

# Executive Summary

## A Comprehensive Assessment of Regional Business Climate

The Subnational B-READY in the European Union (EU) series is a project led by the World Bank in partnership with the European Commission's Directorate-General for Regional and Urban Policy (DG REGIO) aimed at assessing and enhancing the business environment across different regions within the EU. This year, the Subnational B-READY series cover 40 cities in six EU Member States—Bulgaria, Croatia, Hungary, Portugal, Romania, and the Slovak Republic—covering 36 European regions. This phase builds upon the World Bank's previous Subnational studies conducted in these countries between 2017 and 2022. More broadly, the former Subnational in the EU reports assessed business environments in Bulgaria, Hungary, and Romania (2017); Croatia, the Czech Republic, Portugal, and the Slovak Republic (2018); Greece, Ireland, and Italy (2020); Austria, Belgium, and the Netherlands (2021); and Denmark, Finland, and Sweden (2022), covering 115 locations across 16 EU Member States. These studies have laid the groundwork for identifying regulatory gaps and sharing best practices to strengthen the EU's regional economic cohesion. As part of an ongoing effort, the team is launching the second round of measurements, which will cover over 60 cities from the Czech Republic, Greece, Ireland, Italy, Poland, and Spain. A third round is set to begin in 2025, expanding the assessment to more EU Member States.

### Objective

The primary objective of the Subnational B-READY studies is to identify and address regional disparities in regulatory environments and to promote reforms that foster private sector growth, job creation, and sustainability. The Subnational B-READY series delivers a rigorous, data-driven analysis of business climates at the local level, offering actionable insights for policy makers. By examining key areas of the life cycle of the firm—Business Entry, Business Location (including Building Permitting, Environmental Permitting, and Property Transfer), Utility Services (Electricity, Water, and Internet), Dispute Resolution, and Business Insolvency—this report offers a road map for im-

proving administrative processes and regulatory frameworks that directly affect businesses at the local level in six Bulgarian cities: Burgas, Pleven, Plovdiv, Ruse, Sofia, and Varna.

### Intended Audience

This Subnational B-READY report series targets a wide audience, from national to local government officials, and from private sector stakeholders to development agencies, policy makers, and researchers. The findings are meant to help these groups identify best practices, reduce regulatory bottlenecks, and foster a more unified and efficient business environment across regions. Additionally, the collected data serve as an effective tool for local governments, enabling them to benchmark and track performance over time vis-à-vis not only national standards but also international benchmarks. The comprehensive underlying country-specific datasets provide ample opportunities for further research in the area of private sector development and growth.

### The Importance of Regional Data

An insight into regional dynamics allows an economy to be more inclusive and sustainable in its economic growth. The Subnational B-READY reports offer governments the evidence needed to design targeted reforms, allowing regions to enhance their business climates and bridge performance gaps. It is hoped that the key findings will encourage peer learning across regions by disseminating good practices observed in high-performing cities. It is expected that such a sharing of best practices would lead to cross-regional improvements and eventually spur competitiveness across the EU.

By highlighting both achievements and areas for improvement, these assessments aim to support national and regional policy makers in driving meaningful reforms. In this way, the project exemplifies the shared commitment of the World Bank and DG REGIO to enhancing economic cohesion and resilience within the EU through rigorous analysis and evidence-based policy recommendations.

# Key Findings

- ▶ The regulatory framework is harmonized across all six assessed Bulgarian cities and all topics measured in this report. Implementation of business regulations and associated public services can vary substantially, however, most notably in the areas of Business Insolvency and Dispute Resolution, where the largest performance gap among Bulgarian cities is observed.
- ▶ All Bulgarian cities perform best in Business Entry, at 92.8 out of 100 points—featuring adherence to international regulatory good practices, high adoption of digital technologies for public services, and a highly efficient business registration process.
- ▶ The lowest score for the measured cities is recorded in Dispute Resolution, at 71.3 points—mainly due to weaker performance related to Public Services (Pillar II).
- ▶ All Bulgarian cities have something to share with and learn from each other. Pleven, for example, scores high on Business Entry but lags in Utility Services and Dispute Resolution. Varna is among top performers in Dispute Resolution, but it has a weaker performance in Business Insolvency. Sofia does well across most areas, but it also has room for improvement in Business Insolvency.
- ▶ There is no apparent relationship between city size and performance. For instance, a comparatively smaller city, Ruse, shares the lead in Utility Services with the much larger city of Sofia. On the other hand, a large city like Plovdiv leads in both Dispute Resolution and Business Insolvency, while it lags Ruse in Utility Services. These findings also indicate that larger cities can still perform effectively despite the challenges posed by higher caseloads.
- ▶ Bulgarian cities tend to perform better on Operational Efficiency (Pillar III) than on the strength of the Regulatory Framework (Pillar I) and the quality and reliability of Public Services (Pillar II)—implying that they are efficient despite any regulatory framework and provision of public services challenges.
- ▶ Except for Business Entry, no consistent implementation of national legislation appears in practice across all topics—an intuitive result in the context of the European Union, where regulatory frameworks and delivery of many public services tend to be uniform across regions within a country, while implementation and efficiency do not.
- ▶ Entrepreneurs can register a new LLC in the six Bulgarian cities within 12 days, with the option to complete the process online. Since its introduction in 2009, the use of online registration has steadily grown. In 2023, 83 percent of all new LLCs in Bulgaria were registered online.
- ▶ The time required to obtain building permits ranges from 92 days in Plovdiv to 103 days in Sofia, while the cost of obtaining building-related permits varies from 32 percent of income per capita in Pleven to 141 percent in Sofia. Differences in waiting times and costs across cities are largely driven by municipal permits. For Environmental Permitting, the time to obtain an environmental impact assessment (EIA) varies from 44 days in Pleven to twice as long in Sofia. In terms of Property Transfer, 8 percent of firms in the Southeastern region (including Burgas) report access to land as an obstacle, while the lowest reported rates are in the Northwestern and South Central regions (including Pleven and Plovdiv), with only 3 percent.
- ▶ Time to obtain utility connections varies significantly for electricity, from 229 days in Pleven to 270 days in Plovdiv, and water, between 121 days in Sofia to 150 days in Varna. The disparity for electricity is driven primarily by the time required to issue local clearances and obtain construction permits, while the variation for water connection is largely due to the speed at which municipalities issue excavation permits and approve project designs. Similarly, service disruption varies across utilities. For electricity, utilities in Burgas and Plovdiv report the least frequent interruptions, averaging 2.6 per year, each lasting on average 2.6 hours.

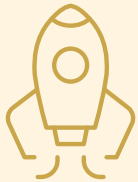


Nearly 1 out of 10 firms report water insufficiencies in the Northeastern region (including Varna), and 27 percent of firms report internet service disruptions in the Northwestern region (including Pleven), both the highest levels in the country.

- ▶ In Dispute Resolution, the greatest disparity among Bulgarian cities is in the total duration of commercial litigation proceedings, from the court of first instance through appeals. Ruse and Pleven resolve cases in ten months, the fastest in the country, while the courts in Sofia require more than two years.
- ▶ For Business Insolvency, courts in Plovdiv are more efficient—liquidation proceedings last 24 months, 18 months faster than in Varna, while reorganization proceedings take 6 months, half the time required in most Bulgarian cities. Similarly, Plovdiv courts—along with those in Burgas and Pleven—are also the cheapest in the country for both liquidation and reorganization proceedings.

## Areas of Improvement

### Business Entry



The introduction of voluntary VAT registration at the time of incorporation for newly established companies is a step forward in simplifying the opening of new businesses. To further facilitate the process, Bulgaria can consider streamlining the risk screening procedure to shorten the time for VAT registration, which according to experts currently takes eight days. In Romania, for instance, voluntary VAT registration happens immediately, and authorities conduct a risk analysis post-registration; if authorities find issues with the application and information submitted, they can revoke the registration. Other areas of improvement for business entry in Bulgaria include eliminating the start-up capital requirement for limited liability companies. Several EU Member States, including Belgium, Finland, Ireland, and the Netherlands have eliminated this requirement.

### Business Location



Areas of improvement in Building Permitting include improving coordination between agencies by digitalizing the permitting process. Bulgarian authorities could gain valuable insights by learning from best practices in other EU countries, such as the platforms developed in Croatia, Hungary, and some cities in Portugal. Furthermore, clarifying

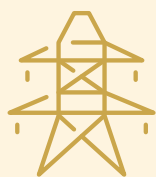
and better communicating the requirements and fees for obtaining building permits would enhance efficiency. Lastly, integrating spatial data platforms among agencies will allow builders to find all necessary information online at a central location, eliminating the need for multiple pre-approvals.

To improve environmental permitting in Bulgaria, authorities could develop and deploy an integrated online environmental permitting platform. This platform could introduce efficiencies in permit processing by securing online payments, providing interactive communication, automating notifications, and providing an online filing system for disputes. Further integration and digital communication between authorizing agencies such as the Regional Inspectorate of Environment and Water, the Water Directorate, the Health Inspectorate, and the municipalities could streamline the approval process and improve visibility of the application status for all parties involved. Bulgarian authorities could further streamline the process and eliminate unnecessary checks by fully adopting a risk-based approach to environmental approvals, similar to practices in Belgium and Denmark, where simpler projects are exempt from extensive environmental assessments. This approach would involve sharing criteria with permitting authorities and developing more accurate GIS-based maps for municipalities to consult when reviewing a building permit application.

To further enhance land administration and improve property transfer, Bulgarian authorities could focus on com-

pleting the digitalization and automation of processes at the Land Registry and Cadaster. Full digitalization, along with enabling seamless data exchange between the Land Registry and Cadaster databases and establishing interoperability with other key agencies involved, would improve the efficiency and security of the entire property transfer process. Additionally, ensuring that all private properties in the country are properly mapped would strengthen legal assurances and provide greater certainty regarding property rights. Finally, increasing the transparency of the land administration system by making all relevant property transaction information available online—including lists of required documents—and maintaining statistics on property-related disputes and their resolution times would be highly beneficial.

### Utility Services



Potential areas for improvement in utility service provision and efficiency within the electricity sector include implementing and enhancing online platforms for electricity connection applications across all cities, supported by online customer assistance, clear guidelines, and awareness campaigns. Increasing transparency and accountability by collecting and publishing statistics on processing times, connection costs, and service reliability would help set clear expectations and drive performance improvements. Additionally, introducing a platform that streamlines the application process and facilitates collaboration between agencies for tasks such as excavation permit approvals would be beneficial. Establishing a shared database for network lines among multiple utility providers would further enhance coordination. Finally, adopting a one-stop-shop approach for obtaining construction or excavation permits and other pre-approvals would significantly reduce delays and boost efficiency.

In the water utility services area, several opportunities for improvement can be explored. Implementing comprehensive online application platforms for water connections would streamline the process and reduce the need for in-person visits. Publishing stipulated connection time standards online and providing clear, accessible information about the process and costs would enhance transparency and improve the customer experience. Coordination among utilities could be improved by introducing an online system for excavation permit approvals and by adopting GIS-based databases for existing water networks, like those used in Sofia and Varna. Furthermore, introducing

requirements and incentives for businesses to adopt water-saving practices, such as installing water-efficient appliances and adhering to water-saving targets, could promote sustainability.

### Dispute Resolution



Improving dispute resolution in Bulgaria may be achieved through several key steps. First, enhancing the current pretrial phase to include improved case management and pretrial conferences with all parties involved would be useful. Second, setting clear rules on the maximum number of adjournments in commercial disputes, specifying exceptions, would improve the effectiveness of commercial litigation. Finally, creating specialized courts for small claims or introducing small claims procedures within the current system would streamline litigation for smaller businesses with lower claim values.

### Business Insolvency



Suggested improvements in Bulgaria's insolvency proceedings address several key areas. First, to ensure fair treatment of creditors, greater scrutiny is required on asset transfers occurring shortly before the commencement of insolvency proceedings. Second, complete and homogeneous adoption of technological tools across all courts would be beneficial. Finally, enhancing transparency around the appointment of insolvency practitioners and strengthening their capacity through initial and ongoing training would be important.



**Table 1. Summary of Potential Opportunities for Regulatory Improvement in Bulgaria**

Topic	Areas for Improvement	Relevant Stakeholders
<b>Business Entry</b>	Eliminate the start-up capital requirement for limited liability companies	<ul style="list-style-type: none"> <li>Ministry of Justice</li> <li>Registry Agency</li> </ul>
	Conduct risk analysis post-registration for voluntary VAT registration	<ul style="list-style-type: none"> <li>Ministry of Justice</li> <li>Registry Agency</li> <li>National Revenue Agency</li> </ul>
<b>Business Location</b>	<b>Building Permitting</b>	
	Review the cost structure for building permits	<ul style="list-style-type: none"> <li>Directorate for National Construction Supervision (DNSK)</li> <li>Municipalities</li> </ul>
	Clarify and better communicate the requirements and fees for the building permitting process	
	Improve coordination between agencies by digitalizing the building permitting process	
	<b>Environmental Permitting</b>	
	Develop and deploy an integrated online environmental permitting platform	<ul style="list-style-type: none"> <li>Ministry of Environment and Water</li> <li>Regional Inspectorate of Environment and Water</li> </ul>
	Further streamline communication between authorizing agencies	
	Fully adopt a risk-based approach to environmental approvals	
	<b>Property Transfer</b>	
	Complete digitalization and automation of processes at the Land Registry and Cadaster	<ul style="list-style-type: none"> <li>Registry Agency (Property Register)</li> <li>Agency of Geodesy, Cartography, and Cadaster</li> <li>Ministry of Justice</li> <li>Ministry of Regional Development and Public Works</li> </ul>
	Ensure that all private properties are mapped	<ul style="list-style-type: none"> <li>Agency of Geodesy, Cartography, and Cadaster</li> </ul>
	Increase transparency by making all relevant information for property transactions available online	<ul style="list-style-type: none"> <li>Registry Agency (Property Register)</li> <li>Ministry of Justice</li> </ul>
	Publish annual statistics on land disputes and gender-disaggregated data on property ownership	
<b>Utility Services</b>	<b>Electricity</b>	
	Strengthen the online application platforms and increase awareness of online services	<ul style="list-style-type: none"> <li>Energy and Water Regulatory Commission (EWRC)</li> <li>Distribution utilities</li> <li>Municipalities</li> </ul>
	Improve the reliability of electricity supply and increase transparency by collecting and publishing relevant KPIs on reliability of electricity supply	<ul style="list-style-type: none"> <li>Energy and Water Regulatory Commission (EWRC)</li> <li>Distribution utilities</li> </ul>
	Increase transparency and accountability by collecting and publishing statistics	
	Streamline the process of getting a construction permit and other pre-approvals	<ul style="list-style-type: none"> <li>Energy and Water Regulatory Commission (EWRC)</li> <li>Distribution utilities</li> <li>Municipalities</li> <li>Other relevant utility service providers</li> </ul>
	Replace site inspection with self-certification of compliance	<ul style="list-style-type: none"> <li>Directorate for National Construction Control (DNCC)</li> <li>Distribution utilities</li> <li>Municipalities</li> <li>Other relevant utility service providers</li> </ul>

**Table 1. Summary of Potential Opportunities for Regulatory Improvement in Bulgaria**

Topic	Areas for Improvement	Relevant Stakeholders
<b>Utility Services</b>	Water	
	Enable online application for new water connections	<ul style="list-style-type: none"> <li>• Energy and Water Regulatory Commission (EWRC)</li> <li>• Water utilities</li> </ul>
	Publish stipulated water connection time standards online	<ul style="list-style-type: none"> <li>• Water utilities</li> </ul>
	Implement a GIS-based database for the identification of existing utility networks	
	Streamline clearances across utilities and local authorities	<ul style="list-style-type: none"> <li>• Water utilities</li> <li>• Municipalities</li> </ul>
	Introduce requirements and incentives for businesses to adopt water-saving practices	<ul style="list-style-type: none"> <li>• Energy and Water Regulatory Commission (EWRC)</li> </ul>
<b>Dispute Resolution</b>	Establish small claims court or fast-track procedures for small claims	<ul style="list-style-type: none"> <li>• Ministry of Justice</li> <li>• Supreme Judicial Council</li> </ul>
	Introduce pretrial hearings as a case management technique	
	Regulate the maximum number of adjournments	
<b>Business Insolvency</b>	Enhance the transparency of asset transfers by considering the implementation of more rigorous oversight for debtors in the process of selling or donating assets	<ul style="list-style-type: none"> <li>• Ministry of Justice</li> <li>• Trade Registry</li> </ul>
	Ensure complete and homogeneous adoption of technological tools across Bulgarian courts	<ul style="list-style-type: none"> <li>• Ministry of Justice</li> <li>• Supreme Judicial Council</li> </ul>
	Strengthen the capacity of insolvency administrators and practitioners, including enhanced transparency in the appointment process	
	Adopt tailored training programs for judges who are dealing with insolvency proceedings	

Source: Subnational Business Ready