

Doing Business in the European Union 2017: **Bulgaria**



Doing Business in the European Union 2017: Bulgaria, Hungary and Romania is the latest in a series to expand the benchmarking exercise beyond the largest business city in one or more EU member states, so as to give a more complete representation of the business and regulatory environment. This edition covers 22 cities from Bulgaria, Hungary and Romania. Regulations relevant to five stages in the life of a small to medium-size domestic firm are measured: starting a business, dealing with construction permits, getting electricity, registering property, and enforcing contracts. In each of these areas, the report highlights good practices that can be leveraged to empower local entrepreneurs and firms.

DOING BUSINESS IN BULGARIA

Doing Business in the European Union 2017: Bulgaria, Hungary and Romania goes beyond the capital cities—measured by *Doing Business*—to identify good regulatory practices, uncover administrative bottlenecks and recommend reforms based on examples from each country and 187 other economies measured by *Doing Business*.

In Bulgaria, the report assesses the business regulatory environment and its impact on local entrepreneurs in **6 cities**: Burgas, Plevan, Plovdiv, Ruse, Sofia and Varna.



The report was prepared by the World Bank Group and funded by the European Commission, Directorate General for Regional and Urban Policy.

MAIN FINDINGS

- **Bulgarian entrepreneurs face different regulatory hurdles depending on where they establish their businesses.** Implementation of business regulations as well as efficiency of public agencies vary within the country. Large differences can be seen in business start-up, dealing with construction permits, getting electricity and contract enforcement. For example, starting a business takes 14 days in Varna—one week less than in Sofia. The main factors driving the variation are the time to register for VAT and differences in municipal requirements. Dealing with construction permits takes 97 days in Sofia—10 weeks less than in Ruse. But Ruse has the least expensive process in the country—the only Bulgarian city where the cost to deal with construction permits is below the EU average. Enforcing a contract in Ruse takes less than 11 months while in Sofia the same process takes nearly 19 months due to higher caseloads and delays with internal court processes.
- **All Bulgarian cities outperform the European Union average in contract enforcement, and Plevan and Varna also do so in starting a business.** However, there is still room to improve in dealing with construction permits and getting electricity. Getting electricity is considerably more burdensome than in most other EU member states, largely because of the

multiple clearances required before the construction of the connection starts and the inspections needed after it is completed. Similarly dealing with construction permits in Bulgarian cities is on average more burdensome and costly than the EU average.

- **No single city excels in all five areas measured.**

It is easier for Bulgarian entrepreneurs to start a business in Varna. Indeed, if represented by Varna rather than Sofia in the *Doing Business* global ranking, Bulgaria would jump 25 places, from 82 to 57. Dealing with construction permits is most efficient in Sofia because it is the only city in Bulgaria offering fast-track services. Burgas leads in the area of getting electricity, while Ruse stands out among Bulgarian cities for its performance in both registering property and contract enforcement.

- **There are opportunities to make tangible improvements by replicating good practices found in the cities measured.**

In Sofia—the only city to offer fast-track services in the country—dealing with construction permits takes more than two months less than in Ruse, where the wait is long for water connection as well as for the process of phased inspections during construction. Burgas can share its experience in getting electricity. Along with Plovdiv, Burgas has the highest score in the reliability of supply and transparency of tariffs index. In addition, Burgas is the second most efficient city in the country after Varna. Other cities could learn from Ruse how to make enforcing contracts not only more efficient, but also of higher quality.

- **Sofia lags behind most of the smaller cities in Bulgaria in all areas other than dealing with construction permits.**

This can be attributed in part to the higher demand for business services. A similar trend is observed with Budapest in Hungary. However, Bucharest does relatively well vis-à-vis the smaller cities in Romania. The city ranks in the top half among Romanian cities in most areas measured demonstrating the potential for dealing efficiently with high demand for business services.

- **Despite a number of good practices documented in the report, challenges remain.**

To ease the start-up process, Bulgaria could follow Hungary's example and explore possibilities to consolidate VAT registration with business registration. In dealing with construction permits, Bulgarian cities should focus on streamlining preconstruction clearances and centralizing all preapprovals at a single window—as Georgia did, cutting 10 steps and 70 days as a result. In the long run the aim should be to introduce an electronic one-stop shop where all agencies review the

application online, as in Hungary. Identifying opportunities to reduce the number of steps as well as the time needed to get an electricity connection is key to making the process easier in Bulgarian cities, where the time to get a commercial electricity connection is much higher than in almost all EU member states. To make registering property easier and more secure, authorities could further promote exchange of information across institutions, including the tax authorities, municipalities, Property Register and Cadastre Agency. On contract enforcement, courts in Bulgaria could introduce pre-trial conferences for commercial disputes just as they do for fast-track priority cases such as labor disputes or tenants' rights. In the long run, Bulgarian courts could introduce electronic filing of documents.

ABOUT SUBNATIONAL DOING BUSINESS

Subnational Doing Business studies capture differences in business regulations and their enforcement across locations in a single country. The reports provide data on the ease of doing business in selected areas, rank each location, and recommend reforms to improve performance at the local level.

- **Offers a new diagnostic tool.** Applying the methodology used in the cross-country global *Doing Business* report in a number of locations in the same country or region, the projects create micro-level data on various areas of business regulation. This allows the participating locations to compare their business regulations among themselves and with 188 economies worldwide.

- **Motivates regulatory improvements.** The studies uncover bottlenecks, provide policy recommendations and identify local good practices that can easily be replicated without changing the country's legal and regulatory framework. The studies motivate regulatory improvements, mainly through peer-to-peer learning.

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