

**BULGARIA:  
ADMINISTRATIVE BARRIERS TO  
BUSINESSES AT THE MUNICIPAL LEVEL**

**TECHNICAL NOTE**

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**THE WORLD BANK  
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CENTRAL EUROPE AND THE BALTIC COUNTRIES  
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## Abbreviations and Acronyms

CAR	Council for Administrative Reform
EC	European Commission
EU	European Union
FDI	foreign direct investment
IME	Institute for Market Economics
IMF	International Monetary Fund
LARACEA	Limiting Administrative Regulation and Administrative Control on Economic Activities Act
OECD	Organisation for Economic Co-operation and Development
OPAC	Operational Program Administrative Capacity
PIN	personal identification number
SME	small and medium enterprises

## Executive Summary

**i. The technical note is part of the World Bank knowledge and advisory services to the government of Bulgaria.** Its purpose is to analyze municipal administrative barriers to businesses and propose actions to improve the local business environment. The document looks at the impact of local authorities on the business environment. It presents key findings of the World Bank Municipal Administrative Burden Survey, as well as results from interviews and assessments conducted in 2011–12. It highlights national best-practice cases. Finally, it summarizes key municipal administrative hurdles that businesses encounter and the elements of a Municipal Administrative Service Reform Program for Bulgaria that could help address them.

### *Context*

**ii. The simplification of administrative barriers can greatly boost private-sector led growth.** Well-prepared regulations have positive effects on businesses and competitiveness. Simple, cost-effective, and uniform rules for conducting business transactions contribute to a pro-competition, low-cost and less uncertainty in the environment. On the other hand, badly designed regulations impede innovation at the firm-level, create unnecessary barriers to trade, investment, and economic efficiency, and hamper business competitiveness. Administrative burdens are among the most important barriers to business creation and development and represent a major barrier to local and foreign direct investment.

**iii. Local authorities have a significant influence on the business environment.** Municipalities, which are in the focus of this Technical Note, are in the lead when it comes to the day-to-day implementation of many administrative procedures that are critical to business. Examples include issuing construction permits, permits for positioning of movable units, permits for passenger taxi transportation services, classification of hosting and accommodation facilities, ensuring continued compliance with environmental, health and safety regulations, and more. To succeed in the reform process, a concerted effort by national and local authorities is a must.

**iv. Although the government of Bulgaria has remained committed to regulatory and administrative reforms the pace and outcome of the reforms has slowed recently.** In the fall of 2009, the government created the Council for Administrative Reform (CAR) as an inter-ministerial body, chaired by the deputy prime minister and minister of finance. In addition, the Ministry of Economy, Energy and Tourism prepared an action plan in the spring of 2010 for reducing the administrative burden on business by 20 percent by 2012. In May 2010, the government approved a new Better Regulation Program for the period up to 2013. Few other commitments were made, including a plan to reduce the administrative and regulatory burden on business by the end of 2012. In spite of reform efforts, Bulgaria's Doing Business ranking has progressively declined since 2007, when it was a top reformer. In *Doing Business 2013*, Bulgaria fell to the 66th position, which is well below countries such as Denmark, Finland, Ireland, and the United Kingdom, and also below recent EU entrants such as Estonia, Latvia, Lithuania, and the Slovak Republic.

v. **Furthermore, there is wide regional variation in the way administrative regulations are applied at the local level.** Businesses need to go through uniform administrative procedures, submit the same documents, pay fees based on the cost-recovery principle, and receive standard service quality from local authorities across the country. Yet, the implementation of municipal administrative practices and procedures in Bulgaria are mixed as this Technical Note demonstrates.

### *Findings*

vi. **The Technical Note's findings are based on a Municipal Administrative Burden Survey, conducted by the World Bank, as well as on interviews and analysis of recent assessments.** The World Bank conducted a survey in the spring of 2011 with a limited scope. The survey instrument covered 16 municipal administrative services (out of over 200) that relate mainly to issuing permits and approvals. The identified services are considered to be frequently used by businesses or burdensome in time and cost in 11 Bulgarian municipalities (see annex 1).

vii. **The survey methodology was prepared by a working group consisting of experts from the Council of Ministers Administration, the National Association of Municipalities in the Republic of Bulgaria, Sofia Municipality, and the World Bank.** Field visits to the selected Bulgarian municipalities enriched the team's understanding of the issues and possible solutions. In June 2011 and April 2012, the team held discussions with mayors, chief secretaries, municipal experts, regional business associations, and business people.

viii. **The survey findings as well as interviews with municipal officials and business representatives reveal issues at the municipal level.** Some of the key issues found are:

- **There is wide regional variation in service delivery.** The duplication of documents and inconsistency in application generates a high frequency of interaction between businesses and central and local administrators and thus invites corruption. There are numerous examples of procedures that require the business to collect information or documents from several different administrations before obtaining the right to a given service.
- **Wide variation in administrative costs and failure to apply the cost-recovery principle to service fees.** There are differences across municipalities in the prices that businesses have to pay for administrative services.
- **There is no apparent link between the amount of work required and the time it takes to deliver the service.** Although the workload for the same administrative service is different across municipalities, those with heavier workloads often manage to provide the service in a shorter amount of time.
- **Lack of transparency in the administrative process.** While most local administrations are well computerized (particularly in the larger municipalities), most cities still lack the kind of efficient administrative system that reduces the paperwork or time to administer a service, clearly affecting the quality of local service delivery.

- **Low utilization of e-government.** Most surveyed municipalities offer different types of electronic services. While EU funds have been widely used in recent years for the development of information technology (IT) infrastructure to expand e-services in municipal administration, these electronic services are limited largely to second-generation reforms based on websites offering only basic information and application forms for specific administrative services.

### *Proposed Action*

**ix. Bulgarian policy makers could launch a Municipal Administrative Service Reform.** The following elements could be part of the future program:

- **Launch of regulatory simplification.** Regulatory simplification and streamlining of local procedures need to be introduced to reduce paperwork, time, cost, and information requirements for businesses. Pilots for this reform could be the construction permit process and the hotel and restaurant classification regime.
- **Installation of a regulatory quality system.** National legislation needs to be applied in a coherent manner at the local level, according to the principles of transparency, predictability, enhanced service quality, and adequate time delivery, establishing an internal control and attestation system (of municipal servants) and getting regular feedback from clients. A regulatory quality system could be installed in municipalities, monitored by an established regulatory quality unit at the Council of Ministers Administration through control of e-registers of administrative procedures, thus checking on administrative practices regularly.
- **Improvement of institutional coordination.** Government and municipal authorities could consider how to better coordinate policies, legislation, and institutional support to avoid unnecessary business regulations and burdensome administrative procedures. For example, the interaction between the institutions that carry out inspection activities (national, regional, and local) can be made effective if the inspections are regularly scheduled, integrated, and planned. An example of where this can be improved is the hotel and restaurant business.
- **Standardization of requirements for frequently used permits and approvals.** Frequently used permits and approvals that are onerous for businesses could be unified across municipalities in the cost, time, and number of procedures or documents required. Candidates for this reform could be the permit for placement of advertising or notice boards, taxi permits for passenger transportation services, and the permits for positioning of movable units.
- **Reduction of administrative costs.** The principle of cost recovery for administrative service fees could be applied. Pilot reforms could be introduced in the following regimes: the permit for positioning a movable unit and the permit for placement of advertising and notice boards.
- **Use of public registers and avoidance of document duplication.** Document flow and service quality could be optimized by efficiently using e-government tools. For instance, the validation of a e-register of tourists accommodated and of beds sold can be introduced across all municipalities. When businesses are required to submit documents, duplication needs to be avoided.

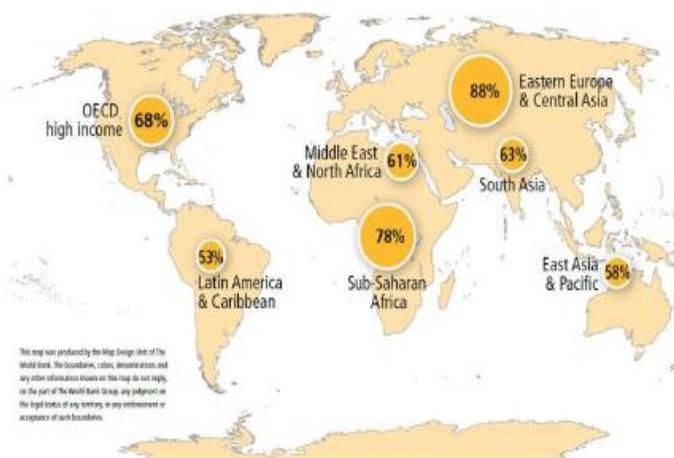
# BULGARIA

## Administrative Barriers to Businesses at the Municipal Level

### Introduction

1. In the past two years, Bulgaria's regional economic competitors have become top performers in the World Bank's Doing Business rankings. Between June 2010 and June 2011, 88 percent of all countries in the Eastern Europe and Central Asia region conducted at least one Doing Business reform, a percentage higher than that of the OECD countries at 68 percent (figure 1). During that same time, Bulgaria undertook reforms in *resolving insolvency* and *trading across borders*, placing its economy at the 64th position in ease of doing business (World Bank 2012). In *Doing Business 2013*, Bulgaria is ranked 66th. This ranking is still well below countries such as Denmark, Finland, Ireland, and the United Kingdom and also below recent European Union entrants such as Estonia, Latvia, Lithuania, and the Slovak Republic. Overall, despite the reform effort, Bulgaria has declined progressively in its Doing Business ranking since 2007.

**Figure 1. Share of Economies with at Least One Doing Business Reform making it easier to Do Business**



Source: Map Design Unit, World Bank.

2. The government of Bulgaria has made institutional commitments to regulatory and administrative reforms. In the fall of 2009, the government created the Council for Administrative Reform (CAR) as an inter-ministerial body, chaired by the deputy prime minister and minister of finance. In addition, the Ministry of Economy, Energy and Tourism prepared an action plan in the spring of 2010 for reducing the administrative

burden on business by 20 percent by 2012. In May 2010, the government approved a new Better Regulation Program, developed by government authorities for the period up to 2013 with some 50 specific measures for improving the business environment. At the end of 2011, Bulgaria joined the global Open Government Partnership, and in February 2012 CAR approved guidelines for the implementation of initiatives for reducing the administrative and regulatory burden on business. In June 2012, CAR published an operational plan for implementing the commitments it made in joining the Open Government Partnership. These commitments include 33 specific measures to be carried out by December 2012. Finally, a plan to reduce the administrative and regulatory burden on business was developed. It contains 271 measures to be implemented by the end of 2012.

**3. Improving business regulation is essential to boosting growth, sustaining favorable conditions for doing business, and being competitive in Europe.** Although the government of Bulgaria has improved business regulations affecting starting a business and paying taxes, progress in cutting the administrative and regulatory burdens has been slow in the past three years. As a result, Bulgaria's economy lags behind that of most EU member states. To improve Bulgaria's business environment, a municipal administrative reform program is much needed.

**4. The purpose of this Technical Note is to analyze administrative barriers to businesses at the municipal level and suggest actions to improve the local business environment.** The Technical Note demonstrates that the onerous local business regulatory environment can be improved if municipalities in Bulgaria:

- **Improve institutional coordination.** Apply national legislation to localities in a coherent manner, following the principles of transparency, predictability, and increased service quality and timely delivery, injecting internal control and attestation (of municipal servants) systems and getting feedback from clients.
- **Streamline administrative procedures.** Set up an efficient administrative system with staff that adequately respond to the business demand for well-functioning administrative services.
- **Reduce administrative cost.** Apply the principle of cost recovery to administrative service fees.
- **Use public registers and avoid duplication.** Avoid duplication when businesses submit documents by using public registers.
- **Use e-government tools.** Optimize document flow and service quality by efficiently using e-government tools.

**5. “Bulgaria: Administrative Barriers to Businesses at the Municipal Level” builds on methodology that involved a survey of municipal administrative services, interviews with municipal experts, government officials, and businesses, as well as other recent assessments.** In the spring of 2011, the World Bank conducted a survey of 11 Bulgarian municipalities, characterized by a diverse degree of economic activity: Blagoevgrad, Bourgas, Dobrich, Kyustendil, Plovdiv, Russe, Stara Zagora, Sofia, Varna, Veliko Tarnovo, and Vidin. The survey studied the administrative barriers to business by limiting its scope to 16 administrative services (out of over 200) that relate to permits and approvals. These were found to be frequently used by businesses and burdensome in time and cost. The survey methodology was prepared by a working group comprising experts from the World Bank and the Council of Ministers Administration (state administration and the economic and social policy directorates), as well as experts from the National Association of Municipalities in the Republic of Bulgaria and the Sofia municipality (annex 2 outlines the administrative services, while annex 3 describes the survey instruments covered). In addition, the World Bank team visited 8 out of the 11 municipalities in June 2011 and 9 out of 11 in April 2012.<sup>1</sup> The team met with mayors, deputy mayors, general secretaries, municipal officials, businesses, and experts.

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<sup>1</sup> See annex 4 for an explanation of the similarities and differences between the sampled municipalities.

**6. The structure of this Technical Note is as follows.** Section II presents key findings of the World Bank Municipal Administrative Burden Survey, as well as analysis from interviews and assessments conducted in 2011–2012. Section III highlights national good-practice cases. Section IV concludes and proposes elements that could form the Municipal Administrative Service Reform Program for Bulgaria.

## **Municipal Administrative Burden Survey Findings**

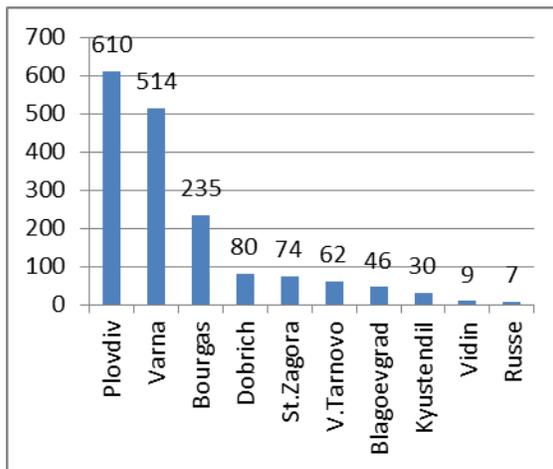
**7. The municipal administrative practices and procedures in Bulgaria are mixed.** Businesses need to go through uniform administrative procedures, submit the same documents, pay fees based on the cost-recovery principle, and receive standard service quality from local authorities across the country. Yet, the reality in Bulgaria is mixed.

**8. The survey findings as well as interviews with municipal officials and business representatives reveal a number of issues.** The process of reducing the administrative burden is unevenly spread among the municipalities across the country. Interviews with business representatives and experts confirmed survey findings of sometimes crucial differences in the way the various municipalities apply national regulations on the required documentation, the cost of the service, and the amount of time involved. In fact, no municipality (in the sample) resembles another in consistency and quality of service; yet most if not all permits and approvals are regulated by national laws. Some key issues are identified in the following areas: administrative process, administrative cost, administrative quality, e-government, and inspections.

### *Administrative Process*

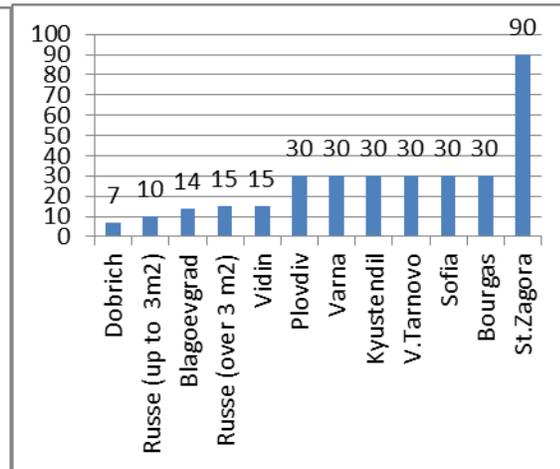
**9. There is no apparent link between the amount of work required to perform a service and the time it takes to deliver it.** Although the workload for the same administrative service is different across municipalities, those with heavier workloads often manage to provide the service in a shorter time. For example, in the case of issuing permits for advertising placement, Plovdiv and Varna, which are the busiest compared to other selected municipalities performing this service (see figure 2), manage to provide permits in 30 days, while it takes Stara Zagora 90 days, even though its workload is substantially less (figure 3). In some cases, municipalities offer fast and even express services. The municipality of Kyustendil, for example, is one of two cases in the sample to offer fast or express service delivery; this city also claims that the service delivery can be speeded up even more, as the chief architect should be able to respond to an applicant in 10 days instead of 30 days as the current regulation specifies. Veliko Tarnovo municipality is the second example that offers express and fast service, although many believe that there should be no further reductions in the number of documents required and the time needed to issue this permit.

**Figure 2. Number of Applications for a Permit to Place Advertising/Notice Boards, 2010**



Source: World Bank Survey 2011.  
Note: Missing data for Sofia (capital).

**Figure 3. Days Needed to Issue a Permit to Place Advertising/Notice Boards, 2010**



Source: World Bank Survey 2011.

**10. The length of time for which a permit is valid differs.** Dobrich Municipality issues a permit to place advertisements or notice boards that is valid for three years, while in Varna and Blagoevgrad the permit is valid for only one year. Plovdiv Municipality issues a permit that is valid for three or more years when it deals with municipal or state property, whereas the validity of the permit is the term of the contract when it concerns physical person or business entity. In the case of a billboard, the permit is valid for five years in Stara Zagora, but for a banner, the same municipality issues permits valid for only 30 days, and businesses wait 90 days to get the permit issued. Vidin is flexible in this regard, as it is ready to negotiate the length of time for which a permit is valid. In Russe, the permit is permanent if the applicant is also the property owner, while the permit expires when the applicant is only renting the property.

**11. Amount of paperwork required differs.** Some local administrations require additional administrative procedures and documents, thus creating extra burdens on businesses. For instance, Russe asks for a standard application form for the issue of a permit for the placement of advertising or notice boards, as well as three other documents, while Veliko Tarnovo asks for an application form and eight additional documents (see table 1). In Plovdiv, however, there is a Register, which provides information about the financial obligations to the municipality. The use of this public Register does relieve businesses from the submission of a document which certifies payment of local taxes and fees, given that this document is issued by the municipality and it is attached to the application form. In addition, Plovdiv Municipality has introduced a practice for using the public e-Trade Register, which does avoid duplication of document submission, when businesses apply for administrative services.

**Table 1. Documents Required to Issue a Permit to Place Advertising or Notice Boards**

Russe	Veliko Tarnovo
1. Application form	1. Application form
2. Property ownership document or rental contract (copy)	2. Photo model of billboard positioning (original)
3. Document for paid fee (original)	3. Paid fee for the review by the expert art committee
4. Design project, issued by the Designer (original)	4. Issue of sketch for assembly, signed by the chief architect of the municipality (original)
	5. Countersigned by the utility companies (electricity, water, gas, telephone), original
	6. Notary certified approval by the owner or minutes from the General Assembly of the condominium (original)
	7. Certificate of current standing, issued by the Trade Register (copy)
	8. Data for the representatives of the company (copy)
	9. Permission from the chief architect of the municipality for more complex facilities (original)

**12. The number of documents required for the same service in municipalities sometimes differs substantially.** Substantial differences are apparent across municipalities when the number of documents required for the respective service is considered (see table 2).<sup>2</sup>

**13. Inconsistent service delivery and duplication of documents.** The administrative procedures are complicated and cumbersome. They require an excessive number of documents and frequent personal interaction with a large number of public and municipal administrative staff, the very conditions that often encourage corruption. There are numerous examples of procedures that require a business to collect information or documents from several administrations before obtaining the right to a given service. Varna, the best-practice case, requires five documents from a business for the issuance of a construction permit, while Stara Zagora requires 11 documents for the same service, in addition to the standard application form. In fact, some municipalities (such as Stara Zagora) ask for documents that can easily be obtained from their own internal administrative system or are internally required by the regional state authorities.

**Table 2. Documents Required for the Registration of Buildings**

Dobrich	Varna
1. Application form	1. Application form
2. Property ownership document or document that gives the construction right, issued by the notary or other institution (copy)	2. Document that certifies the quality of the contractor, issued by the court, notary, municipality, and state (certified copy)
3. Final report of the person who managed the construction supervision, accompanied by a license, signed by the consultant in charge of the construction supervision	3. Final report of the person who managed the construction supervision, accompanied by a license, signed by the consultant in charge of the construction supervision (Ministry of Regional Development and Public Works)

<sup>2</sup> Annex 5 builds on three cases, demonstrating differences in the requirements for the same administrative services across municipalities.

(Ministry of Regional Development and Public Works), including construction permit, protocol for the construction line, signed order book, protocol under Art.176, par.1 of the Spatial Development Act, compliance certificate, and document from the Cadastre Agency  
4. Contract with utility companies (copy)

4. Construction permit, issued by the municipality (certified copy)
5. Protocol identifying the construction line and level, with results from the construction supervision, certified copy
6. Signed order book (construction supervision chief), certified copy
7. Protocol Sample No.7 (regarding levels of the construction), construction supervision chief (original)
8. Protocol No.14 (construction supervision), original
9. Protocol per Art.176, par.1 of the Spatial Development Act (construction supervision), original
10. Document certifying the compliance of the intermediary construction products with the construction requirements, issued by experts who have been certified for this evaluation (original or certified copy)
11. Document, issued by the Cadastre Agency per Art. 175, par.5 from the Spatial Development Act (certified copy)
12. Contracts with the utility companies (certified copy)
13. Official notice from the municipality of the lack of liabilities (original, certified copy, copy)
14. Certificate of the lack of public municipality receivables, issued by the local tax directorate of the Varna municipality (original or certified copy or copy)
15. Expert report regarding green areas, per Order No.2661/26.10.2005, issued by regional administrations
16. Protocol No.12, issued by the construction supervisor (original)
17. Inspection protocol (minutes), issued by the municipality (original or certified copy)
18. Paid fee receipt (copy)

**14. Some of the documents required by the municipal authorities from businesses are available in government records or are generated by the local authorities themselves.** For example, the document certifying that there are no outstanding local taxes and fees. This duplication is time and resource consuming for the business and is due in part to the poor coordination between central and local institutions. According to the interviews, one reason for the unwillingness of some state agencies to cooperate with municipalities is their fear that they will lose part of their revenues from providing the service. Other reported factors leading to the variance in quality, document requirements, and time needed for service delivery include unreliable or incomplete information systems (that is, inadequate databases in the municipalities), lack of training, and lack of dialogue between the municipalities.

## *Administrative Cost*

**15. Wide variation in administrative costs and failure to apply the cost-recovery principle to service fees.** There are differences across municipalities in the costs that businesses have to pay for administrative services and in the time period for which a document is valid. Moreover, there are sometimes substantial differences among municipalities when businesses apply for the same service. For instance, a business in Veliko Tarnovo pays Lev 15 to get a permit for positioning a movable unit, while in Vidin the permit costs Lev 30 and in Kyustendil, Lev 60.<sup>3</sup> In Kyustendil and Sofia, the permit is valid for five years, in Bourgas, Dobrich and VelikoTarnovo for three years, and in Bourgas (when it concerns seasonal movable units) and Varna, for only one year. In municipalities like Vidin and Sofia (Mladost district), it is valid for a rental contract, while in others, such as Stara Zagora, the permit is valid for an unlimited period, provided that the movable unit is positioned on the owner's property, and valid for three years if it is positioned on municipality-owned premises. In Vidin, there is one fee of Lev 30, but in Russe, there are two fees amounting to Lev 75: Lev 35 for inspecting the documents and Lev 40 for issuing a permit for placement of advertisements or notice boards. Kyustendil imposes a fee of Lev 200 for a billboard and Lev 20 for any kind of information label, while in Blagoevgrad, the fee is between Lev 30 and Lev 100, depending on the location. Stara Zagora and Plovdiv, however, have set up a detailed distribution of the fee amount based on size and type of advertising label (billboard, any other information label). Interviews show that municipalities apply no strict methodology for calculating their service fees. In fact, fees are rarely based on the cost-recovery principle and are sometimes used as a way to raise funds for municipal authorities.

## *Administrative Quality*

**16. Lack of transparency in the administrative process.** While many local administrations are well computerized (particularly in the larger municipalities), most cities still lack the kind of efficient administrative system that reduces the paperwork or administrative time of the service, clearly affecting the quality of local service delivery. Sometimes the law does specify a time limit within which an administrative service must be processed. For instance, the Spatial Development Act specifies that a construction permit be issued within seven days after submission of all required documents. If the chief architect does not issue the permit within that time, he or she is subject to serious penalties imposed by the Regional Directorate of the Supervision of National Construction. However, some municipalities have found a way to bypass this requirement. The seven-day time period begins on the day the business presents all the necessary documents, but it is often not clear which documents a business is required to submit. This allows the municipal administration substantial discretion in interpreting the time limit for providing the service. Another case is the Tourism Act, which specifies that permits for catering and entertaining establishments and hosting and accommodation facilities be processed within 60 days. In most cases, municipalities handle this procedure

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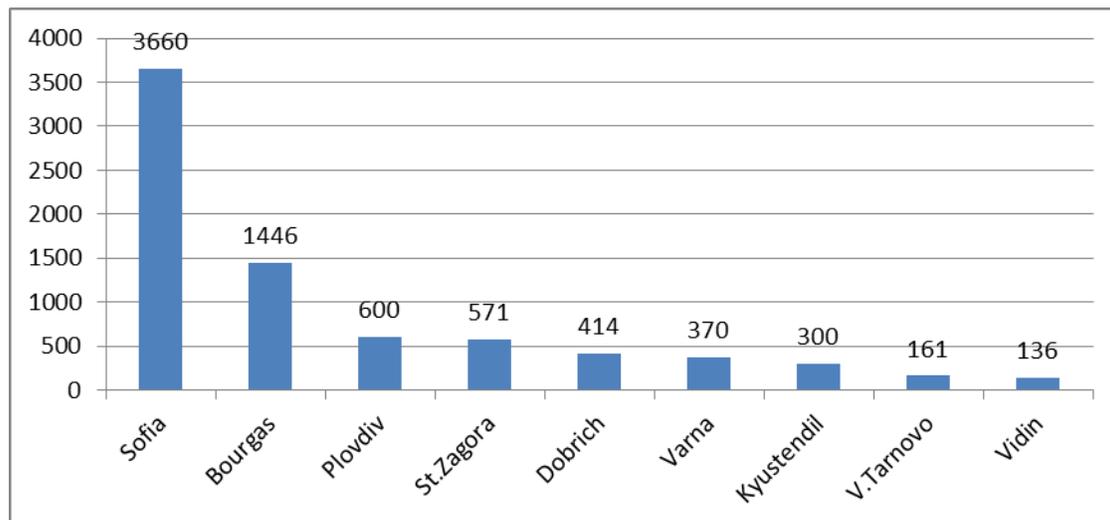
<sup>3</sup> Exchange rate as of June 12, 2013: US\$1 USD=1.4731 Lev.

more quickly (between 20 and 30 days), but the administration has the right to wait until the deadline before actually issuing the permit.

### *E-Government*

**17. Low use of e-government solutions.** Most surveyed municipalities claim that they offer different types of electronic services. While EU funds have been widely used in recent years for developing IT infrastructure to expand e-services in municipal administration, these electronic services are limited to second-generation reforms based on websites offering only basic information and application forms for specific administrative services. Dobrich is an example of a municipality with an advanced (fourth-generation) information system for administrative services. In this system, public administrators and businesses communicate and conduct services electronically. However, in 2010 and again in 2011, only one company used Dobrich's electronic service system because of the low demand for e-service use from companies in Dobrich. More often, e-services are not offered at all, even though it does not require any substantial extra funds. For example, the validation of a register of tourists accommodated and beds sold is offered electronically by the Sofia municipality<sup>4</sup> for free, but in many other cases (such as Vidin), this is not an e-service, and a representative of the business needs to come once a month to the municipality in person, obtain the necessary documents to register the tourists accommodated, and receive a validation from the municipal authority. On top of the time involved, this costs money for the administration and the business.

**Figure 4. Number of Applications for the Validation of a Register of Tourists Accommodated and Beds Sold**



Source: World Bank Survey 2011.

<sup>4</sup> Since early 2012, Plovdiv Municipality has launched a free electronic validation of a Register of tourists accommodated and spent nights.

**18. The validation of accommodated tourists and beds sold in the register of tourists (see figure 4) is automatically done at the moment the application is filed in most of the municipalities on a monthly basis.** However, it takes three days in Dobrich and seven days in Varna, even though the number of applications is not as high in those cities as it is in Sofia or Plovdiv, where it is done instantly. Dobrich and Varna are two contrasting cases in number of documents required for this municipal service (table 3).

**Table 3. Documents Required for the Registration of Tourists**

Dobrich	Varna
No documents are required for this service	<ol style="list-style-type: none"> <li>1. Property ownership document or rental contract, issued by the court, notary, state or municipality (copy)</li> <li>2. Classification certificate, issued by the municipality (copy)</li> <li>3. Bank payment for the final working day of the month of the preceding year, issued by the bank (copy)</li> <li>4. Paid fee document, issued by the municipality (copy)</li> <li>5. Official notice of lack of liability of the municipality</li> <li>6. Certificate of the lack of public municipality receivables, issued by the local tax directorate of the Varna municipality (original or certified copy and copy)</li> </ol>

Vidin and Plovdiv municipalities offer the service without a fee, while Kyustendil requires Lev 1 for each validation, Dobrich charges 2 Lev, Bourgas (5 Lev), and Varna (15 Lev). Stara Zagora, which is not seen as a tourist destination in comparison to Bourgas and Dobrich, charges 10 Lev.

**19. Although e-government facilities in larger municipalities are well established, they are not linked to the e-service system in the central administration.** This means that public servants cannot obtain any documentation internally, which is frequently why the local administration requires the business to resubmit documents that have already been submitted to central authorities.

**20. Lack of use of public registers and the absence of a unified Administrative register.** The municipalities do not make use of public registers as a means of publishing the decisions issued in accordance with the regulations. Yet, a public registry would be of considerable use to businesses and citizens in exercising control over the quality of the services provided to them. It should be noted, however, that the availability of public registers does not necessarily prevent municipalities from asking for extra documents. For example, the Trade Register offers information about each registered business in Bulgaria. Although this information is publicly available and free of charge, the majority of municipalities still require businesses to submit official registration documents from the Trade Register, which costs money, and the documents are valid for only six months. In addition, the unified Administrative Register stopped updating information in 2009.

## *Inspections*

**21. Lack of coordination of inspections and lack of a system for planned checks.** The interaction between the institutions that carry out inspection activities (national, regional, and local) is ineffective, as every entrepreneur is subjected to multiple inspections conducted by different institutions. In fact, there is no system for regularly scheduled, integrated, and planned inspections by the state inspection bodies. This problem is critical, since it creates mistrust and the entrepreneurs lose time and energy dealing with a series of different institutions at different times. Moreover, alerts received by the regional state inspection authorities are often forwarded to the municipal inspection agencies. With limited administrative staff municipal authorities have been assigned far more responsibilities. At present, inspections are organized on an ad hoc basis and businesses can de facto be inspected every day without a reason. Inspections usually engage senior business management extensively, thus creating extra administrative burdens for businesses.

**22. Interviews with the private sector for this technical note** validated many of the survey findings, sometimes offering additional insights (see box 1).

### **Box 1. Views of the Business Community**

**Issues in the tourism sector.** Hoteliers are required to register the names of their foreign guests with the local government. They would like to be able to do this electronically, which would be very efficient and essentially cost free. In only a few surveyed municipalities was this e-service option available (for example, in the city of Sofia). Thus, hotels in other cities are currently required to send reception staff to the police station every day to report in person the number of foreign guests at the hotel. In the restaurant business, not one establishment is able to deal with the numerous requirements and documents demanded by the Regional Health Inspectorate, according to businessmen in Vidin and Dobrich. In some instances, the Regional Health Inspectorate is asked by the municipality to offer an opinion or make a ruling in situations where it is not warranted. This substantially delays the administrative process of obtaining a permit to operate a restaurant.

**Municipal officials are often not aware of their responsibilities.** In Dobrich, business representatives particularly emphasized that a large majority of the local administrative staff are not aware of their full responsibilities as municipal officials, resulting in communication problems with the business community. Administrators across all surveyed municipalities often require the submission of documents that are already available in their own administrative systems. This is very costly and time consuming, requiring time and money that the business could instead use for the more efficient delivery of products and services. “We are far away from the practice in Estonia,” said a businessman in the construction sector in Dobrich. The same state of affairs was confirmed for Vidin as well.

**Unnecessary documents are required.** Many businesses reported that one document in particular—Current Standing of the Business—should definitely be abolished. The Dobrich municipality has not required it since 2011, but this appears to be the exception, since this document is actually one of the most frequently required by local administrations. It costs Lev 7 (€3.5), but the business pays Lev 10 in bank fees. The more exasperating issue, however, is that this document expires immediately after it is issued, because of the assumption that the company’s status can change at any time.

**High cost and delays.** How the police handle invitations to foreign businessmen from specific countries came up in Dobrich and Stara Zagora. It is reportedly very costly to issue an invitation to a foreign businessman who wants to visit Bulgaria for business purposes. The invitation letter needs to be sent by courier by the Bulgarian host, which costs over Lev 100 per page. Equally burdensome, however, is that the documentation for the invitation must be reported to the police. In the past, the service was outsourced to the Bulgarian Chamber of Industry and Commerce and its branches in the country, and it took a

business on average 10 minutes and Lev 30 (€15) to issue the invitation. This had been a successful practice for a decade. Now, the process is very time consuming, as it sometimes takes weeks or even a month for the documents to be processed by the police. What is more, additional—and completely unnecessary—documents must also be submitted, including, for example, the company’s annual tax form. In this light, municipalities could propose return of the regime for outsourcing of the service that handles invitations to foreign businessmen by regional offices of national business associations.

**Failure to deliver service in full.** The municipal administrative requirements are especially burdensome for small and medium enterprises in Stara Zagora and Vidin, as reported by several business community representatives. In Vidin, some services are not even fully delivered after the required paperwork is submitted. An example is the case of issuing a certificate for the completion of a construction phase of a building. For a five-story building, the administration will not issue a certificate if only the second floor is ready; yet a certificate is needed for the business to obtain bank lending to complete the building. Nevertheless, the Vidin municipality will issue a certificate only for a completely constructed building. This is not the case in other municipalities, however.

**Assigning a PIN to companies is a rare practice.** The best practice of assigning a personal identification number (PIN) to companies is almost nonexistent. Each business in Veliko Tarnovo has been assigned a PIN, and municipal officials can track the liabilities of all the business enterprises. A PIN could be particularly useful in Varna, where the municipality requires each business to submit a document on any outstanding liabilities to the municipality, which costs money.

*Source:* Focus group interviews with private sector representatives, April 2011 and June 2012.

## Good Practices

**23. Municipal administrative services in Bulgaria have been reformed using EU funds.** Even though the recent experience with such efforts financed mainly by the Operational Program Administrative Capacity (OPAC) is questionable (according to assessments of both municipal administrations and businesses), it remains the key source for financing and improving municipal administrative services. As shown by the Unified Management Information System for EU Structural Funds in Bulgaria as of February 2013,<sup>5</sup> under the OPAC program 141 projects have been or are currently being implemented by Bulgarian municipalities, estimated at around Lev 37 million committed and Lev 24 million actually paid. **Varna** municipality has the largest number of approved projects, with four totaling Lev 3.5 million (committed) and Lev 2.6 million actually paid, followed by **Sofia**, with three projects totaling Lev 1.2 million. Other examples of using EU money for reforming a municipality’s work are Dve Mogili municipality, with three approved projects, and Aksakovo, Maritsa, Garbrovo, Plovdiv, Shumen, Bourgas, Smolyan, Teteven, and Simitly municipalities, each with two projects financed by OPAC. Yet, the majority of the municipalities in Bulgaria (75 percent) have no projects funded by OPAC. These OPAC-funded efforts aim at:

- Reorganizing municipal administrative work in accordance with business demand
- Reducing the cost of local services to cut the administrative burden
- Shortening the time for providing local service
- Publishing information on their websites to facilitate the regulatory and compliance procedures

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<sup>5</sup> See <http://umispublic.minfin.bg>.

**24. In reality, however, there is no single municipality that can be classified as advanced enough in all the basic areas of operations to serve as a model for others.** This can be attributed to many factors, such as the amount of business activity in the municipality that determines the demand for services by the business; the degree of involvement of the business associations in communicating and cooperating with the municipality to improve its work; the financial resources and the in-depth knowledge and understanding of the legislation involved and the options it gives to the local administration for conducting local policy; the in-house expertise and accumulation of experienced staff; and so forth. Good practices can be identified across municipalities, but individual practices will be found in specific areas. The IME Local Business Environment Index 2011<sup>6</sup> identified **Gabrovo** as the top regional city with the best overall ranking in the investigated areas. Even though the city does not receive a single top rank in the separate sub-indicators, it receives high or average marks for all them, showing a **more complex and wide-ranging approach** on the part of the local administration.

**25. The IME study (2011) analyzed** local transparency, e-municipality, and the perceptions of corruption, among others, to identify where the good practices are:

- **Transparency.** Rankings produced by the Access to Information Program<sup>7</sup> score Dobrich municipality as the most transparent of all the 487 administrative structures that were researched. The result for Dobrich is even higher when we take into account the fact that it outperforms all executive bodies and independent administrative structures, some of which receive much more financing and do not provide direct services to citizens. The other local administrations that receive high marks in that ranking are Dve Mogili (fourth place), Gabrovo (sixth), Mezdra (eighth), and Pirdop (10th). Among the best practices is the approach of selected municipalities to regularly provide information on their websites with (1) a list of regulations produced, (2) a list of individual decisions of the mayor, (3) an inventory of decisions taken by the local council, (4) the budget, (5) financial reports, (6) municipal contracts, and (7) data on public procurement contracts, among others.
- **E-municipality.** E-service in Bourgas municipality is constantly developing and represents a good example of the next step: from providing pure information about services to providing different forms that can be downloaded, filled in, and then filed on site. Varna and Gabrovo are additional good examples that offer many forms on their websites for the use of citizens and companies. Dobrich municipality offers e-services for companies with digital signatures.
- **Perception of corruption.** The business environment greatly depends on community perceptions of corruption on the part of the municipal administrators. The IME survey conducted in 2011 shows that such perceptions in Montana, Russe, and Vratsa are the lowest and the local community assesses the administration efforts toward good governance the highest. On the bottom, with the highest perceptions of corruption, are Kurdjali, Stara Zagora, and Sofia

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<sup>6</sup> See <http://www.effectivemunicipality.com/bg/news/-2011>.

<sup>7</sup>First Active Transparency Rating 2012, Access to Information Program, <http://www.aip-bg.org/surveys/>.

capital. The major reasons for perceptions of corruption are associated with public procurement practices and local regulatory procedures, i.e. processes that are organized by the municipalities and can be easily manipulated by them.

**26. Interviews with municipal officials for this technical note** in 9 out of 11 sampled municipalities revealed interesting findings (see box 2).

#### **Box 2. Views of Municipal Officials**

**One-stop shop and information system in Blagoevgrad.** Blagoevgrad was one of the first municipalities to introduce the one-stop shop in the late 1990s. The city reported an improved information system for collecting taxes, which has been available since then and which covers the input, maintenance, and delivery of end services to the customer. Although the system required a small investment of only Lev 15,000 (ca. €7,500), it has been set up in few other municipalities across the country.

**E-services in Dobrich, Varna, and Sofia.** In **Dobrich**, mandatory consultations with the Regional Health Inspectorate were abolished. In addition, the municipality abolished consultations with the Fire Department when small business entities apply for service. Since 2007, the national-level Administrative and Procedural Code has stipulated that unnecessary documents (internally available) should not be requested from businesses or citizens. Although this provision is often violated by many municipalities, Dobrich offers a form on which the business can fill in the number of the construction permit and the administration will find the document internally. In most other municipalities across the country, businesses must provide extra documents that are already available to the municipalities in their files. Dobrich municipal experts reported that the regional agencies fail to communicate properly with them, although those agencies issue documents that are required by the municipality for certain services.

**Varna municipality** has a well-organized e-service system, although e-archives still need to be installed, together with the e-link between ministries, agencies, and municipalities. Electronic communication has yet to become standard practice among other Bulgarian municipal administrations, however. For instance, the municipalities urgently need to establish a direct online link with the Trade Registry and with the National Revenue Agency. Varna municipality, in contrast, currently provides 12 e-services and is working with the Valencia municipality on an e-government project, although internal rules for document turnover still need to be introduced. Even in Varna, it took a month and a half to introduce a new e-service related to tax payments. **Sofia** offers a set of e-services frequently used by businesses. All information is available online—for example, registers for construction permits, municipal orders, application forms, requests, etc.

**Transparency of administrative practice in Kyustendil.** The municipality of Kyustendil has set up a system of checks and balances for its administrative services. An information system and complaint mechanism have been put in place to help monitor instances when the administrative staff is not doing a proper job.

**No transaction fee to pay municipal fees in Sofia** The municipality has its own bank that businesses can use to pay the municipal fees; since the fall of 2008, the bank has required no transaction fee.

**E-Registers in Stara Zagora.** The Stara Zagora municipality is one of the few offering electronic registers. The city has four e-registers, and it currently prepares 10 electronic services under OPAC. The problem, however, is that the software for the electronic services is not uniform across municipalities, which will certainly become a significant issue when the e-services of all the municipalities need to be linked with the central e-services. The entire third floor of the St. Zagora Municipal Administration building is dedicated to e-service, under OPAC (€2 million), which was developed in 2009–10. The municipality also has e-links with the Trade Register.

*Source:* Authors' interviews with municipal staff, June 2011 and April 2012.

## Proposed Action

**27. National and local policy makers need to address two key aspects.** On the one hand, there is the *stock of existing regulations*, with obvious and unjustifiable differences in municipal regulatory practices. There is clearly a need to carry out a detailed regulatory simplification plan to streamline and “clean up” the current mass of regulations and establish an e-register in each municipality with simplified procedures and reduced document, time, and cost requirements that are applied uniformly to all. On the other hand, the *flow of regulations* needs to be taken into account. Bulgarian municipalities often do not consistently apply any prior analysis of draft regulations, leading to higher costs for businesses that in turn hamper local finances and prospects for growth.

**28. Bulgarian policy makers could consider several specific elements of future Municipal Administrative Service Reform Program, as proposed:**

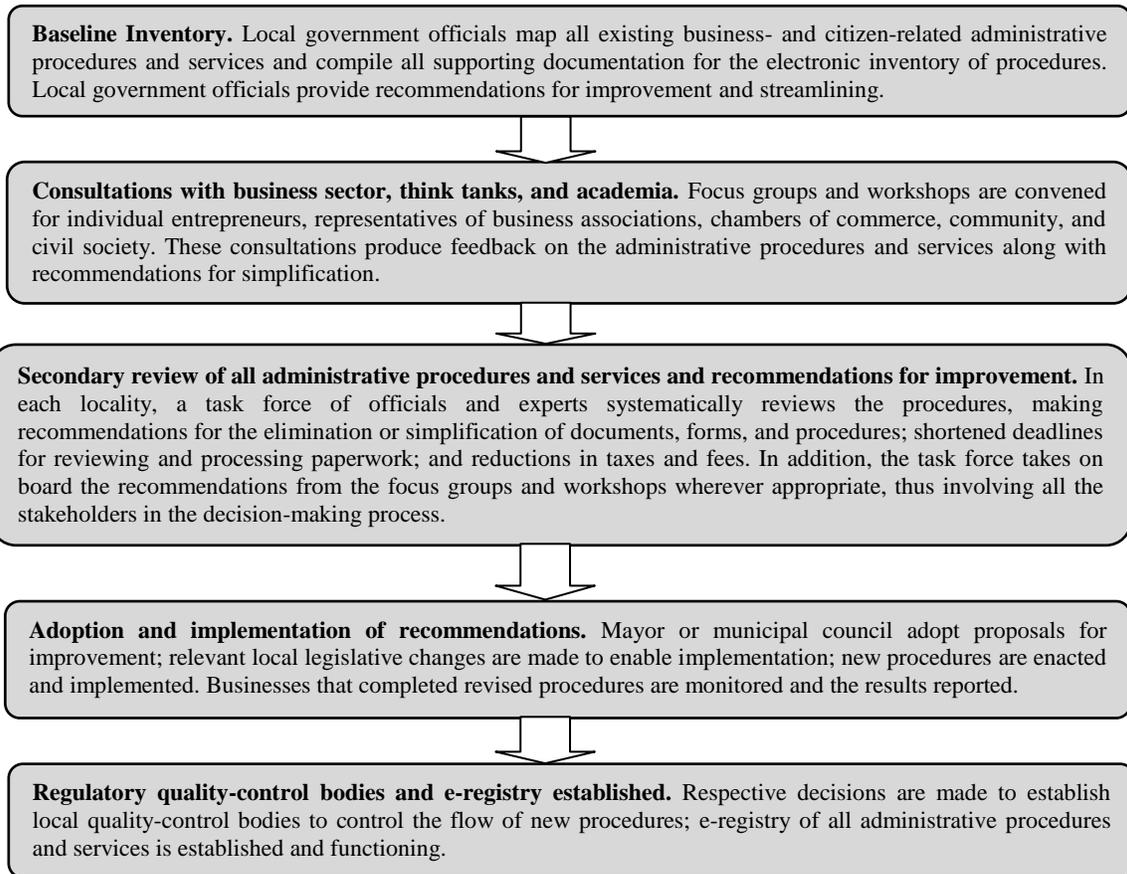
- **Launch regulatory simplification procedures.** Regulatory simplification and streamlining of local procedures need to be introduced to reduce paperwork, time, cost, and information requirements for businesses. Pilots for this reform could be the construction permit process and hotel and restaurant classification regime.
- **Install a regulatory quality system.** National legislation needs to be applied locally in a coherent manner, according to the principles of transparency, predictability, enhanced service quality, and adequate time delivery, establishing an internal control and attestation system (of municipal servants) and getting regular feedback from clients. For example, a regulatory quality system can be installed in municipalities, monitored by an established Regulatory Quality Unit at the Council of Ministers Administration through control of e-registers of administrative procedures, thus checking on administrative practices regularly.
- **Improve institutional coordination.** Government and municipal authorities could consider how to better coordinate policies, legislation, and institutional support to avoid unnecessary business regulations and burdensome administrative procedures. For example, the interaction between the institutions that carry out inspection activities (national, regional, and local) can be made effective if the inspections are regularly scheduled, integrated, and planned. An example where such coordination can be improved is in the hotel and restaurant business.
- **Standardize requirements for frequently used permits and approvals.** Frequently used permits and approvals that are onerous for businesses could be unified across municipalities in cost, time, and number of procedures or documents required. Candidates for this reform could be the permit for placement of advertising and notice boards, taxi permits for passenger transportation services, and the permits for positioning of movable units, as well as the construction permit regime.

- **Reduce administrative cost.** The principle of cost recovery for administrative service fees could be applied. Pilot reforms could be introduced in the following regimes: permits for positioning of a movable unit and permits for placement of advertising and notice boards.
- **Use public registers.** Document flow and service quality could be optimized by efficiently using e-government tools. For instance, the validation of an e-register of tourists accommodated and of beds sold could be introduced across all municipalities. This has been already stipulated in the new Tourism Law as of March 2013. The law reads that the validation is dropped out as a service, and a monthly notice-declaration for spent nights will be submitted by electronic means (art.116, par.3 and par.5).
- **Avoid document duplication.** When businesses are required to submit documents, duplication needs to be avoided. For instance, municipal authorities should not ask for business registration documents but instead use this information from the public e-Trade Register.

**29. A best-practice model for a regulatory simplification review and process could be followed (see figure 5) under the following guiding principles of the municipal reform process:**

- **Local ownership and leadership.** Strong local champions and counterparts are essential for the successful implementation and sustainability of reforms.
- **Standardized project design to ensure replicability.** A focus on issues specific to localities that enable replicability by non-governmental organizations or other municipalities following project completion will help standardize project design.
- **Sequencing.** Approaches to project design and implementation should be phased, with flexibility based on the capacity and specific needs of localities.
- **Sustainability.** Designing solutions through a process of active consultation and collaboration with stakeholders will promote ownership and institutionalization.
- **Capacity building.** Integrating stakeholder consultation and capacity building as a critical element of each activity are critical factors affecting sustainability, given limited capacity and resources.
- **Private sector engagement.** Integrating the effort with chambers of commerce, the Association of Cities and Municipalities, and businesses to gain their support, advocacy, and involvement in technical implementation will strengthen private sector engagement.
- **Communicating reform efforts and activities.** It is critical to communicate the results of reform to the public.

**Figure 5. Best-Practice Model for Regulatory Simplification Review and Process**



*Source:* Authors.

## Annex 1. Scope of the Survey

Selected Municipal Administrative Services	Selected Municipalities (population)
1. Issuance of permit for placement of advertising and notice boards	1. Blagoevgrad (70,881)
2. Issuance of certificate of completion of construction phase of a building	2. Bourgas (200,271)
3. Registration and commissioning of buildings, issuance of certificates of occupancy (commissioning certificates) for category IV and category V buildings	3. Dobrich (91,030)
4. Coordination of investment designs for public works development and for technical infrastructure	4. Kyustendil (44,532)
5. Issuance of construction permits	5. Plovdiv (338,153)
6. Issuance of permits for positioning of movable units	6. Russe (149,642)
7. Issuance of permits to individuals and legal entities for transportation of household and industrial waste, construction waste, and excavation waste	7. Stara Zagora (138,272)
8. Issuance of a document for submission of construction waste and excavation waste	8. Sofia (1,291,591)
9. Change of purpose of agricultural land and incorporation [thereof] into construction boundaries of settlements	9. Varna (3,34,870)
10. Issuance of permit for passenger taxi transportation services	10. Veliko Tarnovo (68,783)
11. Issuance of permits for special road use through building and repair of underground and surface conduits and equipment within road boundaries	11. Vidin (48,071)
12. Issuance of permits for use of sections of sidewalks, roads, and public access areas during construction and repair works	
13. Validation of a register of tourists accommodated and of beds sold	
14. Classification of catering and entertainment establishments	
15. Classification of hosting and accommodation facilities	
16. Issuance of tax valuation certificate of real estate and of a construction in progress	

## Annex 2. Surveyed Municipal Administrative Services

	Service	Code per the LSNAS*	Name of Service	Legal Grounds
1	Advertising	93 (OBA** 7.1)	Issuance of permit for placement of advertising or notice boards	Art. 57, para. 1 of the Spatial Development Act
2	Spatial development	104 (OBA 3.21)	Issuance of certificate of completion of construction phase of a building	Art. 181, para. 2 of the Spatial Development Act
3	d	105 (OBA 3.20)	Registration and commissioning of buildings; issuance of certificates of occupancy (commissioning certificates) for category IV and category V buildings	Art. 177 of the Spatial Development Act
4	Spatial development	112 (OBA 3.8)	Coordination of investment designs for public works development and for technical infrastructure	Art.142, Art.144 of the Spatial Development Act
5	Spatial development	116 (OBA 3.11)	Issuance of construction permits	Art. 148 of the Spatial Development Act
6	Spatial development	119 (OBA 3.2)	Issuance of permits for positioning of movable units	Art. 56 of the Spatial Development Act
7	Land use	153 (OBA 8.1)	Issuance of permits to individuals and legal entities for transportation of household and industrial waste, construction waste, and excavation waste	Art. 9 of the Local Taxes and Fees Act
8	Land use	169a (OBA 8.7)	Issuance of a document for submission of construction waste and excavation waste	Art. 19 of the Waste Management Act
9	Land use	176 (OBA 10.4)	Change of purpose of agricultural land and incorporation [thereof] into construction boundaries of settlements	Art. 17 and Art. 20a of the Agricultural Land Conservation Act (ALCA); Art. 28 and Art.30 para.1, p.7 of the Rules for the Application of the ALCA
10	Transport	188 (OBA 11.1)	Issuance of permit for passenger taxi transportation services	Art. 24a of the Carriage by Road Act; Art. 24 of Regulation No. 34, December 12, 1999, on Passenger Taxi Transportation Services
11	Transport	222 (OBA 12.3)	Issuance of permits for special road use through building and repair of underground and surface conduits and equipment within road boundaries	Art. 18 and Art. 23 of the Roads Act; Art. 18, para. 1 of the Regulation on Special Use of Roads
12	Trade and tourism	200 (OBA 12.4)	Issuance of permits for use of sections of sidewalks, roads, and public access areas during construction and repair works	Art. 157, para. 5 of the Spatial Development Act
13	Trade and tourism	203 (OBA 11.7)	Validation of a register of tourists accommodated and of beds sold	Art. 49, para. 2 of the Tourism Act

**Note:** According to the new changes in the Tourism Law (art.116, par.3 and par.5), the validation is dropped as a

Service	Code per the LSNAS*	Name of Service	Legal Grounds
14 Trade and tourism	203a (OBA 11.5)	Classification of catering and entertainment establishments	<p>service, whereas monthly notice-declarations for spent nights need to be submitted by electronic means.</p> <p>Art. 10, para. 3 in connection with Art. 52, para. 1 of the Tourism Act; Art. 2 of the Regulation on Classification of Hosting and Accommodation Facilities and of Catering and Entertainment Establishments</p> <p><b>Note:</b> According to the new Tourism Law (art.12, par.3 and par.4 in respect to art.128, par.1).</p>
15 Trade and tourism	203b (OBA 11.6)	Classification of hosting and accommodation facilities	<p>Art. 10, para. 3 in connection with Art. 52, para. 1 of the Tourism Act; Art. 2 of the Regulation on Classification of Hosting and Accommodation Facilities and of Catering and Entertainment Establishments</p> <p><b>Note:</b> According to the new Tourism Law, as per art.12, par.3 and par.4 in respect to art.128, par.1.</p>
16 Local taxes and fees	223 (OBA 13.3)	Issuance of tax valuation certificate of real estate and of a construction in progress	<p>Art. 3, para. 2 and 3 of Appendix 2 of the Local Taxes and Fees Act</p>

\*LSNAS = List of specified names of administrative services.

\*\* OBA = Most recent update of the code under LSNAS, as per June 2012.

## Annex 3. Municipal Administrative Service Form

Section A: General Data								
1	Code of service as per the List of Standardized Names of Administrative Services							
2	Total number of submitted requests in 2010							
Section B								
3	Additional legal grounds for the availability of the service as per municipal regulation	<i>Art.... para....p.... of Regulation on</i>						
Section C: Necessity of the Service								
4	Purpose of service	What is the purpose of the service and what does it achieve?	<i>Please provide short description</i>					
		Is it possible to achieve the result without introducing the service and why?	<i>Please specify</i>					
5	Deadline for resolving the complete case (with entire documentation)	Stipulated deadline	... days,					
		Name of the regulation that stipulates the deadline	<i>Art.... para....p.... of Regulation on</i>					
6	Period of document validity	Period of document validity from date of issuance	... days ... months ... years					
7	Form for submitting requests	Formal request is submitted:	<input type="checkbox"/> in writing – free form <input type="checkbox"/> in writing – as per a standard form <input type="checkbox"/> electronically					
Section D: Documents required to accompany the request for service								
<i>Please describe each document that accompanies the request</i>								
Nº	Document name	Institution issuing the document	Type of document (mark with X)		Proposal for amending the type of document (mark with X)		Is amendment of municipal regulation required	Is amendment of national legislation required
1			<input type="checkbox"/>	Original	<input type="checkbox"/>	Original	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
			<input type="checkbox"/>	Certified copy	<input type="checkbox"/>	Certified copy		
			<input type="checkbox"/>	Copy	<input type="checkbox"/>	Copy		
			<input type="checkbox"/>	Copy for inspection	<input type="checkbox"/>	Copy for inspection		
2			<input type="checkbox"/>	Original	<input type="checkbox"/>	Original	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
			<input type="checkbox"/>	Certified copy	<input type="checkbox"/>	Certified copy		

**Section E: Fees**

8	Amount of fees	Amount of fee incl.				
		- Absolute value (BGN)				
		- Or in %				
		Provision stipulating amount of fee	<i>Art.... para.... p.... of Regulation on</i>			
		Method of payment of fee	bank transfer <input type="checkbox"/> cash payment <input type="checkbox"/> on the spot <input type="checkbox"/>			
		Is there an expedited procedure for the delivery of the service available? Please specify the type of procedure, number of days for its completion, and price of service	Type of procedure	Number of days	Price	
			YES, swift <input type="checkbox"/>		... BGN	
			YES, express <input type="checkbox"/>		... BGN	
Other						
		NO <input type="checkbox"/>				
9	Proposals	In your opinion, is it possible to shorten the deadline for the delivery of the regular service?	YES <input type="checkbox"/> NO <input type="checkbox"/>			
		If the answer to the previous question is „YES“, specify to how many days the deadline may be shortened.				
		In your opinion, is it possible to reduce the amount of information contained in the request?	YES <input type="checkbox"/> NO <input type="checkbox"/>			
		If the answer to the previous question is „YES“, please identify the elements that need to be skipped.				
		In your opinion, is it possible to reduce the number of documents needed for submission of request?	YES <input type="checkbox"/> NO <input type="checkbox"/>			
		If the answer to the previous question is „YES“, please identify the documents that need to be skipped.	<i>(Because, in your opinion, (1) these are not needed at all; (2) the information contained therein may be obtained by the administration itself; (3) other.</i>			
		Is there a necessity to keep as it is/reduce/increase/cancel the fee for the service?	Keep as it is <input type="checkbox"/> Reduce <input type="checkbox"/> Increase <input type="checkbox"/> Cancel <input type="checkbox"/>			
		Please specify the reasons for reducing/increasing/canceling of the fee, as per the answer to the previous question				
	Please specify ways to simplify the service.					

## Annex 4. Similarities and Differences in the Sampled Municipalities

The selection of municipalities included in the technical note was made to ensure diversity while also leaving open the possibility of identifying common features of local development and the business environment. The selection was done in 2011 by a working group of experts from the World Bank and Bulgaria's Council of Ministers Administration, as well as experts from the National Association of Municipalities and the Sofia municipality.

Regional (not municipal) data are available from the National Statistical Institute.

The country's capital of Sofia enjoys the highest **GDP per capita**, more than twice the average regional GDP per capita for the country and more than four times higher than that of Vidin, which has the lowest among the Technical Note's sample of municipalities. Its regional economy is logically concentrated in services, as more than 70 percent of the gross value added (GVA) comes from the service sector—again, the highest rate for the selected regions. On the other side is the more diverse region of Dobrich, where 61 percent of the GVA comes from the service sector, 21 percent from industry, and 18 percent from agriculture, as well as the Blagoevgrad region, for which the numbers are 50 percent, 39 percent, and 11 percent, respectively.

Sofia also had the highest **inflow of FDI** in nonfinancial enterprises in 2010, although it did not rank the highest for the rate at which FDI changed between 2007 and 2010. For Sofia capital, there was an increase of more than 35 percent, but that was far from the increase recorded by the Dobrich region (357 percent), the Bourgas region (110 percent), the Russe region (112 percent), the Blagoevgrad region (87 percent), and the Plovdiv region (71 percent).

The Blagoevgrad region enjoyed the lowest **unemployment rate** in 2010 at 5.8 percent, followed by Sofia at 6.6 percent, which is similar to the Russe region's rate of 6.8 percent and that of the Stara Zagora region at 6.7 percent. On the other side is the Dobrich region with a 16.4 percent unemployment rate in 2010 and the Vidin and VelikoTarnovo regions, at 13.1 percent. The only decrease in the unemployment rate between 2007 and 2010 was recorded in the Ruse region.

However, with regard to the **employment rate** (referring to the proportion of the population that is employed), the Sofia region again has the most favorable rate: in 2010, 70.6 percent of the population in the Sofia region was employed, which is a considerably higher rate than the next best, the Blagoevgrad region at 64.9 percent, and the worst rate, in Vidin, at only 48.7 percent employment.

Regarding the **wages and salaries** of the employees under labor contract, the highest increase for the 2007–10 period was recorded in the Stara Zagora region (54.6 percent), followed by the Plovdiv region (49.9 percent), and Sofia capital (49.1 percent); the lowest increase was in Vidin (34.7 percent). The highest annual wages in 2010 were in the Sofia region (Lev 10,547) and the Stara Zagora region (Lev 8,080), and the lowest were in the Blagoevgrad region (Lev 5,683) and the Vidin region (Lev 5,422).

For the 2007–10 period, a **population** increase was recorded only in Sofia and the Bourgas and Varna regions. In Sofia, this was due mainly to a migration inflow, and in the latter two, it was due to an increase in the birth rate. All other regions in the analysis experienced a population decrease, with the Vidin (-6 percent) and Kyustendil regions (-4 percent) hit the hardest.

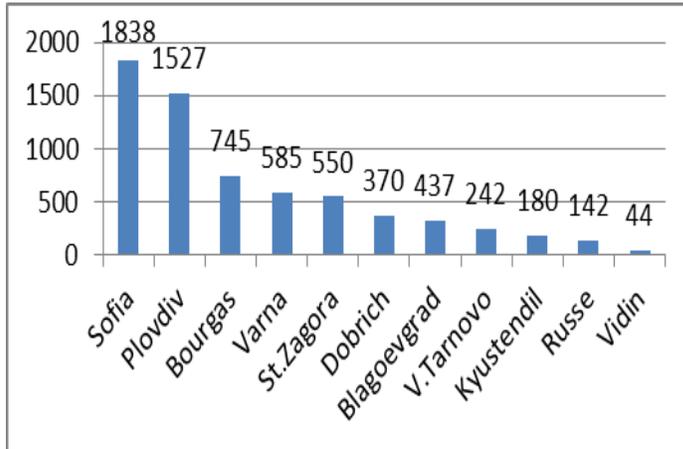
The most positive indicator, on which all the investigated regions registered a significant increase during the 2007–10 period, is the share of **households with access to the Internet**. The highest increase was recorded in the Vidin region (242 percent) and the lowest in the Varna region (6.4 percent). It is interesting to note that in both cases the overall share of households with access to the Internet is still very low in comparison to other regions—only 27 and 28 percent, respectively, have such access, in contrast to the Sofia and Bourgas regions, at 57 percent and 41 percent, respectively.

All the regions investigated experienced a reduction in the **number of small and medium enterprises** (10–249 employees) as a share of overall businesses and an increase in the relative share of microbusinesses (up to nine persons employed) in the total number of businesses.

## Annex 5. Differences in the Requirements for the Same Administrative Services across Municipalities

### Case No. 1: Passenger Taxi Transportation Services

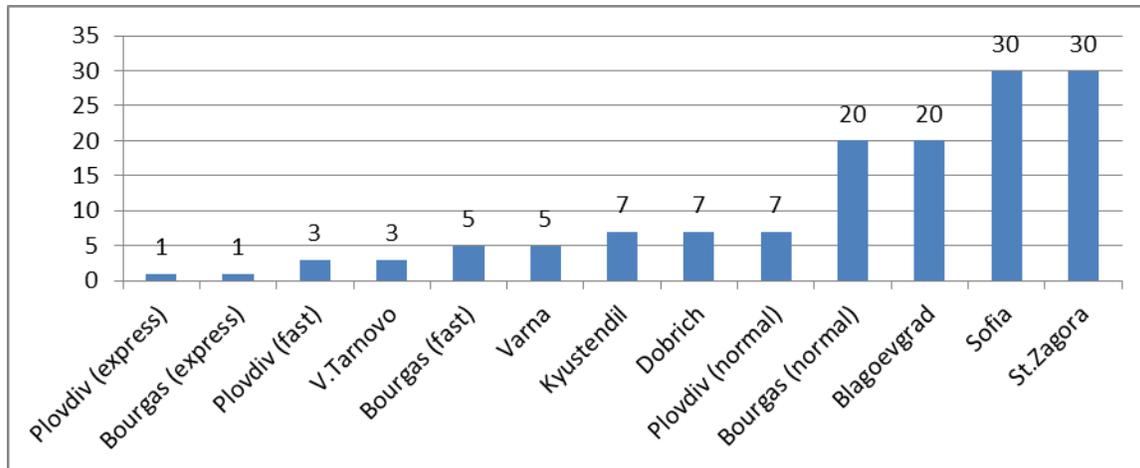
**Number of Taxi Permit Applications, 2010**



Municipalities have adopted a policy of having up to a certain number of taxi cars per year and a maximum tariff per kilometer. In Blagoevgrad, up to 450 taxi cars can operate and Municipal Regulation 34 specifies the maximum tariff. In other municipalities, however, there are taxi cars that are illegal, as reported in the case of Kyustendil.

Source: World Bank Survey 2011.

**Number of Days Required to Issue a Taxi Permit, 2010**



Source: World Bank Survey 2011.

Note: Blagoevgrad Municipality Council adopted changes in the Tariff, regarding concrete amounts of local fees, introducing three types of administrative services – regular, fast and express (decision no.120, protocol no.4 from Jan.27, 2012).

Municipal regulations in VelikoTarnovo do not specify an exact period of time for processing the application, but officials state that the permit can be issued in three days.

The permit is valid for one year in all municipalities except in Varna and Russe, where it is valid for two years. The application form is standardized in all municipalities, but in

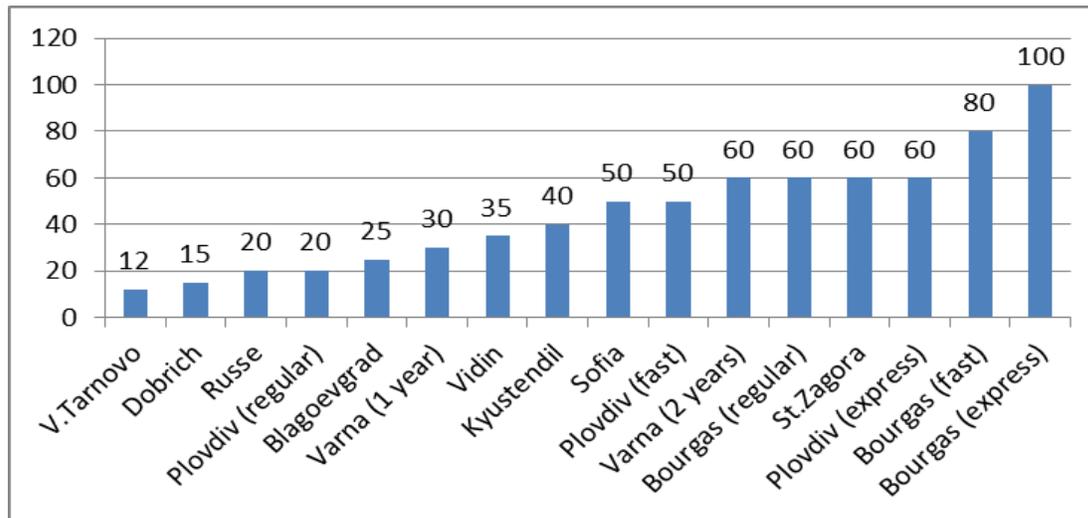
Varna, the applicant can also submit a request (instead of a standard application form). In no city can the application form be submitted by electronic means for this administrative service. Besides, the procedure is additionally overburdened, given that the requirement for submission of the registration certificate to the municipality is unnecessary. The Registry for registered taxi carriers is public. As of may 2013, art.24a from the Automobile Carriage Law has not dropped out yet, hence, the municipality is still responsible to impose this extra administrative burden.

#### Number of Documents Required

Vidin	Veliko Tarnovo
1. Registration certificate, issued by the Executive Agency “Automobile Administration” to the Ministry of Transport, Information Technologies and Communications (copy)	1.Registration certificate, issued by the Ministry of Transport and the Executive Agency “Automobile Administration” (copy)
2. Certificate for the public transportation of passengers, issued by the State Automobile Inspectorate Regional Control (copy)	2.List of registered, issued by the Ministry of Transport and the Executive Agency “Automobile Administration” (certified copy)
3. Certificate from the Territorial Directorate of the National Revenue Agency that the applicant does not have tax liabilities (original)	3.Control document indicating a periodic checkup of the functioning of the taxi car, issued by the Ministry of Transport (certified copy)
4. Paid fee receipt, issued by the municipality	4. Card for an additional checkup of the taxi car, issued by authorized services at the Ministry of Transport (certified copy)
	5. Driver’s license for taxi transportation, issued by the Ministry of Transport, Automobile Administration Executive Agency (copy)
	6. Certificate showing no tax liabilities, issued by the Regional Directorate of the National Revenue Agency (original)
	7. Fiscal receipt from each car for each liable person (original)
	8. Declaration from the taxi driver of the volume, number, and data of all liable persons per each car (original)
	9. Declaration from the taxi driver of the current address registration of the transporter, driver, and the liable person (original)
	10. Identity card of the transport company, driver, and the liable person (copy)

**Method of Payment.** In Kyustendil, Bourgas, Sofia, Varna, and Russe, the municipalities allow bank payments to cover the permit fee, while in the other cities, only cash payments are allowed.

### Municipal Fee for Taxi Permit, 2010 (in lev)

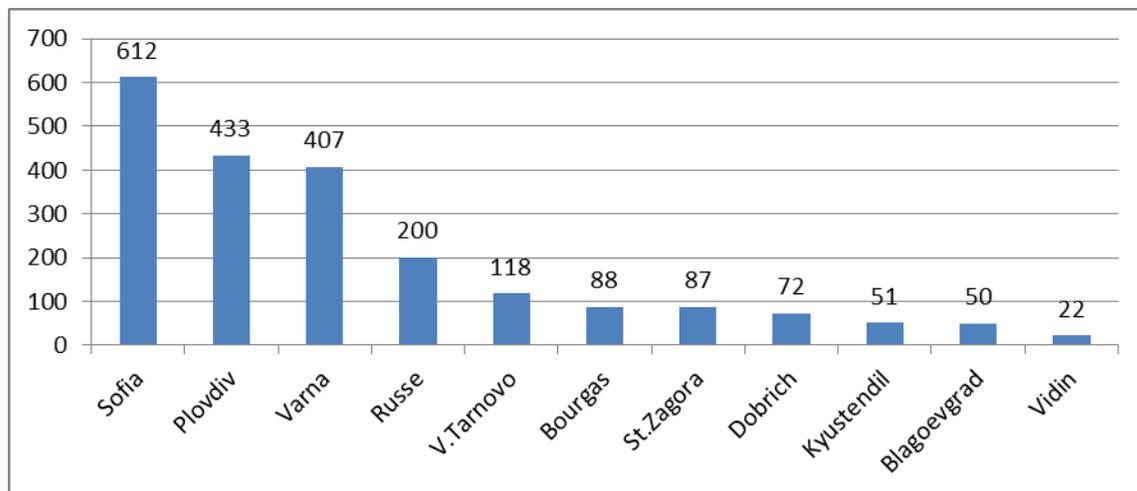


Source: World Bank Survey 2011.

Note: For 1-year permit Varna Municipality charges 30 lev, while for a 2-year permit it charges double.

### Case No. 2: Catering and Entertainment Establishments

#### Number of Applications for the Catering and Entertainment Establishments Permit, 2010



Source: World Bank Survey 2011.

All but two municipalities in the sample are required to issue the permit in 60 days. Dobrich has a 65-day limit, while Vidin reported a 74-day limit for this service.

In the Dobrich municipality, the temporary certificate, which starts the classification process, must be given within 7 days. In the next phase, 14 days are needed for the administration to review the package of documents, 14 days are given to the applicant to provide additional information as needed, and another 30 days are given for the removal

of any obstacles in the paperwork. The temporary classification is valid for two months, while the permit is permanent when issued. This is the case in all sampled municipalities.

In addition to the standard application forms, the municipalities require the permit seekers to provide a number of other documents.

<b>Documents Required</b>	
<b>Sofia</b>	<b>Plovdiv</b>
1. Certificate of company registration, issued by the Trade Register (original)	1. Certificate of the language proficiency of the staff (original)
2. Declaration of the lack of insolvency procedures or liquidation (original)	2. Certificate of company registration, issued by the Trade Register (copy)
3. Ownership property rights (certified copy), rental contract or other agreement showing that the entity is allowed to conduct this tourism-related business activity (certified copy)	3. Declaration of the lack of insolvency procedures or liquidation (original)
4. Certificate of use of the site (issued by the National Construction Oversight Directorate, Regional Directorate of the National Construction Oversight Directorate, and the Architecture and Urban Planning Unit of the municipality), originals and certified copies	4. Rental contract or other agreement showing that the business is allowed to conduct this tourism-related business activity (copy); ownership property rights (copy)
5. Certificate of the language proficiency of the staff (copy)	5. Company registration identification (copy)
6. Document for paid fee (original)	6. Document certifying the language proficiency of the manager (copy)
	7. Certificate issued by Plovdiv municipality (original)
	8. Order for the classification from the Plovdiv municipality (original)
	9. Document for paid fee (copy)
	10. Protocol signed by the Municipal Administration (original)
	11. Report from the Municipal Administration (original)
	12. Protocol from a meeting of the Tourism Directorate at the Plovdiv municipality

Plovdiv municipality requires six documents in addition to those required in Sofia. All of these documents are issued by the municipality itself or represent reports, protocols, and the like that are written and signed by other municipal officials. There are also unnecessary documents required, such as the company registration identification, which is available online and for free from the Trade Register. Another finding is that most of the documents required in Sofia are originals or certified copies, while it is primarily ordinary copies that are required in Plovdiv.

At the end of 2011, Plovdiv Municipality streamlined the procedure and it started to require only documents to be submitted as per appendix in the Ordinance for classification of tourism units. Electronic submission for this service is available since May 2013.

There are cases (for example, Stara Zagora municipality) that have introduced additional requirements, such as a document certifying registration for food trading, a map of the outdoor layout of tables, and an architectural site plan, which are not required in other municipalities.

**Method of Payment.** All municipalities allow bank payment for this service, except Sofia, which take only cash payments.

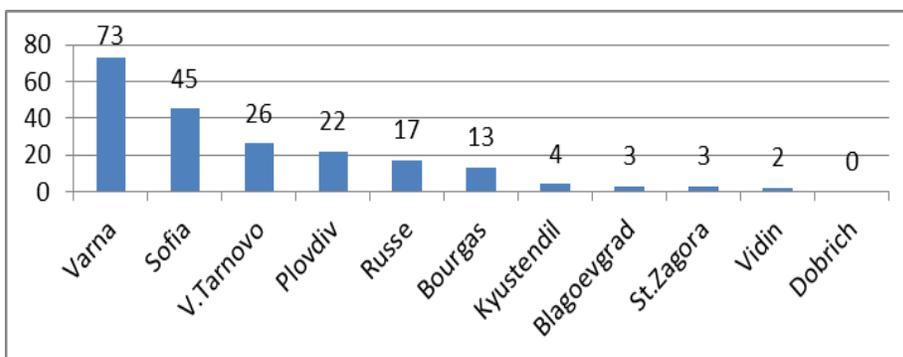
**Fees.** Municipalities have set up different fees depending on the number of people who will be served in the establishment. The fees are uniform, as they are set up by the tariff for fees under the Tourism Act (see below).

Number of Seats	Cost (in Lev)
Up to 20	110
21–50	250
51–150	500
151–300	940
Over 300	1,400

All municipalities also charge Lev 150 for each change in the seat arrangement. There is no available fast or express service offered by any of the municipalities.

### Case No. 3: Hosting and Accommodation Facilities

Number of Hosting and Accommodation Facilities Permit Applications, 2010



Source: World Bank Survey 2011.

All but two municipalities in the sample are required to issue the permit within 60 days. Dobrich has a 65-day limit, while Vidin reported a 74-day limit for this service. In Dobrich, a temporary certificate, which begins the classification process, must be given within 7 days. In the next phase, 14 working days are needed for the administration to

review the package of documents, and 14 days are given to the applicant to provide additional information as needed, while another 30 days are given for the removal of any obstacles in the required documents. The temporary classification permit is valid for two months, and the permit is permanent when issued. This is the case in all sampled municipalities.

<b>Number of Documents Required</b>	
<b>Kyustendil</b>	<b>Stara Zagora</b>
1. Application form	1. Application form
2. Declaration of the lack of insolvency procedures or liquidation (original)	2. Statement of the qualification of the personnel, issued by the company (original)
3. Ownership property rights (certified copy), rental contract, or other agreement showing that the entity is allowed to conduct this tourism-related business activity (certified copy)	3. Certificate of company registration, issued by the Trade Register (copy)
4. Certificate of the language proficiency of the manager (copy)	4. Declaration of the lack of insolvency procedures or liquidation (original)
5. Document for paid fee (original)	5. Ownership property rights (copy)
6. Certificate of company registration, issued by the Trade Register (original and certified copy)	6. Rental contract or other agreement showing that the entity is allowed to conduct this tourism-related business activity (copy)
7. Document for exploitation entry, issued by the Regional Directorate of National Construction Oversight (copy)	7. Certificate of registration at the Public Sites for Public Use Registrar (copy)
	8. Document for exploitation entry, issued by the Regional Directorate of National Construction Oversight (copy)
	9. Copy of documents, certifying professional qualification, issued by respective universities and colleges
	10. Architectural plan, prepared by the designer (copy)
	11. Document for paid fee (original)

The file that accompanies the application form (which is specified) contains between 9 documents (as in the case of Veliko Tarnovo and Varna) and 11 documents (as in the case of Stara Zagora). In Kyustendil, however, the file requires the submission of 6 documents. Plovdiv, similar to St. Zagora requires 11 documents for this service, 5 of which are documents prepared or issued by the same municipal authority. For example, they ask for a Protocol of Findings, issued by the Municipal Administration, as well as a report prepared by the same authority. They also ask for a Protocol from the municipal expert committee for the classification of hosting and accommodation facilities, issued by the Tourism Directorate of the Municipality. It is interesting to note that all of these documents must be original, meaning that the municipal authorities issue the original documents to the company and then ask for them back.

All the certificates are published on the website of the Food Safety Agency (regional branch), enabling municipal officials to look for the needed information electronically.

**Method of payment.** All municipalities allow bank payment for this service, except for the Plovdiv municipality, which accepts cash payment only.

**Fees.** Municipalities have set up different fees depending on the number of rooms in the proposed establishment or the type of establishment. The fees are uniform, as they are set up by the tariff for fees under the Tourism Act (hotels and motels and villa and tourism compounds).

<b>Number of Rooms</b>	<b>Cost (in Lev)</b>
Up to 30	500
31–150	1,000
151–300	1,870
301–500	2,750
Over 500	5,000

There is another fee distribution scale based on the type of establishment with a lower classification, such as campground, hostel, villa, house, or bungalows:

<b>Number of Rooms</b>	<b>Cost (in Lev)</b>
Up to 20	250
21–40	500
40–60	940
61–100	2,500
Over 1,000	5,000

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