

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 improving administrative processes and regu-

latory frameworks that directly affect businesses at the local level in nine Romanian cities: Braşov, Bucharest, Cluj-Napoca, Constanţa, Craiova, Iaşi, Oradea, Ploieşti, and Timişoara.

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.

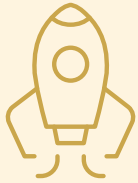
Key Findings

- ▶ The measured cities' business climates show significant differences in four out of the five topics: Business Location, Utility Services, Dispute Resolution, and Business Insolvency. The only uniform area is Business Entry. This variability highlights the importance of considering local contexts when developing policies and support systems for entrepreneurs.
- ▶ No city leads across all topics, although Oradea stands out as the best performer in three areas: Business Location (80.6), Dispute Resolution (75.5), and Business Insolvency (71.8), while Craiova is the top scorer on Utility Services (72.9). Both Oradea and Craiova maintain strong overall performance, never receiving a score below 66.8 in any topic. Oradea, for example, received the score of 70 in Utility Services, while Craiova earned 66.8 in Business Insolvency.
- ▶ Timișoara is the only city to place consistently in the bottom half across the four measured areas displaying variation. Bucharest has the lowest scores across cities on Utility Services (69.1) and Business Insolvency (58.6).
- ▶ The widest performance gap between cities is recorded in Business Insolvency, followed closely by Business Location. These areas are the most problematic in Bucharest, for Business Insolvency, and in Constanța, for Business Location, indicating ample room for reform. Conversely, the gap in scores is relatively narrow in Utility Services, and no cross-city variation occurs in Business Entry.
- ▶ There is no variation between cities on the quality of regulations (Pillar I), as most regulations are applicable at the national level. Rather, the disparities in scores are driven by differences in the quality of public services (Pillar II) and, to a larger extent, in operational efficiency (Pillar III), which primarily measure the time and cost incurred by businesses when interacting with relevant public agencies.
- ▶ Delivery of public services for businesses varies across Romanian cities. For example, the time for obtaining a building permit, a process measured under the Business Location topic, ranges from 53 days in Oradea to 382 days in Iași, while getting an occupancy permit takes 30 days in Craiova compared to 66.5 days in Constanța. Wide differences in time estimates are also recorded in Dispute Resolution (between Oradea and Brașov) and Utility Services (in Electricity between Craiova with 180 days and Bucharest with 317 days or in Water between Oradea with 90 days and Timișoara with 145 days).
- ▶ Cost is an important factor driving differences in measures of Business Insolvency. Liquidating a company costs five times more in Bucharest compared to Oradea, and reorganizing a company is three times more expensive in Cluj-Napoca than in Oradea or Craiova.
- ▶ Some local good practices can be replicated across Romanian cities, especially in the areas of Business Location (Building Permitting), Utility Services (Water), Dispute Resolution, and Business Insolvency. For other topics, Romania's cities can look elsewhere in the European Union and globally for practices to help boost competitiveness. In the area Property Transfer, for example, Romanian authorities can look to the Slovak Republic for simplified processes that at minimum require interaction with only one agency.



Areas of Improvement

Business Entry



Areas of improvement for business entry in Romania include increasing the uptake of online services, enhancing digital tools, and further streamlining processes. Strategies such as lowering costs for online applications or making online registration mandatory could encourage wider digital uptake. Additionally, a user-friendly portal and better guidance for entrepreneurs can significantly improve the business entry environment.

Business Location



Areas for improvement in Romania's building permitting process include harmonizing construction permitting legislation and streamlining pre-construction approvals. Introducing Urban Master Plans in GIS format, available online and updated in real-time, and further develop a single point of contact for coordinating approvals from multiple agencies and tracking approval timelines could significantly reduce delays. Furthermore, an expedited process for obtaining urban planning certificates and reducing unnecessary approvals and authorizations would enhance efficiency. Learning from best practices in other EU countries, such as the single-window solutions used in Cyprus and Malta, could provide valuable insights for Romania.

To improve the environmental permitting system, Romania could fully adopt a risk-based approach to environmental approvals, similar to practices in Belgium and Denmark where simpler projects are exempt from extensive environmental assessments. Additionally, deploying an integrated online environmental permitting platform would streamline processes, reduce paperwork, and enhance public participation and transparency. Examples from Portugal (SILiAmb) and Hungary (Magyarország.hu) provide successful models for such platforms. These systems offer functionalities including interactive communication channels, automated notifications, and an online portal for submitting and managing applications.

To further enhance land administration and property transfer, Romanian authorities would need to continue to develop the *eTerra* platform, including interconnecting it with platforms at other agencies. Enabling automatic data exchange between registries and updating all records simultaneously when one database is modified would spare time and effort when verifying parties' identities or obtaining tax clearance certificates. In this regard, Romania could look to examples of successfully interconnected databases in Latvia and Denmark. Importantly, Romania should take steps to ensure that all private properties are registered and mapped and continue its efforts to digitize cadastral and land registry records.

Utility Services



Romania's electricity sector has improved in implementing and enhancing online application platforms for electricity connections, although some cities lag behind others in developing e-platforms for submitting new connection applications. Comprehensive customer assistance, online guidelines, and awareness campaigns should accompany these upgraded platforms to ensure users can navigate the systems easily. Transparency and accountability could also be improved. Collecting and publishing detailed statistics on the electricity connection process, including application status, connection timelines, and costs, would help set clear and realistic expectations for both entrepreneurs and utilities. Data-driven reporting could serve as an indirect accountability measure, giving utilities and public administrations incentive to improve performance and efficiency.

Romania can enhance its water utility services by updating its regulatory framework to include financial and nonfinancial incentives for adopting demand-side management practices. Introducing "dig once" policies and regulating the qualification requirements for water installation operators can further improve efficiency and sustainability.

Additionally, enhancing digital services across all cities can significantly improve the quality of public services. Providing online application tracking and up-to-date information about utility networks will help developers plan

more efficiently. Moreover, publishing a complete list of connection requirements online, including documents needed to apply, instructions on procedures, connection costs, and stipulated time limits, can streamline the application process.

Dispute Resolution



Suggested improvements in Romania's dispute resolution process cover several key areas. First, to improve case management in its courts, Romania must make pre-trial hearings part of its regulatory framework. Pre-trial hearings provide judges with control over cases from an early stage, facilitate the judicial process by enabling preliminary examination of evidence, and increase predictability in the resolution timeframe. Pre-trial hearings can also stimulate uptake of alternative dispute resolution mechanisms. Second, setting clear and strict regulations covering the maximum number of adjournments in commercial disputes, with specific limits and exceptions, would ensure timely resolution of disputes and improve the effectiveness of judicial procedures. Finally, Romania should improve its digital public services. Useful enhancements include adding e-services such as a platform for electronic filing of initial claims in all cities and developing a platform to enable parties to exchange documents with courts electronically.

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Business Insolvency



Suggested improvements in Romania's insolvency proceedings address several key areas. First, to shorten and improve the efficiency of insolvency proceedings and enhance enforcement of the existing legal framework, asset evaluation and liquidation should be streamlined. While the Civil Procedural Code does mention price decreases over subsequent auctions, this step does not seem to be applied in practice due to resistance from majority creditors; as a result, numerous auctions take place before assets are finally disposed of, prolonging the insolvency timeline significantly. Further clarification of legal consequences for noncompliance, empowering judges to oversee and enforce price reductions directly, and strengthening the role of insolvency administrators in negotiating and implementing price reductions with creditors would help expedite this process. Second, introducing specialized procedures for micro, small, and medium-sized enterprises (MSMEs), through simplified judicial and administrative procedures, will reduce time and

expenses for these smaller debtors. Finally, strengthening the capacity of insolvency administrators and professionals through training and qualification programs for syndics and judges is essential to more effective management of the backlog of cases.

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Table 1. Summary of Potential Opportunities for Regulatory Improvement in Romania

Topic	Areas of improvement	Relevant stakeholders
Business Entry	Stimulate the uptake of online registration services	<ul style="list-style-type: none"> National Trade Registry Office
Business Location	Building Permitting	
	Harmonize construction permitting legislation	<ul style="list-style-type: none"> Ministry for Development, Public Works and Administration Municipalities Building offices
	Streamline the process for preconstruction approvals	
	Review the cost structure for building permits	
	Expand electronic platforms throughout the building permitting process	
	Environmental Permitting	
	Fully adopt a risk-based approach to environmental approvals; streamline environmental assessments	<ul style="list-style-type: none"> National Environmental Protection Agency Local Environmental Protection Agency offices
	Further facilitate public participation in the review process for environmental impact assessments	
	Develop and deploy an integrated online environmental permitting platform	
	Property Transfer	
	Accelerate digitization of records to achieve conversion of all entries	<ul style="list-style-type: none"> National Agency of Cadaster and Land Registry (NACLR)
	Integrate the <i>eTerra</i> platform with other agencies as well	
	Ensure that all private properties are registered and mapped	
Set-up an out-of-court mechanism at the Land Registry to compensate for losses incurred to private parties due to Land Registry errors	<ul style="list-style-type: none"> Ministry of Justice Ministry of Development, Public Works and Administration National Agency of Cadaster and Land Registry (NACLR) 	
Utility Services	Electricity	
	Introduce and strengthen online platforms to streamline the process for obtaining electricity connections	<ul style="list-style-type: none"> National Energy Regulatory Authority (ANRE) Distribution utilities Municipalities
	Streamline the requirements for getting electricity	
	Replace site inspection with self-certification of compliance	
	Review the cost structure of obtaining a new connection	<ul style="list-style-type: none"> National Energy Regulatory Authority (ANRE) Distribution utilities
	Improve the reliability of the electricity supply	
	Increase transparency and accountability by collecting and publishing statistics	
	Water	
	Improve the availability of digital services across water utilities	<ul style="list-style-type: none"> National Agency for the Regulation of Community Utility Services (ANRSC) Water utilities Municipalities
	Consider the role of private contractors in connection works	
Enhance interoperability across utilities		
Dispute Resolution	Introduce pre-trial hearings as a case management technique	<ul style="list-style-type: none"> Ministry of Justice Superior Council of Magistracy
	Regulate the maximum number of adjournments	
	Enhance the digitalization of courts	
Business Insolvency	Optimize asset liquidation in insolvency proceedings	<ul style="list-style-type: none"> Ministry of Justice
	Introduce a specialized procedure for micro, small, and medium enterprises	
	Strengthen the capacity of insolvency administrators and professionals	

Source: Subnational Business Ready