers to present its government program to the National Assembly afterwards - after its election. Thus, in practice, the parliament chooses the government not because of the policy it will pursue, but because of its staff. Art. 99 of the Constitution (1991) regulates the formation of the parliamentary government on the principle of collective investiture, in which the National Assembly elects both the Prime Minister and the composition of the future cabinet, voting it „en bloc“, i.e. as a team. A number of modern constitutions regulate the requirement to present the political program of the future government by the candidate for Prime Minister in his election, such as the Constitution of the Kingdom of Spain of 1978 (Article 99, paragraph 2), and the Portuguese Constitution of 1976 - the content of the government program is even legally defined (Art. 188, and in the new edition of 1989 - Art. 191) (Bliznashki, 2009). In a case of a constitutional revision, it would be appropriate to include in the procedure for forming the government the presentation of its governing program.

Parliament must vote on the government's program in Hungary, Belarus, Ukraine, Kazakhstan, Lithuania, Estonia, the Czech Republic, Slovakia, Turkey, Poland, Romania, Croatia and Finland. Such an obligation is not constitutionally enshrined in Bulgaria, as well as in Russia, Ireland, Latvia, Slovenia, Belgium, Sweden and in Denmark, however, it has become a political practice (Tanchev & Belov, 2009).

The government's political program is translated into laws through the *exercise of the right of legislative initiative*. Parliamentary practice shows that the active submitter of bills is precisely the government, although every Member of Parliament is an authorized subject in this direction (Article 87, paragraph 1 of the Constitution, 1991). The constitutional law states that „governments submit to parliaments more than 70% of bills, and more than 90% of adopted legislative acts are those proposed by governments“ (Pactet, 1992, p. 423; Baglay, Leibo & Entin, 2010, p. 572). In this regard, „Indicative are the statistical data on the legislative activity of the XLI National Assembly for the period from 14 July 2009 to 14 March 2013: with a total number of submitted bills 985 - 515 were submitted by the Council of Ministers, and 562 laws were adopted, and 428 laws from them were initiated by the government.“ (Bliznashki, 2015, p. 329). Thus, in fact, the government „dictates“ the legislative program of the parliament, which adopts the laws necessary for the government itself to conduct one or another policy, and hence - to achieve the pre-set political goals. The government is a major initiator of bills in a number of other countries - Britain, France, Belgium, the Netherlands, Sweden, Greece, Turkey, Austria, Germany, Spain, Portugal, Italy, Serbia, Albania, Lithuania, Latvia, Estonia, Poland and others. In France the government exercises this power through the prime minister, and in Iceland individual ministers have the right of legislative initiative, not the government as a collective body (Tanchev & Belov, 2009).

With the support of the parliamentary majority, which actually elected this government, the bills introduced by the Council of Ministers are adopted as laws. They are applied by the government, which acts on the basis of and in implementation of the laws (Article 114 of the

Constitution, 1991). In other words, the political initiative starts with the government, defined in its political program. In the form of bills, it passes through the National Assembly, which legally „dresses“ it as a law, and returns to the government for the implementation of the law. This is the basis of the other function of the government - the function of implementing the domestic and foreign policy of the country. Through the manifestation of this function the Council of Ministers ensures public order and national security, carries out the general management of the state administration and the Armed Forces, manages the implementation of the state budget, organizes the management of state property, concludes, approves and denounces international treaties (Article 105, paragraph 2 in connection with Article 106 of the Constitution, 1991).

However, in order to implement its political program, the government should also provide with the necessary financial resources. That is why its exclusive prerogative is the preparation and submission to the parliament of the draft law on the state budget (Article 87, paragraph 2 of the Constitution, 1991). Carrying out the operational governance of the country, the Council of Ministers is aware of which social spheres generate revenues, respective expenditure and how these two sides of the budget should be balanced so that it secures its finances for achieving its political objectives. In the comparative legal aspect, the government is authorized to prepare and submit the bill for the state budget all over the world (Tanchev & Belov, 2009).

3. Parliamentary legislative process in the adoption of law on the state budget

The Law on the State Budget for the relevant year (which is different for each year) shall be adopted in accordance with the provisions of the Constitution and the provisions of Art. 76-86 of the Rules of Organization and Procedure of the National Assembly (2017) legislative procedure with certain specifics (Decision of the Constitutional Court № 7/2005, promulgated SG, issue 52/2005), following the classical phases of the parliamentary legislative process. These legislative phases are exercising the right of legislative initiative, discussion of the bill (preliminary discussion in the standing parliamentary committees, plenary discussion at first reading, additional discussion in the standing committee and plenary discussion at second reading), voting on the bill and promulgation of the already adopted law (Bliznashki, 2015). The draft law on the state budget with the motives to it (according to §1a of the Additional provisions of the Law on the Normative Acts (1973), no preliminary assessment of the impact of this bill is required, shall be submitted by the Council of Ministers to the Chairman of the National Assembly on paper and in electronic form, by registering in the public register „Bills“. According to Art. 79, para. 4 of the Public Finance Act (PFA, 2013) it shall be submitted by October 31 of the respective year so that the Parliament should have sufficient time to discuss and adopt it. In the motives, the submitter gives an opinion on the expected consequences, including financial, of the application of the bill. The Chairman of the National Assembly always appoints the Committee on Budget and Finance as the main standing committee, and always distributes the bill to all standing committees, which discuss it not earlier than 24 hours after its receipt by the members of the relevant committee. They shall submit to the Chairman of the National Assembly a motivated report within the time limits in accordance with the legislative program and the adopted one-week or two-week program for the work of the Parliament. The report of the leading committee on the draft state budget bill shall be submitted to the plenary of the parliament for the first vote no later than two months after its submission, and together with the opinions submitted on the bill (citizens and legal entities may also submit written opinions), published on the website of the leading committee on the official website of the National Assembly. This report contains a summary of the opinions received and a summary opinion of the committee itself. When the Committee on

Budget and Finance summarizes the opinions of the standing parliamentary committees, respective the proposals of the Members of Parliament, made between the two votes of the draft law, it shall rule on them, preserving the budget balance proposed by the Council of Ministers (i.e. the ratio between revenues and expenditures) in the draft law on the state budget (Art. 79, para. 9 and Article 83, paragraph 5, item 1 of the Rules of Organization and Procedure of the NA, 2017 in connection with Article 85, paragraph 2 of the PFA, 2013).

The draft law on the state budget, the motives for it and the report of the leading committee shall be made available to the Members of Parliament not later than 24 hours before the beginning of the sitting in which the draft law will be considered. This term is analogous when considering it in a second vote, unless the National Assembly decides otherwise.

The bill is adopted in two votes, which are held in two separate sittings. At the first vote, the bill is considered after the National Assembly has heard the report of the Committee on Budget and Finance as a leading committee, the opinion of the submitter within 10 minutes and the reports of the other standing committees, if there have been any. The reports and opinions of the other committees may also be summarized.

The text of Art. 86, para. 1 of the PFA (2013) stipulates that when considering the draft law on the state budget the parliament also hears a report of the Minister of Finance on the state budget, the Chairman of the National Assembly on the budget of the National Assembly, a representative, appointed by the Supreme Judicial Council, on the budget of the judiciary authorities, reports of ministers, responsible for policy in the relevant sector. In the first vote, the bill is discussed in principle and in its entirety, as MPs pronounce on its basic provisions. A bill that is rejected in the first vote may be submitted and re-discussed only after significant amendments in its main provisions, which are reflected in the motives, and not earlier than three months after its rejection.

MPs may make written reasoned proposals for amendments to the bill, adopted at the first vote within 7 days of its adoption, respectively from its submission to MPs. The proposals are addressed through the Chairman of the National Assembly to the Chairman of the Committee on Budget and Finance, and are entered in a public register of the Parliament. Exceptionally, the National Assembly may decide to extend this term by a maximum of three weeks or to reduce it, but not by less than three days. The draft report for the second reading shall be published on the website of the leading committee on the website of the National Assembly within one day after the expiration of the above-mentioned 7-day period. On the proposals, submitted by MPs, the chairman of the leading committee may request an opinion from the Council of Ministers or from the relevant minister.

Parliament debated and voted on the bill in a second reading chapter by chapter, title by title or paragraph by paragraph. When no written proposals or objections have been made, the texts shall not be read in plenary. In this case, the texts shall be attached to the stenographic record as part of it. During the second voting, only proposals of Members of Parliament, submitted under the provisions of Art. 83 of the Rules of Organization and Procedure of the NA (2017), as well as proposals of the leading commission, included in its report (editorial corrections are also admissible). Proposals that contradict the principles and scope of the bill passed at the first reading are not discussed and voted on. An MP may substantiate the proposals, made by him, within 5 minutes for each of them. The voting is carried out by the order of art. 69 of the Rules of Organization and Procedure of the National Assembly (2017), as during the voting speeches and new proposals are not allowed. Only the proposals of MPs received under Art. 83 of the Rules of Organization and Procedure of the National Assembly (2017), the proposals of the leading commission, the editorial corrections made during the discussion, as well as proposals for rejection or postponement of a text.

The submitter of the bill may withdraw it until the beginning of the first vote, and then - only by a decision of the National Assembly. The draft law on the state budget is adopted by a simple majority, i.e. more than one-half of the present Members, when more than half of its Members are present /there is a presence of a quorum/ (Article 81, paragraphs 1-2 of the Constitution, 1991). The adopted act on the state budget for the relevant year is signed by the Chairman of the National Assembly and sent to the President of the Republic, who has two legal options. On the one hand, within 15 days of its adoption, it may sign a decree for its promulgation in the State Gazette (Article 88, paragraph 3 of the Constitution, 1991). On the other hand, within this 15-day period he may reasonably return it to the National Assembly for a new discussion (Article 101, paragraph 1 of the Constitution, 1991). The Chairman of the National Assembly shall announce at the first plenary sitting the receipt of a presidential decree under Art. 101 of the Constitution (1991). Within three days of registering, the Chairman of the Parliament instructs the leading committee to report to the MPs on the President's decree and the motives for it. The returned for new discussion act is included in the agenda of the parliament within 15 days from the receipt of the decree. The National Assembly re-adopts the act by a majority of more than half of all MPs, i.e. by an absolute majority. If the returned law does not receive the required majority and is challenged in principle, it is subject to consideration in the manner prescribed for discussion and adoption of bills. And if the returned law does not receive the required majority and only separate texts are disputed, the procedure for second vote of bills under Art. 84 of Rules of Organization and Procedure of the National Assembly (2017), there shall be voting only on the disputed and related texts. Upon the re-adoption of the law by the National Assembly, the President is obliged to promulgate it in the State Gazette (SG) within 7 days.

4. Legal nature of the law on the state budget

In the constitutional law literature (Maurer, 2007; Stoyanov, 1938; Bliznashki, 2015; Drumeva, 2018) and the Bulgarian constitutional jurisprudence the understanding prevails that the law on the state budget for the relevant year does not constitute a law in the material sense, as „it does not contain legal norms, regulating public relations (within the meaning of the Law on Normative Acts)”. By its nature, the annual state budget is a financial plan-account of pledged revenues and projected expenditures of the state in view of the financial provision of the government's program for the relevant budget year. However, it is a law in the formal sense. The Constitutional Court accepts that the Annual Budget Laws are laws in the formal sense only because they are voted by the National Assembly under the name „law“. Basically, their real content does not contain legal norms. In their expenditure part, they contain provisions authorizing the state bodies to make the necessary expenditures of state funds up to a certain amount. The texts of the annual budget laws are acts by which the funds from the national monetary fund are managed. They are administrative acts, which, without changing their main legal characteristics (on the plan-account of pledged revenues and estimated expenditures, our note) are issued in the form of legislative acts of the National Assembly and in the prescribed for the legislative body procedure.” (Decision of the Constitutional Court № 17/1995, promulgated SG, issue 93/1995; Decision of the Constitutional Court № 8/2012, promulgated SG, issue 53/2012, Decision of the Constitutional Court № 7/2005, promulgated SG, issue 52/2005). And in its Decision № 1/2020 (promulgated SG, issue 13/2020) the Constitutional Court accepted that „Budget laws contain general (abstractly formulated) rules of conduct, which within their termination period have repeatedly action and apply to an individually indefinite circle of subjects, i.e. they contain legal norms that regulate public relations. Notwithstanding the special way of formulation in its revenue-expenditure part, from the point of view of its legal-logical content these norms are on a general basis commanding (create an

obligation to provide revenues), empowering (create rights to incur expenses) and prohibiting (prohibit the incurrence of expenses, not specified in them or above the amount, determined by them). The specificity of the budgetary norm is only in its subject of regulation and in its scope, limited through a term of termination.“. Kostov (1976) took a diametrically opposite view, according to which the state budget as a whole is a legally binding state general non-normative planning act, which has the supreme legal force of law. In his justification, he refers to the distinctions between laws-regulations and laws-plans, emphasizing the one-year effect of the latter. He accepts that the place of normative provisions is in the permanent financial and budgetary legislation. In our opinion, however, when defining the legal nature of the law on the state budget, it should be taken into account the distinction between a law in the material sense and a law in the formal sense.

5. State budget in the budget system of the Republic of Bulgaria

The terms „budgetary structure“ and „budgetary process“ are used as synonyms of the concept „budget“, without being legally defined. There is no consensus in determining the content of these concepts and among the representatives of financial and financial law science. Most often, the content of the concept of „budget structure“ is presented through the organization of the budget system and the principles of its construction (Drobozina, Okuneva, Androsova et al., 1997; Kovaleva, Barannikova, Bogacheva et al., 1997). In other words, it represents the organization and the principles for structuring and functioning of the state budget system (Rayzberg, Lozovsky & Starodubtseva, 2007). According to N. I. Himicheva, the budget structure includes „main principles based on legal norms for building the budget system, its structure and organization of the interaction of budgets included in it“ (Himicheva et al., 2005, p. 178).

In science, it is considered indisputably that the budget structure of each country is determined by its administrative-territorial structure (Gorbunova, O. N. et al., 2000; Chirkin, 2000; Parygina & Tedeev, 2005). In unitary states, the budget system includes two units: the state budget and numerous municipalities' budgets. In federal states, the budget system consists of three subsystems:

- state budget (federal budget or Central Government budget);
- budgets of the members of federation (in the USA - states, in Canada - provinces, in Germany - provinces, in Russia - various subjects of the federation, such as republics, autonomous regions, districts, regions, etc.);
- local budgets.

In the confederations, which are a union of sovereign states, the member states of the confederation have their own budget systems. At the same time, a budget of the confederation was created, formed by contributions of its member states. An example in this direction is the Union of Russia and Belarus, whose union budget is formed by the contributions of its member states. The budget of the European Union is built on a similar principle, except that the European budget has its own tax and non-tax revenues.

According to A.N. Kozyrin (1993), the structure of the budget system is one of the most important characteristics of budget structure of the state. The term „system“ means that there is a whole entity, made of many elements, relating to each other in a certain way. This raises the question of the internal structure of the budget system. It includes the totality of budgets and extra-budgetary funds. These are the elements of the budget system in the narrow sense. In a broad sense, the subsystem of the subjects, holders of budgetary competence - the state and the municipalities, the subsystem of the state bodies and bodies of local self-government participating in the budgetary legal relations, the funds and the extra-budgetary accounts are also included.

The structure of the budget system of Bulgaria is predetermined by the text of Art. 2, para. 1 of the Constitution (1991), which pronounces that „The Republic of Bulgaria shall be an unitary State with local self-government and no autonomous territorial formations shall be allowed to exist therein.”. The content of this text shows that Bulgaria is a unitary state and therefore its budget system should have two main subsystems: state budget and local budgets.

According to B. Grozdanov (2001), a budget system is understood as the whole set of budgets of the central and local bodies and of their subordinate units, united in a single state budget. This statement, in our opinion, is also limited because it excludes from the budget system the budgets of public authorities outside the executive and extra-budgetary funds. Extra-budgetary funds are inherently close to the budget in that they arise by law and are approved by the legislative body (National Assembly), are compiled in accordance with the unified budget classification, and the reports of extra-budgetary accounts and funds are prepared and submitted together with the reports on the implementation of the respective budgets and budget accounts. The control over the extra-budgetary funds is carried out by the competent bodies in accordance with the procedure, established for the state budget.

Off-budget resources shall be raised and expended through funds and off-budget accounts with a credit and debit sides, which as we mentioned earlier, shall be prepared in accordance with the uniform budget classification. At the same time, we need to notice that off-budget resources differ from the budget, be it state or local, in their specific purpose and legal regime. Each fund shall be endorsed by the Council of Ministers acting on a motion by the competent primary spending unit coordinated with the Minister of Finance, unless otherwise provided in the law for their creation. The off-budget accounts within the scope of the executive budget with the exception of any such accounts opened according to the procedure established by Article 45 (2) of State Budget Procedures Act (SBPA, 1996) shall be endorsed by the Minister of Finance, acting on a motion by the competent first-level spending unit.

Part of the budget system is the budget of the National Assembly and the judiciary. The independent budget of the National Assembly is part of the state budget of the Republic of Bulgaria. By Definition of 3 December 1993, the Constitutional Court (CC) accepted for consideration the request for interpretation of Art. 117, para. 3 of the Constitution (1991) and judged to limit its interpretive activity only to the problem of the independence of the budget of the judiciary (Decision № 18 of 16.12.1993 on c. case № 19/1993 of the Constitutional Court). According to this Decision, the court accepted that „the interpretation of Art. 117, para. 3 of the Constitution (1991) presupposes clarification of the relation between the two norms of the Constitution (1991), which regulate budgetary matter - Art. 117, para. 3 and Art. 106 of the Constitution (1991).“ According to Art. 106 of the Constitution (1991) the Council of Ministers is assigned „to manage the implementation of the state budget“. This norm has a general content, which concerns the state budget, but on the other hand, the norm refers to only one of the stages of the budget process - its implementation. The Constitution as a whole is also sparing with regard to the other stages of the budget process. Art. 87, para. 2 of the Constitution (1991), formulates the obligation of the Council of Ministers to „prepare“ and „submit“ the draft of the annual state budget to the National Assembly. The constitutional texts concerning the budget process tacitly presuppose that the subject legal regulation of the competence of the Council of Ministers in the phase of drafting the state budget and its implementation is left to the ordinary legislation (for the respective structural budget law). According to the Decision of Constitutional Court, the norm of Art. 117, para. 3 of the Constitution (1991) has as its principal purpose to separate the budget of the judiciary from the budgetary competencies of the Council of Ministers under Art. 106 of the Constitution (1991), in order to ensure its independence. In this sense, the budget of the judiciary is independent

and therefore both its compilation and implementation are outside the sphere of executive power (the Council of Ministers, respectively the Ministry of Finance). But the autonomy of the judiciary's budget does not infringe on the budgetary powers of parliament. The National Assembly adopts the state budget and the report on its implementation (Article 84, item 2 of the Constitution, 1991), and an integral part of the state budget is the independent budget of the judiciary (Decision № 18 of 16.12.1993 on c. case № 19/1993 of the Constitutional Court).

The issue, concerning the place of social and health insurance funds in the financial system and the place of the norms, regulating their budgets, is topical from a theoretical and practical point of view. By their purpose, these funds, as monetary funds in material terms, are social insofar as they are intended for the implementation of a set of social, constitutionally enshrined rights of citizens and the corresponding financial support of programs in the field of social, medical and health insurance. In organizational terms, they are non-profit organizations and enter into various legal relationships, including financial. In particular, they are participants in legal relations on the formation and implementation of the budgets of these funds. Relations regarding the formation, distribution and use of social and health funds are regulated by budget law, insofar as these funds are part of the budget system, although these budgets are not part of the state budget and are approved as separate budgets by separate laws.

The authors, who refer the state social funds to the composition of the budget system, refer the financial legal norms, regulating their formation, distribution and use to the institute of budget law. Other authors accept that the funds are an independent element of the financial system and that there is an independent structural subdivision of the financial law system, regulating the functioning of these budgets. In accordance with this two-dimensional understanding of the state social and health insurance funds, there are two financial and legal regimes of the functioning of the budgets of these funds: material and organizational. In the first case it is an independent legal institute, regulating the relations related to the formation, distribution and use of the budgets of the state social and health insurance funds as an independent unit of the financial system. In the second case, it should be taken into account as a set of financial legal norms with different sub-sectoral and institutional affiliation, regulating the financial powers of the controlling bodies of the state social and health insurance funds.

Taking into account the dual nature of the term „fund”, the differentiation of the financial regulation of functioning of these funds should also be considered carefully. If we consider them from a material point of view, then the set of legal norms regulating the formation, distribution and use of budgets of state social and health insurance funds, we should refer them to an independent financial law institute. However, in the case of financial legal relations carried out by financial authorities, these public relations with their participation are regulated by financial legal norms with different intra-industry affiliation (for example, relations concerning the exercise of financial control and realization of legal responsibility). The relations for establishing and collecting obligatory payments to the budget /taxes, duties, fees/ in the financial law are traditionally separated from the relations, regulated by the budget law. The taxpayer's tax liability is considered for fulfilled, as a general rule, from the moment of receipt of the amount on the payment account to the budget. While the relations on the formation of the revenues of the state and local budgets, as well as of the social and health insurance funds arise after the crediting of these amounts to the respective budget. Therefore, the relations related to the regulation of funds, similar to the relations, subject to tax law, should be regulated by a separate sub-branch of financial law - budget law.

In summary, the budget system can be defined by the following characteristics:

- in material aspect - as based on public monetary relations;
- in organizational aspect - as a set of budgets and off-budget resources, structured according to legally established principles;

- in legal aspect - as a set of budgets and off-budget resources and accounts, regulated by the norms of budgetary law, which have a public law character;
- in political aspect - as a system, based on the principles of the state system of the Republic of Bulgaria.

6. Place of the state budget in the consolidated fiscal program

In order to cover the normative regulation of the management of public resources at the national level, i.e. of the whole system of budgets, we should consider the parameters of summarized indicators of the so-called consolidated fiscal programme. The consolidated fiscal programme includes indicators of budgets and accounts for European Union funds, budget organizations, which are approved by various bodies. Normatively, there are currently three forms of management of public funds, which according to the Public Finance Act (PFA, 2013) are budget, accounts for European Union funds and accounts for external funds.

The National Assembly annually adopts three budget laws, which are submitted by the Council of Ministers - on the state budget, on the budget of the state social insurance and on the budget of the National Health Insurance Fund (NHIF).

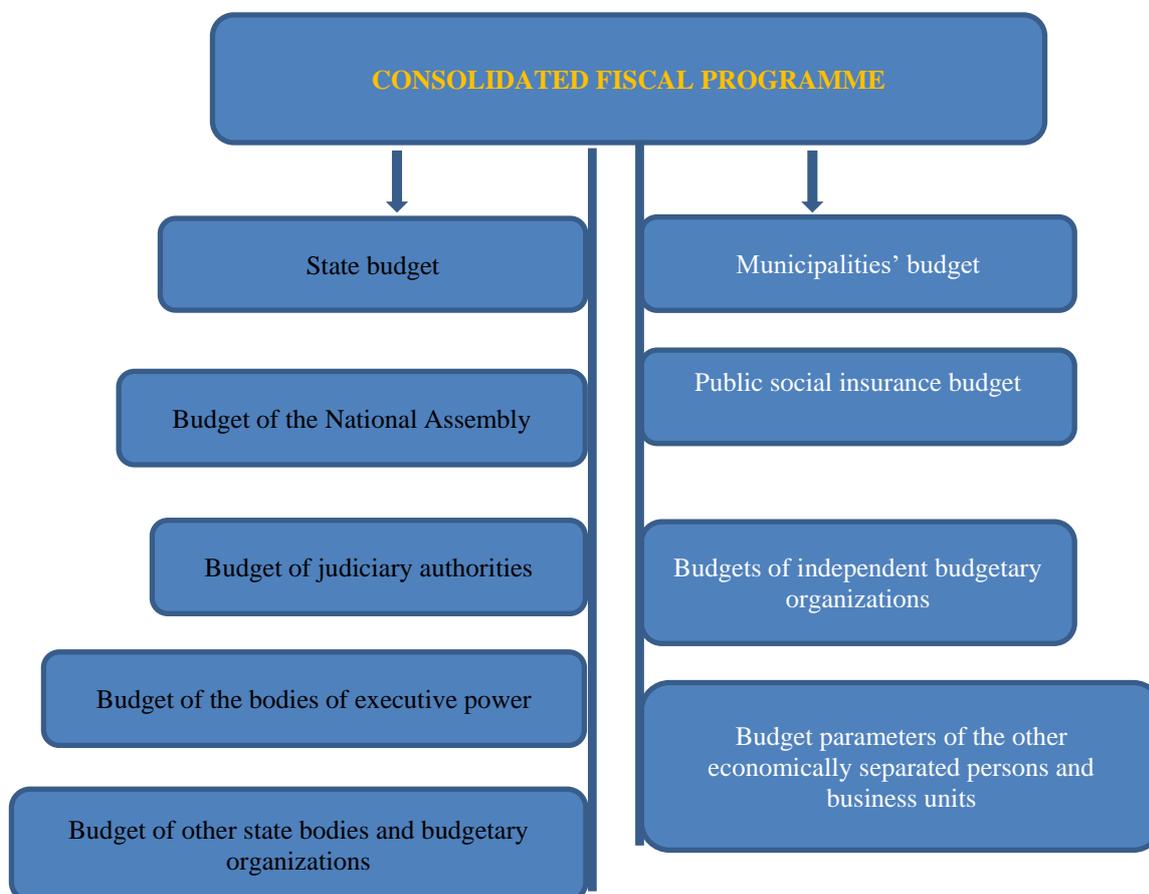
As the state budget is not an independent structural unit, we should define its scope. The state budget shall include the central budget, the independent budgets of the National Assembly (Article 62, paragraph 2 of the Constitution, 1991) and the judiciary (Article 117, paragraph 3 of the Constitution, 1991), the budgets of the executive bodies, such as the Council of Ministers, ministries and other departments such as government agencies, commissions, etc. (Art. 42, para. 1 of the PFA, 2013), the budgets of the other state authorities, and the budgets of budgetary organisations. The state budget shall not include the independent budgets of municipalities (Article 141, para. 1 of the Constitution, 1991), the budgets of social security funds, and the budgets of budgetary organisations and the budget parameters of the other economically separated persons and business units included in the consolidated fiscal programme (Art. 42, para. 1 of the PFA, 2013). Among the most popular definitions of a state budget is that it is an annual financial plan or financial framework of the state, on the basis of which revenues are collected and expenditures are made. The Minister of Finance is responsible for the preparation of the state budget and coordinates the coordination of the indicators of the other budgets within the parameters of the consolidated fiscal programme.

At a local level, the municipal councils adopt the budgets of the municipalities, for the preparation of which the mayors of the municipalities are responsible. Municipal budgets, as a part of public finances, are also included in the consolidated fiscal programme.

The consolidated fiscal programme /CFP/ includes other budgets of independent budget organizations, such as those of the Bulgarian Academy of Sciences, the public institutions of higher education, the Bulgarian News Agency, the Bulgarian National Television and the Bulgarian National Radio and others. The state budget, the public social insurance budget and the budget of the National Health Insurance Fund shall be adopted by the National Assembly by means of separate legislative acts for the relevant budget year, while ensuring consistency between them. Municipal budgets shall be adopted by the municipal councils as per the procedure set out in this Act. The budgets of the Bulgarian Academy of Sciences, the public institutions of higher education, the Bulgarian News Agency, the Bulgarian National Television and the Bulgarian National Radio shall be adopted by their managing bodies in accordance with the laws regulating their status, while ensuring consistency of their fiscal relations and the state budget. The budget parameters of the other economically separated persons and business units included in the consolidated fiscal programme shall be adopted by their managing bodies in accordance with the laws regulating their status, while ensuring

consistency of their fiscal relations and the state budget. The CFP could be illustrated with the following diagram:

Figure 1. Consolidated Fiscal Programme



Source: author's collaboration

The budgets of budgetary organisations are annual financial plans, which incorporate all proceeds and payments concerning their activity for the relevant budget year (according to art. 10, para 2 of the PFA (2013) it coincides with the calendar year), excluding the proceeds and payments concerned with accounts for European Union funds and the operations with external funds for which accounts for external funds have been designated according to the requirements set out in this Act.

The central budget shall incorporate proceeds and payments which are not included in the other budgets of the consolidated fiscal programme (art. 6, para 2 of the PFA, 2013), and shall be administered by the Minister of Finance as per the requirements set out in Public Finance Act (2013) and the state budget act for the relevant year, and in compliance with the instruments of the Council of Ministers (art. 12, para 2 of the PFA, 2013). On the basis of a law or statutory act of the Council of Ministers, specific proceeds and payments of the central budget may also be administered by other budgetary organisations (art. 12 of the PFA, 2013). The central budget is also used to envisage the expenditures and provide funding for the other budgets, included in the consolidated fiscal programme, as well as for other persons. The expenditures are made under the rules of Public Finance Act, the State Budget Act for the relevant year or an act of the Council of Ministers. According to an argument from Art. 86,

para. 2 of the PFA (2013), the indicators of central budget are not explicitly included in the adopted law on the state budget for the relevant year.

Budgets and accounts for European Union funds are prepared in compliance with the requirements, rules, procedures and responsibilities set out in the so-called „framework“ or „structural“ law. Since the beginning of 2014, this has been the Public Finance Act (PFA, 2013) - a modern law whose purpose is to ensure that the drawing up, adoption, implementation and reporting of the state budget are public and transparent. In order to be created conditions for guaranteeing the fiscal rules of the Public Finance Act (2013) and to be maintained sustainable public finances, in 2015 a Law on the Fiscal Council and Automatic Corrective Mechanisms (2015) was adopted. By establishing fiscal rules and restrictions in the Public Finance Act (2013), our public finance legislation has fulfilled the requirements of Council Directive 2011/85 / EU of 8 November 2011 on requirements for budgetary frameworks of the Member States (Official Journal of 23 November 2011, L 306/41). The establishment of national digital fiscal rules and restrictions in the Bulgarian budget legislation is a long tradition. With the amendments in the PFA (2013) in 2016, the digital fiscal rules for the municipalities were updated (for the amount of new expenditure obligations and commitments) and in connection with the introduction of procedures for rescuing municipalities with financial difficulties.

The budget system is characterized not only by the system of budgets and off-budget resources and funds, but also by the principles for its establishment, enshrined in the budget legislation. This definition of a budget system reveals its content as an economic and legal category in the narrow sense. In a broad sense, the budget system is a system of public relations, regulated by the rules of law, arising within the budget process, based on legally defined principles. These principles, according to PFA (2013), are legality, expediency, economy and publicity. According to PFA (2013), these principles are:

- comprehensiveness - the management of public finances is carried out through budgets and accounts of the budget organizations, included in the consolidated fiscal programme, and monitoring of the other persons from the sector „General Government“;
- accountability and responsibility - public finances are managed in a way that ensures the accountability and responsibility of budget managers;
- adequacy - compliance of fiscal policy with macroeconomic and socio-economic objectives;
- economy - the acquisition with the lowest costs of the necessary resources for the implementation of the activities of budgetary organizations in compliance with the requirements for quality of resources;
- effectiveness - the achievement of maximum results from the resources, used in carrying out the activities of budgetary organizations;
- efficiency - the degree of achievement of the goals of the budget organizations in comparing the actual and expected results of their activity;
- transparency - creating an opportunity for public awareness by providing public access to information on macroeconomic and budgetary forecasts, to data on the current implementation of the consolidated fiscal program, as well as on the methodologies /assumptions used in their drawing up/;
- sustainability - maintaining current levels of revenues and expenditures without risk to the state's solvency or ability to meet long-term liabilities;
- legality - compliance with applicable law, internal acts and contracts.

Other principles of the budget system, although they are not explicitly formulated in the law, are: unity of the budget system, autonomy of budgets, full reflection of revenues and expenditures of budgets, balance of the budget, general coverage of budget expenditures, targeting and targeted nature of budgetary costs.

7. Budget process

The legal framework of the budget process in our country is contained in the State Budget Procedures Act (1996, repealed) and in the Municipal Budgets Act (1998, repealed), and at present - in the Constitution (1991) and the Public Finance Act (2013), as well as by-laws and acts of local authorities. The State Budget Procedures Act (repealed) regulated the process of drawing up, adoption, implementation and reporting on the implementation of the state budget, and the Municipal Budgets Act (repealed) - the municipal budgets, as each municipality has its own budget. The legal regulation of the budget process is based on the basic principles of the budget process and in particular such principles as annuality (short-term) of the budget, specificity (specialization) of the budget indicators and publicity of the budget. The budget process is currently regulated in one normative act and that is the Public Finance Act (2013).

The principle of annuality of budget requires that the budget should be drawn up, adopted and implemented for a period of one year. In different countries this term is the same, but if in our country the budget year begins on January 1 and ends on December 31, then in many countries the beginning and end of the budget year are different. For example, in Italy, the budget year begins on 1 July and ends on 30 July of the following year; in the United Kingdom from 1 April to 31 March of the following year; in the United States from October 1 to September 30 of the following year. In some countries, however, it begins on July 1 and ends on July 30 next year, and in others - from 1.IV. to 31.III. the following year, in the third - from 1.X. to 30.IX. next year. There are other budget periods such as 1.V. - 30.IV. the following year in Turkey, 21.III. - 20.III. the following year in Iran, 10.IX. - 9.IV. the following year in Ethiopia (Lomnicka, 2003).

When the budget period does not coincide with the budget year, the aim is to bring it into line with the cycle of the financial year. The trend is towards calendarization of the budget period. It should be borne in mind that not all countries implement a one-year budget period. There are also countries (Flemish countries, Lebanon, Zaire, Indonesia, etc.) that draw up their budgets for two years, i.e. their budget period is two years. The discrepancy between the budget year and the calendar year in the different countries is explained by „the historical traditions, the peculiarities of the national economy and the term of the parliamentary sessions” (Kozyrin, 1993, p. 45).

In case the budget is not adopted by the beginning of the next budget year, according to the State Budget Procedures Act (repealed) the budget revenues are collected in accordance with the current laws, and the expenditures are made in amounts not exceeding the expenditures for the same period of the previous year and taking into account entered into force normative acts of the National Assembly and the Council of Ministers, which provide for additional or reduced budget resources. This provision may not be applied for more than three months. Such a situation existed in our country in 1997, when due to the non-adoption of the Law on the State Budget of the Republic of Bulgaria for 1997, the Law on Budget Execution was adopted until the entry into force of the Law on the State Budget of the Republic of Bulgaria for 1997.

The principle of specificity (specialization) of budget indicators means that all budgets and off-budget resources are compiled on the basis of the unified budget classification. The budget classification is a mandatory „grouping of revenues and expenditures on common grounds by assigning the individual sections of the budget to exact names and serial numbers“ (Gorbunova, Selyukov & Drugova, 2002, p. 121).

The principle of publicity and publicity of the budget is associated with the requirement to publish the budget and the report on its implementation, completeness of information on the progress of its implementation. The principle also requires mandatory openness and transparency of the procedures for reviewing and deciding on draft budgets, including on issues

that cause disagreements within the representative body or between the executive and representative bodies.

The implementation of the goals and functions of the state is related to the availability of funds, financial resources, which are concentrated in the budget. In the course of the mobilization of these funds and their use, financial and budgetary relations arise between the state, the taxpayers and the recipients of budget funds. These relations are built in accordance with the financial and budgetary policy, developed and implemented by the authorities. The financial and budgetary policy includes actions of the state and local authorities in the different areas of finance - budgetary, tax, monetary, price, currency, etc. For the purposes of our study, we will analyze the actions, taken in the budget area.

The financial and budgetary policy presupposes the definition of the goals and tasks in the field of public finances, the development of the mechanism for mobilizing funds in the budget, the choice of guidelines for spending the funds, the management of public finances and the budget system, the organization with the help of financial budgetary instruments the regulation of the actions of budget subjects. The budgetary policy is implemented in the course of the activity of the authorities on mobilization of funds in the budget and their use, i.e. in the course of the budget process. The budget policy of the state is determined annually by the Law on the Budget of the Republic of Bulgaria for the relevant year, and at the local level - by the decisions of the Municipal Councils, which adopt the annual municipal budget.

8. Budget process and state budget

The budget process is regulated by the norms of legal activity of state authorities, local governments and participants in the budget process for drafting, adopting draft budgets, draft budgets of state off-budget resources, approval and implementation of budgets and budgets of state off-budget resources, as well as the control over their implementation (Rumyantsev & Dodonov, 1997).

The budget process, starting from the moment of drawing up the draft budget and ending from the moment of the adoption of report on the implementation of the annual budget, is regulated by the norms of the budgetary (procedural) law. According to O.N. Boltinova „Budget process - this is, regulated by the norms of procedural budget law, activity of the state on drawing up, reviewing and approving the budget, its implementation and completion, as well as developing, reviewing and approving the report on budget implementation. ” (Boltinova, 2005, p. 222). And according to O.B. Shemyakina „the budget process - this is, regulated by the rules of law, activity of the participants in the budget process for the drawing up, review, approval and implementation of budgets and off-budget funds, as well as development, review and approval of reports on the implementation of budget, as well as the control of each stage of the budget process.” (Shemyakina, 2004, p. 12).

The set of legally regulated actions of the bodies of executive and representative power on the drawing up, adoption, implementation and reporting of the implementation of the budget, in our opinion, represents the budget process. „Objectively, the budget process is divided into stages, which could be understood as independently separated and completed stages of the activity of the participants in the budget process, as a result of which the budget passes from one quantitative state to another.“ (Piskotin, 1971, p. 63). The stages of the budget process change with each other, but their sequence cannot be changed, because at each stage issues are resolved that cannot be resolved at another time.

9. Stages of the budget process

/A/ Drafting the budget

We have already pointed out that the budget period in our country coincides with the calendar year. However, the duration of the budget process is significantly longer than the budget period because it includes the time for budget planning actions, ex-post budgetary control and other actions.

Budget planning is usually carried out for a longer period, while budget projection is targeted and calculated for the budget period, i.e. for a period not exceeding one year. „Budget planning is carried out by authorized state authorities and includes the budget process, as well as issues of theory and methodology of state budgeting“ (Dobrozina, Okuneva & Androsova, 1997, p. 208). A budget forecast is a set of probabilistic estimates of the possibilities for development of the revenue and expenditure part of the budget. The purpose of the budget projection is to develop and justify an optimal budget on the basis of the derived trends, specific socio-economic conditions and perspective assessments. Budget planning, according to the Law on Budget (repealed), is carried out by the Council of Ministers, and according to the Law on Budget, the preparation of the medium-term budget projection for 3 years and the draft state budget is organized by the Council of Ministers through the Minister of Finance. The Ministry of Finance shall prepare a budget projection proceeding from economic elaborations and analyses made thereby and by other institutions of the behaviour of the gross domestic product, prices, incomes, the credit policy and foreign-exchange policy and the main financial results of the operation of the state-owned, municipal-owned and private economic entities. According to the requirement of the PFA (2013), by January 31, on the basis of proposal of the Minister of Finance, the Council of Ministers adopts the budget procedure for compiling the medium-term budget projection and the draft state budget for next year (Decision № 52 of the Council of Ministers of 31.01.2019 on the budget procedure for 2020). The budget procedure includes the stages, deadlines, distribution of responsibilities and requirements for the preparation of the medium-term budget projection and the draft state budget. The basis for development of the budget projection of the Primary Budget Managers (PDB) are the Law on the State Budget of the Republic of Bulgaria for the previous year, the expenditure ceilings under the PDB for the period adopted by the Council of Ministers and the Updated Medium Term Budget Projection for the period, as well as the instructions of the Minister of Finance.

Drafting the budget is a prerogative of the government, the Ministry of Finance and the executive bodies of the local government. On the basis of the budget projection and the budget guidelines for drafting annual budgets of state bodies, state and local authorities draw up a draft budget.

The budgetary procedure at this stage includes the following main points:

- February - The Minister of Finance prepares a preliminary assessment of key macroeconomic indicators for the period and gives instructions to the First-level spending units for preparation and submission of their budget projections for the period. Proposals for standards for financing the activities delegated by the state through the municipal budgets are being developed.

- March - The First-level spending units develop and submit to the Ministry of Finance its budget forecasts for the period, those with a program budget - their budget forecasts for the period by policy areas/functional areas and budget programs. The ministers, responsible for the implementation and coordination of the national strategy and policy in the relevant field, shall develop and submit to the Ministry of Finance their budget forecasts for the period for the activities, financed through the budgets of the budget managers. Proposals are made for the natural indicators for the activities delegated by the state, financed through the municipal budgets, for the period. The First-level spending units, responsible for the management of the

financial assistance provided to the Republic of Bulgaria by the European Union and other donors, develops and submits to the Ministry of Finance motivated forecasts and estimates for the absorption of funds financed by EU funds. The mayors of the municipalities develop and submit to the Ministry of Finance their budget forecasts for the period in the part for local activities. The ministers and mayors of the municipalities provide to the Ministry of Finance summarized information and assessment of the forecasts for the legal persons, controlled by the state and/or the municipalities, falling within the scope of the General Government sector for the period, as well as for the legal entities, controlled by the state and/or the municipalities, with a total amount of liabilities by December 31 over 0.1% of GDP, which are not part of the consolidated fiscal program and do not fall within the scope of the General Government sector. The National Social Security Institute and the National Health Insurance Fund prepare the revenue part of their budget forecasts for the period, in coordination with the National Revenue Agency.

- March - The Minister of Finance prepares the spring macroeconomic forecast for the period.

- April - The Minister of Finance coordinates the draft of the medium-term budget forecast for the period with the First-level spending units, the National Association of Municipalities in the Republic of Bulgaria and the Fiscal Council. The Minister of Finance prepares and submits to the Council of Ministers for consideration a draft decision approving the medium-term budget forecast for the period, as well as a draft motives for not adopting the reasoned opinion and recommendations of the Fiscal Council on the spring macroeconomic forecast and/or medium-term budget forecast for the period, for the adoption of standards for the activities, delegated by the state, with natural and value indicators and the government submits the adopted package of documents for information to the National Assembly.

- August - The Minister of Finance prepares a preliminary assessment of key macroeconomic indicators for the period. By September, it gives instructions to the First-level spending units and sets deadlines for the preparation and submission of their annual draft budgets and their updated budget forecasts. The Ministry of Finance evaluates the draft budgets and the updated budget forecasts of the relevant units. The Ministry of Finance prepares bills to amend the tax laws.

- October - The Ministry of Finance publishes on its website the autumn macroeconomic forecast, including the main assumptions on which it is based. The Minister of Finance is developing the draft law on the state budget of the Republic of Bulgaria, the draft of the updated medium-term budget forecast for the period, representing motives to the draft law on the state budget. It notifies the units of the main parameters of their draft budgets and their expenditure ceilings. The Chairman of the National Council for Tripartite Cooperation convenes a meeting to discuss the draft law on the state budget of the Republic of Bulgaria. The Minister of Finance prepares and submits to the Government for consideration and approval a draft Law on the State Budget of the Republic of Bulgaria together with the budget documents, including the program formats of budgets of the First-level spending units and the draft updated medium-term budget forecast for the period. The Council of Ministers holds a session, where it considers and approves the submitted budget acts, and by October 31 submits the bill on the state budget of the Republic of Bulgaria together with the budget documents to the National Assembly, including the updated medium-term budget forecast for the period.

From what has been said so far, we could conclude that there is a monopoly of the executive branch on the preparation of the draft budget. This allows the implementation of the budget to be made dependent on various technical calculations, tricks and even manipulations by the government, allowed in the course of drawing up the draft budget. The use of only the medium-term fiscal framework and the macroeconomic forecast prepared by the government

in the preparation of the draft budget significantly reduces the role of parliament in the budget process. In this regard, it should be noted that in the United States, for example, in addition to the economic forecasts of the Office of Management and Budget, the Congress uses the economic estimates of the Congressional Budget Office and the Joint Congressional Tax Committee of taxation (Collender, 1998). In a view of this, we believe that the National Assembly may use additional alternative sources of information when discussing the budget - for example, from specially created committees or other bodies, as well as from organizations in the non-governmental sector.

/B/ Adoption of the budget

The draft state budget, which the Council of Ministers submits to the National Assembly no later than two months before the beginning of the budget year, is accompanied by a consolidated fiscal programme. If the state budget is not submitted in the necessary time to be adopted by the beginning of the budget year, the Council of Ministers shall present reasons for the delay and request permission from the National Assembly to extend the term for the preparation of the draft budget. The draft law on the state budget shall be considered in accordance with the procedure established by the Rules of Organization and Procedure of the National Assembly (2017).

As we mentioned above, upon consideration of the bill, the standing committee in charge of the budget shall consolidate the observations of the other standing committees of the National Assembly and the motions of the national representatives and shall pass on the said observations and motions without revising the balance of receipts and outlays as moved. Upon request of the standing committees of the National Assembly, the ministries, central-government departments and other state bodies shall furnish supplementary fact sheets and explanations on receipts and outlays. The National Assembly shall hear a report of the Council of Ministers, presented by the Minister of Finance, and a report of the standing committee in charge of the budget, whereupon the National Assembly shall debate the draft of the annual State Budget Act.

When reviewing the public social insurance budget, the National Assembly shall hear a report of the departmental minister, a report of the Governor of the National Social Security Institute, and a report of the committee responsible for the budget. The budget of the National Health Insurance Fund is adopted according to the main indicators under Art. 14 of the PFA (2013) and must contain the elements applicable to it under Art. 89, para. 3 of the PFA (2013). The amount of health insurance payments is indicated on a separate line. The budget of the National Health Insurance Fund in terms of expenditures may also be adopted by policy areas and/or budget programs. Under the rule of Art. 86 of the PFA (2013), the state budget shall be adopted by a legislative act after the consideration of the draft budget for the state budget in the National Assembly and after observance of the procedure regulated in the Rules of Organization and Procedure of the National Assembly (2017). It is published in the State Gazette by a presidential decree. The Council of Ministers, upon a proposal of the Minister of Finance, within one month from the promulgation of the annual law on the state budget, shall adopt a decree for its implementation. The decree specifies the indicators for the budgets, included in the state budget, with the exception of the budgets of the National Assembly and the judiciary authorities. The decree also specifies the indicators for the individual budget programs in the budgets of budget organizations, which apply a program format of the budget within the expenditures, approved by the annual law on the state budget by policy areas and/or budget programs. Budgetary organizations publish their approved budgets on their official website in compliance with the requirements of the Classified Information Protection Act (2002).

The accounts for European Union funds shall not be included in the state budget, municipal budgets, or any other budgets under Art. 141 of the PFA (2013). The accounts for European Union funds may be used for pre-financing of payments to the relevant beneficiaries (budgetary organisations) in the form of interest-free loans as per the procedures and within the time limits set out by the Minister of Finance. Estimates are compiled, approved and updated for the accounts for the EU funds (Art. 144, para. 1 of the PFA, 2013). These estimates for the accounts for EU funds of the municipalities are prepared by the mayor of the municipality and approved by the Municipal Council. The constituent element of the budget in the form of „budgetary relations“ with the central budget and with other budgets and accounts for EU funds, regulated in Art. 45, para. 1 item 3 of the PFA (2013), by legal definition from § 1, item 4 of the Additional Provisions of the PFA (2013) includes transfers and temporary interest-free loans. The terms „transfers“ and „temporary interest-free loans“ are defined in § 1, item 8 and item 39 of the Additional Provisions of the PFA (2013). Transfer means a transfer of cash on a non-refundable basis between the central budget, the budgets, the accounts for European Union funds and the accounts for external funds, and loan means any repayable cash extended between the central budget and the budgets and accounts for European Union funds, For budgeting and reporting purposes, temporary interest-free loans shall be presented as transfers.

/C/ State budget implementation

The next stage of the budget process is the implementation of the budget. In a broad sense, state budget implementation is the process of mobilizing human, material, and financial resources using certain methods and procedures (Premchand, 1983). In a narrow sense, budget implementation as a stage of the budget process means mobilizing all planned budget revenues and financing the planned expenditures (Kozyrin et al., 2002).

The main task of the budget implementation process is to solve all tasks related to the spending of budget funds - financial and economic. It includes actions for the mobilization and use of funds, in the process of which involve the executive authorities, financial authorities, revenue administration bodies, individuals and legal entities with financial obligations to the budget and the recipients of budget funds. According to Rizhkova (2004, p.429-430), „two aspects of budget execution stand out: financial and legal. The financial aspect is related to the activity of the treasury or the Central Bank, and the legal aspect - to the principles for implementation of the budget and the procedure for the implementation of the revenue and expenditure part of the budget.”.

In the world practice there are three known systems for budget implementation - treasury, banking and mixed - treasury-banking, which is a combination of the first two.

The treasury system is historically the older system. Under it, the cash execution of the budget was carried out through tax cash registers, opened and organized at the tax offices, departments and offices. It is characteristic that the treasury system for cash execution of the budget is applied in combination with the so-called fund beginning of budget management - formation of separate revenue forms of separate budget funds to finance specific expenditures. In other words, the revenues had a strictly targeted nature, which determines the formation of various target budget funds.

The banking system for cash implementation arises and is formed with the gradual establishment of the cash execution of the budget as one of the main functions of the banks and with the transformation of the national bank into the cashier of the state. Under this system, under the authority of the state, the banks under the direction of the national bank collect the state revenues, keep the funds in special budget accounts and pay expenses from them at the order of the competent spending units. It is in the banking system for cash execution of the

budget that objective conditions arise for the creation of a common or unified budget „cash register”. According to the State Budget Procedures Act (repealed), the state budget of the Republic of Bulgaria is implemented on a cash basis. The cash execution of the state budget is organized and carried out by the Bulgarian National Bank in accordance with the procedure set forth in the Law on the Bulgarian National Bank.

The budget is implemented on the basis of the following principles:

- *Distinguishing between the functions of authorized spending officers and accounting officers* - According to this principle, budget implementation is entrusted to two different agents, hierarchically independent of each other and performing different but complementary functions, which are, however, incompatible with each other. In this way, the budget is implemented by different entities - administrators, authorizing spending officers and accountants.

- *Unity of the treasury* - This principle provides for the crediting of all incoming revenues to a single budget account and the implementation of all planned expenditures through a single account of the Ministry of Finance in the Central Bank

- *Ensuring the budget expenditures and payments within the limits of the actual availability of funds in the budget account* - According to the text of Art. 31, para. 2 of the State Budget Procedures Act /repealed/ the expenses shall be made up to the amount of the received revenues on the bank accounts of the republican budget and the spending units.

The Council of Ministers shall organise the implementation of the executive budget through the Ministry of Finance and the state bodies which are first-level spending units.

Under art. 11, para. 1 of the PFA (2013) budget authorisers shall be the heads of budgetary organisations or, in the case of collective bodies, their chairperson, unless otherwise provided by law. The First-level budget authorisers determine the budgets of the secondary budget authorisers, approve them insofar as the PFA (2013) or another law does not stipulate otherwise. Secondary Budget Authorisers determine and approve the budgets of lower-level budget authorisers. The Minister of Finance gives instructions on the implementation of the state budget and the accounts for funds from the European Union. The instructions are published on the website of the Ministry of Finance.

The cash implementation of the budget by the BNB means that the operations with the budget funds for crediting revenues to the budget and payments at the expense of the budget are performed by the BNB or an authorized bank in which a budget account is opened. The cash implementation of the state budget, including the storage of cash and valuables, is carried out free of charge, observing the sequence of payments to the budget, established by law. The Minister of Finance and the Governor of the Bulgarian National Bank shall issue an ordinance on the cash execution of the state budget, the budgets of the municipalities and the funds and the extra-budgetary accounts.

The implementation of the revenue part of the budget includes:

- collection and crediting of funds to the budget account;
- reporting of revenues in the budget in accordance with the unified budget classification.

These two activities in the State Budget Procedures Act (repealed) are included in the concept of „revenue administration”. According to its Additional Provisions § 1, item 3 the administration of revenues is an activity for collection and reporting of revenues in the state budget.

The implementation of the expenditure part of the budget provides for procedures for sanctioning and financing the expenditures. The sanctioning of expenditure includes the approval of appropriations and the approval of budget commitments. The financing of the

expenses is carried out after obtaining a permit for drawing up the payment document by making the payment itself.

In the process of the implementation of the budget, changes in the planned amounts of expenditures are possible. The principle, enshrined in the text of Art. 35, para. 1 of the State Budget Procedures Act (repealed), regarding the changes and adjustments in the budget accounts, is that they are possible, as long as the balance of the consolidated fiscal program does not deteriorate the balance of the state budget or the parameters of the approved budget for the relevant spending unit. It is possible to incur expenditures or assume obligations that worsen the balance of the budget only in cases when, upon the proposal of the Council of Ministers, the National Assembly has adopted relevant amendments in the annual law on the state budget.

In case of overfulfillment of the revenue plan, the additional funds received, the law stipulates that the Council of Ministers, upon proposal of the Minister of Finance, may approve additional budget appropriations in the amount of up to 1.5 per cent of the revenue statement under the consolidated fiscal programme for the relevant year, covered by overfulfillment of own revenues and/or by opening new sources of income.

Over the years, there has been a steady trend of overfulfillment of revenues in the state budget. In the period 2000–2004, the total overfulfillment of revenues was over BGN 3.3 billion, and in 2004 it was BGN 1.5 billion. This trend continues as for 2007 the cash overfulfillment of revenues was approximately BGN 1.2 billion. In 2017, the annual tax and insurance revenues exceeded the plan for the year by more than BGN 1.5 billion. Compared to 2016, they increased by nearly BGN 2.7 billion, as the revenues from the main taxes increased by more than BGN 1.6 billion. BGN, and the revenues from social and health insurance contributions reported an increase of over BGN 1.0 billion.

The legal mechanism for distribution of the over-execution of the budget revenues, based on the provision of art. 35, para. 2 of the State Budget Procedures Act (repealed), gives rights to the Minister of Finance to allow additional loans without sanction to the Council of Ministers. This right enabled individual decisions of the Minister to spend a relatively significant part of the gross domestic product of the Republic of Bulgaria. Additional budget appropriations above the amount, specified in the law, are approved by the National Assembly on the proposal of the Council of Ministers, when they are covered by overfulfillment of own revenues and/or opening of new revenue sources, without deteriorating the balance of the consolidated fiscal programme.

These overfulfillments of revenues and the way they are spent over time show that the legislation allows for the emergence of a tendency of incorrect attitude of the representatives of executive power and in particular - the Ministry of Finance, to the forecasting, compilation and implementation of the state budget. When planning the budget, the expected revenues are purposefully underestimated and since at this stage the control of the legislature is practically zero and there is no mechanism for influencing a control body in this process, a planned over-execution of the revenue part of the budget is ensured.

/D/ Preparation, consideration and adoption of the report on budget implementation

The last final stage of the budget process is usually associated as the stage of drawing up, reviewing and adopting the budget implementation report. According to O.V. Boltinova, „the concept of budget process must include the stage of preparation, review and approval of reports on budget implementation, as an inseparable stage of the budget process“ (Boltinova, 1999, p. 57).

In the process of budget implementation, all revenues, expenditures, budget deficits, as well as all operations on it are registered in the budget report, prepared by the financial authorities. The budget report is kept on the basis of accounting standards in accordance with the uniform budget classification. Budget reporting can be operational, periodic and annual. The financial authorities shall draw up a report on the implementation of their budget on the basis of the accounts of the authorizing officer and the recipient. The procedure and deadlines for compiling the reports and their submission shall be determined by the Ministry of Finance in coordination with the National Audit Office. The Minister of Finance submits to the Council of Ministers information on the cash execution of the state budget and the main indicators of the consolidated fiscal programme for each quarter of the current budget year on the basis of monthly reports, submitted by the first-level budget units within 45 days from the end of the reporting period, unless another term is determined by an act of the Council of Ministers, as well as a report on the cash implementation of the consolidated fiscal programme for the first half of the current budget year by September 15.

The annual report on the implementation of the budget shall be subject to adoption by a representative authority. In our country this is the National Assembly. Prior to the adoption of the report by the Parliament, it is audited by the National Audit Office, i.e. an external audit of budget implementation is carried out. The National Assembly shall decide on the adoption of the report on the implementation of the budget upon receipt of the report of the National Audit Office on the implementation of the budget. During the discussion of the report on the implementation of the state budget in the National Assembly:

1. The Minister of Finance shall present the annual report on the implementation of the main indicators of the state budget, the implementation of the fiscal objectives, information on the implementation of the consolidated fiscal programme, as well as the annual report on the state of the state debt.

2. Ministers shall submit annual reports on the implementation of the policies which they are responsible for.

The National Assembly shall adopt by a resolution the report on the implementation of the state budget not later than December 31 of the year following the reporting year. Our legislation does not address the issue that would arise if in the course of the external audit of the budget implementation report a discrepancy was found between the prescribed expenditure and the expenditure incurred in practice and this circumstance was reflected in the report of the National Audit Office. It is possible that there is such a finding in the conclusion of the budget committee on the report on the implementation of the state budget. The practice in most countries is in these cases that the representative body does not accept the budget implementation report.

This gives a legal reason for the prosecutor's office to investigate the circumstances in which the budget legislation was violated and the guilty officials were brought to justice. PFA (2013) does not provide for such a possibility - it is only stated that the National Assembly adopts by a resolution the report on the implementation of the state budget, without indicating what should be done in the described hypothesis. Therefore, we make the following proposal *de lege ferenda* for amendment in the PFA (2013) - in the text of Art. 139 it is added para. 3, which proclaims: „If the National Assembly does not adopt with a resolution the report on the implementation of the state budget, it shall send the resolution to the respective competent body for bringing to justice the guilty officials or shall take measures for influence.“

The analysis of the reporting stage of the budget implementation shows that in our country it is generally regulated. The participation of the parliament in the consideration and adoption of the report on the implementation of the budget is not detailed, the hypothesis related to the existence of deviations from its implementation in violation of the law is not considered,

no mechanism for accountability of individual ministers to the parliament is provided. There is no legal requirement to submit a report on the results of the government's activities under its programs. For instance, reports in a number of countries are accompanied by reports on the results of the administration's activities, which have not only budgetary but also economic and social dimensions. According to French legislation, the draft budget implementation must be accompanied by the annual program report, containing information on the objectives, obtained and expected results, the losses, the job positions or their modification (Article 54 of the Organic Law of the French Republic from 01.08.2001 № 2001-692, „On the financial laws”). In the United States under the rules of E-government Act (E-government Act of 2002) all federal authorities are obliged to provide, using Internet technologies, to an unlimited number of persons information about the services they provide to consumers, the results of their activities, the applied best practices. The law stipulates an obligation for government bodies to provide information about their activities by target groups - for citizens, entrepreneurs and others. These examples show that the formation of state budget reporting goes beyond satisfying the interests of the legislator and the reporting activities of the government should be aimed at meeting the information needs of individual citizens and groups. We believe that the issue of the content of the report on the implementation of the budget should be discussed in our country so that it could satisfy the interests not only of the legislator, but also of various groups of society - public organizations, creditors of public bodies, experts and most - more to the citizens. Subsequently, it is necessary to make the relevant legislative amendments in this direction.

/E/ Control over the implementation of the budget

An extremely important element of the budget process is the control over the implementation of the budget. This control is carried out both with regard to the implementation of the revenue part of the budget and with regard to the implementation of its expenditure part.

The control over the implementation of the budget, carried out by the bodies of the representative power, by the judiciary, by the National Audit Office and by the bodies of the executive power is an extremely essential part of the budget process. There are three forms of control over budget implementation - parliamentary, judicial and administrative control.

Parliamentary control implies: the right of parliament to receive from the executive bodies the necessary accompanying materials and documents during the process of adopting and voting on the draft budget, as well as adopting the report on the implementation of the budget; the right to adopt or not to accept the report on the implementation of the budget and, in the second case, to take appropriate measures of impact; the right to set up an independent body outside the executive branch for the external audit of the budget; the right to evaluate the activity of the bodies of the executive power on the implementation of the budget.

Judicial control is exercised by the judicial system in the Republic of Bulgaria. This is a control over the legality of the activity of the subjects of budget law. It is carried out by the courts in accordance with their competences and powers in the administration of justice.

Administrative control is carried out by the bodies of the central and local executive power - the Council of Ministers, the Minister of Finance, the first-level spending units, the heads and chief accountants of the public sector organizations, the auditors. Administrative control supposes: legitimate powers for carrying out checks on authorizing officers and recipients of appropriations; obtaining information necessary for control over the observance of the budget legislation; giving mandatory instructions in detecting violations of budget legislation; the drafting of legal acts, which are used as motives for seeking legal liability from violators.

At each stage of the budget process, control over the participants in the budget process is mandatory. That is why it is an integral part of each stage of the budget process. Moreover, it is not only control over the implementation of the budget, but also control at every stage of the budget process, carried out by the legislative, executive and judicial authorities, as well as by the specialized bodies for financial control.

Conclusion

The state budget, although by its legal nature it is a financial plan for the relevant budget year, has an important political significance. It provides the financial mechanism for the implementation of the government's program for the relevant year. This, in turn, presupposes a public debate on the state budget. In a parliamentary republic such as Bulgaria, the legitimate mechanism for this, with the corresponding legal consequences, is embedded in the public parliamentary debates, which constitute the second stage of the parliamentary legislative process, namely - discussion of the bill in the standing parliamentary committees and in the plenary session of Parliament. Therefore, it is necessary for the state budget to be adopted in the form of a law, following the established legislative procedure and taking into account its specific features, characteristic for the adoption of the law on the state budget. In practice, the legal institute of the state budget is a means of carrying out reforms in one or another social sphere.

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