

Subnational Business Ready in the European Union 2024: **BULGARIA**



With funding by the



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At a Glance

Context

Part of a series of *Subnational Business Ready* reports in the European Union

- Requested and funded by the European Commission's Directorate-General for Regional and Urban Policy
- Undertaken under the auspices of the Council of Ministers of the Republic of Bulgaria
- The study contains data as of December 2023

5 Business Ready Topics

Topics measure the quality of the regulatory framework, the provision of public services and how efficiently they are combined in practice

1. Business Entry
2. Business Location
 - Building Permitting
 - Environmental Permitting
 - Property Transfer
3. Utility Services
 - Electricity
 - Water
 - Internet
4. Dispute Resolution
5. Business Insolvency

6 cities benchmarked



Source: *Subnational Business Ready*



Methodology



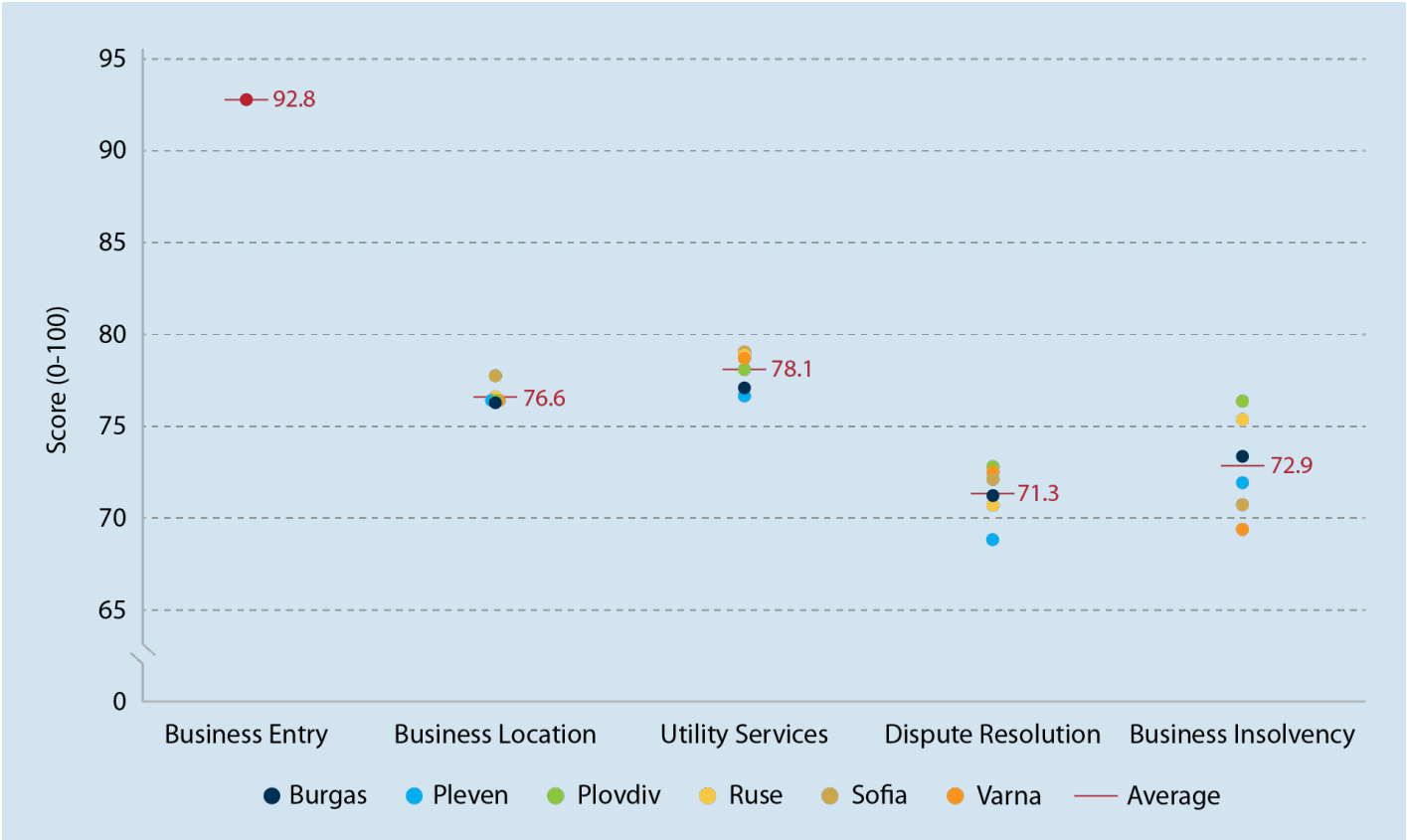
The **World Bank's Business Ready (B-READY)** is a series of annual reports benchmarking the business environment around the world. B-READY assesses 3 aspects of the business environment: the regulatory framework, the provision of related public services, and the efficiency of compliance in practice. It focuses on 10 topics organized following the life-cycle of the firm while opening, operating and closing a business. More information at: <https://www.worldbank.org/en/businessready>.

- This *Subnational Business Ready* study adapts the B-READY methodology to the country context to provide a quantitative assessment of the business environment and the efficacy of bureaucracy at the local administrative level.
- It covers 5 out of the 10 areas included in the global B-READY report: Business Entry, Business Location, Utility Services, Dispute Resolution, and Business Insolvency. Assessments include crosscutting areas of digital adoption, environmental sustainability, and gender.
- The strength of the business environment in each area is scored, showing a jurisdiction's absolute position relative to the well-founded good practices and standards applicable at a global level. The score is indicated on a scale from 0 to 100, where 0 represents the lowest performance and 100 the highest performance.
- It relies on four main sources of information: the relevant laws and regulations, expert respondents, the governments of the countries and cities benchmarked, and firm surveys.
- This study highlights regulatory differences and gaps in the implementation of national law and generates knowledge on good regulatory practices. The aim is to guide local policy reforms to address inequalities in the business environment, hence promoting balanced and inclusive economic growth at the regional level.
- This study builds on the experience conducting subnational business environment assessments in the European Union (EU) over the past seven years. As such, it also aims to provide a measure of the progress achieved in improving the local business environment since the previous benchmarking. Reports and data published for 16 EU Member States between 2017 and 2022 can be found at: <https://www.worldbank.org/en/businessready/subnational>.

Key Results (1/3)



Across the five areas measured, Business Entry is the best performing topic while the largest performance gap among the cities is recorded on Business Insolvency and Dispute Resolution.



Source: Subnational Business Ready

Key Results (2/3)

All cities have something to share with and learn from each other

While many of the aspects analyzed in this report are nationally legislated, how a regulation is implemented, and the efficiency of public agencies vary substantially within the country.

- All Bulgarian cities have identical scores in the area of Business Entry, where the legal framework and implementation procedures are highly centralized. The score convergence is also strong in the area of Business Location, despite the fact that certain components of this topic, such as building permits, are typically implemented under the purview of local authorities.
- Larger cities, such as Sofia, Plovdiv and Varna, show strong performance in Utility Services, Dispute Resolution, and Business Insolvency. This shows that even bigger cities can offer high-quality public services in an efficient way, despite their heavier workload of transactions.
- Sofia leads in the area of Utility Services and scores pretty highly in Dispute Resolution, but it lags behind in Business Insolvency. Plovdiv leads the scoring in both Dispute Resolution and Business Insolvency. Pleven lags behind in all these three areas.

	Business Entry	Business Location	Utility Services	Dispute Resolution	Business Insolvency
City	Score (0-100)	Score (0-100)	Score (0-100)	Score (0-100)	Score (0-100)
Burgas	92.8	76.2	77.1	71.1	73.4
Pleven	92.8	76.3	76.6	68.9	72.0
Plovdiv	92.8	76.3	78.1	72.8	76.4
Ruse	92.8	76.5	78.9	70.7	75.4
Sofia	92.8	77.7	79.0	72.1	70.7
Varna	92.8	76.3	78.6	72.4	69.4

Source: Subnational Business Ready



Key Results (3/3)

Potential opportunities for regulatory improvement*



Business Entry

- ✓ Eliminate the start-up capital requirement for limited liability companies
- ✓ Conduct risk analysis post-registration for voluntary VAT registration



Business Location

Building Permitting

- ✓ Review the cost structure for building permits
- ✓ Clarify and better communicate the requirements and fees for the building permitting process
- ✓ Improve coordination between agencies by digitalizing the building permitting process

Environmental Permitting

- ✓ Develop and deploy an integrated online environmental permitting platform
- ✓ Further streamline communication between authorizing agencies
- ✓ Fully adopt a risk-based approach to environmental approvals

Property Transfer

- ✓ Complete digitalization and automation of processes at the Land Registry and Cadaster
- ✓ Ensure that all private properties are mapped
- ✓ Increase transparency by making all relevant information for property transactions available online
- ✓ Publish annual statistics on land disputes and gender-disaggregated data on property ownership



Utility Services

Electricity

- ✓ Strengthen the online application platforms and increase awareness of online services
- ✓ Improve the reliability of electricity supply and increase transparency by collecting and publishing relevant KPIs
- ✓ Increase transparency and accountability by collecting and publishing statistics
- ✓ Streamline the process of getting a construction permit and other pre-approvals
- ✓ Replace site inspection with self-certification of compliance

Water

- ✓ Enable online application for new water connections
- ✓ Publish stipulated water connection time standards online
- ✓ Implement a GIS-based database for the identification of existing utility networks
- ✓ Streamline clearances across utilities and local authorities
- ✓ Introduce requirements and incentives for businesses to adopt water-saving practices



Dispute Resolution

- ✓ Establish small claims courts or fast-track procedures for small claims
- ✓ Introduce pre-trial hearings as a case management technique
- ✓ Regulate the maximum number of adjournments



Business Insolvency

- ✓ Enhance the transparency of asset transfers by considering the implementation of a more rigorous oversight for debtors in the process of selling or donating assets
- ✓ Ensure complete and homogenous adoption of technological tools across Bulgarian courts
- ✓ Strengthen the capacity of insolvency administrators and practitioners, including enhanced transparency in the appointment process
- ✓ Adopt tailored training programs for judges dealing with insolvency proceedings

*All recommendations (and the main agencies relevant to each regulatory area) are detailed at the end of the respective topic section.



Subnational Business Ready
in the European Union 2024:
BULGARIA



Business Entry





Business Entry in Bulgaria



Pillar I: Regulatory Framework

Score
(all cities): **95/100**



Pillar II: Public Services

Score
(all cities): **84/100**



Pillar III: Operational Efficiency

Score
(all cities): **99.5/100**

Time (days): 12

Cost (% of income
per capita*): **0.6%**

*Bulgaria's 2021 GNI per capita is BGN 18,523

Main findings

- The process of business entry is harmonized across the six cities assessed in Bulgaria.
- Entrepreneurs in Bulgaria benefit from business entry regulations that follow international good practices regarding registration requirements, simplified registration processes, and regulatory restrictions.
- Public services for business registration facilitate the incorporation and start of operation processes through online tools and exchange of data between relevant agencies.
- Business founders can register a new Limited Liability Company (LLC) using standard registration forms and can do it through online platforms or in person. During the same process, new companies are registered with the tax authority and social security; and since 2019, voluntary registration for VAT can also be done in the same step.
- The availability of online services, in combination with fees that are only half of those for in-person registration, have contributed to most of new LLCs being registered online across the six cities in Bulgaria. In 2023, the city with the lowest share of LLCs registered online was Pleven with 55%, while in three cities—Burgas, Plovdiv, and Sofia—it reached over 84%.



Business Entry in Bulgaria

Why is business entry important?

- A business environment that facilitates the formalization of businesses is key to the creation of jobs and stronger economic growth.¹ Regulatory entry restrictions can create obstacles to developing a business and hinder the potential of new firms.
- Regulations that encourage transparency of information on businesses and beneficial owners help safeguard the integrity and reputation of the business sector by making it unattractive for firms with illicit purposes.²
- Simple registration processes, together with the use of online tools and low incorporation costs, encourage entrepreneurs to enter the economy.³

¹ Rand and Torm, 2012; Medvedev and Oviedo Silva, 2015; La Porta and Shleifer, 2014.

² UNCITRAL, 2019; OECD and IDB, 2021; World Bank, 2020.

³ Klapper, Lewin, and Quesada Delgado, 2011.

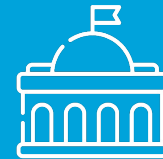
What does the Business Entry topic measure?



Pillar I: Regulatory Framework

Quality of regulations for business entry

- Information and procedural standards regarding the filing of information on companies and beneficial owners
- Availability of simplified registration for new firms
- A risk-based approach for business licensing
- Regulatory restrictions for the entry of new firms



Pillar II: Public Services

Digital public services and transparency of information for business entry

- Availability of digital services for business registration, storage of company information, and identity verification
- Interoperability of services between agencies involved in business registration
- Transparency of online information regarding business registration



Pillar III: Operational Efficiency

Operational efficiency of business entry

- Time to complete the registration of a new firm
- Cost to complete the registration of a new firm

For more information, please refer to the *Business Ready Methodology Handbook*: <https://www.worldbank.org/en/businessready>



Business Entry in Bulgaria

Recent reforms and changes in business entry

- **Voluntary VAT registration became available in January 2019.** Companies can choose to register for VAT at the time of filing for incorporation with the Registry Agency before reaching the threshold for mandatory registration. The tax authority, the National Revenue Agency (NRA), conducts pre-approval risk analysis of the application and the registration is issued electronically after all requirements are fulfilled. New companies can complete this process in eight days in contrast to the 10 or 12 days, depending on the city, that entrepreneurs had to wait back in 2017.
- **Registration of beneficial owners became mandatory in 2019.** In 2018, the introduction of Art. 65a in the Commerce Act mandated legal entities to provide accurate information regarding their beneficial owners, and the Measures Against Money Laundering Act stipulated that such data should be registered in the Commercial Register and the BULSTAT Register, both managed by the Registry Agency. In July 2023, additional changes were voted for by the government in the Measures Against Money Laundering Act, such as extra measures to be taken to identify beneficial owners as well as new mechanisms to solve inconsistencies in the ownership data collected.



Relevant laws and regulations in Bulgaria

- **Act on the Commercial Register and Register of Non-Profit Legal Entities:** regulates the registration, keeping, storage and access to the Commercial Register and Register of Non-Profit Legal Entities, as well as any entries, deletions, and announcements.
- **Ordinance No. 1 from February 14, 2007** on keeping, storing, and accessing the Commercial Register and Register of Non-Profit Legal Entities: contains detailed information about the necessary documents for each application for initial registration, entry, and deletion of circumstances and for the announcement of acts by type of company.
- **Commerce Act:** governs all business activities and defines the legal entities allowed to perform economic activities.
- **Measures Against Money Laundering Act:** covers preventive measures and reporting obligations regarding money laundering, the operation of the beneficial ownership database, and the functions of the State Agency for National Security, the Financial Intelligence Directorate.



Public institutions and services for business entry

- The **Registry Agency (RA)**, under the Ministry of Justice, manages the **Commercial Register and Register of Non-Profit Legal Entities** and establishes the procedures for new company registration. In addition, the **RA** exchanges information with the **National Revenue Agency (NRA)** for all registered businesses.
- The **Commercial Register and Register of Non-Profit Legal Entities** is an electronic database of the RA that contains information on all companies registered in Bulgaria including their names, year of establishment, the nationality and country of residence of the beneficial owners, and the extent of the beneficial interest held.
- **BULSTAT** is a centralized national administrative register, managed by the **RA**, that contains uniform identification of all entities that are subject to registration in the register. It also serves as the main register for statistical purposes.
- **United Portal for Request of Electronic Administrative Services** is the online platform of the **RA** where entrepreneurs can find information and submit all documents related to company registration.



Business Entry in Bulgaria



Pillar I: Quality of Regulations for Business Entry (1/2)

Bulgaria score (all cities): **95** out of 100 points

Bulgaria performs on par with good international practices in the regulatory requirements on information and procedural standards for business entry.

Information and procedural standards for business entry

15/15

Company information filing requirements

Regulation has requirements related to:

- ✓ Approval of company name
- ✓ Verification of identity of entrepreneurs
- ✓ Registration of shareholder information
- ✓ Obligation to file annual returns/financial statements
- ✓ Registration of changes in company name, shareholder details, and articles of association

15/15

Beneficial ownership filing requirements

Regulation has requirements related to:

- ✓ Registration of beneficial owners and the type of information collected on them
- ✓ Specific time limits to register beneficial owners at the time of company registration
- ✓ Verification of beneficial owners' identity
- ✓ Restrictions for nominee shareholders and directors
- ✓ Registration of changes in beneficial ownership information

10/10

Availability of simplified registration

- ✓ Simple registration forms available for all entrepreneurs without the use of intermediaries (lawyers or notaries)
- ✓ Possibility to make changes to company information without intermediaries for all companies

10/10

Risk-based assessment for operating business and environmental licenses

- ✓ Risk-based assessment for business licensing
- ✓ Risk-based assessment for environmental licensing of business activities

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices



Business Entry in Bulgaria



Pillar I: Quality of Regulations for Business Entry (2/2)

Bulgaria score (all cities): **95** out of 100 points

Bulgaria follows good international practices in restrictions for business entry. However, regulations set a paid-in minimum capital requirement for new entrepreneurs.

Restrictions on registering a business



Restrictions for domestic firms

Regulation does not establish general restrictions to set up a business for domestic entrepreneurs, including:

- ✓ Minimum education or training of business founders
- ✓ Providing criminal history records of business founders
- ✓ Approval of business plan
- ✓ Obtaining a general operating license
- ✓ Restrictions for specific socio-demographic groups
- ✓ General ownership restrictions in economic sectors

Restrictions in place:

- ✗ The law mandates a minimum capital amount to incorporate a new LLC



Restrictions for foreign firms

Regulation does not establish general restrictions to set up a business for foreign entrepreneurs, including:

- ✓ Limitations on ownership of firms and participation in joint ventures
- ✓ Screening and approval of investment by a government entity
- ✓ Restrictions on the nationality of key personnel
- ✓ Restrictions on the employment of foreign and local personnel
- ✓ Obligation to have a local partner or local suppliers
- ✓ Limitations on dividend distribution or setting up a bank account
- ✓ General ownership restrictions in economic sectors

Restrictions related to:

- ✗ The law mandates a minimum capital amount to incorporate a new LLC (the same as for domestic entrepreneurs)

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices



Business Entry in Bulgaria



Pillar II: Digital Public Services and Transparency of Information for Business Entry (1/2)

Bulgaria score (all cities): **84** out of 100 points

Public infrastructure for business entry in Bulgaria provides electronic services to access company records and facilitate the registration process. The registry is also linked to other public agencies to facilitate the start of operations of new businesses.

Availability of digital services

20/20

Business start-up process

Electronic services available for:

- ✓ Company name verification
- ✓ Completion of the entire company registration process
- ✓ Updating company and beneficial ownership information
- ✓ Payment of incorporation fees
- ✓ Issuance of company incorporation certificate

10/10

Storage of company and beneficial ownership information

- ✓ Company information records digitally stored
- Database on company information and database on beneficial ownership are:
 - ✓ Fully electronic
 - ✓ Centralized with national coverage
 - ✓ Covering all types of companies and establishments

5/10

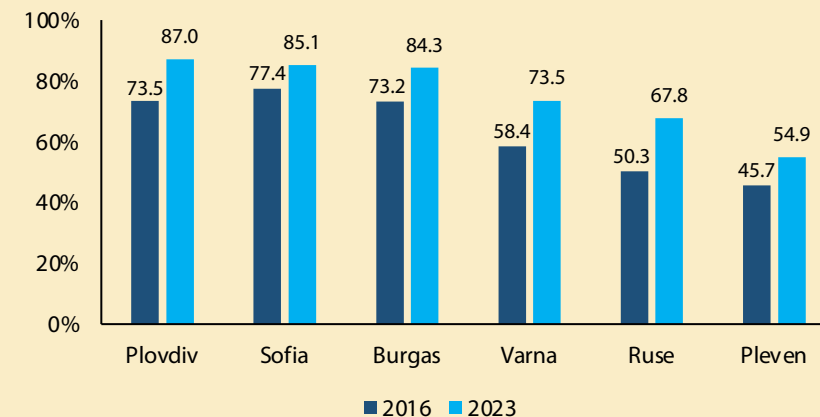
Identity verification

- ✓ Electronic signature and authentication available
- ✗ No fully automated identity document verification process available

Online business registration in Bulgaria

In 2023, 83% of new LLCs in Bulgaria were registered online. Uptake of this option has increased since it became available in 2009. However, differences remain among the six cities assessed as the use of electronic signature is more limited in some of them. Just over half of entrepreneurs in Pleven chose online registration compared to 87% in Plovdiv.

Percentage of new LLCs registered online



Source: Registry Agency

✓ Aspects in line with internationally recognized good practices ✗ Aspects in line with internationally recognized good practices



Business Entry in Bulgaria



Pillar II: Digital Public Services and Transparency of Information for Business Entry (2/2)

Bulgaria score (all cities): **84** out of 100 points

Bulgaria provides online access to information on the process to set up a business as well as information on registered businesses. Statistics on newly registered companies are also available.

Interoperability of services

10/10

Exchange of company information

- ✓ The Registry Agency and the National Revenue Agency automatically exchange information on new business registrations and updates to company information

10/10

Unique business identification

- ✓ At the time of incorporation each newly registered company is assigned a Unified Identification Code (UIC or EIK in Bulgarian)
- ✓ The UIC is used by other relevant agencies to identify the company and serves as the basis for the VAT number issued by the National Revenue Agency

Transparency of online information

14/20

Business start-up (includes gender and environment)

Official website provides information on:

- ✓ List of documents required to establish a new business
- ✓ List of applicable fees
- ✓ Service standards
- ✗ Information on requirements for environmental permits for low-risk business activities is not publicly available
- ✓ Information is available on public programs to support small and medium enterprises (SMEs)
- ✗ No information is publicly available on programs to support women-led SMEs or such programs do not exist

10/10

Availability of general company information

- ✓ Electronic search is available for all company records
- ✓ The company database provides information on the name of the company, company ID number, names of directors, shareholders, and beneficial owners; date of incorporation, annual financial accounts, legal address, physical address, and type of activity

5/10

General and sex-disaggregated statistics on newly registered firms

- ✓ General statistics on the number of newly created companies are publicly available
- ✗ No gender-related statistics of newly created companies are publicly available

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices



Business Entry in Bulgaria

Pillar III: Operational Efficiency of Business Entry



Bulgaria score (all cities):

99.5 out of 100 points

Time: **12** days Cost: **0.6%** of income per capita

Entrepreneurs can register a new LLC in the six Bulgarian cities in as fast as 12 days at a cost of 0.6% of income per capita.



Bulgaria follows **good practices** that result in an efficient process of company registration and start of operations:

- Entrepreneurs can search online in the United Portal for Request of Electronic Administrative Services to gain access to company information and facilitate name checks.
- The involvement of third parties (notaries and lawyers) is optional as business founders can use standard registration forms online. (Note: notary services are used to verify signatures.)
- Company registration of a new LLC with the Registry Agency includes registration with the tax authority and social security, and registration of beneficial owners. Companies can also choose voluntary registration for VAT at this moment.
- Art.19 (3) from the Act on the Commercial Register and Register of Non-Profit Legal Entities sets a statutory time limit (by the end of next business day) to complete initial registration requests. This time limit is applied in practice.

How does the process to register a new LLC work in Bulgaria

Third-party involvement for signature notarization

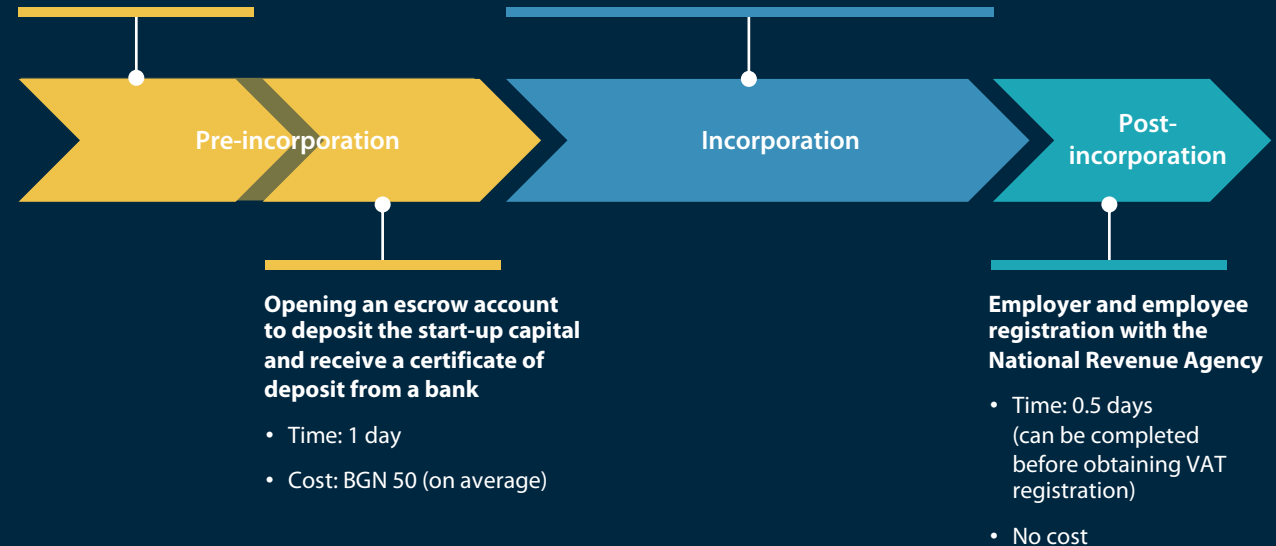
- Time: 1 day
- Cost: BGN 6

Company registration with the Commercial Register—National Registry Agency

- Time 10 days (2 days for company registration, 8 days for VAT registration)
- Cost: BGN 55 (online), BGN 110 (in person)

The process includes:

- ✓ Tax registration
- ✓ Beneficial ownership registration
- ✓ Voluntary VAT registration
- ✓ Social security registration



Source: Subnational Business Ready



Business Entry in Bulgaria

Areas of improvement for Business Entry



Eliminate the start-up capital requirement for limited liability companies

Although Bulgaria has set a low paid-in minimum capital requirement of BGN 2 for establishing a new LLC, one of the steps that is still required to register a company is to open an escrow account, deposit the capital, and then obtain a bank deposit certificate that needs to be presented to the Registry Agency in order to fulfill the requirements for company incorporation. This extra step could be eliminated by requiring the companies that wish to incorporate to provide a declaration of their minimum capital instead.

Several European Union Member States, including Belgium, Finland, Ireland, and the Netherlands, as well as other countries around the world, have eliminated minimum capital requirements. While this requirement has historically had the objective of protecting creditors and promoting confidence in the financial markets, research shows that, in practice, it provides little protection to creditors and investors during insolvency.⁴

Relevant stakeholders: Ministry of Justice; Registry Agency



Conduct risk analysis post-registration for voluntary VAT registration

In 2019, Bulgaria introduced the option of voluntary VAT registration at the time of incorporation for newly established companies. This is a step forward to simplifying and making the process faster. Voluntary VAT registration is declared by checking a box on the application for new company incorporation with the Registry Agency. According to data from the National Revenue Agency (NRA), up to 19% of newly registered companies selected voluntary VAT registration in 2023. Once the company registration application is submitted to the Registry Agency (with voluntary VAT registration selected), the information is transferred to the NRA, which performs checks to assess the accuracy of the information. Despite not requiring a separate submission for VAT, according to experts, it still takes eight days for the NRA to issue the approval. Nevertheless, this is an improvement from the 10 or 12 days, depending on the city, that VAT registration used to take back in 2017. Experts note that usually additional time is spent in interactions with the authorities as extra documentation is requested. In addition, entrepreneurs need to be careful to provide an email for communication when filing the application for them to be contacted by the NRA, as the lack of such information is another common cause for delays.

Bulgaria can consider streamlining the risk-screening process to simplify and shorten the time for VAT registration. For example, in Romania, voluntary VAT registration happens immediately, and the authorities conduct their risk analysis post-registration. In case of issues with the application and the information submitted, the authorities can revoke the registration.

Relevant stakeholders: Ministry of Justice; Registry Agency; National Revenue Agency

⁴ Elkind, 2007; Armour, 2006; Kubler, 2004; Simon, 2004; Mülberr and Birke, 2002.

Subnational Business Ready
in the European Union 2024:
BULGARIA



Business Location

- Building Permitting
- Environmental Permitting
- Property Transfer





Building Permitting in Bulgaria



Pillar I: Regulatory Framework

Score (all cities):

98.9/100



Pillar II: Public Services

Score:

33.3 to 43.3/100

5 cities

Sofia



Pillar III: Operational Efficiency

Obtain building permits:

Time (days): **92** (Plovdiv) to **103** (Sofia)

Cost (% of income per capita*): **32%** (Pleven) to **141%** (Sofia)

Obtain occupancy permits:

Time (days): **64** (Pleven) to **75** (Sofia)

Cost (% of income per capita*): **12%** (Pleven) to **22%** (Burgas)

Score: **95** (Sofia) to **96.5** (Plovdiv, Varna) /100

*Bulgaria's 2021 GNI per capita is BGN 18,523

Main findings

- Bulgaria stands out on the quality of regulations for urban planning (Pillar I). Technical building regulations are issued at the national level and thus uniform throughout the whole country.
- The building permitting process in Bulgaria is complex and involves many actors. Introducing an electronic building-permitting system could facilitate building permit applications and streamline the internal review process. There is also room for improvement on the interoperability of services by integrating spatial data platforms between the permit-issuing agency and other relevant stakeholder agencies (Pillar II).
- The time to obtain building permits varies slightly across the six Bulgarian cities, ranging from 92 in Plovdiv to 103 days in Sofia. Municipal permits (project visa and building permit) drive the differences in waiting times across cities.
- There is a significant variation in cost between the cities benchmarked, mainly driven by municipal building permit fees.

Overall Building Permitting score per city*



Source: Subnational Business Ready *Scale from 0 to 100 (higher = better)



Building Permitting in Bulgaria

Why is building permitting important?

- A sound and robust environmental framework for construction projects plays a vital role in protecting the public from faulty building practices and incorporating sustainability in construction by identifying and addressing potential environmental impacts beforehand.⁵
- Adopting good regulatory practices for building standards enhances safety mechanisms and green building practices while reducing opportunities for corruption.
- Transparency of information for building permits minimizes information gaps between public service providers and users, fostering accountability through easy access to regulations, fees, and payment tracking.

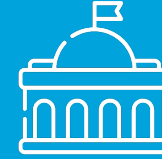
What does the Building Permitting topic measure?



Pillar I: Regulatory Framework

Quality of regulations for building permitting

- Building regulations standards
- Building energy codes standards
- Land use and zoning regulations



Pillar II: Public Services

Quality of public services and transparency of information for building permitting

- Availability and reliability of online services
- Interoperability of services between agencies involved in building permitting
- Transparency and accessibility of the building permitting agencies



Pillar III: Operational Efficiency

Operational efficiency of building permitting

- Time to obtain a building permit
- Cost to obtain a building permit
- Time to obtain an occupancy permit
- Cost to obtain an occupancy permit

For more information, please refer to the *Business Ready Methodology Handbook*: <https://www.worldbank.org/en/businessready>



Building Permitting in Bulgaria

Relevant legislation and main stakeholders

Bulgaria does not have regional or local technical building regulations. The construction permitting process is regulated at the national level, mainly by the Law of Spatial Planning, but is implemented at municipal level.



Relevant laws and regulations in Bulgaria

- **Law of Spatial Planning:** provides information connected with the structure of the territory, investment, designing, and construction in Bulgaria, and determines the restrictions of ownership for development purposes.
- **Ordinance on Dangerous Chemical Substances and Preparations:** defines dangerous chemical substances and preparations, the trade and use of which are prohibited (for example, asbestos) or restricted for the purpose of health or protection of people and the environment. In Bulgaria, the construction management company is responsible for checking that construction materials comply with this ordinance.
- **Energy Efficiency Act:** promotes the implementation of the state policy for increasing efficient energy consumption and the provision of energy services. In particular, it covers the requirements for energy efficiency in the construction of a building.



Public institutions and services for building permitting

- **Local Municipalities:** approving bodies are typically, but not limited to: Chief Architect, Urban Planning Department, Building Department, and Office of Local Taxes and Fees.
- **Directorate for National Construction Supervision (DNSK):** manages compliance with the Law of Spatial Planning and related normative acts and their application in the design and construction of buildings. It inspects the use of building materials and products to ensure security, safety, accessibility, and other legal requirements for all buildings.
- **Regional Inspectorate of Environment and Water (RIEW):** must sign off on a building permit before the project begins construction.



Building Permitting in Bulgaria



Pillar I: Quality of Regulations for Building Permitting

Bulgaria score (all cities): **98.9** out of 100 points

Regulatory standards related to building permitting

36.4/37.5

Building standards

- ✓ Existing building codes/unified standards applicable to all constructions
- ✓ Clear provisions or guidelines regarding safety standards in the legal framework
- ✓ Regulation of construction materials that pose health risks
- ✓ List of regulated materials available in the legal framework
- ✓ Certified engineer or architect (public agency or private and external) designated by law responsible for compliance of building plans with existing building regulations
- ✓ Risk-based or phased structural safety inspections required
- ✓ Requirement of final inspection as per the legislation
- ✓ Materials (i.e., asbestos) required to be inspected/tested by law
- ✓ Liability for structural flaws/problems defined by law
- ✓ Ability to dispute building permit decisions with the permit-issuing authority
- ✗ Professionals in charge of supervising construction are required to have a university degree (architect or engineer), have years of practical experience, and be registered with the professional association; but passing a certification exam is not required

37.5/37.5

Building energy standards

Legally required:

- ✓ Minimum energy efficiency performance standards
- ✓ Proof of compliance with energy efficiency performance standards required for issuing a building permit
- ✓ Verification of energy efficiency performance standards
- ✓ Incentives to promote green building standards

25/25

Zoning and land use regulations

Legally required planning tools for land development:

- ✓ Requirements for trunk infrastructure service access (water, electricity, sanitation)
- ✓ Maps identifying areas allocated to residential, commercial, agricultural, recreational, public/institutional, and mixed use
- ✓ Hazard maps identifying areas in which building is not permitted due to natural hazards
- ✓ Hazard maps identifying minimum separation between residential and hazardous occupancies
- ✓ Maps identifying areas in which building is not permitted owing to preservation of natural resources

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices



Building Permitting in Bulgaria



Pillar II: Quality of Public Services and Transparency of Information for Building Permitting (1/2)

Bulgaria score: **33.3** to **43.3** out of 100 points
5 cities Sofia

0/40

Availability and reliability of digital services

- ✗ No online platform for issuing building authorizations
- ✗ No online permitting systems with several functionalities
 - ✗ No online payment
 - ✗ No online communication
 - ✗ No online notification
 - ✗ No online submission
 - ✗ No auto-generated checklist
- ✗ No online permitting systems to submit building and occupancy permits
- ✗ No online filing of disputes on building permits

33.3/40

Transparency of information

- ✓ Public accessibility of planning and building control regulations
- ✓ Public online availability of requirements to obtain all types of building-related permits
 - ✓ List of documents to obtain a building permit
 - ✓ List of documents to obtain an occupancy permit
 - ✗ No list of preapprovals required from specialized agencies
- ✓ Up-to-date fee schedules for obtaining all types of construction permits available online
- ✓ Public availability of official, updated online statistics tracking the number of issued building permits
- ✓ Availability of updated city master plan/zoning plan
- ✓ Clear, defined steps to modify zoning/land use plan
- ✗ No online verification of adherence to zoning regulations by developer

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices



Building Permitting in Bulgaria



Pillar II: Quality of Public Services and Transparency of Information for Building Permitting (2/2)

Bulgaria score: **33.3** to **43.3** out of 100 points
5 cities Sofia



Interoperability of services

Sofia:

- ✓ Availability of spatial plans and zoning requirements in the form of a Geographic Information System (GIS) or other spatial data platforms to all stakeholders

All other cities:

- ✗ No availability of spatial plans and zoning requirements in the form of a GIS or other spatial data platforms to all stakeholders
- ✗ No integration of GIS or national spatial platforms



- Developers in Bulgaria still need to obtain a project visa, equivalent to a permit, to proceed with design plans. This is issued by the Municipality and signed by the Chief Architect of the district in which the construction is planned. In some other European Union Member States measured in our study, builders do not need to obtain an urban planning approval before applying for a building permit. They can verify online aspects related to the use and location of the constructions.
- Developers do not have easy access to a comprehensive list of preapprovals required for permit applications aside from the regulatory stipulations that are sometimes too generic and not user friendly. Public online availability of these stipulations would make the process more transparent and predictable.

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices



Building Permitting in Bulgaria

Pillar III: Operational Efficiency of Building Permitting (1/5)



Pillar III: Operational Efficiency

Score:

95 to 96.5/100

Sofia Plovdiv, Varna

- Bulgaria does not have regional or local technical building regulations. The construction permitting process is regulated at the national level, mainly by the Law of Spatial Planning, but implemented at the municipal level.
- Depending on their significance, complexity, and operating risk, constructions are divided into six categories. Constructing an 1,800 m² office building, like the one considered for this study, would fall under category IV. Builders must obtain a number of documents and approvals before applying for a building permit and an occupancy permit.
- Licensed private experts or companies are involved and required at both the design and construction supervision stage.

How does building permitting work in Bulgaria

BEFORE CONSTRUCTION – Obtaining a building permit

- Obtain current cadastral extract from cadaster
- Obtain project visa from municipality
- Hire a team of specialists (including topographical surveyor)
- Hire a team of specialists (including geotechnical engineer)
- Obtain project plan approval and initial contract from water and electricity utilities
- Receive approval from Regional Inspectorate of Environment and Water
- Receive Energy-Efficiency Rating
- Hire licensed supervision company to evaluate project
- Obtain investment project approval and receive building permit from municipality

AFTER CONSTRUCTION – Obtaining an occupancy permit

- Obtain contracts from utility providers
- Obtain geodetic measurement from a licensed company
- Map the building in the cadastral map
- Receive Energy-Efficiency Rating
- Register technical passport with municipality
- Submit final report and obtain certificate of approval of use from municipality



National government



Local government



Licensed company/expert



Utility

Source: Subnational Business Ready

Note: The steps shown are common to all cities benchmarked. Procedures administered by national agencies are in some cases completed (or performed) at local branches of these national agencies.



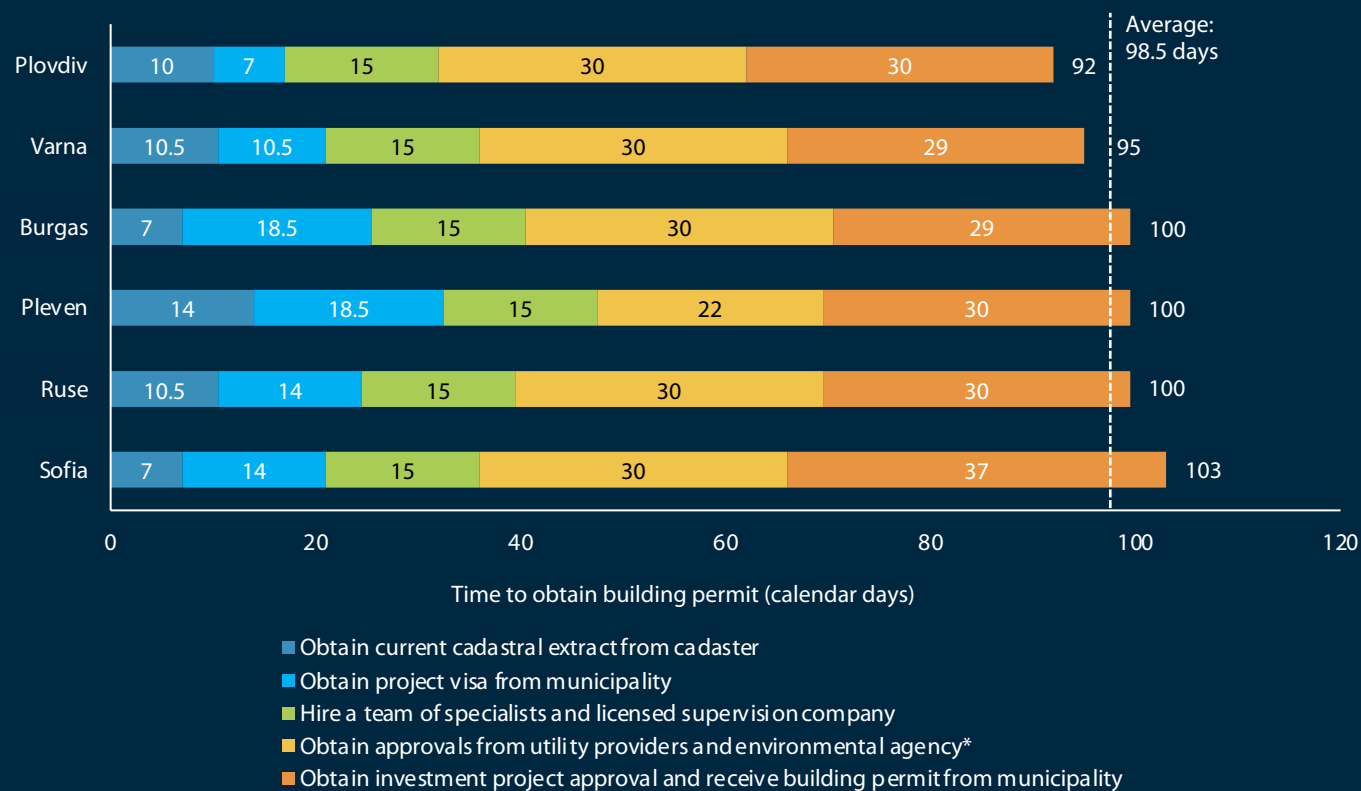
Building Permitting in Bulgaria

Pillar III: Operational Efficiency of Building Permitting (2/5)

The time to obtain a building permit ranges from 92 to 103 days

- The building permitting process is fastest in Plovdiv, where it takes 92 days and slowest in Sofia, at 103 days.
- Time variation across locations stem from municipal processes, such as obtaining the project visa and the building permit, approval from the Regional Inspectorate of Environment and Water, and approval from water and electricity utilities.
- Obtaining project approval from electricity providers and the environmental agency and obtaining the building permit from the municipality take up the most time.
- Building regulations in Bulgaria establish a legal time frame within which the municipality must approve an investment project (14 days). After the building permit has been issued, there is a period for appeal, which is 14 days after it has been announced to the interested parties and the Directorate for National Construction Supervision (DNSK). For an additional fee (of BGN 20), developers in all cities can obtain the current cadastral extract in three rather than the usual seven days. However, these fast-track services are not commonly used by architects or construction professionals.

The building permitting process is fastest in Plovdiv, while other cities have slightly longer times



Source: Subnational Business Ready

*Approvals are received from electricity provider, water provider, and Regional Inspectorate



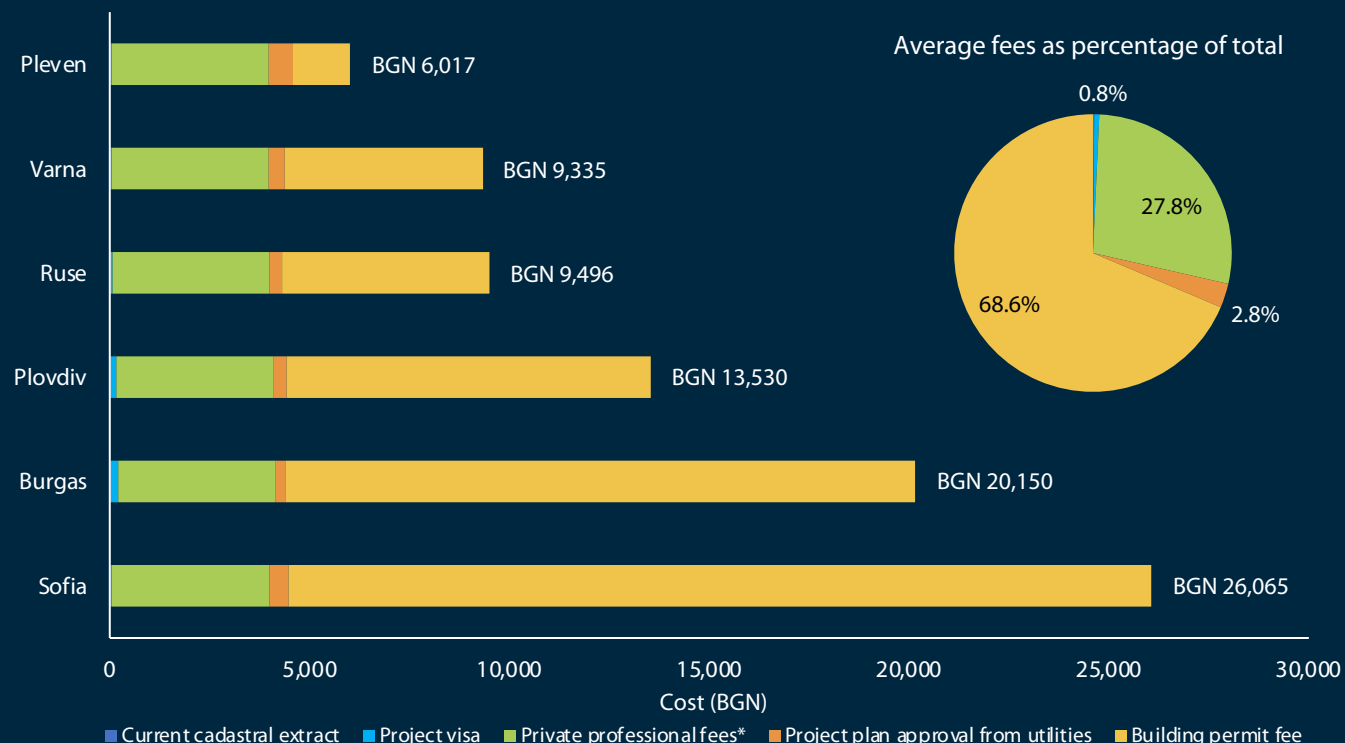
Building Permitting in Bulgaria

Pillar III: Operational Efficiency of Building Permitting (3/5)

The cost to obtain a building permit ranges from BGN 6,017 to BGN 26,065 (or 32 to 141% of income per capita)

- The average cost of obtaining building permits in Bulgaria is the equivalent of 76% of income per capita, ranging from 32% in Pleven to 141% in Sofia.
- Differences among cities stem largely from municipal building permit fees, which make up the bulk of the cost. Municipal building permit fees are determined at the local level based on floor area and building use. Entrepreneurs constructing an office building, like the one considered for this study, can expect to pay anywhere from BGN 1,440 in Plevlen to BGN 26,065 in Sofia.
- An innovative and good practice in Plovdiv is the discount the municipality offers for a building permit when the developer uses green building standards.

The building permit fee accounts for over two thirds of the average cost to obtain a building permit



Source: Subnational Business Ready

Note: BGN = Bulgarian lev

*Private professional fees include fees for: topographical surveyor, geotechnical investigator, energy efficiency rating, and review of documents by construction supervision company



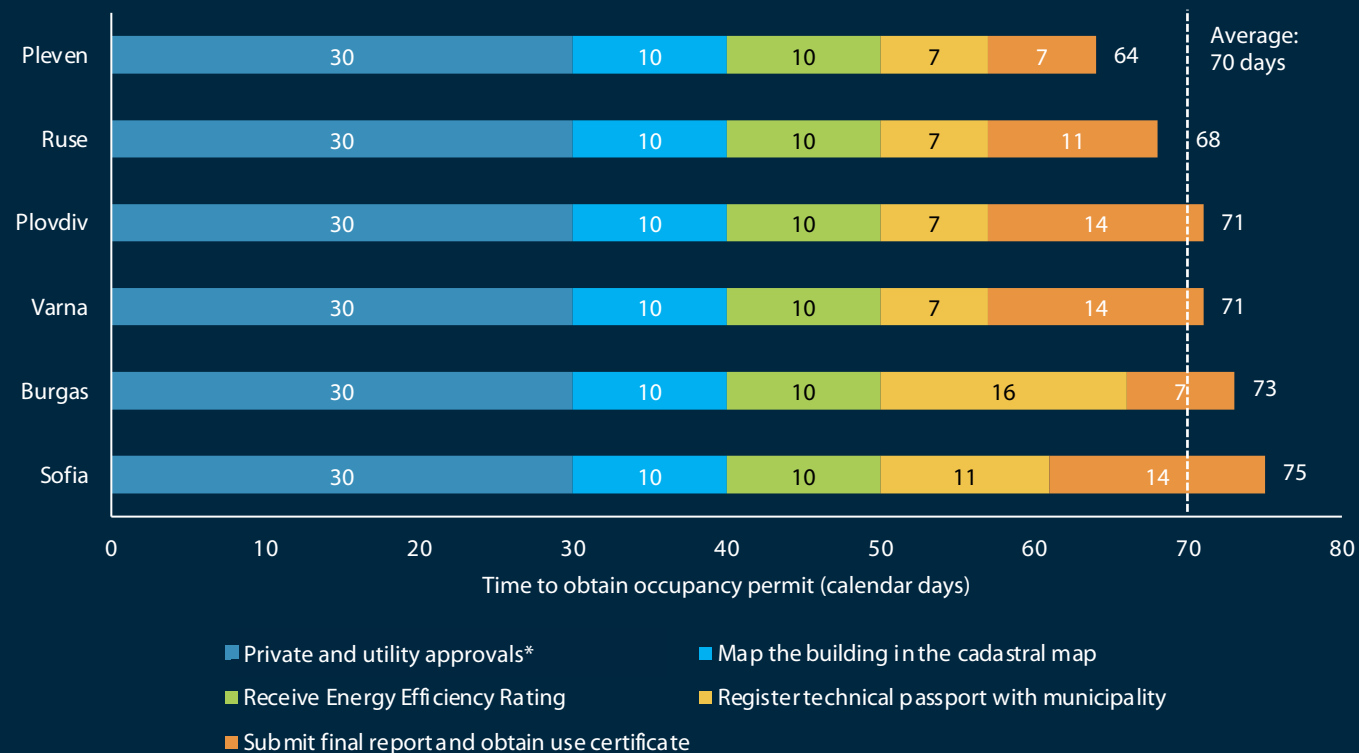
Building Permitting in Bulgaria

Pillar III: Operational Efficiency of Building Permitting (4/5)

The time to obtain an occupancy permit ranges from 64 to 75 days

- Among the six Bulgarian cities, undergoing final approvals is fastest in Pleven, taking 64 days, compared with 75 in Sofia, where it is the slowest.
- Variations are due to municipal processing times, as well as the time to receive approval for registering a technical passport and receiving a use certificate.
- As stipulated in the Law of Spatial Planning, a technical passport for the construction should be prepared by the licensed construction supervision company after the completion of construction. Inspections should also be recorded in the passport. This document defines all terms for the performance of any major or current repairs and contains data on all certificates issued (those required by construction legislation). The technical passport is reviewed and approved by the municipality.
- Final inspection is mandatory for every construction project across Bulgarian cities and an occupancy permit cannot be issued without an inspection.

Obtaining a use certificate is faster in Pleven due to the efficiency in all municipal approvals



Source: Subnational Business Ready

*Private and utility approvals include: water approval, electric approval, obtaining geodetic measurements and energy efficiency rating

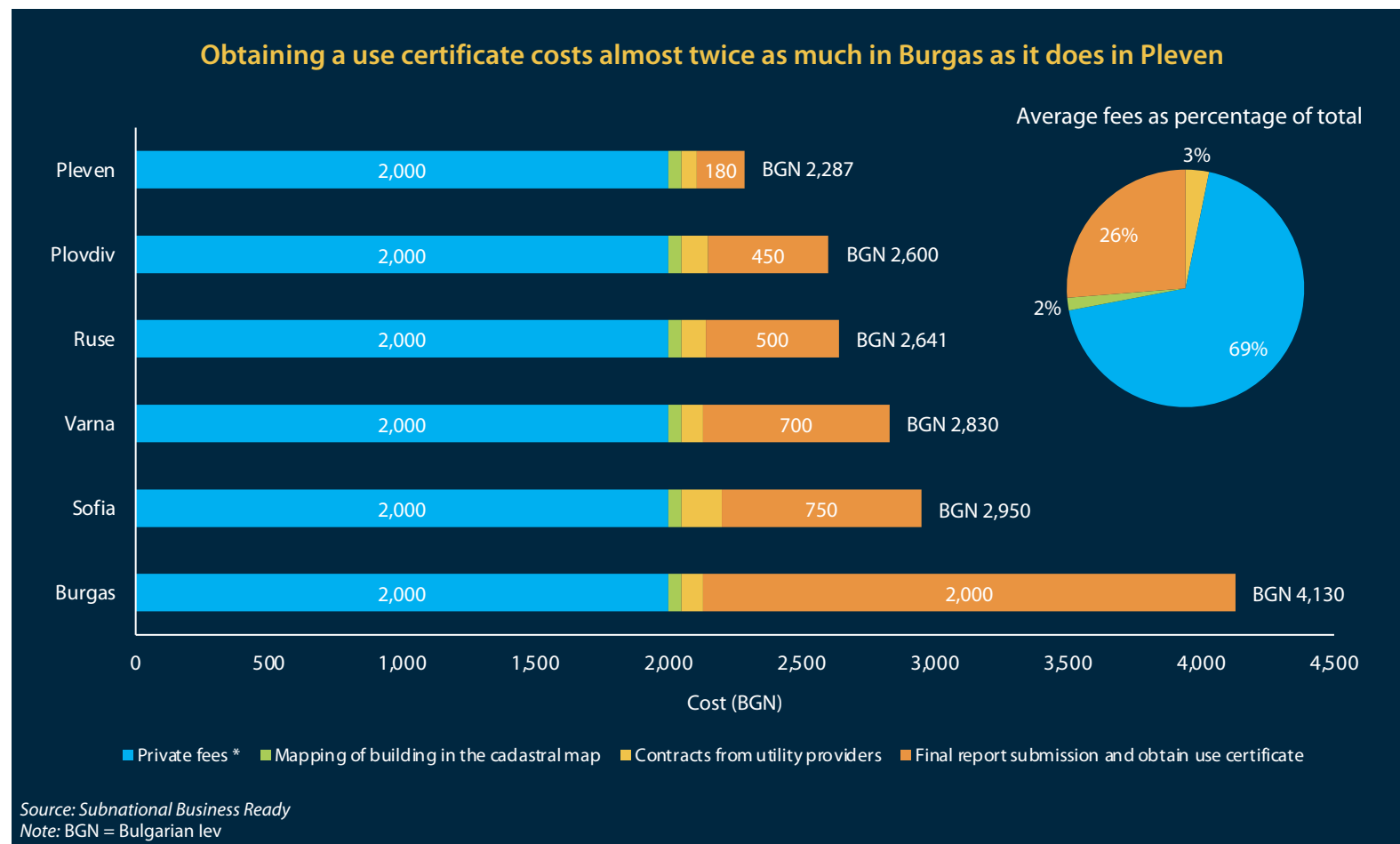


Building Permitting in Bulgaria

Pillar III: Operational Efficiency of Building Permitting (5/5)

The cost to obtain an occupancy permit ranges from BGN 2,317 to BGN 4,330 (or 12 to 22% of income per capita)

- Fees for professional services make up most of the cost to obtain a use certificate in all cities except for Burgas, in which they are equal to the price of the use certificate.
- In Bulgaria, developers hire a supervision company, which is legally responsible for supervising construction, adding an average of BGN 2,000 to the cost.
- The variation in cost to obtain a use certificate among cities is mainly driven by the use certificate fee, which is determined at the local level, ranging from BGN 180 in Pleven to BGN 2,000 in Burgas.



*Private professional fees include fees for: topographical surveyor, geotechnical investigator, energy efficiency rating, and review of documents by construction supervision company



Building Permitting in Bulgaria

Areas of improvement for Building Permitting (1/2)



Review the cost structure for building permits

In Bulgaria building permit fees are established at the local level by municipalities and depend, among other factors, on the size of the building, and vary significantly across the benchmarked cities. Bulgaria could explore ways to simplify and standardize these fees by setting their value on recovering administrative costs. A common good practice is to charge small fixed fees for simple projects that present a negligible risk to public health and safety.⁶ These fees should not be so low that they fail to cover costs or so high that they impose an undue burden on small projects.

Authorities in many economies choose to have building permit fees based on recovering costs for the service provided and not necessarily as a means to collect additional revenue. In New Zealand, fees are set at a level to cover the costs associated with the review of plans and any inspections, along with overhead costs. Hungary no longer charges a fee for the building permit. It just charges a fixed fee for each review required. For the case benchmarked in this study, Hungarian cities would require the National Directorate General for Disaster Management to review the documentation for water management and water protection (at a cost of HUF 14,000 (EUR 36), and for fire protection (no cost). For constructions that might have an environmental impact, which is not the case in this study, the Department of Environment, Nature Protection and Waste Management of the Government Office charges an environmental fee for construction (HUF 14,000 or EUR 36).

Relevant stakeholders: Directorate for National Construction Supervision (DNSK); municipalities

⁶ Moullier and Krimgold, 2015.



Clarify and better communicate the requirements and fees for the building permitting process

In Bulgaria, developers have to go through numerous laws, regulations, and websites to identify the documentation required for a building permit application as well as the construction standards they must follow. Making all such information easily available would improve investment planning and reduce the time needed for document preparation and review. While each agency involved in construction permitting should provide information on its own process and requirements, the responsibility for providing information on the overall process should reside with the permit-issuing authority, i.e. the municipalities.

In addition to the text of the regulations themselves, exhaustive but easy-to-follow guidelines should be provided to cover key steps, the agencies involved, documentation requirements, and the certificates, permits, and approvals required, along with corresponding time frames and fees. These should be easily available in a user-friendly format provided by the municipal administration. Some economies centralize the relevant documents for getting a construction permit on a single website, providing users with targeted and comprehensive information. In Finland, for example, the "Lupapiste" platform (<https://www.lupapiste.fi>) provides detailed information on requirements and the process surrounding permit applications. The Hungarian "e-epites" platform (<https://www.e-epites.hu/>) has a similar function, allowing developers to review the requirements and legislation governing different aspects of construction permitting and providing statistical data on requested and issued permits.

Relevant stakeholders: Directorate for National Construction Supervision (DNSK); municipalities



Building Permitting in Bulgaria

Areas of improvement for Building Permitting (2/2)



Improve coordination between agencies by digitalizing the building permitting process

In recent years, the use of ICT solutions has increased in Bulgaria. For example, the Agency for Geodesy, Cartography and the Cadaster has grown its digital database and created a digital cadastral portal; the KAIS portal (<https://kais.cadastre.bg/en/Account/Login>). This portal allows for electronic payment and information requests as well as free and real-time access to the cadastral database. Currently, this online portal does not integrate information from other portals on zoning requirements or capacity and availability of utility connections. There is room for improvement on the integration of a GIS or other spatial data platforms among stakeholder agencies (i.e., the cadaster, land registries, municipal departments, utility service providers). This integration would enable builders and developers to find all the information they need for building permit applications online. It would also eliminate the need for a number of preapprovals.

So far, applications for building permits need to be submitted in person in all cities. Bulgaria could start with an electronic platform at the local or national level, providing a basic computerized workflow across key agencies, gradually integrating more services into the permitting process.

Electronic permitting systems are becoming increasingly common in Europe, and the European Commission has defined electronic application for building permission as a primary e-government service. Bulgaria could look at the example of cities and countries that have already put in place fully computerized building permitting systems. Developers in Estonia, for example, can complete their building permit applications online at: <http://www.ehr.ee/>. Croatia has set up a digital system (e-Permit system) for submitting applications for building and use permits for construction works (<https://dozvola.mgipu.hr/naslovna>). In Portugal, the city of Porto has a fully functional electronic application system, equipped with tracking and status report tools. In Padua (Italy), the platform Padovanet (<https://www.padovanet.it/servizi-online>) allows the submission of all documentation at once. All relevant departments, both within and outside the municipality, are connected to the same platform. The platform also allows private professionals to track the status of their applications, including tracking which offices have already reviewed the file and checking whether revisions need to be made. In Hungary, applicants are required to submit their application through the Building Regulatory Support Electronic Documentation System (ÉTDR), uploading all the technical and architectural plans. The building department then asks other authorities to review and approve the plans through the system. Companies can also use the system to request an occupancy permit. Hungary also introduced an e-construction log system. Every construction project must be registered through this system by the construction company, which is required to update the log daily with the type of work completed at the site, the number of people who worked, and the latest certificates on waste removal. Once construction is completed, the company closes the log and uploads the relevant documents. This serves as notification to the building department of the completion of construction.

Relevant stakeholders: Directorate for National Construction Supervision (DNSK); municipalities



Environmental Permitting in Bulgaria



Pillar I: Regulatory Framework

Score (all cities):
72.5/100



Pillar II: Public Services

Score (all cities):
50/100



Pillar III: Operational Efficiency

Time (days):
44 (Pleven) to
90 (Sofia)

**Cost (% of income
per capita*):**
2.7% (all cities)

Score:
99.5 to 100/100
3 cities 3 cities

*Bulgaria's 2021 GNI per capita is BGN 18,523

Main findings

- Good regulatory practices (Pillar I) and the availability of online public services and transparency of information for entrepreneurs (Pillar II) related to environmental clearances in construction are consistent across the six benchmarked cities in Bulgaria. Similarly, there are no subnational differences in the cost (Pillar III). Entrepreneurs pay a national fixed fee to conduct the needed assessment.
- Bulgaria shows subnational variation in the time to complete the steps of an Environmental Impact Assessment (EIA) clearance process (Pillar III). Entrepreneurs spend twice as long in Sofia (90 days) to obtain an EIA clearance as in Pleven (44 days).
- Environmental permitting in Bulgaria can be improved through enhanced regulatory standards, introducing out-of-court resolution mechanisms for settling disputes, and developing an online platform for submitting applications to the Regional Inspectorate of Environment and Water.

Overall Environmental Permitting score per city*



Source: Subnational Business Ready *Scale from 0 to 100 (higher = better)



Environmental Permitting in Bulgaria

Why is environmental permitting important?

- Choosing the right location is pivotal in determining the success of businesses even in the digital age. In addition to access to customers, labor, and transportation, the physical space of a business also determines the tax, regulatory, and environmental obligations firms face.⁷
- Clear and accessible environmental regulations can address concerns without burdening firms with unnecessary compliance.
- A sound and robust environmental framework for construction projects plays a vital role in sustainable construction by identifying and addressing potential environmental impacts beforehand.
- Good regulatory practices and transparency of information for environmental permits enhance safety mechanisms and the green building industry, minimize information gaps, and foster accountability.

⁷ Carlson, 2000.

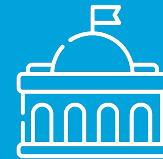
What does the Environmental Permitting topic measure?



Pillar I: Regulatory Framework

Quality of regulations for environmental permitting

- Environmental clearances for construction
- Dispute mechanisms for environmental clearances for construction



Pillar II: Public Services

Digital public services and transparency of information for environmental permitting

- Availability of online services for environmental permitting
- Transparency of online information regarding environmental licenses



Pillar III: Operational Efficiency

Operational efficiency of environmental permitting

- Time to obtain environmental clearances for construction
- Cost to complete environmental clearances for construction

For more information, please refer to the *Business Ready Methodology Handbook*: <https://www.worldbank.org/en/businessready>



Environmental Permitting in Bulgaria



Pillar I: Quality of Regulations for Environmental Permitting

Bulgaria score (all cities): **72.5** out of 100 points

47.5/50

Environmental permits for construction

- ✓ Existence of national environmental regulations during construction
- ✓ Updates or revisions of national regulations to reflect recent environmental and technological innovations in construction
- ✓ Penalties or fines in place for non-compliance with the regulations
- ✓ Clearly defined environmental risks in the legal framework
- ✓ Legal requirement to use qualified professionals/agencies to conduct Environmental Impact Assessments (EIA)
- ✓ Specific criteria to trigger an EIA stipulated in the legal framework
- ✓ Mandatory requirements for an EIA process included in the legal framework
- ✓ Public consultations with concerned stakeholders mandated by law
- ✓ Independent external review for EIA compliance provided in the legislation
- ✗ No activities and approaches that facilitate the contribution of interested parties to the decision-making process

25/50

Dispute mechanisms for construction-related environmental permits

- ✓ Ability to dispute environmental clearances and permits with the permit-issuing authority
- ✗ No out-of-court resolution mechanisms for environmental disputes

What to improve: Bulgaria can enhance its good regulatory practices by adding the following standards to conduct environmental impact assessments effectively: (i) out-of-court resolution mechanisms for disputing environmental permitting decisions with the permit-issuing authority, (ii) activities and approaches that facilitate the contribution of interested parties to the decision-making process (such as surveys and polls to capture inputs and feedback from concerned stakeholders, training, resources, and technical assistance to project-affected parties).



RELEVANT LAWS AND REGULATIONS:

- Environmental Protection Act



✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices



Environmental Permitting in Bulgaria



Pillar II: Quality of Public Services and Transparency of Information for Environmental Permitting

Bulgaria score (all cities): **50** out of 100 points

0/50

Availability and reliability of digital services

- ✗ No online environmental permitting systems with several functionalities:
 - ✗ No online payment
 - ✗ No online communication
 - ✗ No online notification
 - ✗ No online submission
 - ✗ No auto-generated checklist to assist applicants in ensuring complete and accurate submissions
- ✗ No online filing of disputes on environmental licensing

50/50

Transparency of information

- ✓ Requirements to obtain environmental licensing for constructing a building with a moderate environmental risk are available online
- ✓ Up-to-date fee schedule for obtaining environmental clearances is available online
- ✓ Publicly available official and updated online statistics tracking the number of EIAs

What to improve: Entrepreneurs in Bulgaria still submit the documentation required for an EIA on paper or by email. Bulgaria is in a transitional period, moving towards online submissions. The Ministry of Environment and Water could consider digitalizing the environmental permitting process and providing an option to dispute environmental clearances and permits with the permit-issuing authority online.

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices



Environmental Permitting in Bulgaria



Pillar III: Operational Efficiency of Environmental Permitting (1/2)

Bulgaria score: **99.5** to **100** out of 100 points
3 cities 3 cities

How does the environmental clearance process work in Bulgaria

The environmental clearance process can involve up to three phases. Every project completes the first phase and can be cleared at any time after that depending on the assessment of the Regional Inspectorate of Environment and Water (RIEW). A project to construct a residential building, as described by the *Subnational Business Ready* report,* would need to complete the first two phases in all six benchmarked cities in Bulgaria. Typically, for this type of project, a full EIA would not be mandated.

*According to the Environmental Protection, Act, this project falls under Article 93 and thus there is a need to assess if an EIA should be carried out. For more information please visit: <https://www.moew.government.bg/bg/zakon-za-opazvane-na-okolnata-sreda-6671/>

The environmental clearance process

PHASE I: Obtain an opinion on the need for an EIA

Entrepreneurs can download the necessary forms from the website of the local Regional Inspectorate of Environment and Water (RIEW) and submit the completed application, including details of the proposed project, to the RIEW by paper or email. The entrepreneur also notifies the affected population about the project through his/her website or mass media. The Inspectorate has 14 days to review and either approve the project or request more information. This review is free.

PHASE II: Obtain a decision on the need for an EIA

The RIEW submits the project for approval to the Water Directorate and the Regional Health Inspectorate. During this phase, the information is also consistently available to the public. The Inspectorate reviews the application and determines if a full EIA needs to be conducted. Every decision is published on the websites of the RIEW and of the Ministry of Environment and Water. The owner must pay BGN 500 for this review.

PHASE III: Conduct a full EIA

The entrepreneur must hire an approved third-party consultant to conduct a full EIA, which is then reviewed and approved or denied by the RIEW. Consultant fees depend on private negotiations.

Source: *Subnational Business Ready*

Note: All three phases are performed with the Regional Inspectorate of Environment and Water.



Environmental Permitting in Bulgaria

Pillar III: Operational Efficiency of Environmental Permitting (2/2)



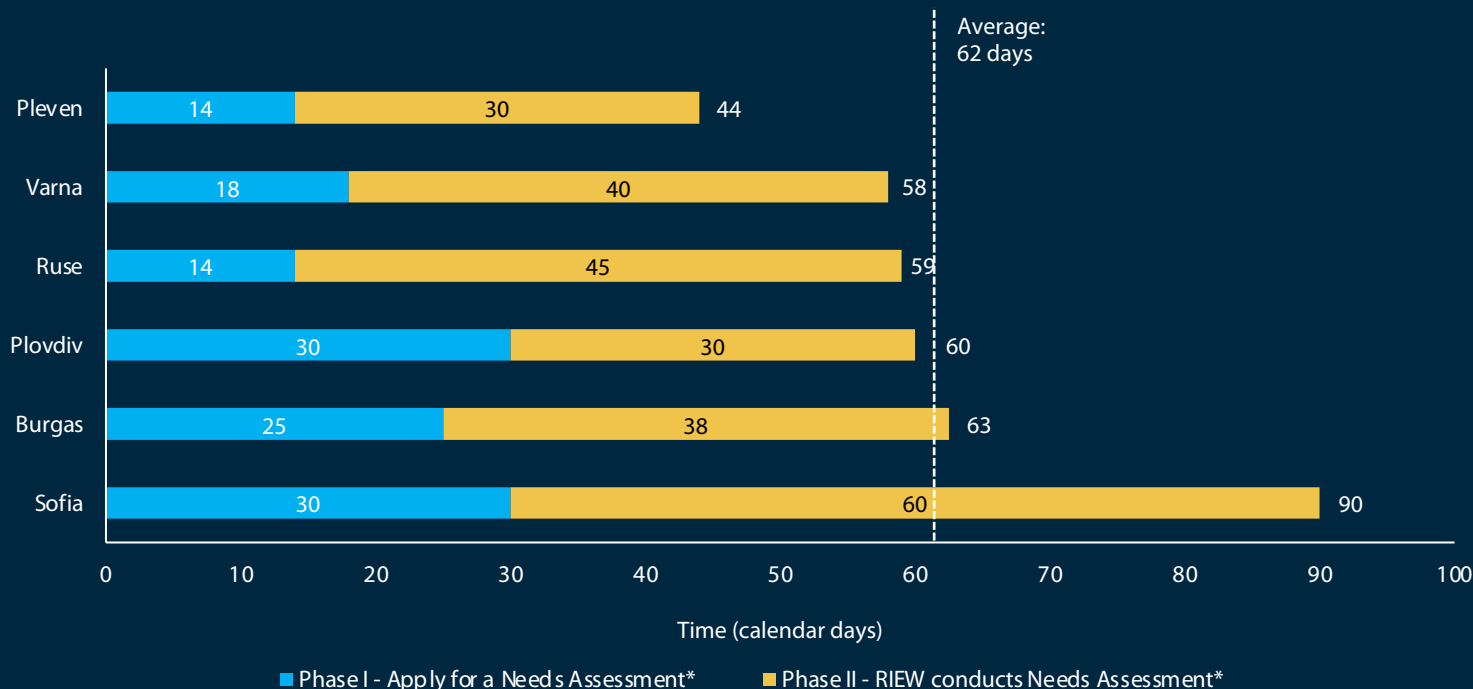
Pillar III: Operational Efficiency

Time (days): 44 (Pleven)
to **90 (Sofia)**

Cost (all cities): 2.7%
of income per capita
or BGN 500

- With just 44 days, Pleven has the fastest environmental clearance process. The same process takes 90 days in Sofia.
- Across the country, delays in phase II are partially attributed to the turnaround time of the feedback from the Water Directorate and the Regional Health Inspectorate.
- Entrepreneurs across the country pay a fixed fee of BGN 500 for assessing the need to carry out an EIA. Payment must be made by bank transfer. In the case of simple projects, entrepreneurs usually do not hire a certified environmental expert to support them in phases I and II of the application.

Time to obtain environmental clearances for construction



Source: Subnational Business Ready

*Includes the time for public consultation – newspaper ad/website announcement



Environmental Permitting in Bulgaria

Areas of improvement for Environmental Permitting (1/2)



Develop and deploy an integrated online environmental permitting platform

Bulgaria is initiating a digital transformation process in 2024. It is recommended that a comprehensive online platform be developed and deployed to modernize and streamline the environmental permitting process in the country. This digital system should be designed to replace the current paper or email-based application methods and wire transfer payments, thus introducing efficiencies in the permit processing. Key functionalities of the proposed online platform should include:

- Secure online gateways for payments of related fees
- Interactive communication between applicants and the permitting authority
- Automated notifications of application status changes and requirements
- Online portal for application and upload of supporting documents
- An auto-generated checklist to assist applicants in ensuring complete and accurate submissions
- An online filing system to address disputes related to environmental licensing efficiently

Implementing such a platform would not only elevate Bulgaria's score on Pillar II (Digital Public Services and Transparency of Information) but would also significantly improve the environmental permitting process by enhancing accessibility, transparency, and stakeholder engagement. This transition aligns with international best practices and supports sustainable development goals by reducing administrative burdens and fostering a proactive environmental governance framework. In Portugal, entrepreneurs have access to a fully-integrated online platform SILiAmb, which is managed by the Portuguese Environment Agency, and provides a comprehensive suite of functionalities that streamline the permitting process. Another example comes from Hungary: Magyarorszag.hu is a broader platform that enables the interaction between citizens or companies and various government agencies. While it offers a wide range of services, it currently lacks integrated online payment options and does not include an auto-generated checklist—both critical components for comprehensive environmental permitting systems as recommended by the B-READY methodology.

Relevant stakeholders: Ministry of Environment and Water; Regional Inspectorate of Environment and Water



Environmental Permitting in Bulgaria

Areas of improvement for Environmental Permitting (2/2)



Further streamline communication between authorizing agencies

During phase II and phase III of the approval process for obtaining an environmental permit, the Regional Inspectorate of Environment and Water must obtain approvals from the Water Directorate and the Health Inspectorate. During this time, they also communicate with the municipality to post the relevant information on their websites to alert the affected populations of new projects. Although digital communication between agencies is becoming more common, further integration between them could streamline the process and allow more visibility to all parties involved regarding the outstanding approvals and timeline of the approval of the project.

Relevant stakeholders: Ministry of Environment and Water; Regional Inspectorate of Environment and Water



Fully adopt a risk-based approach to environmental approvals

Bulgaria's Law on Environmental Protection (appendixes 1 and 2) clearly defines the types of projects that require an environmental impact assessment (EIA). A simpler project, such as an office building of 1800 m², does not require one. But like all building projects, regardless of size or complexity, it would still have to get official confirmation that an EIA is not required from the Regional Inspectorate of Environment and Water. The Regional Inspectorate checks the location of the project to ensure that it is not in a protected area. These criteria could be shared with the permitting authorities, which could refer applicants to the Regional Inspectorate in cases where the land plot is near or adjacent to a protected area and requires an EIA. To eliminate location checks, more accurate GIS-based maps could be developed for municipalities to consult when reviewing an environmental permit application.

Simpler projects should not need to undergo an environmental approval process. Defining risk-based categories becomes ineffective and redundant if all projects must obtain an environmental decision. Many European Union Member States have adopted a risk-based environmental approval process. Belgium and Portugal do not require an environmental impact report for simple buildings. In Denmark, applicants submit an assessment of the project's overall impact on the environment (including a situational plan and sectional drawings) as part of the documentation for the building permit. No separate environmental approval is required.

Streamlining environmental assessments can reduce duplication and accelerate decision-making, as long as it does not compromise the quality of the EIA review process..

Relevant stakeholders: Ministry of Environment and Water; Regional Inspectorate of Environment and Water



Property Transfer in Bulgaria



Pillar I: Regulatory Framework

Score (all cities):

73.5/100



Pillar II: Public Services

Score (all cities):

57.4/100



Pillar III: Operational Efficiency

Score:

95 (3 cities) to **97.3** (Ruse) /100

Time (days):

9 (Burgas, Sofia) to
11 (Pleven, Varna)

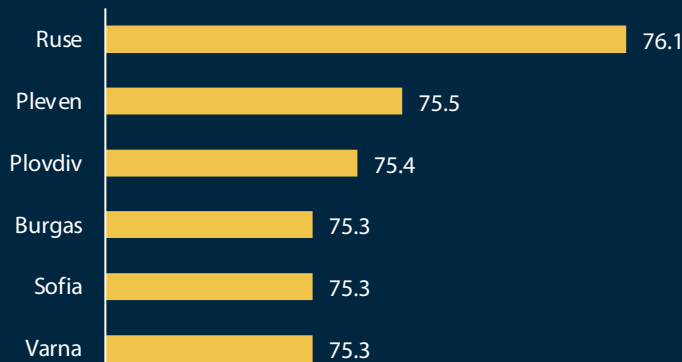
Cost (% of property value*):
2.5% (Ruse) to **3.3%** (Sofia)

*For a property value of BGN 1,852,256, equal to 100 times the 2021 GNI per capita.
Bulgaria's 2021 GNI per capita is BGN 18,523

Main findings

- Bulgaria features many regulatory good practices in land administration (Pillar I). These good practices include regulations related to proper verifications of documents, verification of identities of transacting parties, a mandate to register transfers, as well as legal clarity as to who has access to information.
- Regarding public services for immovable property (Pillar II), Bulgaria developed an electronic platform enabling due diligence checks as well as a Geographic Information System (GIS) platform. The country also displays a high level of transparency by publishing fee schedules, property transaction-related service standards and statistics. However, the country lacks an electronic platform to register property transfers, not all property titles are digitalized, and cadaster and land registry databases are not interoperable.
- The main steps for registering a property transfer are the same throughout the country with slight variations in time and cost (Pillar III). The main driver of variation in cost is the property transfer tax levied at the municipal level.

Overall Property Transfer score per city*



Source: Subnational Business Ready *Scale from 0 to 100 (higher = better)



Property Transfer in Bulgaria

Why is property transfer important?

- Secure property rights encourage investment, promoting a safe commitment to immovable property.⁸
- Looking at how well property rights are managed provides a good indication of how the economy is likely to grow.⁹
- Effective land administration reduces information asymmetry, enhances market efficiency, and ensures transparency of property ownership.
- Promoting good governance in the land administration system encourages publicly accessible laws on ownership and leasing, secure land tenure, and safeguards and service standards to avoid the risk of land disputes and corruption.
- Integration of land registry with the cadastral system facilitates reliable and up-to-date land use records and is of vital importance for land management.

⁸ De Soto, 2000; Johnson, McMillan, and Woodruff, 2002.

⁹ Field, 2007; Green and Moser, 2013.

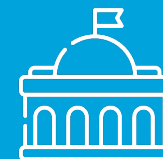
What does the Property Transfer topic measure?



Pillar I: Regulatory Framework

Quality of regulations for property transfer and land administration

- Property transactions and land administration
 - Property transaction standards
 - Land disputes resolution mechanisms
 - Land administration systems
- Restrictions on owning and leasing property for domestic and foreign firms



Pillar II: Public Services

Quality of public services and transparency of information for property transfer

- Availability and reliability of online services for property transactions
- Interoperability of services for property transactions
- Transparency of information for immovable property



Pillar III: Operational Efficiency

Operational efficiency of property transfer

- Time to complete the registration of a transfer of rights on a property between two firms
- Cost to complete the registration of a transfer of rights over property between two firms
- Major constraints on access to land

For more information, please refer to the *Business Ready Methodology Handbook*: <https://www.worldbank.org/en/businessready>



Property Transfer in Bulgaria

Reforms and changes in the property registration process since 2017

0110
1001
1010

Key agencies are going digital

Registry Agency (RA). Since 2020, anyone can log into the registry's United Portal to Request Electronic Administrative Services or to query the Registry's database. A year later, obtaining a non-encumbrance certificate electronically was also enabled. This can be done by registered users in possession of an electronic signature. The portal also allows electronic payment for these services. This reduces the burden on the Registry staff who are now processing manually only the registration of deeds, while other services such as obtaining requests for certificates or information are mainly conducted online.

Commercial Register (under RA). Notaries can now instantly obtain online and free of charge, the parties' certificate of good standing from the Commercial Register. In the past, this has to be done in person, taking more than a week.

Cadaster. In February 2017, the KAIS (Cadastral Administrative Information System) Portal for electronic services was launched to the public enabling logged-in users to request and obtain various cadastral documents, such as large-scale topographic maps or viewing maps and registers. The portal can also serve as an address for written objections to the agency. More functionalities were made available over time. Starting in April 2018, users could also apply to obtain a sketch of a property, make inquiries about property boundaries or apply for changes in the cadastral register. In order to boost service uptake, online requests are 30% cheaper than regular prices. Another upgrade of the portal has been announced for early 2024 and is expected to automate some of the cadastral plan generation as well inquiring about the status of a map at any given moment.

National Revenue Agency (NRA). Due to process simplification through digitalization, notaries no longer need to obtain a tax clearance certificate from the NRA, a procedure which used to take seven days and has been replaced by self-certification through affidavits. A requirement similar to the tax clearance is to be reinstated starting March 2024, but will be instantly obtained online from the NRA website.



Taxes increased

The municipalities of Burgas, Plovdiv, and Sofia increased transfer taxes from 2.5 to 3% of the property value. Ruse authorities increased the same tax from 2.2 to 2.7%.*



Service standards improved

In 2020, the Ministry of Finance shortened the legal deadline for municipalities to issue tax assessment certificates from 14 to 5 days.

*The tax increase in Ruse became effective on January 1, 2024 and as this date is after the data collection cut-off date, it is not reflected in the benchmarking.



Property Transfer in Bulgaria

Relevant legislation and main stakeholders



Relevant laws and regulations in Bulgaria

- **Law on Cadaster and Property Register:** governs the organization, financing, creation, management, and use of the cadaster and property register.
- **Law on Notaries and Notarial Practice:** regulates the legal status of the notary and the Chamber of Notaries, the organization of notary activity, and notary fees.
- **Law on Obligations and Contracts:** defines the legal requirements for contracts to be binding and the processes needed to be upheld.



Public institutions and services for property transfer

- The **Agency of Geodesy, Cartography and Cadaster** under the Ministry of Regional Development and Public Works, performs the cadastral activities, maintains geodetic/survey, cartographic, and cadastral archives to ensure coordination of cadastral activities with other state geodetic/survey and cartographic activities, as well as the activities for the elaboration of specialized maps and registries. The agency has 29 regional offices that run the day-to-day operations and interact with citizens and businesses in delivering public services.
- The **Registry Agency (Property Register)**, under the Ministry of Justice, is responsible for keeping the property register and maintaining information on property ownership. The Registry Agency also maintains the Business Registry (BULSTAT), Register of Residents (ESGRAON), Register of Administrative Territorial units (EKATE), and the Register of Property Relations of Spouses. The agency operates 113 local offices across the country grouped in six regional directorates.
- **Notaries** are the official certifiers of private deeds.



Property Transfer in Bulgaria



Pillar I: Quality of Regulations for Property Transfer and Land Administration

Bulgaria score (all cities): **73.5** out of 100 points

27/30

Property transfer standards

Requirements related to:

- ✓ Legal obligation to check legality of registration documents
- ✓ Legal obligation to verify identity of both parties
- ✓ Registration at Land Registry mandatory to make the title opposable to third parties
- ✗ Not all electronic and paper documents have equal legal standing

7.5/30

Land dispute mechanisms

Legal provisions enabling alternative dispute resolution mechanisms between private parties through:

- ✓ Mediation and conciliation for property transactions
- ✗ Arbitration for property transactions

Legal provisions for the security of rights:

- ✗ Registered property rights are not subject to a guarantee
- ✗ Lack of an out-of-court compensation mechanism for losses incurred due to Land Registry errors

20/20

Land administration system

- ✓ Legal provisions on access to information on property rights
- ✓ Legal provision on access to information on cadastral maps
- ✓ Existence of a cadastral agency

19/20

Restrictions on owning and leasing property

- ✓ No restrictions to lease or own property for domestic firms
- ✓ No restrictions to lease or own property for foreign firms
- ✗ Restrictions for foreign firms to own agricultural land

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices



Property Transfer in Bulgaria



Pillar II: Quality of Public Services and Transparency of Information for Property Transfer

Bulgaria score (all cities): **57.4** out of 100 points

Availability and reliability of digital services

4.6/13.3

Digital public services

- ✓ Electronic platform for *due diligence*
- ✓ Online complaint mechanism at Cadaster
- ✗ No electronic platform to register property
- ✗ No online complaint mechanism at Land Registry

10.7/13.3

Digital land management and identification system

- ✓ Comprehensive encumbrance checking platform
- ✓ Majority of cadastral plans digitalized
- ✓ Cadaster agency uses a mix of direct and indirect methods of surveying land
- ✓ Electronic platform to check transacting parties' identities
- ✗ Not all property titles are digitalized

10/13.3

Coverage of the land registry and mapping agency

- ✓ Most properties are registered and mapped

Interoperability of services

10/20

Interoperability of services for property transfer

- ✓ Geographic Information System (GIS) in place
- ✓ A unique identifier for properties is used by Land Registry and Cadaster
- ✗ Land Registry's database is separate and not linked to Cadaster's or any other agency's database

Transparency of information

22.2/40

Transparency of information on immovable property

- ✓ Fee schedules are published online at Land Registry and Cadaster
- ✓ Service standards are published on the Land Registry's and the Cadaster's websites
- ✓ Statistics on the number and type of property-related transactions are available online
- ✗ List of requirements for transferring property is not published online
- ✗ Statistics on land disputes and length of resolution are not published
- ✗ Sex-disaggregated data about property ownership are not available

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices



Property Transfer in Bulgaria



Pillar III: Operational Efficiency of Property Transfer (1/4)

Bulgaria score: **95** to **97.3** out of 100 points
3 cities Ruse

How does the property transfer process work in Bulgaria

Due diligence

The parties, and/or the notary on their behalf, interact with various agencies as part of the due diligence process for requesting or obtaining:

- A non-encumbrance certificate from the Registry Agency online, typically delivered within three days
- Information about the parties' company profiles and bankruptcy status through the Trade Registry's online platform
- A tax assessment from the municipality
- A cadastral sketch from the Geodesy, Cartography and Cadaster Agency; possible to request online, but has to be picked up in person

Deed

A lawyer and/or a notary assist with deed formulation and authentication including:

- Drafting a deed, which is mostly done by notaries and sometimes parties' lawyers
- Having the parties meet at a notary's office to sign and authenticate the deed—a step that only notaries are authorized to do
- Having the buyer pay the notary fee, the registration fee, and the municipal transfer tax in accordance with the tax assessment issued by the municipality
- Submitting the registration request to Property Registry online

Registration

The Registry Agency processes the request and updates its records while the buyer informs the Municipality of the transfer.

- The Registry Agency receives the submitted request and delivers the ruling on paper within the legal deadline of three business days
- Once the ruling is issued, the buyer informs the Municipality of the transfer so that the municipal tax department updates its records



Property Transfer in Bulgaria

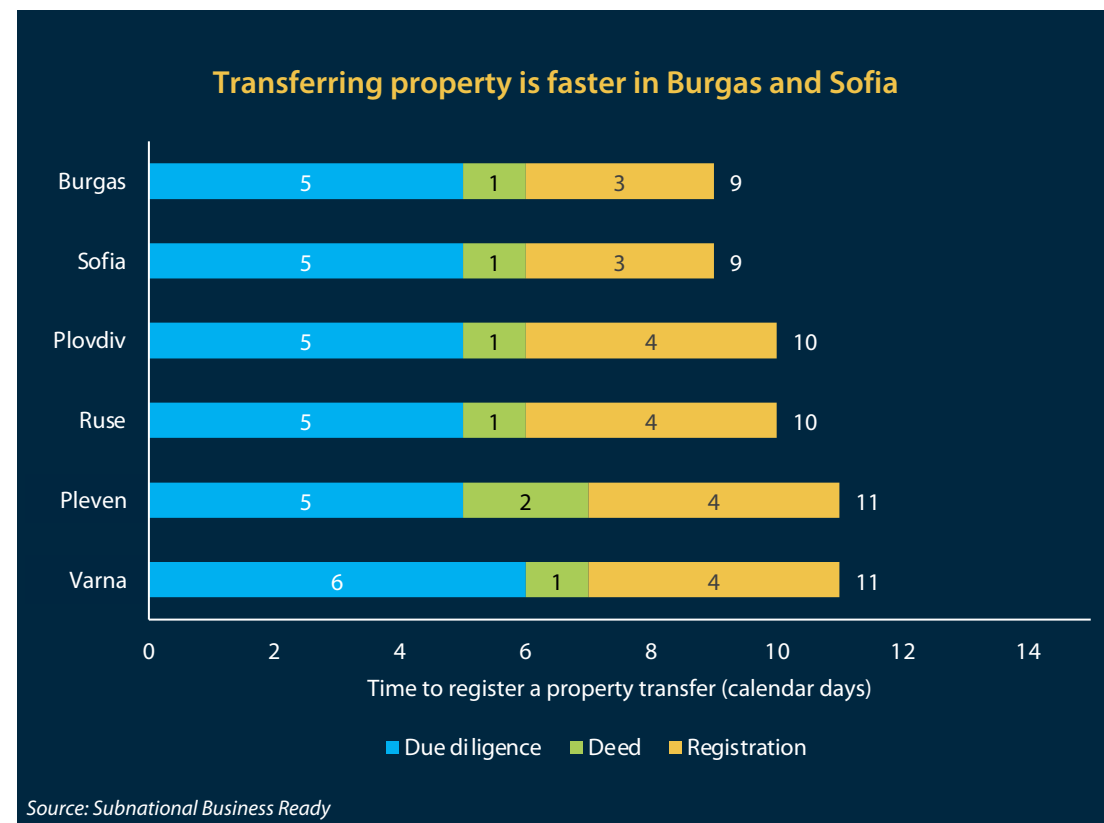
Pillar III: Operational Efficiency of Property Transfer (2/4)



Pillar III: Operational Efficiency

Time (days):
9 (Burgas, Sofia) to
11 (Pleven, Varna)

- The gap in the time it takes to transfer a property in Bulgarian cities is narrow, spanning between nine days in Burgas and Sofia and 11 days in Pleven and Varna.
- Across all Bulgarian cities, the **notaries conduct the due diligence in less than one week**, having obtained the cadastral sketch and non-encumbrance certificate from the seller. Most local Cadaster and the Property Registry offices issue these two documents to the sellers within the legal deadlines of three days for the fast-track procedure and within seven days for the standard procedure (most entrepreneurs choose the fast-track option). The only exception is in Pleven, where private sector experts indicated minor delays in obtaining the sketch from the cadaster office. Obtaining the municipal tax assessment takes one to two days, depending on the municipality.
- Deed drafting and authentication takes one day** in all cities, except for Varna, where entrepreneurs reported the process taking two days.
- Property registration takes between three days in Burgas and Sofia and four days in all other cities.** Registering the property with the Property Registry takes one day in all cities but Plovdiv, where it takes two days. Having the notary inform the municipality of the sale takes one to two days.





Property Transfer in Bulgaria

Pillar III: Operational Efficiency of Property Transfer (3/4)



Pillar III: Operational Efficiency

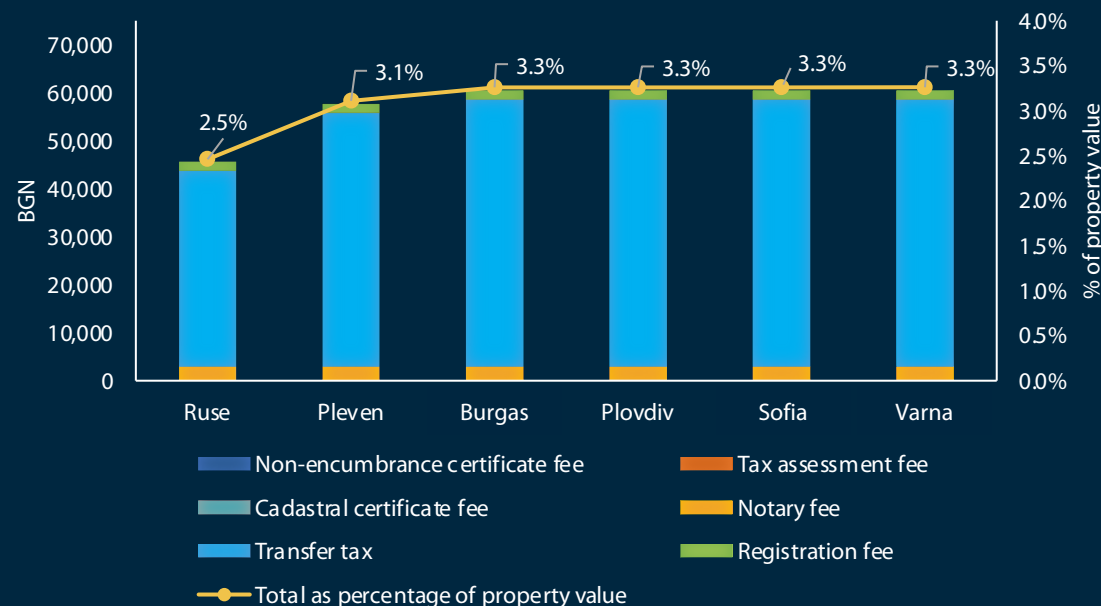
Cost: **2.5%** of the property value or BGN 45,575 (Ruse) to **3.3%** of the property value or BGN 60,407 (Sofia)

- The bulk of the property transfer cost consists of the **property transfer tax**, which accounts for 89% of the total cost in Ruse and 92% of the total cost in Varna. The tax varies by municipality: 2.2% of the property value in Ruse,* 2.85% in Pleven, and 3% in Burgas, Plovdiv, Sofia, and Varna.
- Notary fees** constitute the second-most burdensome component of cost. They are regulated at national level and calculated based on a sliding fee schedule—amounting to BGN 2,883 for the property value benchmarked.
- The **registration fee** is set nationally at 0.1% of the property value—amounting to BGN 1,852 for the property value benchmarked.
- Other **due diligence fees** vary between BGN 75 (Pleven) and BGN 104 (Sofia).

*Ruse increased the transfer tax rate from 2.2 to 2.7% as of January 2024. This is not reflected in the data above as the change took place after the data collection cut-off date. Even if the updated cost for Ruse had been applied, Ruse would remain the city with the lowest property transfer tax and overall cost.

The property transfer tax accounts for most of the cost and drives the cost variation

Cost to register a property transfer in Bulgarian cities



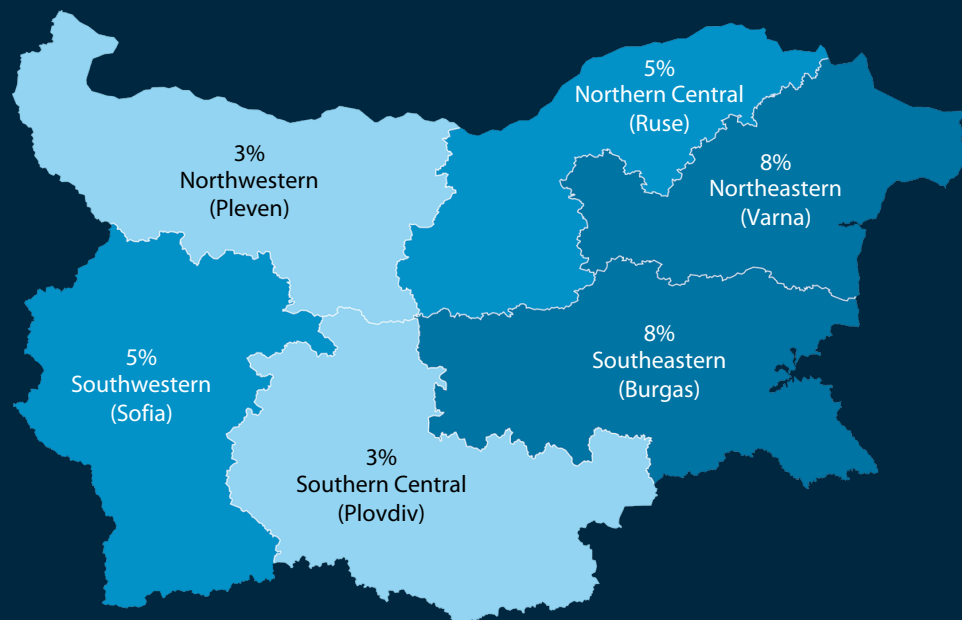
Source: Subnational Business Ready
Note: BGN = Bulgarian lev



Property Transfer in Bulgaria

Pillar III: Operational Efficiency of Property Transfer (4/4)

Percentage of firms that reported access to land as an obstacle, by region*



Source: World Bank Enterprise Surveys 2023

*NUTS (Nomenclature of territorial units for statistics), <https://ec.europa.eu/eurostat/web/nuts/overview>

- Data collected through Enterprise Surveys indicate that the share of firms reporting access to land as an obstacle was highest in the Southeastern region (including Burgas) with 8% and lowest in the Northwestern region (including Pleven), with 3% (see map).
- Across the country, an average of 5% of Bulgarian firms reported access to land as a constraint, **the lowest among the six countries benchmarked in the EU.**

Percentage of firms that reported access to land as an obstacle (country averages)



Source: World Bank Enterprise Surveys 2023



Property Transfer in Bulgaria

Areas of improvement for Property Transfer (1/2)



Complete digitalization and automation of processes at the Land Registry and Cadaster

Bulgaria made progress in this regard since 2017. Notaries can now submit requests for registration online, while a few years ago, they had to go in person to the Land Registry office. However, the internal processing at Land Registry is not yet fully automated and human input is still needed in the back-office. Also, the delivery of the registration certificate is still done on paper. Similarly, at Cadaster, although digital versions exist, those documents do not have equal legal force and signed hard copies are still necessary. Full digitalization would increase the efficiency and security of the system while sparing notaries from going every day to collect the documents. In addition, enabling data exchange between Land Registry and Cadaster databases will further increase the efficiency of the process. Interoperability with other key agencies involved in the process, such as Trade Registry and Tax Authority would maximize these benefits.

Several EU countries digitalized their processes, such as Denmark or the Netherlands, where entrepreneurs or their legal representatives access the services online and don't need separate interactions with Land Registry and Cadaster due to either integration or linkage of the databases.

Relevant stakeholders: Registry Agency (Property Register); Agency of Geodesy, Cartography and Cadaster; Ministry of Justice; Ministry of Regional Development and Public Works



Ensure that all private properties are mapped

When coverage of land records and cadastral maps does not extend to 100% of the territory, companies and individuals cannot have legal assurance or certainty regarding the physical or legal rights to data related to properties. In Bulgaria, not all properties are mapped and registered at the cadaster agency. The property mapping coverage is solid across the Bulgarian cities benchmarked in this report but does not extend to the entire territory of the country.

Relevant stakeholders: Agency of Geodesy, Cartography and Cadaster



Property Transfer in Bulgaria

Areas of improvement for Property Transfer (2/2)



Increase transparency by making all relevant information for property transactions available online, including lists of documents needed to complete property transactions

The Registry Agency publishes on its website the fee schedules and service standards for cadaster and land registration services, but it does not publish a list of documents for conducting property transactions. Having that list would allow increased transparency regarding the information relevant to property transactions. It is important that the information be easily accessible in a user-friendly format. Additionally, such a document list should be regularly reviewed and updated.

Good practices in this area exist within and outside the European Union. For instance, in Lithuania, land registry authorities have published detailed instructions and requirements regarding property transactions on their website. In Norway, authorities have published detailed guidelines on how the transfer process works for each type of transfer and what official forms to use.

Relevant stakeholders: Registry Agency (Property Register); Ministry of Justice



Publish annual statistics on land disputes and gender-disaggregated data on property ownership

Publishing annual statistics on the number and type of transactions completed by land registries can further bolster transparency. Bulgaria publishes statistics on the number of transactions, but it could take a step further by collecting and publishing statistics on land disputes and the time taken to solve them. When land disputes occur, it is important to ensure that they clear the courts quickly so that citizens' resources are not perpetually tied up in the legal system.

To monitor the land dispute resolution system, some countries carefully track land disputes and, at a minimum, publish the number of such disputes that has been presented to the courts. In this regard, Bulgaria could look at Finland or Latvia as examples.

Relevant stakeholders: Registry Agency (Property Register); Ministry of Justice

Subnational Business Ready
in the European Union 2024:
BULGARIA



Utility Services

- Electricity
- Water
- Internet





Electricity Utility Service in Bulgaria



Pillar I: Regulatory Framework

Score (all cities):
78.1/100



Pillar II: Public Services

Score:
72.7 to 75.8/100
4 cities Burgas, Plovdiv



Pillar III: Operational Efficiency

Score:
63.6 to 71.1/100
Plovdiv Pleven

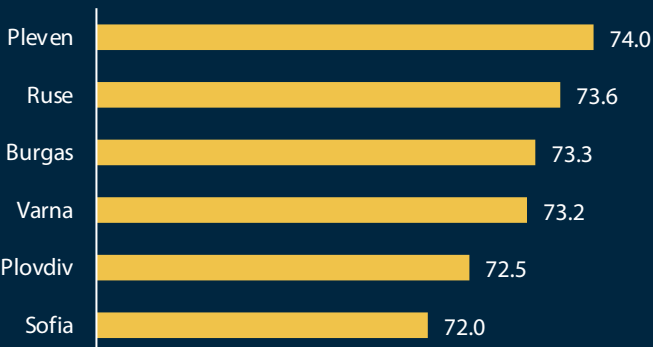
Time (days):	229 (Pleven) to 270 (Plovdiv)
Cost (% of income per capita*):	62.2% (Burgas, Plovdiv) to 66.8% (Sofia)
SAIFI Index:	2.6 (Burgas, Plovdiv) to 4 (Ruse, Varna)
SAIDI Index:	2.6 hrs (Burgas, Plovdiv) to 6.5 hrs (Ruse, Varna)
% of annual sales losses due to electrical outages:	None
% of firms owning or sharing generators:	4% (Burgas) to 24% (Pleven)

*Bulgaria's 2021 GNI per capita is BGN 18,523

Main findings

- The electricity regulatory framework in Bulgaria is consistent across the country (Pillar I).
- Variations exist in terms of the quality of public services (Pillar II). While all utilities offer an online platform to place connection requests, only in Burgas and Plovdiv can entrepreneurs complete all connection steps online.
- The process of obtaining electricity connections is standardized and regulated at the national level, although the time and costs differ, depending on the location (Pillar III).
- Obtaining a new connection is fastest in Pleven (229 days) and slowest in Plovdiv (270 days). Connection times vary among cities due to the issuance of local clearances and construction permits.
- The cost for a new electricity connection is highest in Sofia (BGN 12,378 or 66.8% of income per capita) and lowest in Burgas and Plovdiv (BGN 11,516 or 62.2% of income per capita). The higher costs in Sofia are attributed to a slightly higher technical fee on application, in addition to connection fees.
- Electricity outages are more frequent in Ruse and Varna, while customers benefit from a more stable supply in Burgas and Plovdiv.

Overall Electricity Utility Service score per city*



Source: Subnational Business Ready *Scale from 0 to 100 (higher = better)



Electricity Utility Service in Bulgaria

Why is the electricity utility service important?

- Reliable electricity sustains business operations and serves as a critical factor of production utilized by firms.¹⁰
- Unreliable electricity supply negatively impacts businesses and constrains their operations, growth, and profitability.
- Guidelines for sustainable transmission and distribution, such as initiatives for deploying smart meters and implementing smart grid technologies, can enhance the effective functioning of network systems, reducing expenses and the ecological footprint.¹¹
- Performance standards, accountability mechanisms, and inspections and professional standards can ensure that utility companies provide sufficient and stable electricity.

¹⁰ World Bank, 2016.

¹¹ OECD, 2015.

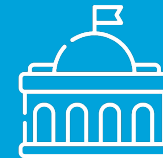
What does the Electricity Utility Service topic measure?



Pillar I: Regulatory Framework

Quality of regulations for electricity

- Regulations for the efficient delivery of electricity connections and quality of supply
- Regulations on the safety of electricity connections (e.g., qualifications of personnel performing electrical installations and inspections)
- Environmental sustainability of electricity generation, transmission, and distribution



Pillar II: Public Services

Quality of governance and transparency of electricity service provision

- Monitoring reliability and quality of electrical service supply through key performance indicators
- Transparency about outages, tariffs, connection requirements, complaint mechanisms, and customer surveys
- Interoperability with other utilities
- Implementation of inspections for electricity connections in practice
- Electronic applications and payments



Pillar III: Operational Efficiency

Operational efficiency of electricity service provision

- Time required to obtain a new electricity connection
- Cost of electricity connection and supply
- Reliability of electricity supply
- Losses due to electrical outages (% of annual sales)
- Firms owning or sharing generators

For more information, please refer to the *Business Ready Methodology Handbook*: <https://www.worldbank.org/en/businessready>



Electricity Utility Service in Bulgaria

Recent reforms and changes in the provision of electricity services

- **The process of obtaining an electricity connection has been simplified** by eliminating the requirement for customers to sign a preliminary contract for a new connection with the utility through Ordinance No. 6 of February 24, 2014, regarding the inclusion of electricity producers and customers in the transmission and distribution networks (as published in the State Gazette, issue 76 of September 27, 2019).
- **All utilities in Bulgaria have made progress towards digitalization since 2017**, introducing online application platforms for new connections. However, some utilities accommodate a fully online application process, while others do not.
- In 2022, amendments to the Energy from Renewable Sources Act were introduced to **simplify the construction process for new energy facilities** that produce energy from renewable sources.



Relevant laws and regulations in Bulgaria

- **Energy Act and Ordinance No. 6 of February 24, 2014:** stipulate the process of getting a new electrical connection, including the connection of electricity producers and customers in the transmission and distribution networks. The Energy Act also regulates the transactions related to electricity generation, import, export, transmission, distribution, and trade. It also establishes the powers of state bodies in setting energy policy, regulation and control.
- **Energy Efficiency Act and Energy from Renewable Sources Act:** regulate state policy and the implementation of measures aimed at improving energy efficiency across energy production, transmission, distribution, and consumption, as well as promoting environmental sustainability in energy use.
- **Spatial Development Act:** defines regulations and processes for territorial planning, investment planning, construction activities, and infrastructure deployment.



Public institutions and services for getting electricity

- The **Energy and Water Regulatory Commission (EWRC)** is the regulatory body for the energy sector. The EWRC holds authority in overseeing the energy market, setting tariffs, and ensuring transparency, efficiency, and compliance with legal standards.
- **Municipalities** play a role in ensuring compliance with urban development plans, issuing construction permits, and verifying or obtaining pre-approvals from all utility providers whose networks are affected by the construction of a new electricity connection. Other utility providers play a role in coordinating and approving the process of infrastructure deployment for new electrical connections.
- The **Directorate for National Construction Control (DNCC)** convenes a State Acceptance Commission (SAC), which conducts a site inspection once the electrical connection is complete.



Electricity Utility Service in Bulgaria



Pillar I: Quality of Regulations for Electricity

Bulgaria score (all cities): **78.1** out of 100 points

25/25

Regulatory monitoring of tariffs and service quality

- ✓ Regulatory monitoring and approving of electricity tariffs
- ✓ Regulatory monitoring of quality of electricity service based on performance standards

12.5/25

Utility infrastructure sharing and quality assurance mechanisms

- ✓ Joint planning and construction among various utility providers including provisions on common excavation permits, joint excavation, or 'dig once' policies
- ✗ No financial deterrence and incentive mechanisms aimed at limiting electricity supply interruptions

25/25

Safety of utility connections

Requirements related to:

- ✓ Professional certifications qualification requirements for professionals conducting electricity installations
- ✓ Inspection regimes mandated by law for internal and external electricity installations
- ✓ Liability regimes mandated by law for electricity connections

15.6/25

Environmental sustainability

- ✓ Legally mandated environmental standards for electricity generation, transmission, and distribution

Environmental sustainability of electricity use:

- ✓ Legal requirements on environmental standards of electricity use for businesses to switch to energy efficiency practices
- ✗ Lack of deterrence or enforcement mechanism to ensure businesses' compliance with energy-saving targets

Incentives for businesses to adopt energy-saving practices:

- ✓ Financial incentives to adopt energy-saving practices
- ✗ Lack of non-financial incentives to adopt energy efficient practices

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices



Electricity Utility Service in Bulgaria



Pillar II: Quality of Governance and Transparency of Electricity Service Provision

Bulgaria score: **72.7** to **75.8** out of 100 points
4 cities Burgas, Plovdiv

15/25

Monitoring of services supply (includes gender and environment)

Requirements related to:

- ✓ Existence of KPIs to monitor the quality and reliability of electricity supply
- ✓ Existence of KPIs to monitor the sustainability of electricity service supply
- ✗ No gender-disaggregated data on customer satisfaction surveys and customer complaints

25/25

Enforcement of safety regulations and consumer protection mechanisms

- ✓ Existence of an independent complaint mechanism
- ✓ Implementation of a full inspection regime in practice for electricity connections

17/25

Availability of information and transparency

Requirements related to:

Online availability of connection requirements:

- ✓ Required documents
- ✓ Required procedures
- ✓ Connection cost
- ✗ Stipulated time limits for connection
- ✓ Transparency of tariffs and tariff settings
- ✓ Complaint mechanisms and transparency of complaint processes
- ✗ Publication and announcement of planned outages
- ✗ Online availability of KPIs to monitor the environmental sustainability of electricity supply

Burgas, Plovdiv:

18.8/25

4 cities:

15.6/25

Digital services and interoperability

Electronic features for electricity connection:

- ✓ Electronic payments
- ✗ Online tracking for electronic application

Burgas and Plovdiv: 4 cities:

- ✓ Electronic application
- ✗ Electronic application

Interoperability at the utility level:

- ✓ Database for electricity distribution networks
- ✓ Platform with the Information on the planned works on utility networks
- ✗ No shared database for the network lines of multiple utilities, including electricity, water, and internet
- ✗ No online system or coordination mechanism for excavation permit approvals

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices



Electricity Utility Service in Bulgaria



Pillar III: Operational Efficiency of Electricity Service Provision (1/5)

Bulgaria score: **63.6** to **71.1** out of 100 points
Plovdiv Pleven

- A 180 kVA connection is typically connected to the low-voltage network in all benchmarked cities.
- The customer submits the request by providing a technical study to the utility. Once all required documents are received and the technical fees are paid, the utility company responds with the terms for the new connection.
- Once the project design is prepared and approved, clearances are obtained from other utilities whose networks may be affected by the new connection, a construction/excavation permit from the municipality is obtained, and the utility completes the external connection works. On completion of the works, government agencies conduct a site inspection and issue a "permit to use" for the newly-built connection.
- Only after the inspection can the customer sign a supply contract with a selected supplier from the market. Finally, the utility has seven days to perform the required "72-hour test," which ensures that the electrical installations are functioning properly, activate the meter, and allow electricity to flow.

How does the process for obtaining a 180 kVA connection work in Bulgaria

Application and receipt of a technical study

- In person or on utility's website
- Average time: 30 days
- Average cost: BGN 199

External connection works and inspections

- Utility or its subcontractor
- Average time: 67 days
- Average cost: BGN 11,750



Await completion and approval of project design, and all necessary permits and requirements

This step includes: i) approval of project design; ii) clearances from other utilities; and iii) construction permit.

- Utility, municipality, other utility providers
- Average time: 124 days
- No cost

Post-connection works

This step includes: i) inspection; ii) signing the supply contract; and iii) testing and activating the meter.

- These procedures are conducted by distribution utilities, government agencies, suppliers
- Average time: 30 days
- No cost

Source: Subnational Business Ready



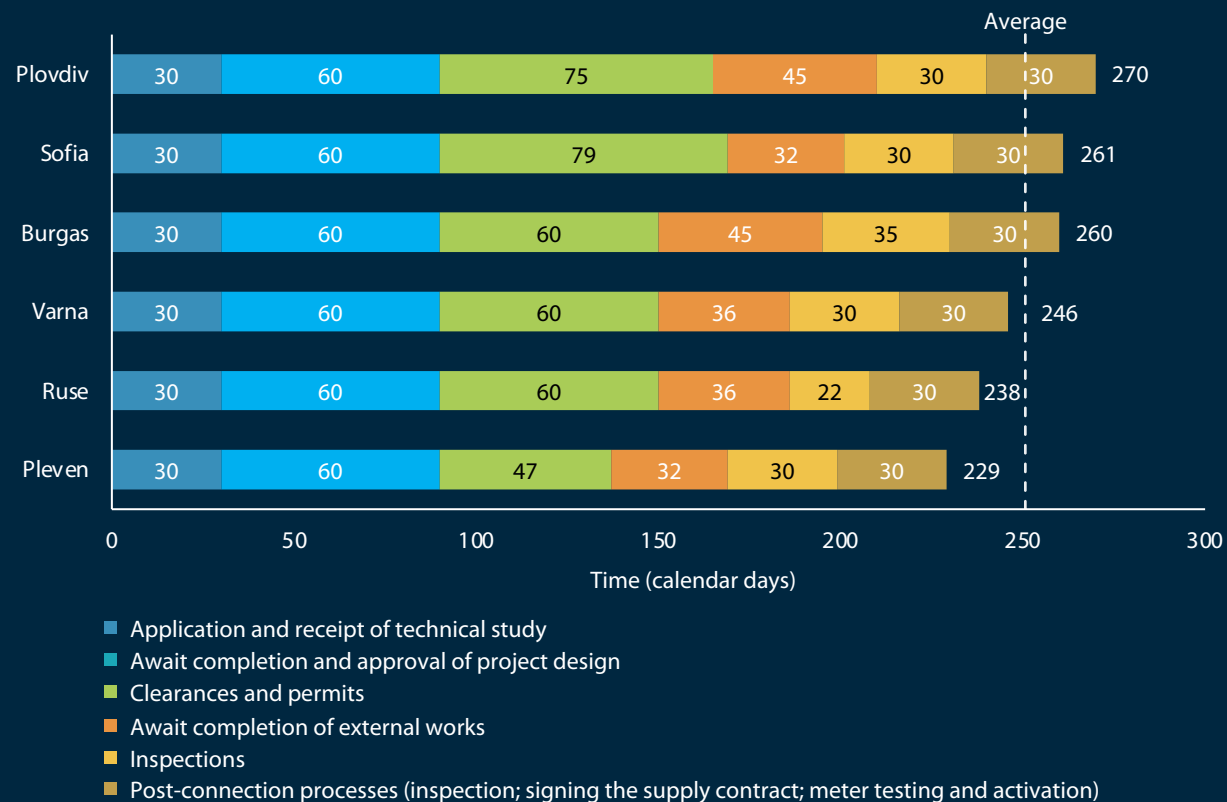
Electricity Utility Service in Bulgaria

Pillar III: Operational Efficiency of Electricity Service Provision (2/5)



- The average time for obtaining a new connection in Bulgaria is 251 days, with four cities taking longer than the national average.
- Obtaining an electricity connection is fastest in Pleven, taking 229 days, and slowest in Plovdiv, requiring 270 days.
- The variation in time across locations is mainly due to the issuance of clearances from other utility providers and construction permits from municipalities. The associated time with these steps ranges between 47 days in Pleven to 79 days in Sofia.

Obtaining a new electricity connection takes over a month longer in Plovdiv than in Pleven



Source: Subnational Business Ready

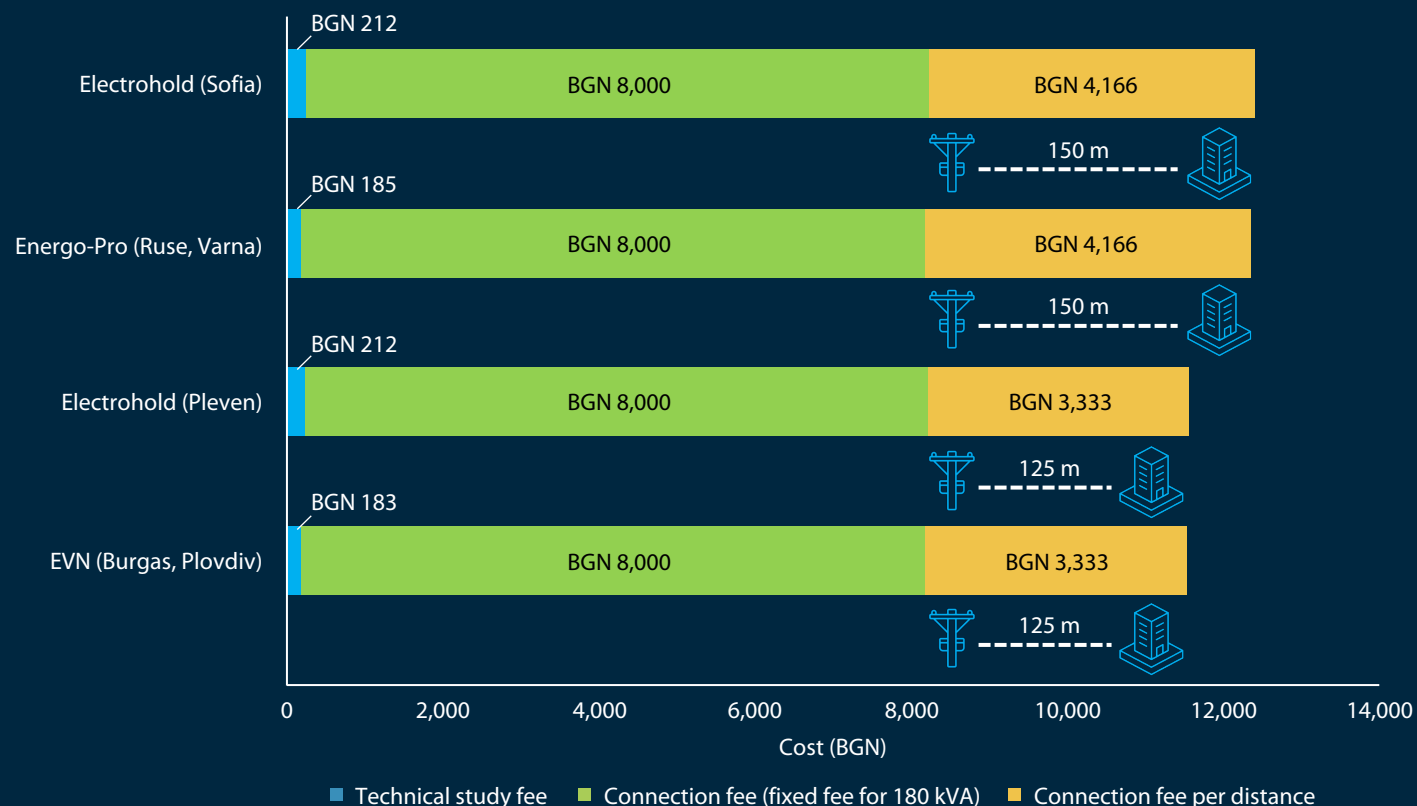


Electricity Utility Service in Bulgaria

Pillar III: Operational Efficiency of Electricity Service Provision (3/5)

- The regulator, EWRC, sets fees at the national level and the maximum amount that utilities can charge for a new connection.
- The total fees comprise: i) a technical study fee; ii) a fixed connection fee for a 180 kVA connection up to 25 meters; and iii) a variable connection fee set at BGN 33.33 per meter of distance from the property to the connection point.
- The most common distance varies in each location, ranging from 125 meters (Burgas, Pleven, and Plovdiv) to 150 meters (Ruse, Sofia, and Varna).
- Connection costs are the lowest in Burgas and Plovdiv due to a lower application fee (BGN 183) and a lower variable connection fee (BGN 3,333).
- The variable connection fee is the highest in Ruse, Sofia, and Varna (BGN 4,166) because the distance to the electricity connection point is greater on average.

The cost to obtain a new connection is higher in Varna, Ruse, and Sofia than in the other measured cities



Source: Subnational Business Ready
Note: BGN = Bulgarian lev



Electricity Utility Service in Bulgaria

Pillar III: Operational Efficiency of Electricity Service Provision (4/5)

- In 2022, entrepreneurs in Bulgaria experienced 3.4 interruptions on average, each lasting an average of nearly five hours.
- There are notable differences across Bulgarian cities in terms of the frequency and duration of interruptions. Burgas and Plovdiv had the least number of interruptions (2.6), lasting 2.6 hours, on average.
- Customers in Ruse and Varna experienced the highest frequencies of outages, with an average of four interruptions, each lasting nearly 6.5 hours.

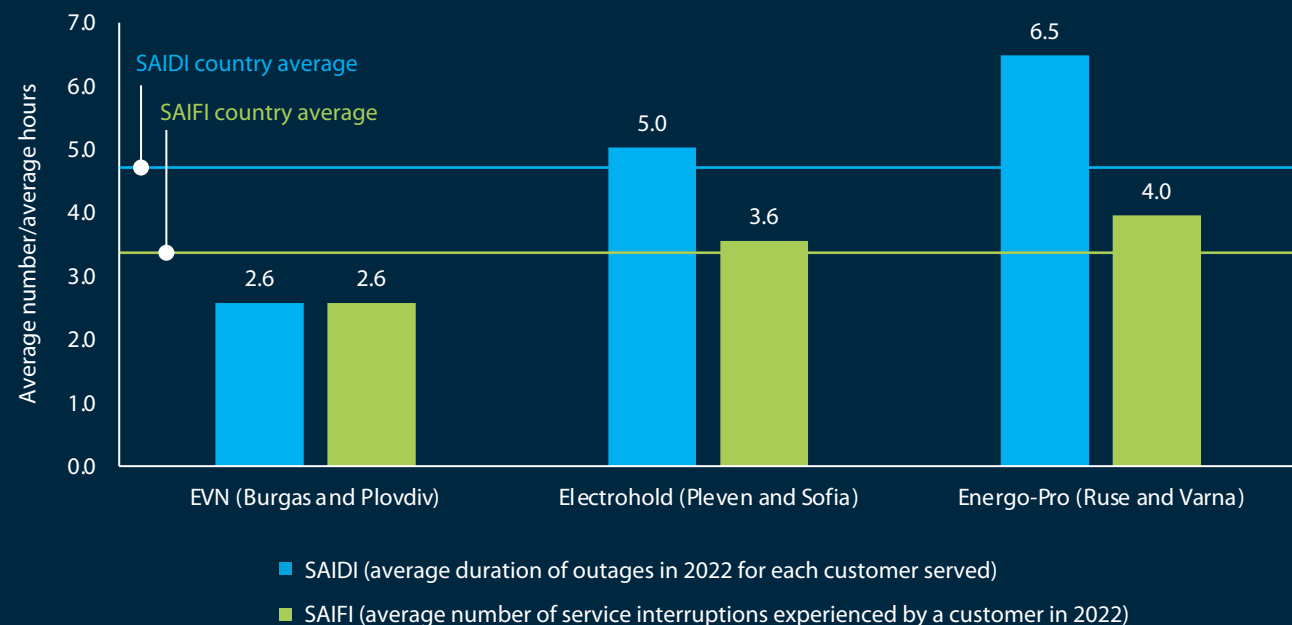


Good practices in electricity provisioning in Bulgaria:

- Information on scheduled outages is published on each utility's website. Additionally, utilities provide real-time updates on unplanned interruptions.
- In Ruse and Varna, the utility offers an interactive phone number to dial into. When customers call this number, the system automatically identifies the location and provides information on whether there is an unplanned outage in the area.

Reliability of electricity supply (SAIDI and SAIFI) in 2022

While electricity outages are more frequent in Ruse and Varna, customers enjoy a more stable supply in Burgas and Plovdiv



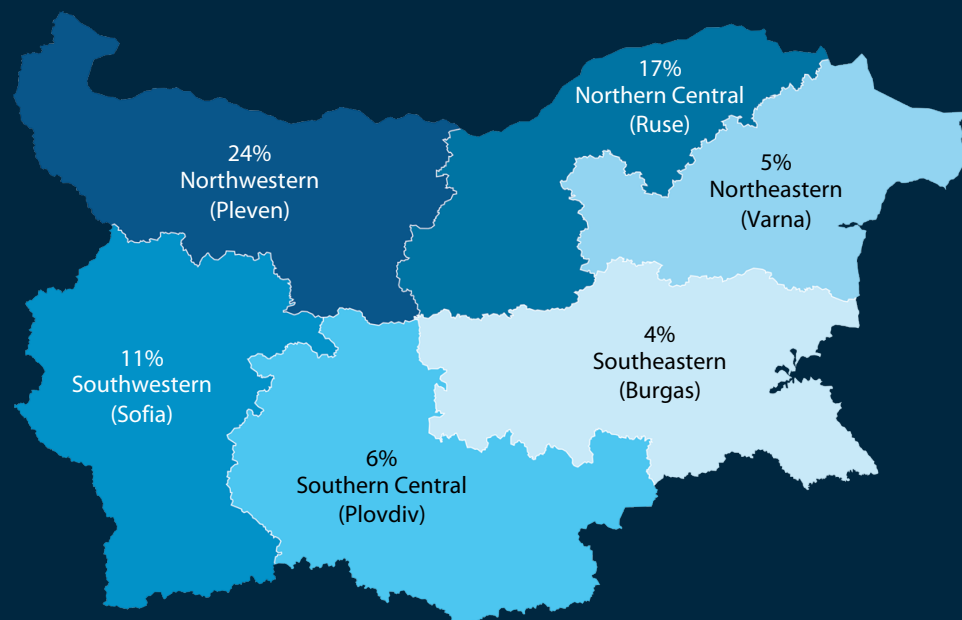
Source: Subnational Business Ready



Electricity Utility Service in Bulgaria

Pillar III: Operational Efficiency of Electricity Service Provision (5/5)

Percentage of firms that own or share a generator, by region*



Source: World Bank Enterprise Surveys 2023

*NUTS (Nomenclature of territorial units for statistics), <https://ec.europa.eu/eurostat/web/nuts/overview>

- The share of firms owning a generator is greatest in the Northwestern region (including Pleven) at 24%, while the lowest shares are reported in the Southeastern region (including Burgas), Northeastern region (including Varna), and the Southern Central region (including Plovdiv), ranging between 4% to 6% (see map).
- Countrywide, 10% of surveyed Bulgarian firms reported owning or sharing a generator, which is lower than four out of five other EU Member States benchmarked within the EU.
- Bulgarian firms do not report any losses in their annual sales due to electrical outages.

Percentage of firms that own or share a generator (country averages)



Source: World Bank Enterprise Surveys 2023



Electricity Utility Service in Bulgaria

Areas of improvement for Electricity Service Provision (1/3)



Strengthen the online application platforms and increase awareness of online services

While each utility has implemented an online platform to streamline connection requests, only in Burgas and Plovdiv can this process be completed fully online. In other cities, clients need to visit the utility company's service center to submit additional documents. In Ruse and Varna, customers must personally visit a service center to obtain a personal identification code for identity verification. Utilities could consider implementing an electronic signature for all online services, as is done in Burgas and Plovdiv. In addition, streamlining the user experience and publicizing the availability of these services would improve efficiency. Furthermore, enabling online tracking of each step in a new connection would enhance transparency and promote more efficient application processes with fewer delays.

On the other hand, there are no online platforms in Bulgaria to facilitate the application and collaboration between agencies for excavation works. In the short term, Bulgarian cities would benefit from implementing a legislative framework introducing joint planning or a 'dig once' policy to coordinate infrastructure development projects. In the long term, Bulgaria could improve the operations of utility providers by implementing digitalization, which includes: i) establishing a shared database for network lines among multiple utility providers; and ii) introducing an online system for excavation permit approvals. These changes would streamline infrastructure management, facilitate information sharing, enhance coordination efficiency, and improve public safety and service quality for new projects. Bulgaria could further integrate these platforms into a single window. This would allow providers and developers to request and track their projects in one place.

Relevant stakeholders: distribution utilities; Energy and Water Regulatory Commission (EWRC); municipalities



Improve the reliability of electricity supply and increase transparency by collecting and publishing KPIs on reliability of electricity supply

Minimizing the number and duration of power outages is critical for the economy and society. Understanding why outages duration and frequency is higher in Ruse and Varna is valuable knowledge that the authorities could use to improve the reliability of supply. Currently, in Bulgaria, the legal framework does not stipulate any financial deterrence mechanisms to limit electricity supply interruptions that could also improve service reliability. A distribution utility is the final link in the electricity supply chain; many actors play key roles in generation, transmission, and distribution. Evidence suggests that investment levels in electricity generation, tariff levels and bill collection rates, the operational efficiency of the utilities, and the overarching regulatory framework all play a role in determining the reliability of supply.

In addition, the regulator, EWRC, collects SAIDI and SAIFI data from the utilities. However, these KPIs are only published sporadically rather than being systematically shared with the public annually. In several other EU Member States, including Croatia and Portugal, the regulator and the utility publish these values online. Additionally, the KPI on the environmental sustainability of electricity supply is also not available online. Publishing KPIs in a yearly report would increase transparency and accountability.

Relevant stakeholders: distribution utilities; EWRC



Electricity Utility Service in Bulgaria

Areas of improvement for Electricity Service Provision (2/3)



Increase transparency and accountability by collecting and publishing statistics

It is critical that agencies involved in the process of getting electricity (municipalities, distribution utilities, electricity suppliers, various utility providers, etc.) make data on processing times available publicly. Currently, only some steps and their legally stipulated timeframes are available in the utilities' websites in Bulgaria, rather than the actual average time it takes to receive a new connection. Publishing such data would allow entrepreneurs to estimate wait times accurately. In Austria, the regulator publishes a standardized electricity quality report, the *Kommerzielle Qualität Strom*, which includes cross-cutting data on the electricity connection process. Data is collected annually from utilities through a questionnaire. The report contains data on application processing times and the time to complete a connection at different voltage levels, making the data easily comparable across cities and utilities. A similar data-driven report could help streamline Bulgaria's electricity sector—and help entrepreneurs and utilities set clear and realistic expectations. Data reporting could also serve as an indirect accountability measure to incentivize utilities and public administrations to boost their performance.*

Relevant stakeholders: distribution utilities; EWRC



Streamline the process of getting a construction permit and other pre-approvals

For new electrical connections, the most important permit to obtain is the construction permit from the relevant municipality, in addition to pre-approvals from all other utilities whose infrastructure is affected by the construction of the network. Obtaining these involves submitting a set of documents, including a project design. Each utility separately reviews the documents and may return them with comments for corrections, triggering a restart of the approval timelines as stipulated. Similarly, regulations on timeframes indicate that when a packet of documents is returned with comments for correction or additional documents are requested, extra time is given to municipalities for subsequent review. Bulgaria could benefit from two potential improvements to the process: i) implement a one-stop shop for submitting the required document and project plan to all concerned parties simultaneously; and ii) shorten the legal framework to expedite the approval process for less complex projects. Even when the legal time limits are respected, the overall length of the process remains excessive. This suggests a need to review and tighten the timeframes established by law, especially for simple, standard connections. Modern regulations establish different levels of scrutiny—and therefore different timeframes—for different levels of complexity. This approach allows approvals for simple connections to be fast-tracked, freeing relevant parties and public authorities to focus on riskier projects. To ensure safety, risk-based approaches need to include a comprehensive classification of risks.

Relevant stakeholders: distribution utilities; other relevant utility service providers; EWRC; municipalities

*For more information on Austria's electricity quality report, see the website of the Austrian regulator at <https://www.e-control.at/marktteilnehmer/erhebungen/erhebungen-zur-qualitaet-der-netzdienstleistung>.



Electricity Utility Service in Bulgaria

Areas of improvement for Electricity Service Provision (3/3)



Replace site inspection with self-certification of compliance

In Bulgaria, the Directorate for National Construction Control (DNCC) convenes a State Acceptance Commission (SAC) to conduct a site inspection. During the inspection, the DNCC reviews the documentation prepared over the course of the construction, including the examination of the completed electrical work. The utility and its subcontractor, the building/property owner, the construction supervision firm, and other relevant parties, including a representative of the municipality must be present. The DNCC then issues a "Permit to Use" for the newly-built connection, which confirms that the electrical connection works have been done according to safety and legal regulations.

Ensuring the safety and the quality of the connection works is crucial. But there are ways to do so without imposing additional requirements for getting a new connection. Bulgaria could consider the examples of other EU Member States, including Denmark and Germany, where the regulations allow the responsible contractor to submit a self-certificate ensuring the quality and the safety of the installations without a need of an inspection.

Relevant stakeholders: DNCC; distribution utilities; other relevant utility service providers; municipalities



Water Utility Service in Bulgaria



Pillar I: Regulatory Framework

Score (all cities):
87.5/100



Pillar II: Public Services

Score:
76.4 to 79.5/100
4 cities Sofia, Varna



Pillar III: Operational Efficiency

Score:
46.5 to 53/100
Varna Sofia

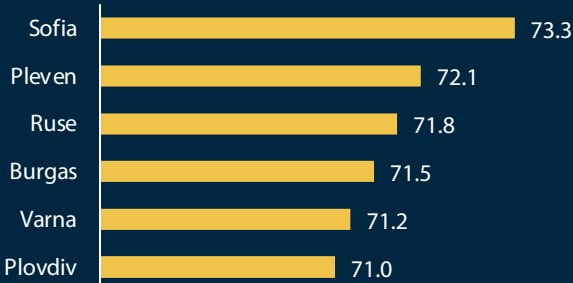
Time (days):	121 (Sofia) to 150 (Varna)
Cost (% of income per capita*):	13.6% (Sofia) to 42.3% (Pleven)
% of firms experiencing water insufficiencies:	0% (Burgas, Pleven) to 9% (Varna)

*Bulgaria's 2021 GNI per capita is BGN 18,523

Main findings

- The regulatory framework that governs water utility services is on par with international best practices. However, Bulgaria could introduce requirements and financial and non-financial incentives for businesses to adopt water-saving practices, like installing water-efficient appliances, or adhering to water-saving targets (Pillar I).
- Across Bulgaria, tariffs and tariff setting for water are transparent, KPIs to monitor quality, reliability, and sustainability are available, and connection fees can be paid online. However, it is not possible to apply for a new water connection online. Bulgaria could improve transparency by making stipulated connection time standards publicly available. Additionally, coordination among utilities could be improved by the introduction of an online system for coordinating approvals of excavation permits. Finally, all cities could adopt online databases allowing the identification of existing water networks, similar to those already in use in Sofia and Varna (Pillar II).
- Obtaining water connections across Bulgaria takes on average 136 days and costs BGN 6,854. However, entrepreneurs deal with different turnaround times and connection fees, depending on where they are based (Pillar III).
- Among the six cities benchmarked, Sofia stands out for offering the fastest water connection process. Firms in Sofia wait four months (121 days) to get their connections running. The same process takes five months in Varna (150 days).
- Sofia is also the city where obtaining a water connection is cheapest: the connection work in the capital is typically conducted by the water utility, and costs BGN 2,207 (paid by the utility). The same type of connection would cost over three times as much in the rest of the country, where normally clients hire and pay a private contractor to perform the work.
- Most firms across the country profit from a reliable water supply system. Still, 4% of businesses across the country reported having experienced water insufficiencies. At the subnational level, this share is the highest in the Northeastern region (Varna), where 9% of the firms say they have to deal with supply insufficiencies. It is the lowest in the Northwestern (Pleven) and Southeastern (Burgas) regions, where virtually no firm reported issues with water supply.

Overall Water Utility Service score per city*



Source: Subnational Business Ready *Scale from 0 to 100 (higher = better)



Water Utility Service in Bulgaria

Why is the water utility service important?

- Inadequate water supply—due to aging infrastructure, poor water quality, and changes in water pressure—can lead to decreased firm productivity, deterioration of machinery, and reduced profits.¹²
- Good regulatory frameworks are key for the provision of an affordable and high-quality water supply.¹³
- Performance standards coupled with a system of incentives ensure efficient deployment of utility connections and an adequate water supply.¹⁴

¹² World Bank, 2017.

¹³ OECD, 2021.

¹⁴ Foster and Rana, 2020.

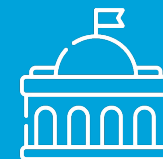
What does the Water Utility Service topic measure?



Pillar I: Regulatory Framework

Quality of regulations for water

- Regulations for efficient deployment of water connection (e.g., infrastructure sharing) and quality of supply
- Environmental sustainability of water service provision and use, including sustainable wastewater practices



Pillar II: Public Services

Quality of governance and transparency of water service provision

- Monitoring reliability and sustainability of service supply and safety of water connections
- Transparency on service outages, tariffs, connection requirements, and complaint mechanisms
- Interoperability with other utilities (e.g., electricity) and existence of electronic applications and payments



Pillar III: Operational Efficiency

Operational efficiency of water service provision

- Time associated with obtaining a water connection
- Cost of water connection and service
- Reliability of water supply

For more information, please refer to the *Business Ready Methodology Handbook*: <https://www.worldbank.org/en/businessready>



Water Utility Service in Bulgaria



Pillar I: Quality of Regulations for Water

Bulgaria score (all cities): **87.5** out of 100 points

25/25

Regulatory monitoring of tariffs and service quality

- ✓ Monitoring of tariffs
- ✓ Monitoring of quality of water service

25/25

Utility infrastructure sharing and quality assurance mechanisms

- ✓ Financial deterrence mechanisms aimed at limiting water supply interruptions
- ✓ Requirements for joint planning and construction (e.g., 'dig once' policies)

25/25

Safety of utility connections

- ✓ Qualification requirements for professionals operating water installations
- ✓ Existence of regulated liability regimes in relation to water connections
- ✓ Existence of regulated inspection regimes in relation to external water installations
- ✓ Existence of regulated inspection regimes in relation to internal water installations

12.5/25

Environmental sustainability

- ✓ Environmental sustainability of water provision
- ✓ Existence of regulations for water-saving practices
- ✓ Existence of requirements for sustainable wastewater practices
- ✓ Established rules on wastewater reuse
- ✗ Existence of requirements for businesses to adopt water-saving practices
- ✗ Existence of financial and non-financial incentives for business to adopt water-saving practices

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices



Water Utility Service in Bulgaria



Pillar II: Quality of Governance and Transparency of Water Service Provision

Bulgaria score: **76.4** to **79.5** out of 100 points
4 cities Sofia, Varna

15/25

Monitoring of service supply (includes gender and environment)

- ✓ Existence of KPIs to monitor the quality and reliability of water supply
- ✓ Existence of KPIs to monitor sustainability
- ✗ Gender-disaggregated customer surveys

25/25

Enforcement of safety regulations and consumer protection mechanisms

- ✓ Existence of an independent complaint mechanism
- ✓ Implementation of a full inspection regime in practice for water connections

23.9/25

Availability of information and transparency

Online availability of connection requirements:

- ✓ Public availability of documents and procedures required for connecting
- ✓ Public availability of cost of connecting
- ✓ Public announcement of planned outages

Online availability of:

- ✓ KPIs to monitor the environmental sustainability of water supply
- ✓ Tariffs and tariffs settings
- ✓ Existence of complaint mechanisms and transparency of complaint processes
- ✗ Public availability of stipulated connection time standards

4 cities:

12.5/25

Sofia, Varna:

15.6/25

Digital services and interoperability

- ✓ Availability of electronic payments for connection fees
- ✓ Online availability of information about the planned works on utility networks
- ✓ Existence of an agency for coordinating approvals of excavation permits across utilities
- ✗ Availability of an online database allowing the identification of existing water networks (**except in Sofia and Varna**)
- ✗ Existence of an online system for coordinating approvals of excavation permits across utilities
- ✗ Availability of electronic applications for new connections
- ✗ Availability of tracking of online applications

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices



Water Utility Service in Bulgaria



Pillar III: Operational Efficiency of Water Service Provision (1/4)

Bulgaria score: **46.5** to **53** out of 100 points
Varna Sofia

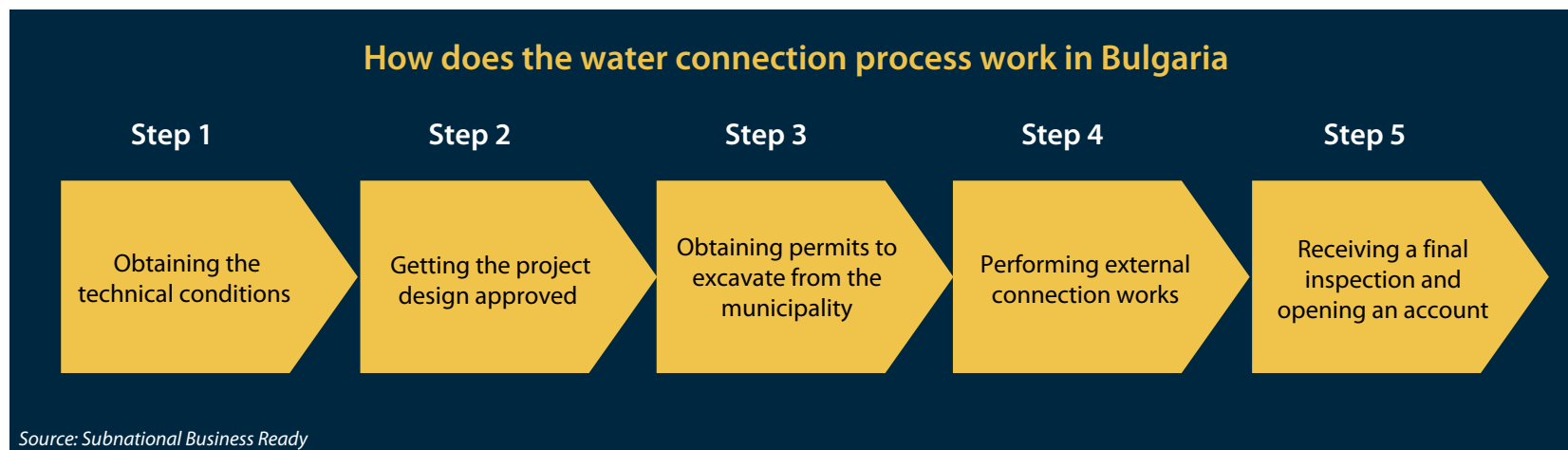
The water connection process

The length of the process for getting a water connection varies substantially within Bulgaria. The main stakeholders involved in the process are local: (i) the water utility that is in charge of verifying the feasibility of a new connection and approving the design project; (ii) other utility operators (for electricity, gas, internet, etc.) that need to clear the new connection; (iii) the municipality that issues the excavation permit and other authorizations needed to install the connection. In most cities, water utilities are managed by municipalities, except for Sofia, where the utility is a concession (Sofia Water).

To prepare their project design, entrepreneurs first submit an application to the water utility requesting the technical conditions needed for connecting. The second step is for clients to have the project design approved by the utility as well as by all other network operators (typically, these would include the electricity distributor, the gas company, and the telecom operator). The last step before works can start is obtaining an excavation permit from the municipality.

Clients have the option of delegating the connection works to the water utility or hire a private contractor.

Once the connection works are completed and the meter is installed, an inspection from the utility takes place (includes water testing and inspection of the connection) and a new customer account is opened.





Water Utility Service in Bulgaria

Pillar III: Operational Efficiency of Water Service Provision (2/4)

Obtaining a water connection in Bulgaria takes between four and five months, depending on the location

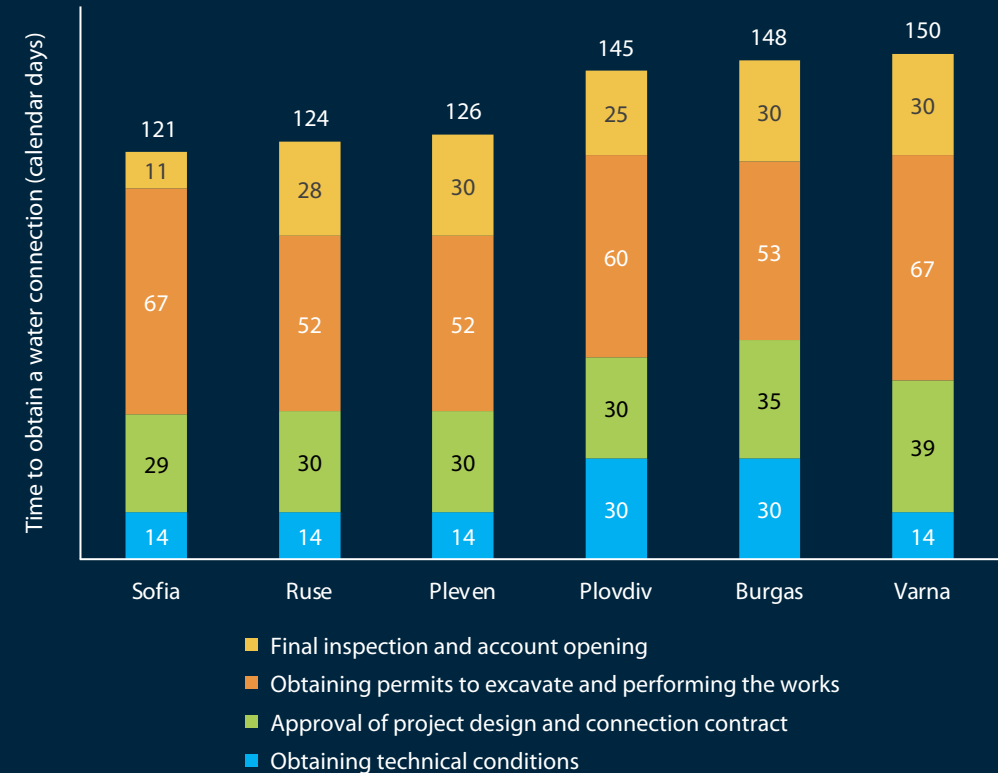
The time to obtain a water connection across Bulgarian cities varies between 121 days (in Sofia) and 150 days (in Varna). The variation is mainly driven by the efficiency of water utilities in processing connection requests. For example, receiving the technical conditions from the water utility, which is an essential step to prepare the project design, takes one month in Burgas and Plovdiv, while it takes two weeks in the rest of the cities. While most utilities review project designs and issue a connection contract within one month, in Burgas and Varna this takes 35 and 39 days respectively.

The time to obtain a water connection also depends on how fast municipalities issue excavation permits. In Ruse and Pleven, obtaining the authorizations and subsequently performing the connection works takes 52 days. The same process takes over two months in Sofia and Varna.

In Bulgaria, customers can opt to either have permits obtained and works performed by the utility or privately. In all cities, except Sofia, clients would typically opt for the latter because it is faster. In Sofia, however, for the type of connection considered by this study, clients would rely on the utility, due to its efficiency in obtaining permits and performing the works: this takes 67 days in the capital, not far from the country average of 59 days. Only if the project is particularly complex, do clients in Sofia obtain permits themselves and hire a contractor to perform the works, as the gains in terms of turnaround time are more tangible.

The final step of the process requires customers to receive a final inspection from the utility, seal the meter, and open an account for water supply. In Sofia the sealing of the meter and account opening happens by the time construction works by the utility end. This reduces the duration of the final step to 11 days (the time to receive a final inspection) in the capital. In the rest of the cities, the final step can take up to a month.

Obtaining a water connection is fastest in Sofia and slowest in Varna



Source: Subnational Business Ready



Water Utility Service in Bulgaria

Pillar III: Operational Efficiency of Water Service Provision (3/4)



Water connections are least expensive in Sofia

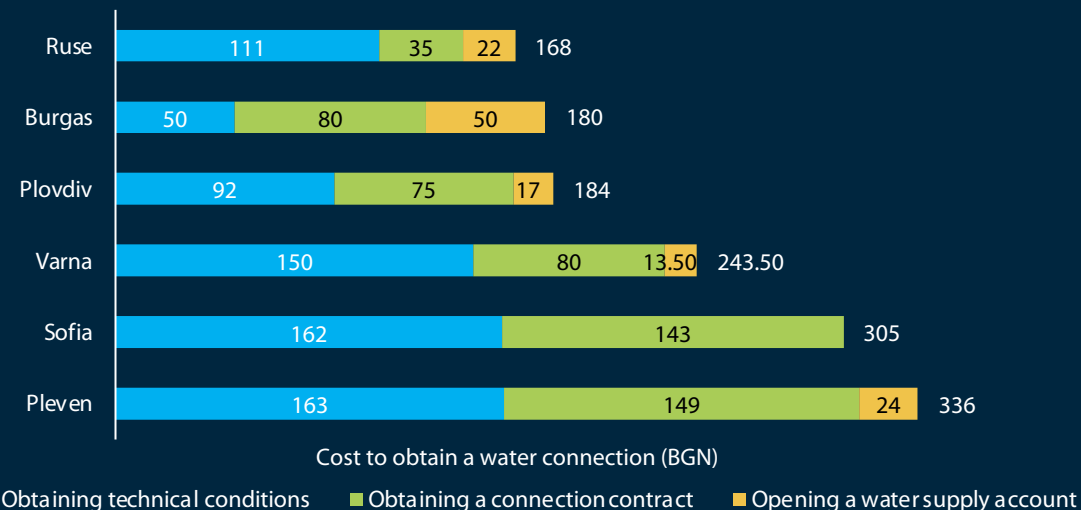
The cost of obtaining a water connection varies across Bulgaria, particularly between Sofia and the rest of the cities. Clients in the capital normally rely on Sofia Water to perform and cover the expenses of the connection works at a cost of BGN 2,207. In the rest of the cities, clients typically hire a private contractor for an approximate cost of BGN 7,500.

Additionally, clients incur three main administrative costs, which are determined by each utility:

- (i) Obtaining the technical conditions costs between BGN 50 in Burgas and BGN 162.80 in Pleven.
- (ii) Getting the project design approved and obtaining a connection contract costs between BGN 35 in Ruse and BGN 148.78 in Pleven.
- (iii) Opening an account for water supply costs between BGN 13.50 in Varna and BGN 50 in Burgas. In Sofia, this is free of charge.

Overall, administrative fees are cheaper in Ruse (BGN 168) and most expensive in Pleven (BGN 336).

Administrative fees for water connections in Pleven cost twice as much as in Ruse



Source: Subnational Business Ready

Note: BGN = Bulgarian lev



Water Utility Service in Bulgaria

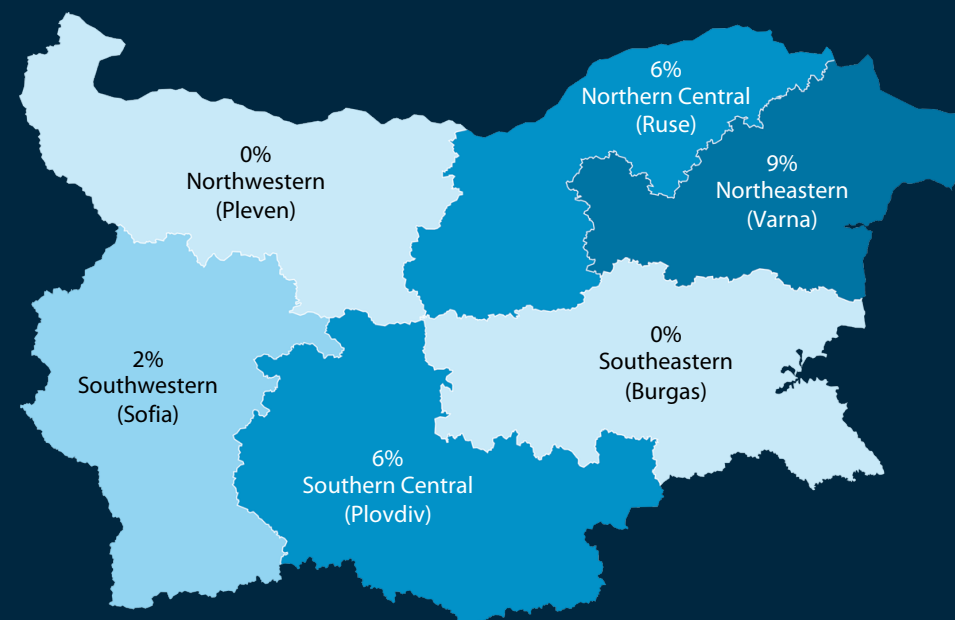
Pillar III: Operational Efficiency of Water Service Provision (4/4)



Regarding the reliability of water supply, firms in the Northwestern and Southeastern regions do not experience water insufficiencies, but nearly one out of ten firms in the Northeastern region does.

Firms in three Bulgarian regions (Northwestern, Southeastern, and Southwestern) experience either none or minor instances where water supply is insufficient (see map). The situation is different in the Northern Central and Southern Central regions, where 6% of businesses reported having issues with water supply. The ratio is even higher in the Northeastern region (including Varna). There, supply reliability is problematic for about one in ten firms (9%).

Percentage of firms experiencing water insufficiencies, by region*



Source: World Bank Enterprise Survey 2023

*NUTS (Nomenclature of territorial units for statistics), <https://ec.europa.eu/eurostat/web/nuts/overview>



Water Utility Service in Bulgaria

Areas of improvement for Water Service Provision (1/2)



Enable online application for new water connections

Across Bulgaria, clients need to physically visit the premises of the concerned water utility to apply for a new connection. Utilities could facilitate the process by making it possible to apply online. In the short term, this could be done by allowing applicants to submit their request by email. In the longer run, a proper online platform for application submission and tracking could be set up either by each utility or at the national level, particularly for publicly-owned utilities. One nationwide platform for publicly-owned utilities would save resources, compared to each utility developing its own platform.

Relevant stakeholders: water utilities; national water regulator—Energy and Water Regulatory Commission (EWRC)



Publish stipulated water connection time standards online

Bulgarian cities could improve the level of their public services by making the stipulated connection time standards available online. This would make it easier for clients to estimate turnaround times and plan accordingly. Moreover, they could allow clients to opt for fast-track options. Pleven and Sofia offer good examples for the part of the process related to the initial application for water connection. Both cities offer expedited services for additional fees for the first step of obtaining the technical conditions. In Pleven, applicants can choose a seven-day expedited option, while in Sofia, a ten-day one. This provides a viable alternative for clients in need of faster turnaround times. The additional collected fees cover the funding needed for utilities to provide expedited services. Water utilities in both Pleven and Sofia publish information on expedited services online, which is an essential step to ensure clients are aware of this option and of how it works.

Relevant stakeholders: water utilities



Implement a GIS-based database for the identification of existing utility networks

In its annual report for 2022, EWRC evaluated the water utilities' progress in implementing a GIS-based database for the identification of their existing networks. It determined that in Varna, such a database was completed. The Sofia Water utility company, which is not evaluated by the EWRC report due to its unique status as a concession, also has its own GIS-based database. Other cities could follow suit in adopting this good practice that facilitates the work of planners when drawing their connection projects.

Relevant stakeholders: water utilities



Water Utility Service in Bulgaria

Areas of improvement for Water Service Provision (2/2)



Streamline clearances across utilities and local authorities

For each utility connection (water, electricity, gas, etc.), firms in Bulgaria need to follow a separate clearance process, managed by the respective utility. This means that for obtaining permission to excavate for a new water connection, applicants must obtain clearances from each single owner of underground networks (including, for example, the electricity company). And to connect that same building to the electrical grid, the investor will need to again get clearances from all network owners, including the water utility. Introducing coordination meetings among utilities and other relevant agencies, as well as eliminating redundant clearances, would save time for both developers and officials in charge of providing clearances. Similarly, introducing an online system for coordinating approvals of municipal excavation permits across utilities would allow applicants to go through the process only once for all connections.

Relevant stakeholders: water utilities; municipalities



Introduce requirements and incentives for businesses to adopt water-saving practices

For most aspects, entrepreneurs in Bulgaria enjoy a regulatory framework on par with internationally recognized good practices. An independent regulator oversees water tariffs, sets performance standards for utilities, and establishes financial deterrence mechanisms to ensure the reliability of water services. Requirements and standards for water quality, to promote water savings, and to treat wastewater are set by the law. Qualification requirements for professionals operating in the sector, inspections, and liability regimes are also regulated. However, to bring the regulatory framework to an even higher standard, Bulgaria could introduce requirements and incentives for businesses to adopt water-saving practices. Examples include requirements for businesses to adhere to water-saving targets or to install water-efficient appliances. Similarly, incentives for business to adopt good water management practices could be introduced, such as tax or tariff incentives to award virtuous firms.

Relevant stakeholder: national water regulator—Energy and Water Regulatory Commission (EWRC)



Internet Utility Service in Bulgaria



Pillar I:
Regulatory
Framework

Score (all cities):
100/100



Pillar III:
Operational
Efficiency

Score:
72 to **95.5/100**
Pleven Sofia



Pillar II:
Public
Services

Score (all cities):
79.4/100

Time (days):

3 (4 cities) to **5** (Burgas, Pleven)

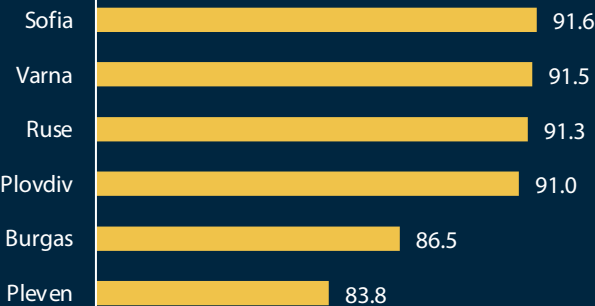
% of firms experiencing
internet disruptions:

10% (Burgas) to **27%** (Pleven)

Main findings

- The quality of internet regulations (Pillar I) and the quality of governance and transparency (Pillar II) are uniform across Bulgaria. The score differentiator is the operational efficiency of internet provision (Pillar III), where there are differences in waiting times for getting an internet connection and varying levels of internet disruptions.
- In line with good international practices, Bulgaria's Communications Regulatory Commission (CRC) oversees wholesale connectivity tariffs. Competent authorities can also initiate investigations into anticompetitive practices.
- Bulgaria's regulatory framework establishes provisions on joint planning and construction ('dig once' policies) and for infrastructure sharing. Provisions on safety and environmental regulations are also present.
- In Bulgaria, it is possible to check online if the internet service provider (ISP) has coverage at customers' addresses. It is also possible to submit and track online the application for an internet connection.
- The "Single Information Point" online platform has the potential to streamline the process of deployment of telecommunications networks and infrastructure.
- ISPs in Bulgaria publish online planned outages—other performance indicators of service provision are also publicly available.
- The time it takes to obtain an internet connection is similar across the covered cities; from three days in Plovdiv, Ruse, Sofia, and Varna to five days in Burgas and Pleven.
- Countrywide, 15% of Bulgarian firms reported experiencing internet disruptions. However, reported disruptions vary by region. Only 10% of firms reported disruptions in the Southeastern region (including Burgas), while 27% of firms did so in the Northwestern region (including Pleven).

Overall Internet Utility Service score per city*



Source: Subnational Business Ready *Scale from 0 to 100 (higher = better)



Internet Utility Service in Bulgaria

Why is the internet utility service important?

- The internet supports business operations and is used as a factor of production by firms.¹⁵
- Unreliable networks and high costs of establishing a broadband connection may prevent firms from adopting and upgrading digital technology in their business operations.
- Good regulatory frameworks are key for the provision of affordable and high-quality internet services. Likewise, facilitating timely access to such services at a reasonable cost and in an environmentally sustainable manner is instrumental for economic growth.¹⁶
- Performance standards coupled with a system of incentives compel internet service providers (ISPs) to ensure an adequate supply of high-speed broadband internet service.¹⁷

¹⁵ World Bank, 2016.

¹⁶ World Bank, 2017.

¹⁷ Foster and Rana, 2020.

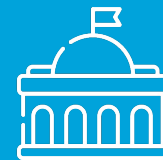
What does the Internet Utility Service topic measure?



Pillar I: Regulatory Framework

Quality of regulations for internet

- Regulations for efficient deployment of internet connection (e.g., infrastructure sharing) and quality of supply
- Regulations on safety of internet service (e.g., cybersecurity)
- Environmental sustainability of internet service provision and use



Pillar II: Public Services

Quality of governance and transparency of internet service provision

- Monitoring reliability and sustainability of service supply and safety of internet connection in practice
- Transparency on service outages, tariffs, connection requirements, complaint mechanisms, and customer service
- Interoperability with other utilities (e.g., electricity)
- Existence of electronic applications and payments



Pillar III: Operational Efficiency

Operational efficiency of internet service provision

- Time associated with obtaining an internet connection
- Cost of internet connection and service*
- Reliability of internet supply (e.g., disruption of internet service)

*Installation cost is not applicable to internet connection in the EU since it is included as part of loyalty plans that are the common practice in the region. It was not possible to collect reliable data on monthly service fees.

For more information, please refer to the *Business Ready Methodology Handbook*: <https://www.worldbank.org/en/businessready>



Internet Utility Service in Bulgaria



Pillar I: Quality of Regulations for Internet (1/2)

Bulgaria score (all cities): **100** out of 100 points

Regulatory monitoring of tariffs and service quality and Utilities infrastructure sharing and quality assurance mechanisms

25/25

Regulatory monitoring of tariffs and service quality

- ✓ Monitoring of internet tariffs: the regulatory agency, CRC, oversees wholesale connectivity tariffs. Competent authorities can also initiate investigations and set fines for anticompetitive practices.
- ✓ Monitoring of quality of internet service: CRC establishes and monitors adherence to performance standards to ensure the reliability and quality of internet service

40/40

Utilities infrastructure sharing and quality assurance mechanisms

- ✓ Provisions in the regulatory framework requiring joint planning and construction (i.e., joint excavation or 'dig once' policies)
- ✓ Legal provisions requiring operators owning passive or active infrastructure to share access for the last mile
- ✓ Legal provisions guaranteeing equal access to government-owned infrastructure
- ✓ Legal provisions establishing rights of way for digital infrastructure service providers
- ✓ Regulatory framework allowing partnerships for infrastructure sharing
- ✓ Legal provisions establishing time limits for agencies involved in delivering new digital infrastructure
- ✓ Regulatory framework stipulates financial deterrence (e.g., penalties paid by the ISP or compensations paid to customers) and incentive mechanisms aimed at limiting internet service outages or slowdowns

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices



Internet Utility Service in Bulgaria



Pillar I: Quality of Regulations for Internet (2/2)

Bulgaria score (all cities): **100** out of 100 points

Safety of utility connections and Environmental sustainability

25/25

Safety of utility connections

- ✓ Regulatory framework establishes liability and a legal right to pursue compensation for personal data protection breaches, as well as clear provisions for reporting data breach incidents
- ✓ The State e-Government Agency (SEGA), responsible for cybersecurity coordination at the national level, carries out risk-assessment strategies, cybersecurity audits, drills, exercises or training, and enforces cybersecurity laws and regulations
- ✓ Regulatory framework establishes minimum cybersecurity protections or mandates minimum cybersecurity standards and cybersecurity safeguards, as well as defines a modus operandi for incident response in case of a major cyber-attack or a compromise of service availability

10/10

Environmental sustainability

- ✓ Mandatory environmental reporting or disclosure standards for digital connectivity and data infrastructure. Examples of environmental standards are greenhouse gas emissions, ISO 50001 or ITU-TL1332.
- ✓ National targets for emissions or energy efficiency of electronic communication networks and data infrastructure, such as power usage effectiveness, renewable energy usage, or coefficient of performance (COP)

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices



Internet Utility Service in Bulgaria



Pillar II: Quality of Governance and Transparency of Internet Service Provision (1/3)

Bulgaria score
(all cities): **79.4** out of
100 points

Digital services and Interoperability

6.3/6.3

Electronic applications for internet connections

- ✓ Availability of electronic application and online tracking of application for new commercial internet connections

6.3/6.3

Infrastructure database and platform with planned works

- ✓ Infrastructure database in place for identification of internet service providers' networks and shared database for the network lines of multiple utilities, including electricity, water, and internet
- ✓ Online availability of information about the planned works on utility networks

6.3/6.3

Electronic payments

- ✓ Availability of electronic payment for internet connection and monthly service fees

3.1/6.3

Coordination mechanisms for excavation permits

- ✓ Municipal governments in each city have a coordination role to facilitate collaboration between agencies for excavation permit applications and approvals
- ✗ No online system for coordinating approvals of excavation permits across utilities

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices



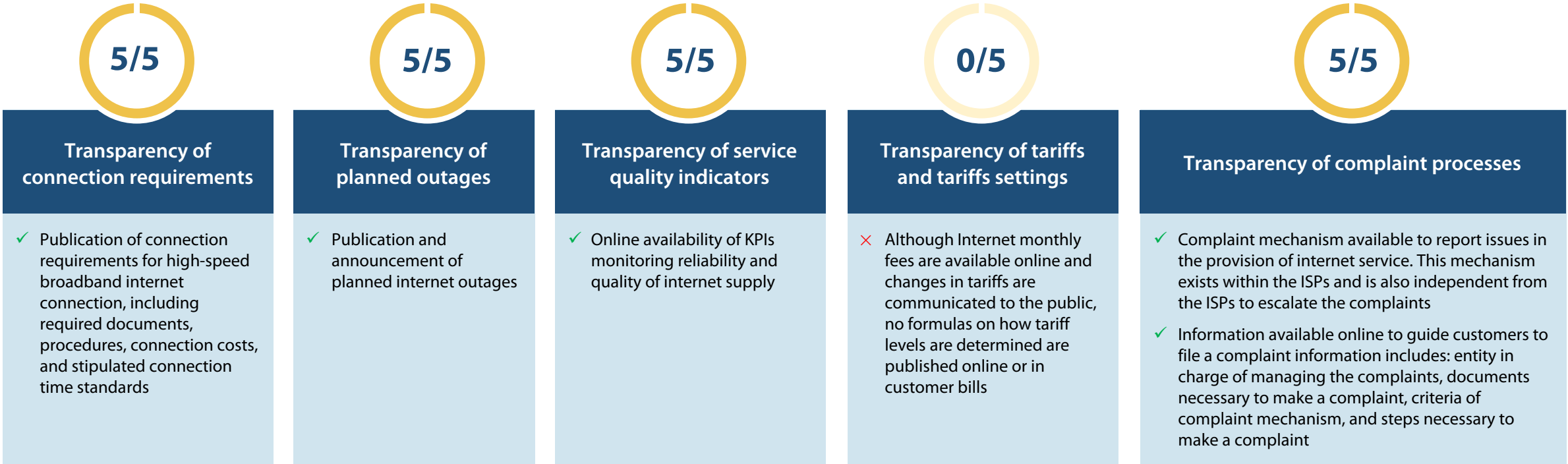
Internet Utility Service in Bulgaria



Pillar II: Quality of Governance and Transparency of Internet Service Provision (2/3)

Bulgaria score
(all cities): **79.4** out of 100 points

Availability of information and Transparency



✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices



Internet Utility Service in Bulgaria



Pillar II: Quality of Governance and Transparency of Internet Service Provision (3/3)

Bulgaria score
(all cities): **79.4** out of 100 points

Monitoring of service supply and Enforcement of safety regulations and consumer protection mechanisms

12.5/12.5

Monitoring reliability and quality of internet supply

- ✓ Key Performance Indicators (KPIs) in place for reliability and quality of internet supply
 - Download/upload speed
 - Latency
 - Throughput
 - Jitter
 - Recovery time

0/12.5

Monitoring of access to utility services for women entrepreneurs

- ✗ ISPs in Bulgaria do not carry out gender-disaggregated customer surveys to measure the quality of services provided by the utility from the perspective of women-owned businesses:
 - Sex of a person answering consumer satisfaction survey
 - Sex of a person lodging a complaint related to quality, reliability, and utility's supply services

12.5/12.5

Cybersecurity protocols in practice

- ✓ Cybersecurity protocols implemented in practice, such as:
 - Cybersecurity breaches reported by cybersecurity agency to private sector
 - Computer incident response teams or computer emergency readiness team respond to reported cyberattacks or cybersecurity breaches
 - Cybersecurity incident response drills, trainings or exercises are carried out in practice to test capabilities to prevent, detect, respond and/or recover from cyberattacks or cybersecurity breaches
 - Cybersecurity audits carried out for critical infrastructure operators to detect vulnerabilities and recommend or enforce remedial actions to prevent cyberattacks or cybersecurity breaches

12.5/12.5

Independent complaint mechanism

- ✓ Independent complaint mechanism: the compliance mechanism is independent from the ISPs to escalate complaints

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices



Internet Utility Service in Bulgaria



Pillar III: Operational Efficiency of Internet Service Provision (1/3)

Bulgaria score: **72** to **95.5** out of 100 points
Pleven Sofia

How does the process of connecting to internet work in Bulgaria

Step 1

The first step to obtain a new internet connection in Bulgaria as a small business owner is to either call the 24/7 customer service center of the ISP or to go in person to an office to submit an application. It is also possible to submit an online inquiry/request or to "chat" in real time with a customer service representative.

Customers can check the coverage of the address for the connection by entering it in a dedicated interface of the ISPs' websites. Medium and larger businesses will have an account manager assigned to them, who can best tailor the services offered to the needs of the business.

Step 2

The second step includes the ISP verifying coverage at the requested address and preparing the contract. Depending on the location, this process usually takes a day or two from the moment of application.

In the simplest cases, where coverage is available and connection is straight-forward (for example, there is already a junction box of the provider installed in the building), the ISP agrees on a date with the customer to send a technical crew to perform the installation, which in this case is usually a simple hook-up.

Step 3

The third step is the physical installation, which takes less than a day in this scenario.

If the building is already wired for an internet connection and a contract is signed (most commonly, the term of the contract is 24 months), installation is for free. If the client decides not to go for a loyalty plan, there are typically installation and activation fees. For example, Vivacom in the city of Sofia would charge an installation fee of between BGN 18 and BGN 20; however, the common practice is to sign a term contract.

Source: Subnational Business Ready



Internet Utility Service in Bulgaria

Pillar III: Operational Efficiency of Internet Service Provision (2/3)



Time: **3 to 5** days

Time (days) to get an internet connection across Bulgaria



Source: Subnational Business Ready

- The time it takes to obtain an internet connection is similar across the country, ranging from three days in four cities to five days in Burgas and Plevna.
- Private sector respondents reported that the longer time in Burgas and Plevna could be explained by a lower level of competition due to fewer ISPs offering the service.
- Still, in most Bulgarian cities it is faster to get an internet connection than in other benchmarked cities across five other economies within the European Union.

Average time (days) to get an internet connection (country averages)



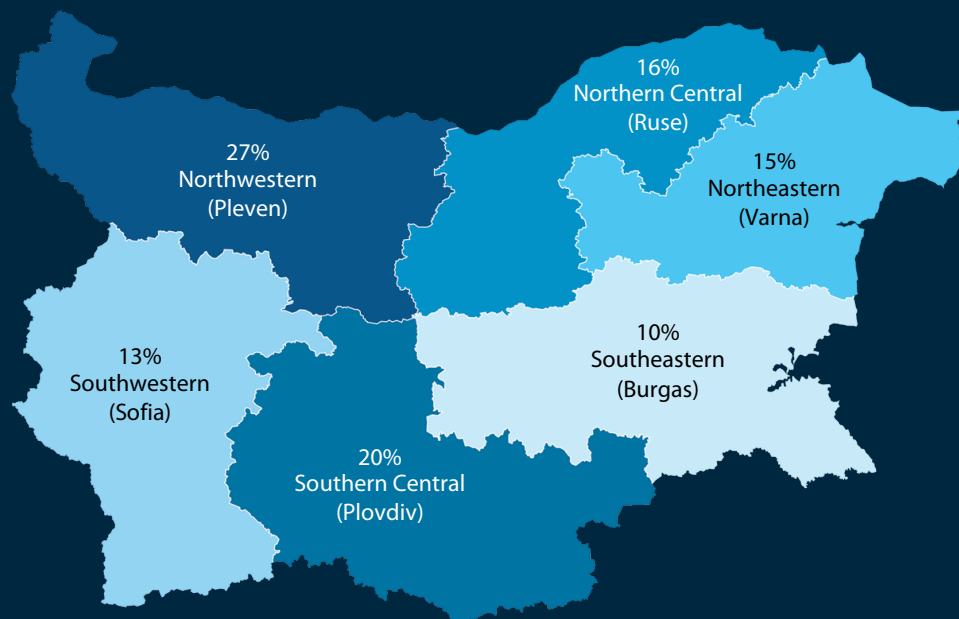
Source: Subnational Business Ready



Internet Utility Service in Bulgaria

Pillar III: Operational Efficiency of Internet Service Provision (3/3)

Percentage of firms experiencing internet disruptions, by region*

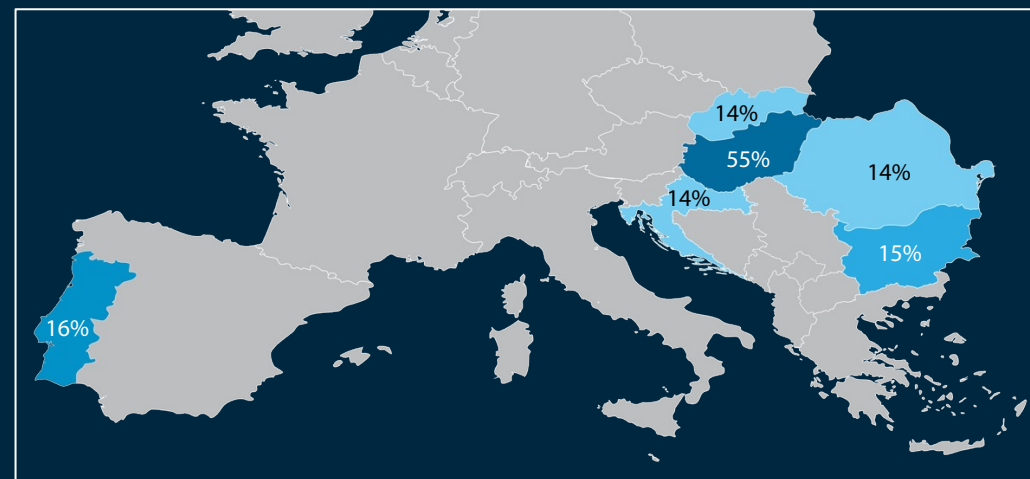


Source: World Bank Enterprise Surveys 2023

*NUTS (Nomenclature of territorial units for statistics), <https://ec.europa.eu/eurostat/web/nuts/overview>

- Overall, 15% of Bulgarian firms reported experiencing internet disruptions, while in the Southeastern region (including Burgas) this figure was only 10%.
- In the Northwestern region (Pleven), 27% of firms reported experiencing internet disruptions.
- Most of the other regions in Bulgaria are in line with reported percentages from the five other economies benchmarked within the EU, with the exemption of Hungary, where 55% of firms reported experiencing internet service disruptions.

Percentage of firms experiencing internet disruptions (country averages)



Source: World Bank Enterprise Surveys 2023

Subnational Business Ready
in the European Union 2024:
BULGARIA



Dispute Resolution





Dispute Resolution in Bulgaria



Pillar I:
Regulatory
Framework

Score (all cities):

74.1/100



Pillar III:
Ease of Resolving
a Commercial
Dispute

Score:

73.5 to **83.1/100**
Pleven Burgas



Pillar II:
Public
Services

Score:

56.3 to **64.6/100**
Burgas Plovdiv, Sofia

Time (days):

Court litigation: **300** (Pleven, Ruse) to **724** (Sofia)

Enforce a judgment: **20** (Pleven) to **37** (Sofia)

Cost

(% of claim value*):

Court litigation: **16.52%** (all cities)

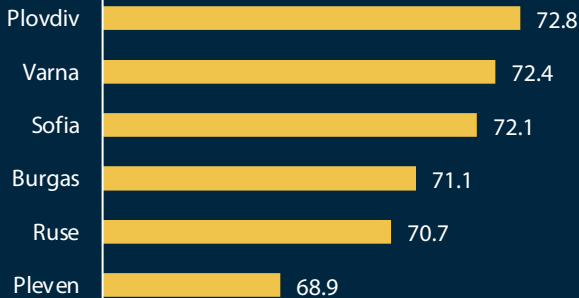
Enforce a judgment: **2.7%** (all cities)

*For a claim value of BGN 370,451, equal to 20 times the 2021 GNI per capita.
Bulgaria's 2021 GNI per capita is BGN 18,523

Main findings

- The regulatory framework for dispute resolution in Bulgaria applies uniformly across the country (Pillar I). Bulgarian cities implement all international good practices for judicial integrity. The country has a well-developed regulatory framework for commercial arbitration, while commercial mediation could benefit from the adoption of further international good practices.
- There are subnational differences in the implementation and availability of public services used for dispute resolution (Pillar II). Plovdiv, Sofia, and Varna have separate commercial divisions within existing district courts. In the remaining cities, judges hear a mix of civil and commercial cases. When requested by a party, virtual hearings are conducted on urgent matters in Pleven, Plovdiv, Ruse, and Sofia.
- Time for court litigation varies across the country: it takes the longest in larger cities, such as Sofia and Plovdiv, mainly due to a higher caseload and complexity of cases at the respective district courts, impacting judges' schedules (Pillar III). District courts in Pleven and Ruse are the fastest among measured locations.
- Costs for court litigation are uniform across the country (Pillar III). Court fees are regulated at the national level. Most attorneys charge fees according to a nationally applicable ordinance.

Overall Dispute Resolution score per city*



Source: Subnational Business Ready *Scale from 0 to 100 (higher = better)



Dispute Resolution in Bulgaria

Why is dispute resolution important?

- Strong judiciaries and effective dispute resolution processes are needed for the development of the private sector.
- When courts complete dispute resolution processes in a timely and cost-effective manner, businesses borrow and invest more.¹⁸
- Reliability of the judiciary is equally important: strong court systems attract more investors and expansion of business.¹⁹

¹⁸ Moro, Maresch, and Ferrando. 2018; Koutroumpis and Ravasan, 2020.

¹⁹ World Bank, 2004; Staats and Biglaiser, 2011; World Bank, 2019.

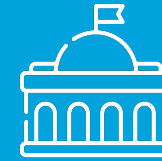
What does the Dispute Resolution topic measure?



Pillar I: Regulatory Framework

Quality of regulations for dispute resolution

- Time standards for major procedural steps in commercial litigation
- Availability of pre-trial conference, default judgment and standards in environmental disputes
- Recusal of judges and code of ethics for judges and enforcement agents
- Access to arbitration, independence and impartiality of arbitrators and mediators



Pillar II: Public Services

Public services for dispute resolution

- Organizational structure of courts and review mechanisms to support judicial integrity
- Digitalization of case management and communication with courts
- Publication of judgments and information on composition and performance of courts
- Public services for arbitration and mediation



Pillar III: Ease of Resolving a Commercial Dispute

Operational efficiency and reliability of court and arbitration processes

- Time and cost for court litigation (first instance, mediation, and appeal procedures)
- Time and cost to enforce a final domestic judgment
- Time and cost for an arbitration procedure
- Time and cost for recognition and enforcement of foreign judgments and foreign arbitral awards

For more information, please refer to the *Business Ready Methodology Handbook*: <https://www.worldbank.org/en/businessready>



Dispute Resolution in Bulgaria

Recent reforms and changes in dispute resolution

- **Amendments to the Code of Civil Procedure** (SG No. 86/2017) introduced the legal framework that allows, *inter alia*, electronic public auctions of immovable and movable property as an alternative to public sale.
- **Amendments to the Judiciary Act** (SG No. 86/2020) introduced the legal framework for the establishment of the Information System for Enforcement Proceedings. The Ministry of Justice maintains the system and requires enforcement agents to share, *inter alia*, data regarding incoming and completed cases.
- **Amendments to the Code of Civil Procedure** (SG No. 98/2020) allows the use of video conferences in exceptional cases, while further amendments (SG No. 110/2020), effective since June 30, 2021, introduced the new **Chapter 11a** regulating electronic services such as electronic payment of fees and electronic issuing of court decisions.
- **Ordinance N-1** of January 17, 2022 (SG No. 7/2022) made the Information System for Enforcement Proceedings publicly available by providing centralized electronic access to enforcement data.
- **Ordinance N-3** of April 6, 2023, on the Maintenance, Storage and Access to the Information System for a Single Point of Entry for Seizures (www.zapori.mjs.bg), created a platform and procedure for online public auctions. The Ordinance came into force on July 20, 2023.

Upcoming reforms

- **Amendments to the Code of Civil Procedure** (SG No. 11/2023) provide for the issuance of enforcement orders and writ of execution in an electronic form. Amendments were set to come into force on July 1, 2024, but effective date was postponed to July 1, 2025 (SG 67/09.08.2024).



Dispute Resolution in Bulgaria

Relevant legislation and main stakeholders



Relevant laws and regulations in Bulgaria

- **Code of Civil Procedure:** regulates rules of civil procedure in Bulgaria.
- **International Commercial Arbitration Act:** regulates international and domestic arbitration procedures with a seat of arbitration in Bulgaria.
- **Private Enforcement Agents Act:** stipulates rules of conduct of private enforcement agents.
- **Judiciary Act:** regulates the organization and principles of activities for judicial system bodies and personnel.
- **Mediation Act:** regulates mediation procedures in Bulgaria as an alternative way to resolve legal disputes.
- **Environmental Protection Law:** regulates the protection of the environment and rights and obligations of the state, municipalities, legal entities, and individuals in environmental protection.



Public institutions and services for dispute resolution

- **District courts** are authorized to hear commercial cases related to all claim values above BGN 25,000 in all cities but Sofia, where the competent court is named the Sofia City Court.
- There are **specialized commercial divisions** in district courts in Sofia, Plovdiv, and Varna.
- The **arbitration institution** is the Arbitration Court at the Bulgarian Chamber of Commerce and Industry in Sofia.
- **Judicial enforcement agents** (bailiffs) constitute both state enforcement agents operating under the Judiciary Act and private enforcement agents operating under the Private Enforcement Agents Act.
- Mediation is handled by **court-based mediators and private mediators**.
- The **unified portal for electronic justice** (ecase.justice.bg) is an electronic database of court cases available to all courts. The portal allows access to basic information on all court cases.



Dispute Resolution in Bulgaria



Pillar I: Quality of Regulations for Dispute Resolution (1/2)

Bulgaria score
(all cities): **74.1** out of
100 points

Court litigation



Procedural certainty

- ✓ Time standard for filing a statement of defense
- ✓ Time standard for a judge to issue a judgment
- ✓ Time standard for issuing an expert opinion
- ✓ Time limit on suggesting new evidence
- ✗ No time standard for serving a complaint on defendant
- ✗ Maximum number of adjournments is not regulated



Judicial integrity

- ✓ Judges required to recuse themselves in case of conflict of interest
- ✓ Parties allowed to challenge judges' impartiality or independence
- ✓ Judges required to disclose assets publicly
- ✓ Code of ethics for judges and enforcement agents
- ✓ No restrictions for women to become judges
- ✓ Women have same rights as men in commercial litigation

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices



Dispute Resolution in Bulgaria



Pillar I: Quality of Regulations for Dispute Resolution (2/2)

Bulgaria score
(all cities): **74.1** out of 100 points

Alternative dispute resolution

13.9/16.7

Legal safeguards in arbitration

- ✓ Arbitrability of intellectual property disputes
- ✓ Arbitration of commercial disputes with state-owned enterprises and public bodies without fulfilling additional conditions
- ✓ Selection of legal counsel regardless of professional qualification, nationality, or admission to courts or professional organization
- ✓ Selection of arbitrators regardless of professional qualification, gender, and nationality
- ✓ Parties have the right to question arbitrators' independence and impartiality
- ✗ No third-party funding in investor-state arbitration
- ✗ No arbitrability of immovable property disputes

6.3/16.7

Legal safeguards in mediation

- ✓ Commercial mediation is not mandatory
- ✓ Mediators have the duty to disclose conflicts of interest
- ✗ No legal provision that mediators cannot serve as an arbitrator in the same or similar contract or legal relationship
- ✗ No legal provision that evidence disclosed in mediation cannot be used in other legal proceedings
- ✗ No special enforcement regime for mediation settlement agreements
- ✗ No specific rules on recognition and enforcement of international mediation settlement agreements that do not have a court approval

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices



Dispute Resolution in Bulgaria



Pillar II: Public Services for Dispute Resolution (1/3)

Bulgaria score: **56.3** to **64.6** out of 100 points
Burgas Plovdiv, Sofia



- Plovdiv
- Sofia
- Varna



- Burgas
- Pleven
- Ruse

Organizational structure of courts

All cities:

- ✓ Automated assignment of cases
- ✓ Review mechanisms for complaints against the misconduct of judges and enforcement agents
- ✓ Review mechanism for complaints against decision on appointment and promotion of judges
- ✗ No existence of a small claims court or fast-track procedures

Plovdiv, Sofia, and Varna:

- ✓ Existence of a specialized division of a court dedicated solely to hearing commercial cases at the first instance level

Burgas, Pleven, and Ruse:

- ✗ No existence of a specialized division of a court dedicated solely to hearing commercial cases at the first instance level

Court specialization

- Judges in district courts in Varna and Plovdiv, as well as the Sofia City Court, have separate commercial divisions. Judges in these cities hear only commercial cases and do not adjudicate any other type of court cases.
- The district court in Ruse established a separate commercial division. However, according to the public sector contributors interviewed for this study, four judges in the commercial division in Ruse hear both commercial and civil cases.
- District courts in Burgas and Pleven do not have specialized divisions dedicated to hearing commercial cases. In these courts, judges hear a mix of civil and commercial cases.
- Courts in Plovdiv and Sofia have high caseloads per judge. For instance, 38% of all district courts cases in Bulgaria in 2022 were initiated at the Sofia City Court.²⁰

²⁰ Bulgaria, Supreme Judicial Council of Bulgaria, 2023.

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices



Dispute Resolution in Bulgaria



Pillar II: Public Services for Dispute Resolution (2/3)

Bulgaria score: **56.3** to **64.6** out of 100 points
Burgas Plovdiv, Sofia



- Plevn
- Plovdiv
- Ruse
- Sofia



- Burgas
- Varna

Digitalization of court processes

All cities:

- ✓ Electronic filing of the initial complaint
- ✓ Electronic service of the initial complaint
- ✓ Electronic communication with courts and enforcement agents
- ✓ Exchange of documents through an electronic platform
- ✓ Digital evidence is admissible by courts in practice
- ✓ E-payment of court fees, e-tracking of cases, online access to court schedules
- ✗ Courts do not issue judgments in electronic format
- ✗ No online auctions held in practice

Plevn, Plovdiv, Ruse, Sofia:

- ✓ Virtual hearings are conducted only on urgent matters when requested by a party

Burgas and Varna:

- ✗ No virtual hearings are conducted

Virtual hearings

- Virtual hearings are allowed by the current applicable regulatory framework. All measured cities in Bulgaria have access to IT infrastructure to conduct virtual hearings with available digital tools.
- Unlike in Sofia, Plovdiv, Ruse, and Plevn, courts in Burgas and Varna are yet to conduct virtual hearings.

Steps to improve digital public services for dispute resolution

- Bulgarian cities could further strengthen digitalization by expanding the usage of their platform for online auctions and issue court decisions in electronic format.
- There is already progress in both areas:
 - As of April 6, 2023, it is possible to conduct online auctions through the Information System for a Single Point of Entry for Seizures (www.zapori.mjs.bg). The platform is still not widely used in Bulgaria.
 - The regulatory framework allows issuing electronic court judgments. However, implementation lags behind. Judges continue to sign judgments by hand, and there is limited practice of using electronic format for judgments.

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices



Dispute Resolution in Bulgaria



Pillar II: Public services for Dispute Resolution (3/3)

Bulgaria score: **56.3** to **64.6** out of 100 points
Burgas Plovdiv, Sofia

13.8/22.2

Transparency of courts (includes gender)

- ✓ Public access to all legal instruments
- ✓ Public access to in-person court hearings
- ✓ Publication of judgments at first, appellate, and supreme levels
- ✓ Publication of statistics on the number of judges disaggregated by court
- ✗ No publicly available statistics on disposition rate, clearance rate, number of judges disaggregated by sex
- ✗ No publicly available statistics on efficiency of enforcement proceedings
- ✗ No publication of information on appointment and promotion of judges

Publication of judgments

- Bulgaria publishes all judgments at first, appellate, and supreme levels at the portal of Supreme Judicial Council (<https://legalacts.justice.bg/>).
- The portal contains a searchable database that allows the public to use it free of charge.
- Judgments are also available at the website of each court in Bulgaria.

9.7/16.7

Public services for arbitration (includes gender)

- ✓ Availability of commercial arbitration
- ✓ Published roster of all arbitrators
- ✓ Virtual conferences in arbitration
- ✗ No online platform for arbitration
- ✗ No electronic signing of arbitral awards
- ✗ No publicly available statistics on cases in arbitration

7.8/16.7

Public services for mediation (includes gender)

- ✓ Availability of commercial mediation services
- ✓ Existence of financial incentives to use mediation
- ✓ Availability of virtual conferences in mediation
- ✗ No publicly available statistics on mediation cases
- ✗ No electronic filing of requests to mediate
- ✗ No publicly available roster of all mediators
- ✗ No electronic signing of a mediation agreement

- ✓ Aspects regulated in line with internationally recognized good practices
- ✗ Aspects not regulated in line with internationally recognized good practices



Dispute Resolution in Bulgaria

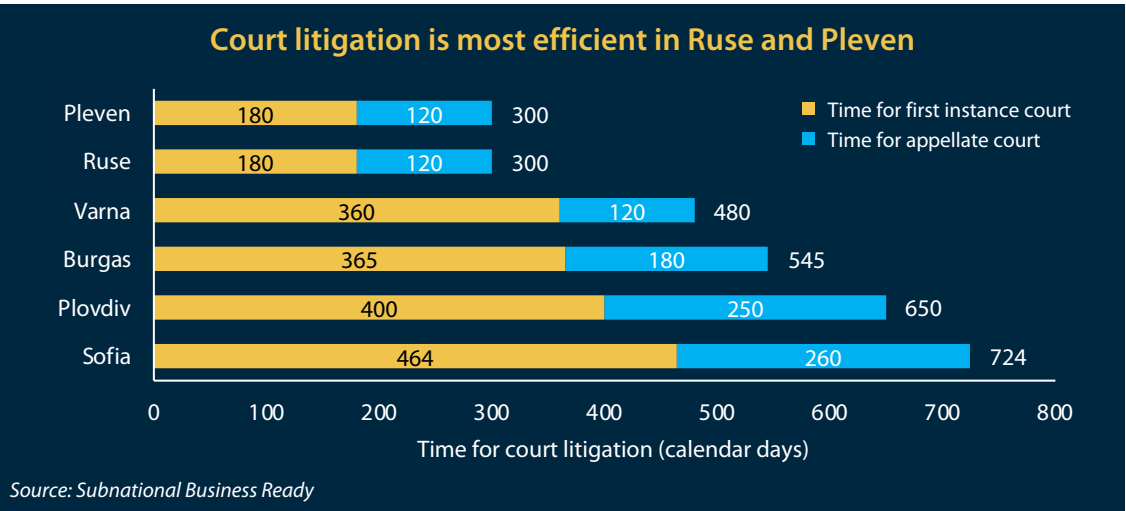


Pillar III: Operational Efficiency and Reliability of Court and Arbitration Processes (1/3)

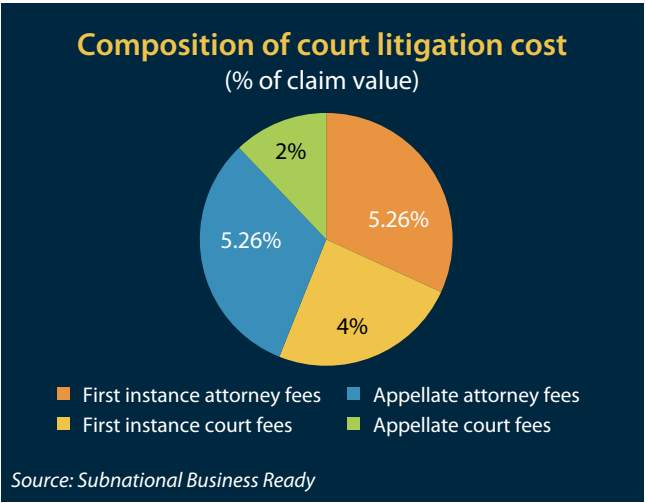
Bulgaria score: **73.5** to **83.1** out of 100 points
Pleven Bargas

Time (days) for court litigation: **300** to **724**
Cost of court litigation (% of claim value): **16.52%**

- Overall, court litigation takes the longest in larger cities, such as Sofia and Plovdiv. Courts in Pleven and Ruse are the most efficient.
- The variation is significantly driven by the caseload in each court. This impacts judges' schedules and causes longer waiting times, particularly in larger cities that have higher caseloads. In the Sofia City Court, judges hear, on average, 18 cases a month. This is followed by judges in the Plovdiv district court with about 11 cases a month. District courts in Pleven and Ruse have lower caseloads with an average of nine and 8.5 cases per judge, respectively.²¹ A similar association between caseload and time can be made regarding the operation of appellate courts.
- Litigating cases at the first instance procedure before district courts constitutes the larger portion of the total time to litigate across the six Bulgarian cities. Sofia, with 464 days, takes the longest time to complete a first instance procedure, followed by 400 days in Plovdiv. The fastest cities in Bulgaria are Ruse and Pleven with 180 days each. Filing and serving the initial complaint takes 50 days in Sofia and 60 days in Plovdiv. The same step takes 30 days in Pleven and only 23 days in Ruse. In Sofia, once the judges have reviewed case documentation and parties' arguments, it takes them 75 days to schedule the first hearing. This step requires only 30 days in Ruse.



- Court fees are nationally regulated: they amount to 4% of the claim value for first instance procedures and 2% of the claim value for appellate court procedures.
- Attorney fees are regulated by Ordinance No. 1/2004 of the Supreme Bar Council. Most attorneys surveyed for this study confirmed that they follow the Ordinance and apply the same estimated fees of 5.26% of the claim value (BGN 19,498) for each court (first instance and appellate). According to the surveyed attorneys, higher fees that are subject to negotiation, are typically charged for out-of-court legal actions.



²¹ Bulgaria, Supreme Judicial Council of Bulgaria, 2023.



Dispute Resolution in Bulgaria

Pillar III: Operational Efficiency and Reliability of Court and Arbitration Processes (2/3)

How does the enforcement of a final domestic judgment work in practice

A request for enforcement is filed by the creditor with the enforcement agent along with payment of an advance fee (BGN 80).

The enforcement agent sends a letter to the debtor to voluntarily pay outstanding debts within two weeks.

In practice, the enforcement agent seizes bank account funds before serving the letter for voluntary payment.

Once the bank accounts of the debtor are seized and the voluntary payment period expires, funds are transferred to the accounts of the enforcement agent.

Within seven days, the enforcement agent transfers funds to the creditor.

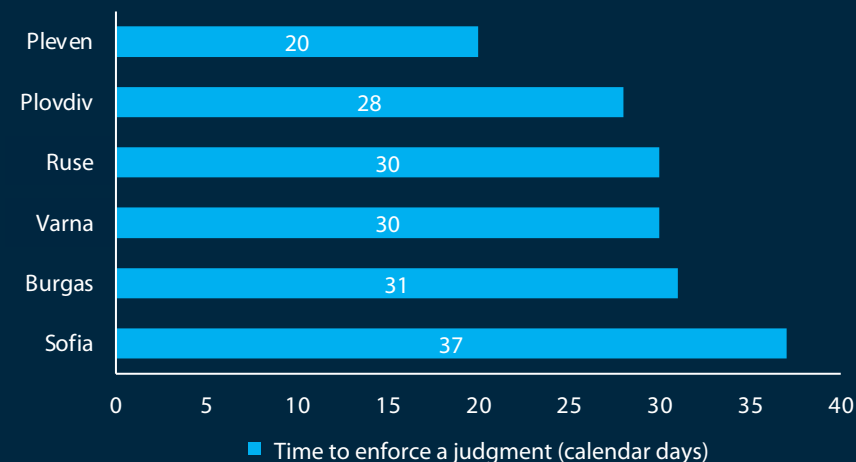
Source: Subnational Business Ready

Time (days) to enforce a judgment: **20 to 37**

Cost to enforce a judgment (% of claim value): **2.7%**

- There are two options for the enforcement of a final domestic judgment in Bulgaria: 1) through state enforcement agents or 2) through private enforcement agents operating under the Private Enforcement Agents Act. In practice, most entrepreneurs use private enforcement agents due to their efficiency and cost effectiveness, especially for creditors that have many cases.
- A major challenge across cities measured in Bulgaria is the practice of some commercial banks to not receive and accept the message on seizure of the debtor's funds electronically. Electronic forms can be filed either through the Secure Electronic Delivery System platform or enforcement agents can send messages via emails designated in the agreement between them and the banks. Most commercial banks refuse both electronic forms. Thus, enforcement agents have to send messages and other communication on seizure of debtors' funds in paper form, which overall prolongs the enforcement process.
- Enforcement costs are uniform across the country: attorneys charge 2.7% of the claim value, in line with the Ordinance of the Supreme Bar Council. According to regulations, creditors have to pay an advance fee of BGN 80 to file the enforcement request and initiate the enforcement process. However, this fee is reimbursed once the assets are seized from the debtor.

Time to enforce a judgment



Source: Subnational Business Ready



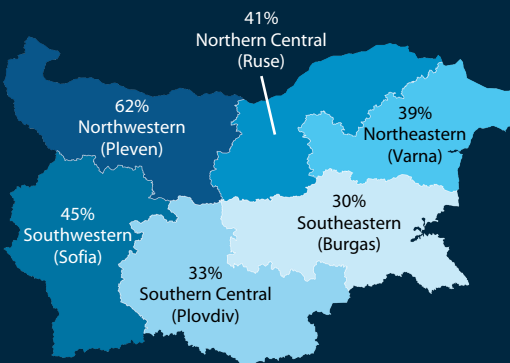
Dispute Resolution in Bulgaria

Pillar III: Operational Efficiency and Reliability of Court and Arbitration Processes (3/3)

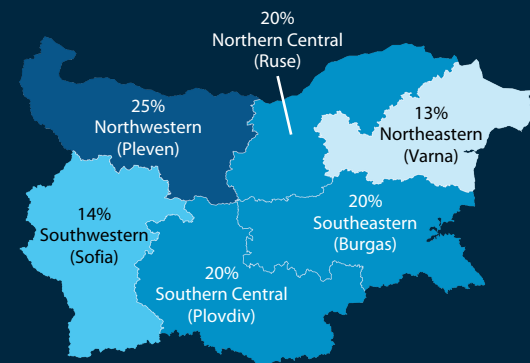
Reliability of courts and alternative dispute resolution (ADR)

- Among regions surveyed in Bulgaria, the Northwestern region (including Pleven) has the greatest share of firms that do not find courts to be independent and impartial and the largest share of firms that do not find ADR mechanisms reliable.
- Countrywide, 41% of Bulgarian firms do not find the courts to be independent and impartial.
- On average, only 14% of Bulgarian firms find courts to be a constraint to business operations.

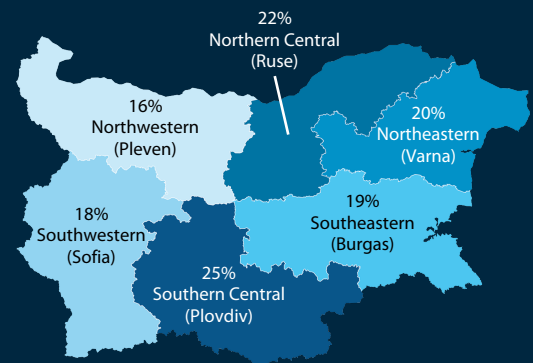
Percentage of firms that do not find the courts to be independent and impartial



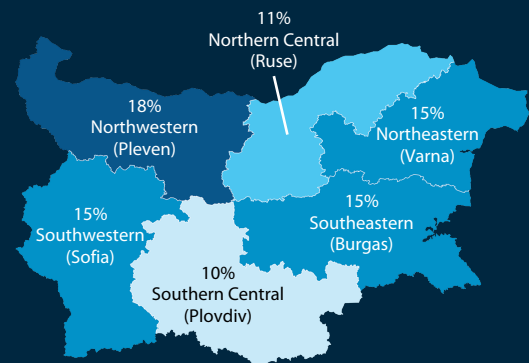
Percentage of firms that do not find arbitration to be a reliable alternative to courts



Percentage of firms that do not find mediation to be a reliable alternative to courts



Percentage of firms that find the courts to be a constraint to business operations



Source: World Bank Enterprise Surveys 2023

*NUTS (Nomenclature of territorial units for statistics), <https://ec.europa.eu/eurostat/web/nuts/overview>



Dispute Resolution in Bulgaria

Areas of improvement for Dispute Resolution (1/2)



Establish small claims courts or fast-track procedures for small claims

Commercial disputes can be time and cost consuming for small businesses. To avoid overburdening owners of small and medium-sized enterprises (SMEs), who often have disputes with relatively low value, countries establish small claim courts or fast-track procedures for small claims. Neither exists in Bulgaria. Although there are certain rules for small claims procedures in Bulgaria, in line with EU regulations, they relate to non-litigious cases or cross-border litigations.

Small claims courts or procedures use simpler rules and shorter time limits, which lower the costs of commercial disputes for small claims. Croatia introduced small claim procedures for all claims up to EUR 6,630 and stipulated simplified rules that aim to complete litigation processes more effectively (for example, no separate hearing for issuing a judgment; initial claims must have all facts and evidence stated therein).

Relevant stakeholders: Ministry of Justice; Supreme Judicial Council



Introduce pre-trial hearings as a case management technique

In commercial litigation, Bulgarian judges hold closed pre-trial sessions (preparatory meeting) without the participation of the parties. In these sessions, judges issue a ruling on preliminary questions based on written exchanges that parties made before.

The practice of using pretrial conferences as a case management technique can lead to more efficient trials. Their purpose is to narrow down and clarify issues between the parties before the main trial starts. Judges across Bulgaria working in criminal procedures, actively use pre-trial conferences including the participation of the parties as a case management technique.

Expanding the practice of this case management technique to commercial litigation across Bulgarian cities could increase the efficiency of resolving commercial cases. Hungary introduced pre-trial conference after reforms in 2018, which contributed to the prevention of delay tactics and increased the efficiency of commercial litigation across the country.

Relevant stakeholders: Ministry of Justice; Supreme Judicial Council



Dispute Resolution in Bulgaria

Areas of improvement for Dispute Resolution (2/2)



Regulate the maximum number of adjournments

Another case management technique that could be adopted in Bulgaria is setting clear rules on the maximum number of adjournments that can be granted in a commercial case. Without strict rules on the use of adjournments, commercial disputes could slip out of reasonable timelines.

Some rules on adjournments in Bulgarian commercial litigation already exist, limiting the cases when adjournments can be used but not the quantity. Namely, the Code of Civil Procedure limits the use of adjournments only to exceptional or unanticipated circumstances.

Greece introduced strict rules on the maximum number of adjournments. Greek judges can grant a maximum of one adjournment before the case is tried. Introducing and strictly implementing such rules could improve the effectiveness of commercial litigation in Bulgaria, benefiting private sector entrepreneurs.

Relevant stakeholders: Ministry of Justice; Supreme Judicial Council

Subnational Business Ready
in the European Union 2024:

BULGARIA



Business Insolvency





Business Insolvency in Bulgaria



Pillar I:
Regulatory
Framework

Score (all cities):
66.3/100



Pillar III:
Operational
Efficiency

Score:
73.5 to **94.5/100**
Varna Plovdiv



Pillar II:
Public
Services

Score (all cities):
68.3/100

Time (months):

Liquidation: **24** (Plovdiv, Ruse) to **42** (Varna)

Reorganization: **6** (Plovdiv) to **12** (4 cities)

Cost (% of market value
of the insolvent company*):

Liquidation: **4%** (3 cities) to **6.5%** (Ruse)

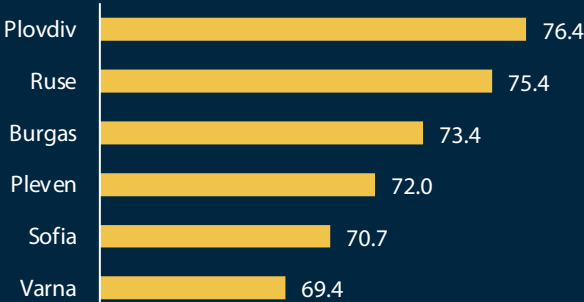
Reorganization: **3%** (3 cities) to **5%** (Ruse, Sofia)

*For an insolvent's company market value of BGN 2,778,384, equal to 150 times the 2021 GNI per capita. Bulgaria's 2021 GNI per capita is BGN 18,523

Main findings

- The insolvency proceedings in Bulgaria are regulated by the Bulgarian Commerce Act (Part IV) and apply uniformly across the country (Pillar I). The Bulgarian legal framework recognizes two types of business insolvency proceedings: (i) pre-insolvency proceedings (stabilization): started in cases of debtor's likely inability to pay debts—with attempts to reorganize the enterprise; and (ii) insolvency proceedings (rehabilitation and liquidation): started when the debtor is unable to meet payable monetary obligations related to a commercial transaction—with attempts to rehabilitate the viability of the debtor on the market or, if unsuccessful, liquidate the company. Stabilization is reportedly more often attempted than rehabilitation, although neither of them is common (less than 10 attempts in the last two years).
- Digital public services' supply is homogeneous among Bulgarian cities (Pillar II). The insolvency judicial system underwent a digitalization process through a platform called ECASE Justice, with the objective of eliminating hard copies for all documents submitted to courts. This platform facilitates electronic filing and visibility of procedures for debtors, creditors, insolvency administrators, and judges. The platform, initially piloted in 19 courts starting from 2020, has been implemented in all Bulgarian courts.
- Larger cities with a higher volume of cases in commercial courts have longer timelines for both liquidation and reorganization proceedings compared with smaller cities. Varna has the longest time, due to lack of judges and/or available courtrooms. Sofia Court is by far the busiest, but it is not the slowest, with 1,080 days for liquidation and 300 days for reorganization.
- Challenges with reorganization in Bulgaria include asset-stripping practices, lack of effective early warning tools for timely detection of financial distress, and the general undercapitalization of companies, collectively impeding successful restructuring efforts.
- Big banks and the National Revenue Agency (NRA) are reportedly the most active creditors, typically favoring liquidation over reorganization, due to their primary interest in debt recovery. Their priorities may not align with maintaining business continuity.

Overall Business Insolvency score per city*



Source: Subnational Business Ready *Scale from 0 to 100 (higher = better)



Business Insolvency in Bulgaria

Why is business insolvency important?

- An efficient insolvency system promotes new firm creation and encourages greater entrepreneurial activity.²²
- It permits an effective exit of non-viable companies, so that entrepreneurs can reinvent themselves, by stimulating the reallocation of productivity-enhancing capital and promoting business creation and access to finance.
- It ensures the survival of economically viable businesses by reorganizing their financial structure, with the aim of encouraging more dynamic entrepreneurial activity and job creation.
- The stability of the financial system also depends on an efficient insolvency framework. Investors are willing to commit only when nonviable firms can be rapidly liquidated and viable firms reorganized.²³

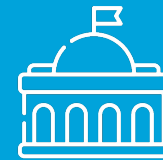
What does the Business Insolvency topic measure?



Pillar I: Regulatory Framework

Quality of regulations for judicial insolvency proceedings

- Legal and procedural standards
- Assets and stakeholders
- Specialized proceedings



Pillar II: Public Services

Quality of institutional and operational infrastructure for judicial insolvency proceedings

- Digitalization and online services
- Public officials and insolvency administrators



Pillar III: Operational Efficiency

Operational efficiency of resolving judicial insolvency proceedings

- Time and cost to resolve a liquidation proceeding
- Time and cost to resolve a reorganization proceeding

For more information, please refer to the *Business Ready Methodology Handbook*: <https://www.worldbank.org/en/businessready>

²² Cirmizi, Klapper, and Uttamchandani, 2012.

²³ Menezes, 2014.



Business Insolvency in Bulgaria



Bulgaria had successfully weathered the Global Financial Crisis, Euro-area crisis, and spillovers from the Greek sovereign crisis, but the country's corporate sector remains leveraged with the highest nonfinancial corporate debt-to-GDP ratio among Central and Eastern Europe and Balkan countries. The outbreak of the COVID-19 pandemic, Russia's invasion of Ukraine, the continuing inflationary conditions, and geopolitical uncertainties have renewed concerns over corporate debt and corporate sector distress, especially among smaller businesses.

Policymakers in Bulgaria are faced with the intricate challenge of managing corporate financial distress, necessitating a combination of legal reforms, business support, and financing tools. Successful business rehabilitations are rare in Bulgaria, with most insolvency cases terminating with liquidation processes. This outcome has resulted in notably low recovery rates for creditors. Passage of the Amendments of Commerce Act in August 2023, in line with the EU Directive (Directive 2019/1023), was an important step.

Compared to larger enterprises, distressed MSMEs face substantially bigger challenges in maximizing their chance of survival. While at prevention and second-chance stages, Bulgarian MSMEs need to strengthen managerial skills and financial knowledge. At pre-insolvency and insolvency stages, MSMEs can benefit from counselling services regarding the complex procedures and support in the preparation of a good restructuring plan. Public support can have high impact by building up the resilience of firms that show early signs of distress, enabling them to weather future shocks, preserve employment, and create value for money.

Source: World Bank, 2024. Country Report: Bulgaria, A Study of Financial and Business Support Instruments Available to Businesses During Financial Distress, Insolvency, and Re-start Stages. World Bank Group, Washington, DC. May 2024.



Relevant laws and regulations in Bulgaria

- **Bulgarian Commercial Law** (SG No. 48 of June 18, 1991, amended and supplemented by SG No. 35 of April 19, 2024), Parts IV and V: regulates pre-insolvency and insolvency proceedings.
- **Act for Amendment and Supplement of the Commerce Act** (the "New Law") of 01.08.2023 (SG No. 66 of August 1, 2024): reformed insolvency proceedings in line with EU Directive 2019/1023.
- **Ordinance No. 3 of 27.05.2005** (SG No. of August 5, 2005) on the procedure for the selection, qualification and supervision of insolvency practitioners.
- **Ordinance on Insolvency Forms of 2023** (SG No. 100 of December 1, 2023) regulating insolvency samples and requests.
- **Resolution No. 269 of 7.12.2023** (SG No. 103 of December 12, 2023) on the adoption of the Regulation on early warning instruments and access to information for undertakings in the event of insolvency.
- **Tariff No. 1 to the Law on State Fees**: regulates fees collected by the courts, the public prosecutor's office and the Investigation Services, and the Ministry of Justice (SG No. 71 of September 1, 1992, supplemented by SG No. 25 of 22 March 2024).
- **Ordinance No. 1 of 09.07.2004**: regulates the minimum amounts of lawyer fees (Ann. - SG No. 64 of July 23, 2004).



Business Insolvency in Bulgaria



Pillar I: Quality of Regulations for Judicial Insolvency Proceedings

Bulgaria score
(all cities): **66.3** out of 100 points

Information and procedural standards in insolvency proceedings

19.5/30

Legal and procedural standards

- ✓ Obligations of the company's management during pre-insolvency are based on duty of care and duty of loyalty, under the risk of becoming personally liable for damage and losses
- ✓ Commencement of formal proceedings by both debtors and creditors is possible
- ✓ Conversion from reorganization to liquidation is allowed by law
- ✓ Requirements to become an insolvency administrator are outlined by law
- ✓ Mechanisms for selection and dismissal of insolvency administrators are legally established
- ✗ There is no electronic voting of reorganization plans
- ✗ There are no effective out of court restructuring mechanisms

36.8/50

Debtor's assets and creditor's participation

- ✓ Automatic stay of proceedings, which refrains enforcement of credit payment, is applicable
- ✓ Continuation of existing essential contracts is possible in the best interest of business viability
- ✓ Rejection of burdensome contracts is possible in the best interest of business viability
- ✓ Post-commencement credit is available for the reorganization plan, which must specify its terms and purpose
- ✗ There is no implementation of exceptions or relief for the automatic stay of proceedings

10/20

Specialized insolvency proceedings and international insolvency

- ✓ Existence of framework and recognition of foreign insolvency proceedings
- ✓ Existence of a legal framework for cooperation with foreign courts
- ✗ No specialized insolvency proceedings for micro, small, and medium enterprises (MSMEs)

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices



Business Insolvency in Bulgaria



Pillar II: Quality of Institutional and Operational Infrastructure for Insolvency Proceedings (1/3)

Bulgaria score (all cities): **68.3** out of 100 points

25/40

Digital services (e-Courts) in insolvency proceedings

Electronic services for:

- ✓ Payment of court fees
- ✓ Sending and receiving notifications (e.g., when documents are uploaded, decisions are to be communicated, etc.)
- ✓ Managing and filing procedural case documents
- ✓ Viewing and accessing court orders and decisions
- ✓ Monitoring the status of insolvency proceedings
- ✗ Claims and documents can be filed electronically but submission of hard copies is required
- ✗ Virtual hearings are available but not used in practice
- ✗ No virtual auctions

- Digital public services' supply is homogeneous among Bulgarian cities.
- In Sofia and Plovdiv, despite practitioners having appropriate technical skills, experts reported preference for paper-based methods over e-government services due to organizational challenges in the actual deployment of the technological infrastructure, hindering the adoption of digital tools on a daily basis.
- Conversely, in Burgas, Varna, Ruse, and Pleven, respondents reported that new technologies had been adopted smoothly, including appropriate training for court staff and legal practitioners in the transition phase towards the full adoption of the new platform.

The *ECASE Justice* platform

- The insolvency judicial system underwent digitalization through a platform called *ECASE Justice*, with the objective of eliminating hard copies for all documents submitted to the courts. This platform facilitates electronic filing and visibility of procedures for debtors, creditors, insolvency administrators, and judges.
- Judges and insolvency administrators are receiving training on how to use the new *ECASE Justice* system which enables them to consult, prepare, and annotate case files, including researching content within documents.

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices



Business Insolvency in Bulgaria



Pillar II: Quality of Institutional and Operational Infrastructure for Insolvency Proceedings (2/3)

Bulgaria score
(all cities): **68.3** out of 100 points



Interoperability of services in insolvency proceedings, public information on insolvency proceedings and registry of insolvency practitioners

- ✓ Interoperability with external systems (e.g., trade registry)
- ✓ Interconnection between case management and e-filing systems
- ✓ Publication of judgments in insolvency procedures is publicly available at all levels (first instance, appeal, and cassation)
- ✓ The register of insolvency practitioners is publicly available
- ✗ Statistics on the number of insolvency procedures are publicly available but not disaggregated by type
- ✗ Data on average length of insolvency procedures are not published

Interconnection within courts and other authorities; improvements across the Bulgarian insolvency system

- **The new electronic system (United Information System of the Courts) brought all Bulgarian courts together onto one electronic platform.** The project, tested since July 1, 2020, was not performing well initially, according to experts. Nowadays, despite reports of difficulties in larger courts like Sofia, it has been fully implemented in all courts throughout all instance levels, including cassation.
- Through this portal, **courts are enabled to receive and send documents online from/to parties.** The system is being increasingly used by lawyers, although its use is compulsory only for banks and insurance companies. **It is still compulsory to keep a paper file;** the legislation authorizing the full transition to digital has not yet been approved. Offline submission of documents by parties hampers efficiency, as court clerks must scan the entire file and upload it again on the platform. Reported low broadband and the heaviness of scanned PDF files, preventing smooth transmission of documents on the platform, is perceived as a bottleneck by both private and public respondents.
- **The system also allows real-time progress updates of local court cases,** when pending before other instances (appeal or cassation). However, the tool permitting consultation of cases in other local courts has not yet been enabled.
- **A digital signature is also available at courts,** enabling signature by an electronic qualified system and document transmission through the “system for secured exchange of documents.”
- Finally, **the exchange of documents regarding insolvency proceedings is interconnected with other authorities, most importantly with the Trade Registry,** as it is the authority in charge of publicizing information about insolvent companies.

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects regulated not in line with internationally recognized good practices



Business Insolvency in Bulgaria



Pillar II: Quality of Institutional and Operational Infrastructure for Insolvency Proceedings (3/3)

Bulgaria score (all cities): **68.3** out of 100 points

0/10

Specialization of courts with jurisdiction on reorganization and liquidation proceedings

- ✗ No courts or judges exclusively dedicated to insolvency
 - Courts in Sofia, Plovdiv, and Varna have specialized commercial divisions that manage insolvency cases among others, but not exclusively. The presence of commercial courts that address both commercial and insolvency cases is seen as beneficial by private sector experts. They have concerns about specialized courts handling only insolvency cases due to the potential over-segmentation of the judiciary.
 - In the other three cities, insolvency cases are handled by the civil divisions of the courts, which may affect efficiency due to judges overseeing a broader range of legal issues.
 - Private sector contributors underscore the need for specialized training for judges to bridge expertise gaps and improve the handling of insolvency cases nationwide.

10/10

Insolvency administrators' expertise in practice

The Statute of the Insolvency Administrator (Bulgarian Commercial Law (SG No. 48 of June 18, 1991, Amended and supplemented by SG No. 35 of April 19, 2024.) outlines the profession's requirements, which include:

- ✓ Must not have a criminal record, unless rehabilitated
- ✓ Must not be an unrehabilitated bankrupt
- ✓ Must have at least five years of relevant professional experience after completing higher education in law or economics
- ✓ Must pass a qualification examination and be included in the approved list by the Minister of Justice
- ✓ Must not have been relieved of trustee duties unless specific conditions are met
- ✓ Must not have been temporarily removed from the approved list
- ✓ For specific insolvency proceedings, must not have close relationships with the debtor or creditor, nor have represented them in the last three years.
- ✓ Insolvency administrators are eligible to work on cases throughout the country

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices



Business Insolvency in Bulgaria

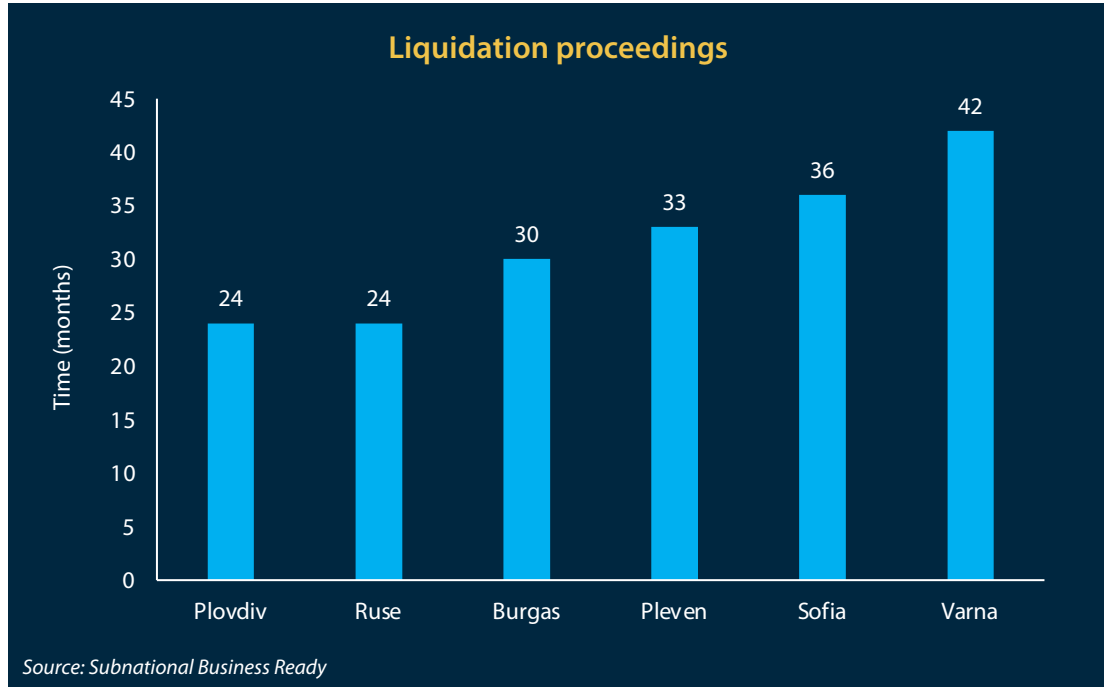


Pillar III: Operational Efficiency of Resolving Judicial Insolvency Proceedings (1/3)

Bulgaria score: **73.5** to **94.5** out of 100 points
Varna Plovdiv

Time for liquidation proceedings in Bulgaria

- Liquidation times range from 24 months in Plovdiv and Ruse to 42 months in Varna.
- Varna's prominent real estate and tourism sectors were more heavily affected by the COVID-19 crisis, creating a relatively high volume of cases and resource constraints. Varna is one of the cities with the highest number of insolvency cases and fewer staff, compared to other local courts. Private sector experts from the city reported lack of sufficient courtrooms (only four for the entire commercial section) and judges (six judges out of 21 are currently seconded in other courts). These factors have consequently affected the efficiency of liquidation proceedings, making them the longest in the country.
- The Sofia court handles the most insolvency cases, with delays often due to complex case backlogs and administrative hurdles.
- Courts in Plovdiv and Ruse display better efficiency in case management, reflected in relatively shorter durations of liquidation proceedings. The courts are more sufficiently staffed with judges compared to other cities.
- Across cities, challenges include difficulties in asset seizure, claim ranking disputes, and administrative burdens. Insolvency administrators point to high case volumes, lack of transparency regarding creditors and their lists of claims, and lack of technical experts determining asset values as sources of delay.



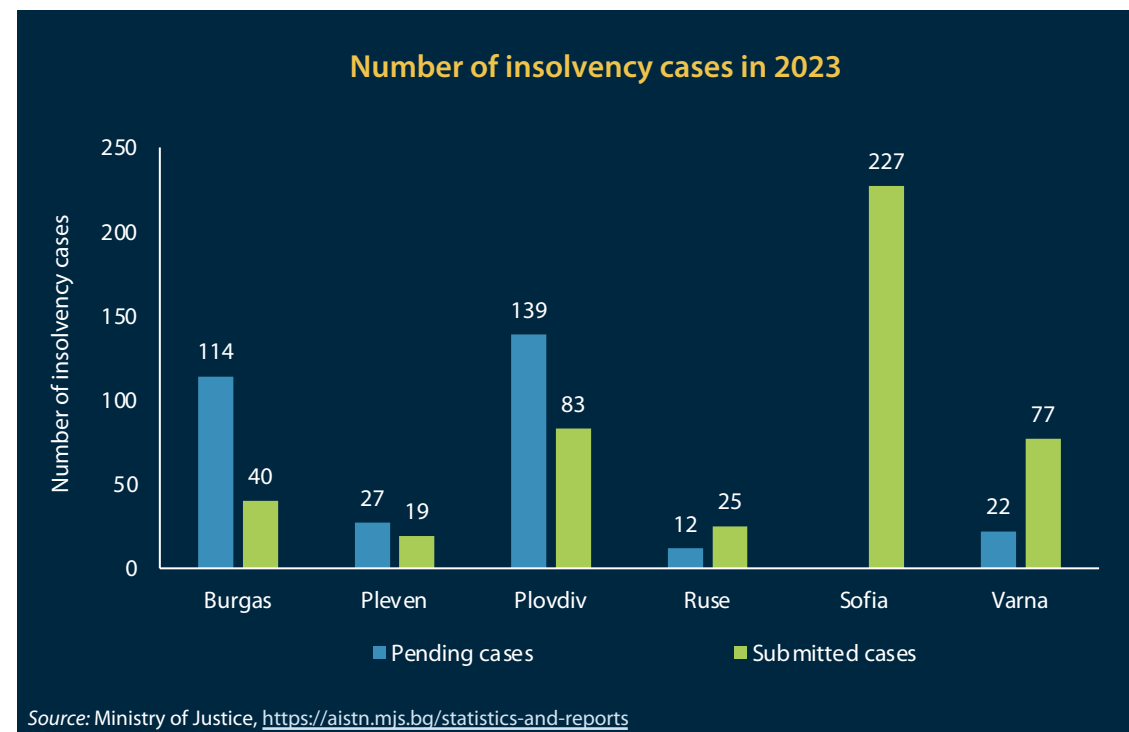
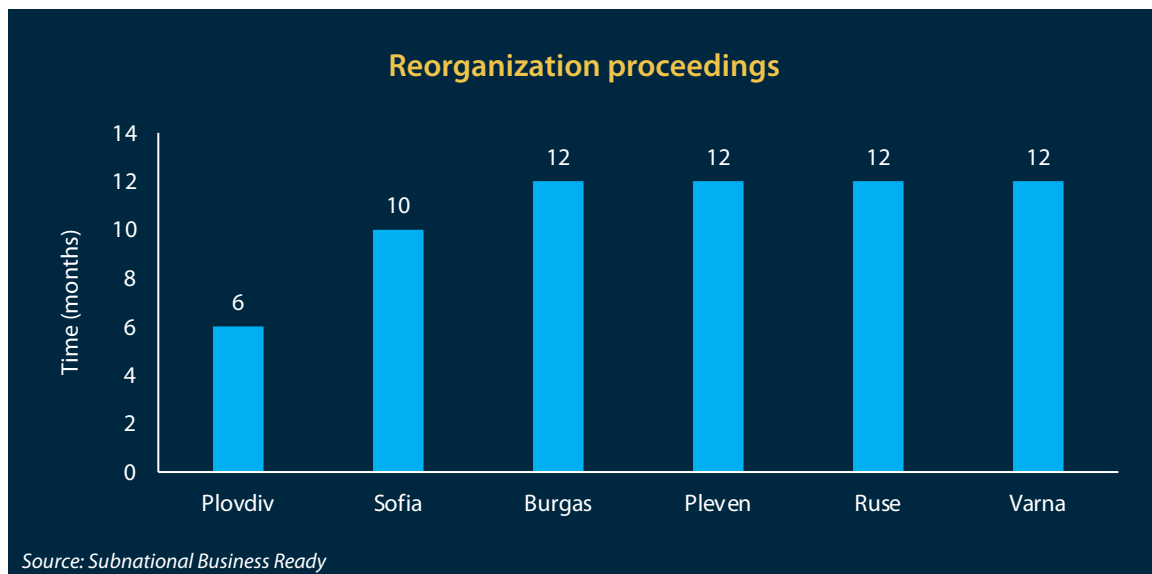


Business Insolvency in Bulgaria

Pillar III: Operational Efficiency of Resolving Judicial Insolvency Proceedings (2/3)

Time for reorganization proceedings in Bulgaria

- Time for reorganization proceedings in Bulgarian cities ranges from 6 months in Plovdiv to 12 months in Burgas, Pleven, Ruse, and Varna. Sofia courts stand in the middle with 300 days, thanks to higher allocation of staff.
- The duration of reorganization proceedings in Bulgarian cities is relatively short also due to their rare practice. Reorganization cases are fewer than liquidation cases due to strict eligibility requirements, which act as a filter to prevent already insolvent companies from applying.
- Private sector experts report the limited practical use and experience with reorganization processes among the challenges in applying these frameworks effectively.

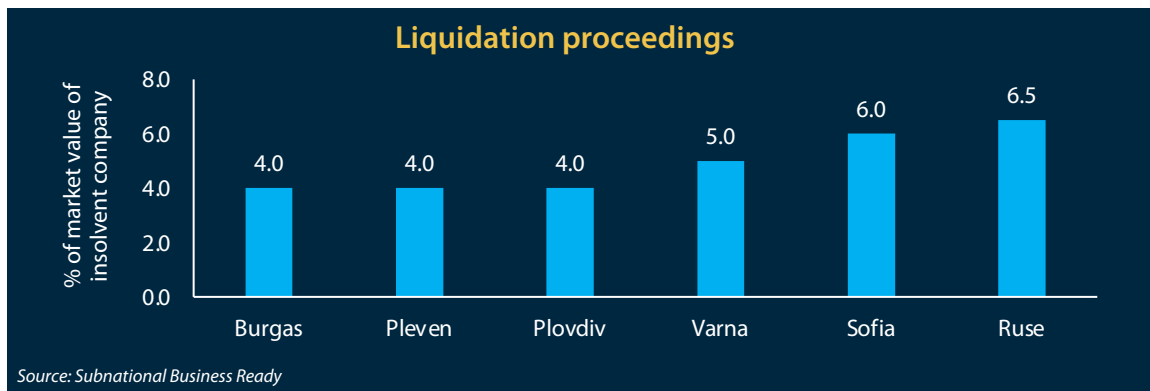




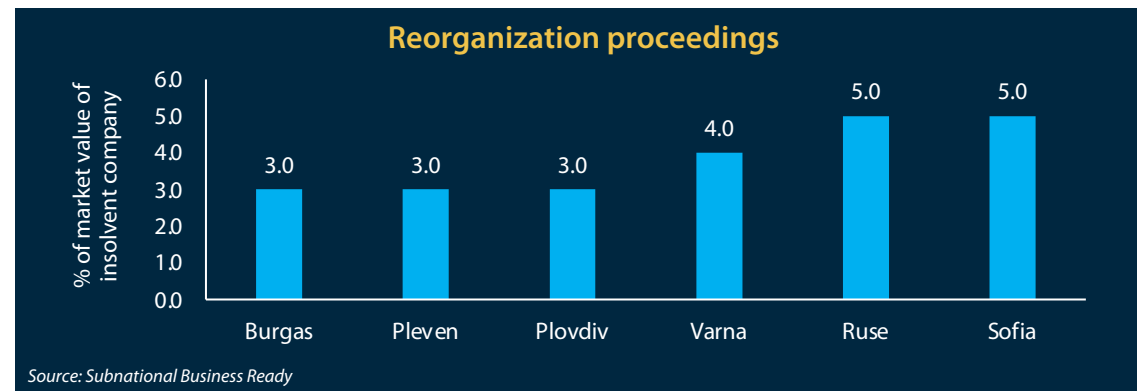
Business Insolvency in Bulgaria

Pillar III: Operational Efficiency of Resolving Judicial Insolvency Proceedings (3/3)

Cost of liquidation and reorganization proceedings



- Parties in Sofia and Ruse often incur higher costs for liquidation proceedings, at 6% and 6.5% of the market value of the insolvent company, respectively, due to a higher availability of valuable assets to be sold. The more assets that are available, the higher the fees that lawyers and insolvency administrators can claim.
- In contrast, parties in Burgas, Pleven, and Plovdiv face lower liquidation costs, at around 4% of the market value of the insolvent company; fewer companies have valuable assets, leading to a simpler liquidation process.
- Costs in Varna stand at 5% of the market value of the insolvent company. There, most cases involve a relatively higher quantity of sellable assets given the presence of numerous businesses active in the real estate sector.
- The insolvency administrator's success fee is higher in those cities where, reportedly, more assets are liquidated during liquidation. This is the case in cities where larger companies are present, such as Sofia and Ruse, formerly being the location for several metallurgical plants. Varna counts several cases in the real estate sector.
- Private sector experts recognize the complexity in calculating justice and insolvency administrator fees, often lacking a comprehensive understanding of these calculations, which are typically handled by the courts.



- The cost of reorganization proceedings is the highest in Sofia and Ruse at 5% of the market value of the insolvent company and 3% in all other cities. Private sector experts in Ruse report very long cases, due to attempted pre-insolvency reorganization of privatized public entities, that end up being costly and unsuccessful.
- Insolvency administrator fees constitute the most substantial expense in both liquidation and reorganization proceedings, covering both fixed and variable fees. Insolvency administrators reportedly ask for slightly higher fees in Sofia.
- The lack of sufficient practical experience creates uncertainty in calculating variable fees (lawyers and administrators). Legislative changes in 2023 related, *inter alia*, to the stabilization process, and inconsistent legal interpretations add to this complexity.
- Insolvency administrators often waive variable fees in reorganization proceedings due to the companies' fragile financial status. Adding extra costs could threaten the implementation of reorganization plans.

Homogenous court fees for liquidation and reorganization proceedings:

- BGN 250 for filing an insolvency application with the court
- BGN 780 (BGN 933 from January 1, 2024): minimum monthly fee for insolvency administrators



Business Insolvency in Bulgaria

Areas of improvement for Business Insolvency proceedings (1/2)



Enhance the transparency of asset transfers by considering the implementation of a more rigorous oversight for debtors in the process of selling or donating assets

This could involve the introduction of more robust monitoring and reporting systems. These systems would aim to detect any instances of inequitable treatment of creditors or misuse of insolvency procedures. It has been observed that there are occasions where the confidentiality intended to protect the integrity of insolvency proceedings may be misused by debtors. In cases where a creditor initiates the claim, the proceedings are typically private and confidential. The process then moves forward with the collection of all necessary documentation from the debtor. A decision is usually expected from the judge within a three-month period. It has been noted that during this period, there have been instances where debtors may change the company's registered office, potentially restricting the involvement in the proceedings to a specific group of creditors. This action may result in the continuation of the debtor's business under a new location, transferring assets and operations. Such practices can be disadvantageous to creditors who are not informed about the insolvency proceedings and may consequently not have their claims addressed satisfactorily.

Relevant stakeholders: Ministry of Justice; Trade Registry



Ensure complete and homogenous adoption of technological tools across Bulgarian courts

First, this would entail removal of the still existing obligations for paper-based submission (along with electronic filing of documents) that is widely perceived as an unnecessary burden. Second, it would also require homogeneous deployment of technological equipment, reliable internet broadband, and adequate training across courts. Finally, specifically for insolvency proceedings, widespread adoption of virtual auctions, together with the adoption of an efficient and user-friendly online platform, is key to ensure transparency and efficiency in the asset-selling process. In Romania, the Ministry of Justice is advancing the implementation of the new version of the 'ECRIS' system, aimed at digitalizing judicial procedures through functionalities like the new Electronic File, which will allow the comprehensive management of case documents. Moreover, the National Union of Insolvency Practitioners has fully implemented an electronic auctions system.

Relevant stakeholders: Ministry of Justice; Supreme Judicial Council



Business Insolvency in Bulgaria

Areas of improvement for Business Insolvency proceedings (2/2)



Strengthen the capacity of insolvency administrators and practitioners, including enhanced transparency in the appointment process

First, this would entail the implementation of continuous training programs for insolvency administrators on best practices, law, and economics issues, to ensure they possess the necessary expertise to oversee bankruptcy proceedings effectively. Second, there is room for a more regular adoption of audits and evaluations of insolvency administrators' performances to maintain accountability and uphold professionalism. Finally, the adoption of clear guidelines and codes of conduct for insolvency administrators can be explored, to ensure the fair treatment of all parties involved in the insolvency process. For this, the establishment of a "lottery" system for the randomized appointment of insolvency administrators might help in preventing potential conflicts of interests.

Relevant stakeholders: Ministry of Justice; Supreme Judicial Council



Adopt tailored training programs for judges who are dealing with insolvency proceedings

Tailored educational programs for judges, in the fields of corporate law and economics, can contribute to efficiency. Noteworthy, taking advantage of special expertise on corporate and insolvency subject-matters can lead to process streamlining and a faster resolution of cases. Tailored training programs for judges can also facilitate dissemination of decisions, enhancing legal certainty and the predictability of judgements. Training programs also contribute to a more efficient ethical conduct by judges and adherence to insolvency rules. An example to replicate could be the involvement of the Economic College of Budapest in Hungary, which actively participates in pilot projects, particularly in testing new programs and initiatives related to insolvency. The College promotes collaboration and spreads knowledge in the field with other institutions, like the Hungarian School of Judiciary. One of the key functions of the Economic College is to train insolvency-related judges. It aims to provide specialized training to judges who handle insolvency cases, allowing them to have a deep understanding of the subject matter.

Relevant stakeholders: Ministry of Justice; Supreme Judicial Council

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