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Policies at the European, National and Regional Levels Aimed at the Development of Border Regions

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ABSTRACT

The present publication examines the development of border municipalities in the Southwestern region of Bulgaria through a historical, institutional, and financial analysis of policies at the European, national, and regional levels. It outlines the stages of transformation of border regions – from strictly controlled peripheral zones with security functions during the period of centralized governance to territories integrated into contemporary concepts of regional development and territorial cohesion. The analysis of key financial indicators such as the share of own-source revenues, local tax collection rates, equalization and capital subsidies, and EU funds absorbed per capita reveals significant intra-regional disparities shaped by demographic, economic, and institutional factors. The results demonstrate that the most vulnerable border municipalities remain highly dependent on state transfers and have limited access to investment resources, whereas larger and administratively stronger municipalities absorb substantially more national and European funding. The study highlights the need for territorially sensitive policies, a differentiated approach, and strengthened administrative capacity as essential prerequisites for reducing regional inequalities and ensuring sustainable development in border areas.

Keywords: *Border regions, Regional policy, Territorial cohesion, Fiscal decentralization, Cross-border cooperation*

INTRODUCTION

Regional policy in Bulgaria from the 1950s to the late 1970s with regard to border territories is characterized by specific measures aimed at reinforcing political and military stability. Border regions were perceived primarily as a "protective belt" and a zone of control rather than as areas designated for development (Geshov, 1999; Boyadzhiev, 2005; Lichev, 2019). Similar characteristics of border territories are identified in Patarchanov's (2000) analysis of the regional aspects of cross-border cooperation between Bulgaria and Macedonia, where border zones are described as peripheral spaces with high dependence on central authority and severely limited endogenous resources. Large-scale collectivization and industrialization led to the relocation of population from villages and small towns to major industrial centres in the country's interior – a process described as a specific form of "point urbanization" (Geshov, 1992; Goodall, 1987; Galabinova, 2015). The establishment of Agricultural and Industrial Complexes (APC) in larger cities deprived villages of their role in agricultural management (Geshov, 1999), while the lack of major urban centres in close proximity to national borders deepened the spatial and social isolation of border regions.

This isolation was further reinforced by the fact that border zones were subject to restricted accessibility from the rest of the country – access was regulated and subordinated to security considerations (Geshov, 1995; Lichev, 2023). The infrastructure built during these decades, especially the road network, was primarily oriented toward military defense and border patrolling, rather than toward integrating peripheral territories into the national economic system (Todorova, 2014; Maucorps, 2023). Combined with the semi-mountainous and mountainous relief found in many border areas of the Southwestern region, these conditions predetermined an early manifestation of negative demographic and economic trends, similar to those observed in other peripheral areas across the EU (Copus, 1999; Luukkonen, 2010).

Throughout the 1950s–1970s, state policy toward border territories was driven predominantly by security and control. Legislation did not provide decentralized mechanisms for development; instead, it relied on centralized planning, restricted access to the border zone, and mass collectivization (Geshov, 1999; Stoyanova, 2019). The population of border municipalities – particularly those in rural and mountainous areas of Southwestern Bulgaria – began to decline under the influence of industrialization and the policy of point urbanization, which concentrated functions and investments only in selected centres (Geography of Bulgaria, 2002; Lichev, 2019).

During the 1980s, the first more substantial attempts were made to stimulate development in these isolated regions by relocating state enterprises and creating new production facilities. To a large extent, this policy failed. The main reasons include the uncontrolled relocation of enterprises to border regions without consideration of local resource potential, the lack of entrepreneurship based on local raw materials, and direct state financing without adequate monitoring of effectiveness (Geshov, 1999; Dokova et al., 2018; Lichev, 2023).

After 1989, efforts were made to eliminate the so-called "point concentration" and introduce the principles of modern regional policy. Gradually, ideas such as integration of social, economic, and environmental policies, improvement of multi-level governance, and strengthening the role of local authorities became established (Boyadzhiev, 2005; Galabinova, 2011; Shah, 2004). In this context, Patarchanov and Patarchanova (2014) emphasize the importance of the partnership principle and multi-level governance for mobilizing local communities in peripheral regions and overcoming the passivity of local authorities. A more active coordination between various state institutions emerged, accompanied by an emphasis on democratization, decentralization, and participation of local communities.

The development of border territories in Bulgaria, particularly in the Southwestern region, is strongly influenced by the normative framework shaped at both European and national levels. This framework has undergone significant transformation from the mid-20th century to the present, with its main objectives gradually shifting from military and security functions toward territorial cohesion, economic activation, and socio-demographic stabilization of peripheral areas (Luukkonen, 2010; Zillmer et al., 2021; Maucorps, 2023).

With the democratic transition and the shift toward a market economy, the normative and institutional framework underwent a fundamental change. The main objective became the integration of border regions into the national and European space through decentralization, local self-government, regional programming, and cross-border cooperation (Todorova, 2014; Jakubowski, 2024; Dentinho, 2020). Contemporary research by Patarchanova (2012) on rural and peripheral areas in Bulgaria further emphasizes the need for regional policy to account for territorial potential and the functional role of these spaces, including border municipalities.

LITERATURE REVIEW

Research on border and peripheral regions has evolved along several main directions: spatial peripherality and regional inequalities, the European policy for territorial cohesion, cross-border cooperation, and decentralization and local finance. In the classical works of Copus (1999), Goodall (1987), and Partridge & Rickman (2008), border territories are conceptualized as specific types of peripheries characterized by limited accessibility, small markets, and demographic decline. These concepts are reflected in the Bulgarian context as well – studies by Geshov (1992; 1995; 1999) and Boyadzhiev (2005) outline the historical evolution of regional policy, emphasizing the role of industrialization, collectivization, and centralized planning in deepening territorial disparities. Studies of regional investment environments in Bulgaria also demonstrate significant spatial disparities, showing that institutional readiness and local economic structures substantially influence the ability of municipalities to attract external resources (Gavrilova, 2025).

After 2010, the focus in European literature shifts towards territorial cohesion as an integrative framework of regional policy. Luukkonen (2010) defines territorial cohesion as a concept building upon economic and social cohesion by emphasizing spatial justice and access to services. Medeiros, Zaucha, and Ciołek (2023) empirically demonstrate that the dynamics of cohesion policy remain uneven between central and peripheral regions, while Chamusca (2024) and Maucorps (2023) highlight that border areas often remain in structural “imbalance” despite long-term INTERREG funding and other instruments.

Cross-border cooperation (CBC) represents a separate line of research. Classical analyses of INTERREG (Wassenberg et al., 2015; Medeiros, 2018) show that these programs have positive effects on regional connectivity, yet their actual impact depends on the administrative capacity and institutional maturity of participating partners. More recent studies by Basboga (2020) and Nagy (2020) find that participation in CBC correlates positively with regional growth, although effects are weaker in depopulated and remote municipalities.

Batyk & Rzeczkowski (2020) add that the external borders of the EU – including the Balkan Peninsula – are particularly sensitive to political shifts and differences in administrative systems. In the Bulgarian context, Galabinova (2011) and Dokova (2018) examine CBC as a tool for partially compensating peripheral status, but note the limitations stemming from the resource and managerial capacity of small municipalities. The regional aspects of cross-border cooperation between Bulgaria and its western neighbours are more deeply analyzed by Patarchanov (2000; 2023), who outlines both the potential and the barriers to the development of border municipalities within the framework of EU policies.

Another important research stream concerns decentralization and local finance. Bird & Vaillancourt (2006), Shah (2004), and Shah & Shah (2006) lay the foundations of the theory of fiscal autonomy and the role of local revenues in effective governance. In Bulgaria, the issue is examined by Galabinova (2011), Lichev (2019; 2023), and Veleva (2023), who emphasize that despite political decentralization, fiscal decentralization remains limited. World Bank reports (2022; 2023; 2025) reveal substantial differences among municipalities in terms of own-source revenues, tax collection, and dependence on equalization transfers. These disparities are particularly pronounced in mountainous and border municipalities, where a weak economic base and demographic depopulation constrain fiscal sustainability.

The absorption of European funds has become an increasingly prominent topic. Territorial Cohesion Policy in Europe (2010), Dentinho (2020), and Zillmer et al. (2021) highlight that although EU policy aims to reduce regional disparities, actual funding flows depend heavily on local administrative capacity. As a result, larger or better-organized municipalities absorb significantly more funds than weaker ones, including those in border regions.

Overall, the literature demonstrates that border municipalities are strongly influenced by a combination of structural (demographic, geographic), institutional (capacity, governance), and financial (local revenues, transfers, EU funds) factors. Despite the availability of cohesion and cross-border cooperation instruments, their impact is limited when resources and administrative readiness are insufficient. Recent Bulgarian research further highlights how digitalization, demographic vulnerability, and social inequalities shape development potential in rural and peripheral regions, reinforcing the uneven capacity of local communities to participate in modernization processes (Lendzhova, 2025). The present study fits within this scientific framework by combining historical, institutional, and financial approaches to assess the development of border municipalities in the Southwestern region of Bulgaria.

MATERIALS & METHODS

The study focuses on the border municipalities of the Southwestern region of Bulgaria, defined as Godech, Dragoman, Tran, Treklyano, Kyustendil, Nevestino, Blagoevgrad, Simitli, Kresna, Strumyani, Petrich, Sandanski, Hadzhidimovo, and Satovcha. These municipalities form a contiguous belt along the state border and combine pronounced peripheral characteristics with varying degrees of functional integration into the national and regional urban system.

The research is based on a combination of historical–institutional and quantitative financial analysis. The historical and policy-oriented part of the study draws on secondary sources, including monographs and articles on regional policy, border peripheries and territorial cohesion, as well as key national strategic and legal documents (Regional Development Act, National Concept for Spatial Development, National Strategy for Regional Development, National Strategy for Demographic Development, and EU regulations on cohesion and territorial cooperation). These materials are used to reconstruct the evolution of state and European approaches to border territories from the 1950s to the present and to situate the Southwestern border municipalities within broader conceptual and policy frameworks.

The empirical analysis employs comparable municipal-level data for several key financial indicators. The share of own-source revenues in total municipal income (2024) and the amount of equalization and capital subsidies (2024) are used as proxies for fiscal autonomy and the degree of dependence on central government transfers. The property tax (PT) collection rate (2022) serves as an indicator of local fiscal effort and administrative capacity, while EU funds disbursed per capita over the period 2007–2024 capture the ability of municipalities to access and utilize cohesion policy resources. The data are derived from official national statistics and institutional sources (Ministry of Finance, National Statistical Institute, public finance and municipal finance reports of the World Bank, and operational programme monitoring systems), harmonized where necessary to ensure comparability across municipalities and years.

The methodological approach combines descriptive statistics, comparative regional analysis, and simple correlation analysis between the four core financial indicators (share of own-source revenues, equalization subsidies, capital subsidies, and EU funds per capita). Municipalities are grouped into categories (high, medium, and low financial autonomy or performance) based on threshold values of the respective indicators, which allows for the identification of distinct territorial patterns and clusters. The results are visualized through figures presenting the distribution of indicators across municipalities, facilitating the interpretation of spatial disparities. The quantitative findings are then interpreted in conjunction with the historical and institutional context in order to derive more nuanced conclusions about the functioning of decentralization, cohesion policy, and territorial development mechanisms in border regions.

RESULTS AND DISCUSSION

Financial Autonomy of Border Municipalities

The financial autonomy of local government is a fundamental component of decentralization and a prerequisite for sustainable regional development (Shah, 2004; World Bank, 2023; Council of Europe/World Bank, 2022). One of the main indicators of this autonomy is the share of own-source revenues – that is, the funds generated by municipalities through local taxes, fees, fines, rents, concessions, and economic activities – relative to total budget revenues, which also include state subsidies, targeted transfers, and external funding (Galabinova, 2011; World Bank, 2025).

Data for 2024 concerning the border municipalities of the Southwestern region show clearly pronounced territorial disparities in the degree of financial autonomy, measured as the share of own-source revenues. These differences result from the combined influence of economic, demographic, spatial, and institutional factors, which form identifiable patterns (Lichev, 2023; World Bank, 2025).

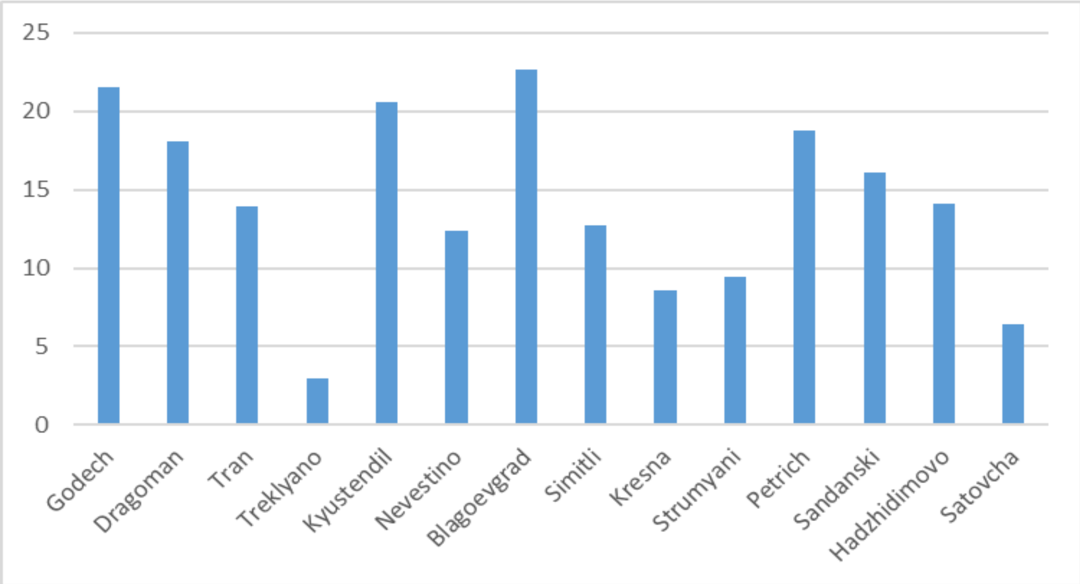

Fig. 1 Share of own-source revenues in total municipal income (%), 2024

Municipalities with a High Degree of Financial Autonomy

At the top in terms of the share of own-source revenues are the municipalities of Simitli (over 23%), Godech (around 21.5%), Kyustendil (21%), Nevestino (around 20.5%), and Dragoman (18.5%).
– Simitli benefits from its strategic location along the main transport axis of Southwestern Bulgaria (Corridor No. 4) and develops a diversified economy based on transport, construction, and local business.
– Godech and Dragoman, although border municipalities with relatively small populations, capitalize on their proximity to Sofia and the Kalotina border crossing through industrial zones and logistics functions.
– Kyustendil, as a regional centre, concentrates administrative functions, education, healthcare, and commercial infrastructure – an archetypal example of a “functional centre” that generates revenue across a territory larger than its own administrative unit.
– Nevestino stands out with a high share of own-source revenues despite its small size and population, likely due to effective financial discipline and active management of municipal assets.

Middle Group: Stable but Limited Capacity

Municipalities such as Petrich (18.8%), Sandanski (16%), Hadzhidimovo (14.2%), Tran (13.8%), Blagoevgrad (12.5%), and others show a moderate level of financial autonomy. The economies of Petrich and Sandanski are relatively well developed – with agriculture, balneological and SPA tourism, and cross-border trade – but high expenditures related to delegated state activities and social policy increase total revenues and reduce the relative share of own-source income. Blagoevgrad, despite its economic significance, also shows a relatively low share due to large volumes of transfers for the university, hospital, cultural institutions, and infrastructure projects.

Municipalities with a Low Degree of Financial Autonomy

At the opposite end of the spectrum are Treklyano (3%), Satovcha (6.5%), Kresna (8.7%), and Strumyani (9%), where the structure of budget revenues is dominated by state subsidies and the share of own-source revenues is low. Treklyano, as the smallest and most depopulated municipality in the country, practically lacks a significant tax base, while Satovcha and Kresna are strongly dependent on transfer financing due to demographic and geographic constraints.

The analysis of own-source revenue shares reveals a close relationship between economic activity, demographic structure, administrative capacity, and the geographic position of municipalities – a relationship confirmed in the international literature on fiscal decentralization (Shah, 2004; Bird & Vaillancourt, 2006; World Bank, 2023).

Property Tax Collection

The collection rate of local taxes, particularly the property tax (PT), is a key indicator of fiscal stability and the administrative capacity of each municipality (Galabinova, 2011; World Bank, 2010). In the context of demographic depopulation, economic peripherality, and structural inequalities characteristic of border territories, the analysis of PT collection becomes especially significant.

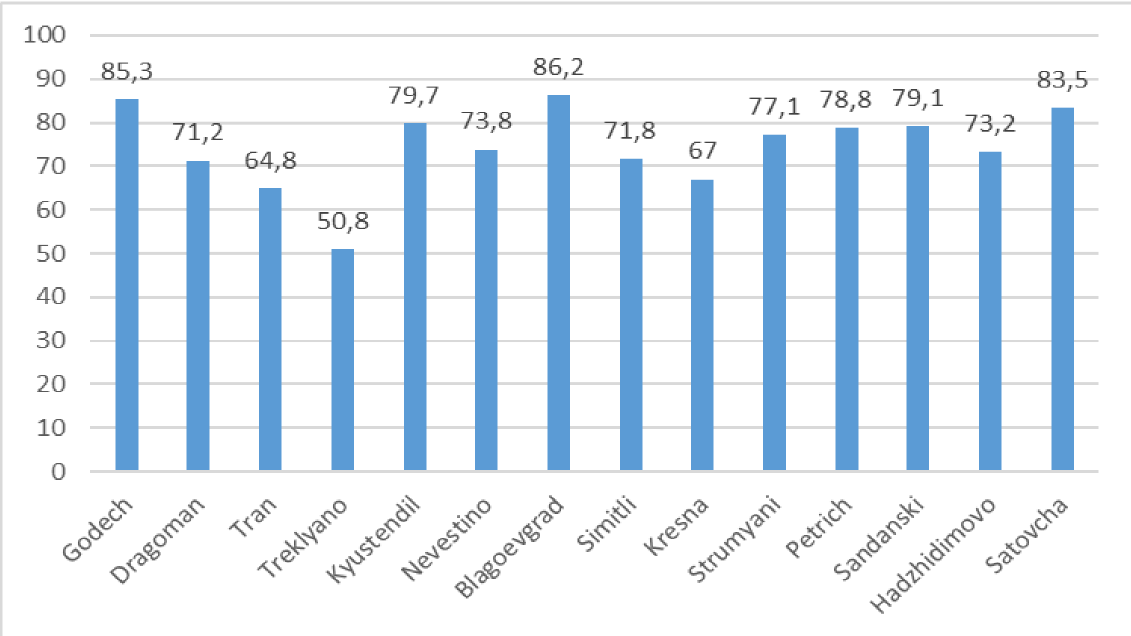

Fig. 2 Property tax collection rate, 2022

The collection of local taxes, particularly the property tax (PT), is a key indicator of the fiscal stability and administrative capacity of any municipality. In the context of demographic depopulation, economic peripherality, and structural inequalities characteristic of Bulgaria's border territories, the analysis of PT collection acquires particular significance. The data for 2022, visualized in the comparative chart provided, reveal a clearly pronounced territorial differentiation among the border municipalities in the Southwestern region, ranging from over 85% in Blagoevgrad Municipality to below 60% in Treklyano.

Against the backdrop of the relatively high national average PT collection rate (over 75%), only part of the border municipalities exceed this value. The leader is Blagoevgrad (over 85%), followed by Godech, Satovcha, Kyustendil, and Sandanski – all with results above 80%. At the opposite end of the spectrum are Treklyano, Tran, Kresna, and Dragoman, where collection rates do not exceed 65%, and in Treklyano fall around or below 60%.

This heterogeneity cannot be explained solely through administrative efficiency. A range of demographic, economic, infrastructural, and institutional factors must be accounted for, as they jointly determine a municipality's capacity to realize revenue from local taxes.

A clear correlation is observed between the level of urbanization and PT collection. Municipalities with larger and more stable urban centres – such as Blagoevgrad, Kyustendil, and Sandanski – demonstrate higher fiscal discipline and activity. These municipalities feature a larger population concentration, greater public awareness, and a more substantial presence of legal entities, which are major contributors to this tax.

Conversely, in municipalities such as Treklyano, Tran, and Strumyani, where the population is significantly reduced and aging, demographic and social disintegration hampers effective tax administration. A large share of properties is owned by individuals residing outside the municipality – often in major cities or abroad – which leads to complications in notification, collection, and enforcement.

Economic activity in a municipality directly affects tax collection. Municipalities with well-developed trade, tourism, or industry (e.g., Sandanski, Petrich, Blagoevgrad) demonstrate higher financial culture and activity, while those with low economic potential (Treklyano, Tran, Kresna) exhibit reduced collection.

Not least, the administrative capacity of municipal structures plays a crucial role – availability of up-to-date property registers, modernized electronic notification systems, effective communication with debtors, and consistent application of sanctions and incentives. The development of e-governance in municipalities such as Blagoevgrad and Kyustendil likely contributes to more rigorous fiscal control. In contrast, underfunded municipalities like Treklyano and Dragoman lack the resources for such digitalization and institutional activity.

The analysis of PT collection in the context of border municipalities allows conclusions regarding deeper spatial-functional dependencies. At the regional level, it is evident that:

• Municipalities occupying central positions in the regional hierarchy (Blagoevgrad, Kyustendil) demonstrate the highest collection rates;

• Mountainous and peripheral municipalities with pronounced depopulation (Treklyano, Tran) face structural difficulties in exercising fiscal control;

• Some rural municipalities with compact populations and limited out-migration (Satovcha) show relatively good collection levels, indicating the importance of social structure and municipal policy.

In conclusion, differences in property tax collection among the border municipalities of the Southwestern region result from a combination of demographic, economic, administrative, and cultural factors. High collection rates are typical of urbanized, economically active, and institutionally stable municipalities. Conversely, low collection is a symptom of territorial decline, social marginalization, and administrative weakness.

The issue should not be viewed solely through a fiscal lens, but rather as an indicator of spatial inequality and uneven development – requiring an integrated approach involving improved administrative registers, e-governance, regional policies supporting small municipalities, and the promotion of tax culture through transparency and accountability (Karadzhov, 2016).

Equalization and Capital Subsidies

In Bulgaria's local self-government system, fiscal decentralization is a core principle, but in practice it unfolds under conditions of significant territorial disparities in the municipalities' capacity to generate their own revenues (World Bank, 2025; Lichev, 2019; Galabinova, 2011). This necessitates the application of compensatory mechanisms by the state, the main ones being the equalization subsidy and the capital subsidy.

In 2024, the border municipalities of the Southwestern region of Bulgaria demonstrate significant differences both in the absolute size and in the ratio between equalization and capital subsidies, reflecting a complex picture of the territorial-financial structure and the effectiveness of public policy.

The highest absolute values of the equalization subsidy are received by Kyustendil (3.72 million BGN), Blagoevgrad (2.93 million BGN), and Petrich (1.94 million BGN). These are territories with large populations and substantial engagement in state-delegated activities – particularly in education, healthcare, and culture. At the same time, their relative financial autonomy (measured as the share of own-source revenues) is moderate, meaning that the subsidy plays a balancing rather than a primary role. In smaller border municipalities such as Godech (0.71 million BGN), Dragoman (0.62 million BGN), Tran (0.72 million BGN), and especially Treklyano (0.45 million BGN), the equalization subsidy often represents the main source of revenue through which minimal administrative and communal functioning is maintained. This clearly demonstrates the dependence of peripheral territories on central government and their inability to ensure independent fiscal sustainability.

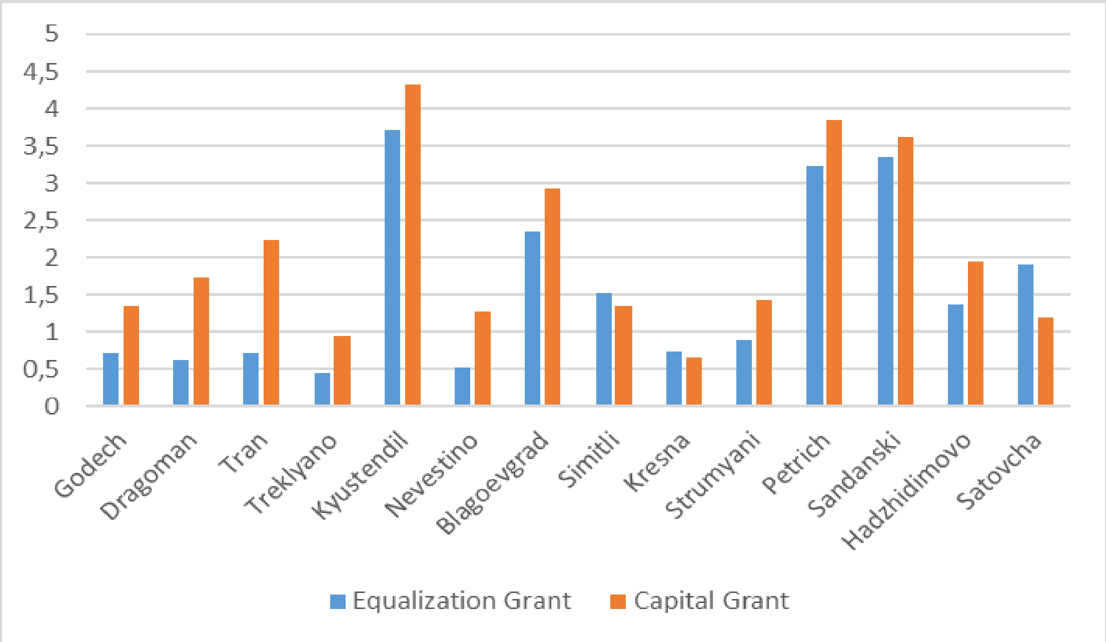

Fig. 3 Equalization and capital subsidies (in million BGN), 2024

Meanwhile, the distribution of capital subsidies – which are targeted and intended for investments – offers a different perspective on state intervention. The largest capital transfers in 2024 are again directed to Kyustendil (4.33 million BGN), Blagoevgrad (3.84 million BGN), Petrich (3.62 million BGN), and Tran (2.24 million BGN). For the larger municipalities, this reflects administrative readiness, project capacity, and the ability to implement large-scale infrastructure activities. In the case of Tran, however, the high value of capital subsidies (over 2 million BGN) is due to targeted state support for infrastructure and environmental improvements – often in the context of cross-border cooperation and local tourism.

A similar situation is observed in Dragoman (1.73 million BGN), where the geostrategic location and proximity to Corridor No. 4 facilitate investments in logistics and transport connectivity.

At the opposite end of the spectrum are municipalities such as Satovcha (1.20 million BGN), Strumyani (1.28 million BGN), and Hadzhidimovo (1.42 million BGN), which – despite economic challenges and social vulnerability – receive relatively modest capital funding. This raises questions about the effectiveness of the distribution mechanism, particularly in the context of territorial cohesion policies. It is evident that the most disadvantaged territories do not always receive priority support – factors such as administrative activity, project maturity, and political attention play a significant role in resource allocation.

Comparing equalization and capital subsidies reveals several dependencies. First, municipalities with the lowest fiscal capacity (Treklyano, Strumyani, Satovcha) are highly dependent on the equalization subsidy but often lack the capacity to implement capital projects – resulting in a vicious cycle of dependence and stagnation. Second, large municipalities with developed administrative capacity (Kyustendil, Blagoevgrad, Petrich) successfully combine both types of subsidies, using the equalization subsidy for current expenditures and the capital subsidy for strategic investments – a model that ensures sustainable development. Third, there is a group of border municipalities that successfully absorb capital funds despite limited resources (e.g., Tran, Dragoman), demonstrating that targeted project work and cross-sector partnerships can compensate for territorial limitations.

In conclusion, equalization and capital subsidies are not merely financing tools but a mirror of the state's territorial policy. They reveal both its ability to balance regional development and the uneven distribution of administrative capacity, political attention, and project activity. For the border municipalities of the Southwestern region, these subsidies remain a crucial resource; however, they must be complemented by structural measures aimed at enhancing local autonomy, stimulating economic activity, and building long-term institutional capacity.

European Funds and Cohesion Policy

One of the key indicators of the effectiveness of European and national territorial development policy is the degree of absorption of European funds at the local level (EC, 2013; Zillmer et al., 2021; Jakubowski, 2024). The data on EU funds disbursed per capita in the period 2007–2024 in the border municipalities of the Southwestern region clearly demonstrate spatial differences in access to financing.

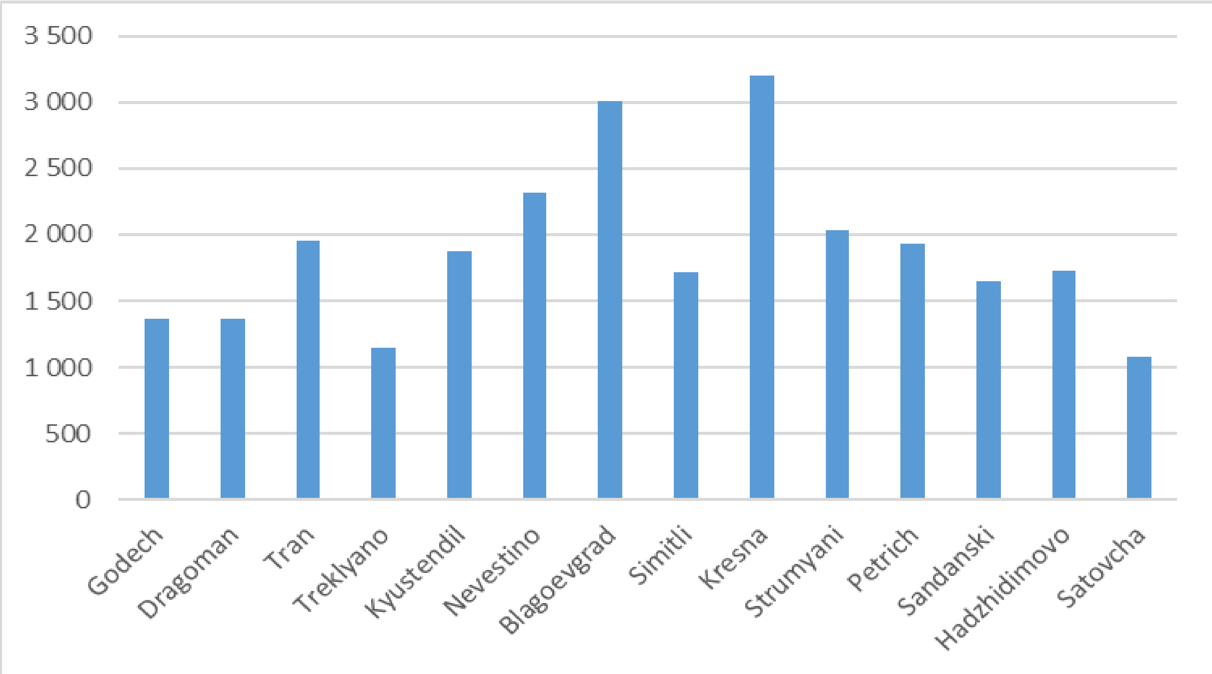

Fig. 4 EU funds disbursed per capita, 2007–2024

Kresna is the clear leader, with absorption levels exceeding 3,200 BGN per capita – a result of active project development, good transport accessibility (Corridor No. 4), and targeted investments in infrastructure and environmental protection. Blagoevgrad – the largest city in the region – also demonstrates high absorption, owing to its expert capacity and diverse project initiatives. Of particular interest is the municipality of Nevestino, which, despite its small size, shows a high level of absorption. This is likely due to implemented projects under the Rural Development Programme and cross-border cooperation, as well as active policies in infrastructure and public services.

A group of municipalities – including Strumyani, Tran, Petrich, Kyustendil, Hadzhidimovo, Simitli, and Sandanski – forms a middle tier with absorption levels between 1,700 and 2,300 BGN per capita. In the larger municipalities (Petrich, Kyustendil, Sandanski), the lower value of the indicator is due to the higher population size, which distributes the total volume of funding, whereas in smaller municipalities it results from limited project activity.

At the bottom of the ranking are the municipalities of Godech, Dragoman, Treklyano, and Satovcha, all with absorption below 1,500 BGN per capita, with Satovcha occupying the last place at around 1,200 BGN. Possible reasons include limited administrative capacity, weak project activity, demographic depopulation, low interest in EU programmes, and a lack of strategic project initiatives. Particularly concerning is the case of Treklyano, which – despite being one of the smallest and most socially vulnerable municipalities – fails to attract substantial EU funding.

The emerging territorial disparities in EU fund absorption raise questions about the effectiveness of the territorial cohesion policy. Although some of the most disadvantaged municipalities fall within priority categories under national and EU regional policy, actual financing favours better-organized, more accessible, and institutionally prepared municipalities.
This pattern confirms existing observations that EU funds are not distributed automatically based on need, but rather according to administrative capacity, project activity, and strategic planning (Territorial Cohesion Policy…, 2010; Maucorps, 2023; Dentinho, 2020). Similar patterns are identified in national studies on EU-funded development in rural Bulgaria, where the impact of European programmes strongly depends on institutional capacity and the ability of municipalities to formulate and implement mature project proposals (Shlyakov, 2025). Recent methodological research also underscores the importance of structured external-environment analysis for strengthening municipal strategic planning, especially in territories facing demographic decline and administrative limitations (Karadzhov & Patarchanova, 2025).

Interrelationships between Key Financial Parameters and Conclusion

A quantitative analysis of four interrelated indicators – the share of own-source revenues, the size of equalization and capital subsidies, and EU funds absorbed per capita – allows for a more detailed assessment of the functioning of the mechanisms of fiscal decentralization, subsidization, and external investment in vulnerable territories.

• A strong positive relationship between equalization and capital subsidies indicates that the same municipalities concentrate both current and investment support – a consolidated compensatory approach that may reflect targeted cohesion policy, but may also reinforce structural dependency (Lichev, 2019).
• A negative and weak correlation between the share of own-source revenues and the equalization subsidy confirms the theoretical purpose of the subsidy – to support municipalities with a low tax base – but also suggests that formula-based mechanisms do not always reflect real territorial deficits (Galabinova, 2011; Bird & Vaillancourt, 2006).
• A moderate positive correlation between EU funding and state subsidies, contrasted with a weak correlation with the share of own revenues, shows that EU funds depend more on administrative capacity and project culture than on objective need (Jakubowski, 2024; Zillmer et al., 2021; Maucorps, 2023).

The analysis of the interrelationships between the key financial parameters of border municipalities demonstrates that fiscal autonomy and access to investment (national and European) depend not only on the objective needs of the territories, but also on their institutional capacity, project culture, and administrative effectiveness. This necessitates a shift from a formal to a functional model of territorial financing, in which national and European policies are based on development potential and real constraints rather than solely on statistical indicators and mechanical formulas.

Only such a differentiated and territorially sensitive approach can ensure genuine cohesion and sustainable development in the country's border, mountainous, and vulnerable regions.

CONCLUSION

The analysis of European, national, and regional policies aimed at the development of border areas demonstrates that the transformation from a "security buffer zone" into a space for integration and development remains a long, complex, and still incomplete process. The historical overview reveals strongly centralized, security-oriented approaches during the second half of the 20th century, within which the border territories of the Southwestern region functioned primarily as peripheral and controlled zones. This has resulted in long-lasting peripheralization, demographic decline, and lagging social and infrastructural development.

The contemporary normative and strategic framework – including the Regional Development Act, the National Concept for Spatial Development, the National Strategy for Regional Development, the Demographic Development Strategy, and the European regulations on cohesion and territorial cooperation – formally places border and peripheral regions among national priorities. Instruments such as Integrated Territorial Investments, the territorial approach, cross-border programmes, and targeted demographic measures reflect a shift toward multi-level governance and territorially oriented planning.

However, the quantitative analysis of financial parameters reveals significant intra-regional disparities. The share of own-source revenues, the effectiveness of local tax collection, the volume of equalization and capital subsidies, and the level of EU fund absorption all illustrate the uneven development of border municipalities. Some of them – such as Blagoevgrad, Kyustendil, Petrich, Sandanski, Simitli, Godech, and Dragoman – manage to utilise their advantageous location and administrative capacity to achieve relatively high financial autonomy and project activity.

In contrast, small, mountainous, and depopulated municipalities such as Treklyano, Satovcha, Kresna, and Strumyani remain structurally dependent on state transfers and have limited access to investment resources.

The empirical findings indicate that fiscal autonomy and effective participation in cohesion policy depend not only on territorial needs, but also on institutional capacity, project culture, and the quality of local governance. This creates a risk of reproducing a "double periphery," in which the most vulnerable border municipalities remain insufficiently represented in national and European investment streams.

In summary, there is a clear discrepancy between the declared goals of territorial cohesion and the actual outcomes achieved. A transition toward a functionally oriented, adaptive, and territorially sensitive policy model is required – one that acknowledges the specific characteristics, potential, and constraints of each border municipality in the Southwestern region. Only such an approach can ensure sustainability, socio-demographic stabilization, and meaningful integration of these critical territories into the national and European space.

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