

Doing Business in the European Union 2017: Bulgaria, Hungary and Romania



Comparing Business Regulation
for Domestic Firms in **22** Cities in
Bulgaria, Hungary and Romania
with **187** Other Economies

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*Comparing Business Regulation for Domestic
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Doing Business in the European Union 2017: Bulgaria, Hungary and Romania

AT A GLANCE

The latest subnational report of the *Doing Business* series in the European Union

Full report: www.doingbusiness.org/EU1

Doing Business in the European Union 2017: Bulgaria, Hungary and Romania focuses on business regulations and their enforcement in five *Doing Business* areas. It goes beyond Sofia, Budapest and Bucharest to benchmark 19 additional cities.

This report contains data current as of December 2016 and includes comparisons with 187 other economies based on data from *Doing Business 2017: Equal Opportunity for All*.

Doing Business measures aspects of regulation that enable or hinder entrepreneurs in starting, operating or expanding a business—and provides recommendations and good practices for improving the business environment.

Five *Doing Business* indicator sets covering areas of local jurisdiction or practice



Starting a business

Records the procedures, time, cost and paid-in minimum capital required for a small or medium-size domestic limited liability company to formally operate; includes a gender dimension to account for any gender discriminatory practices.



Getting electricity

Records the procedures, time and cost required for a business to obtain a permanent commercial electricity connection for a standardized warehouse; assesses the reliability of the electricity supply and the transparency of tariffs.



Dealing with construction permits

Records the procedures, time and cost required for a small or medium-size domestic business to obtain the approvals needed to build a commercial warehouse and connect it to water and sewerage; assesses the quality control and safety mechanisms in the construction permitting system.



Registering property

Records the procedures, time and cost required to transfer a property title from one domestic firm to another so that the buyer can use the property to expand its business, use it as collateral or, if necessary, sell it; assesses the quality of the land administration system; includes a gender dimension to account for any gender discriminatory practices.



Enforcing contracts

Records the time and cost for resolving a commercial dispute through a local first-instance court, which hears arguments on the merits of the case and appoints an expert to provide an opinion on the quality of the goods in dispute; assesses the existence of good practices in the court system.

22
cities

BULGARIA: Burgas, Pleven, Plovdiv, Ruse, Sofia, Varna

HUNGARY: Budapest, Debrecen, Győr, Miskolc, Pécs, Szeged, Szekesfehervar

ROMANIA: Brasov, Bucharest, Cluj-Napoca, Constanta, Craiova, Iasi, Oradea, Ploiesti, Timisoara

Advantages and limitations of the *Doing Business* methodology

Focus on the law and practice

Makes the indicators “actionable” because the law is what policy makers can change.

Reliance on expert respondents

Reflects knowledge of those with most experience.

Use of standardized case scenarios

Enables comparability across locations, but reduces the scope of the data.

Focus on domestic and formal sector

Keeps attention on the formal sector, where firms are most productive, but does not reflect the informal sector or foreign firms.

Doing Business does not cover:

- ✗ Security
- ✗ Market size
- ✗ Macroeconomic stability
- ✗ State of the financial system
- ✗ Prevalence of bribery and corruption
- ✗ Level of training and skills of the labor force

A collaboration of the Council of Ministers of Bulgaria, the Ministry of National Economy of Hungary, and the Ministry of Regional Development and Public Administration and Ministry of Economy, Commerce and Business Environment Relations of Romania with the World Bank Group Global Indicators Group and World Bank country offices. Funded by the European Commission, Directorate-General Regional and Urban Policy.

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Foreword

Ten years ago the European Union (EU) expanded to include two new members—Bulgaria and Romania; Hungary, along with nine other countries, had joined three years earlier. Membership benefited all new entrants, who experienced significant growth, rising incomes and convergence in living standards with the rest of the EU.

Despite the successes from EU accession, member states continue to face economic challenges, given a volatile international economic environment and the continuous need for institutional improvements. The World Bank has been a partner of the new EU member states in several areas, combining our deep institutional knowledge of the EU with expertise from our global experience. One such area is strengthening the business environment, which we consider key to improving competitiveness and to creating better conditions for sustainable and equitable growth.

We are pleased to have partnered with the European Commission and the governments of Bulgaria, Hungary and Romania to conduct this study—focusing on the regulatory system, the nature of business governance and the efficacy of the bureaucracy across different locations in each country. The study's robust data on business regulation in 22 cities give a nuanced and comprehensive representation of the business and regulatory environment at the local administrative unit level. Thus it is a deeper view of the regulatory system than would have been possible using the global *Doing Business* report alone.

The aim is simple: to provide policy makers with a factual baseline for their strategies to promote a better regulatory framework for development and growth. Removing needless bureaucratic regulations and superfluous red tape reduces the cost for local firms to do business and enhances their efficiency and competitiveness abroad. Local authorities can now see how they compare with the rest of the country and with the rest of the world, learn what their better-performing peers are doing, and take steps to improve their competitiveness.

The study's results are revealing: the gap between the benchmarked cities is significant, even within the same country—with the biggest regulatory differences found within Bulgaria and Romania. Yet each country also has cities that are world class in at least one area.

Reform-minded officials can make tangible improvements by replicating measures already successfully implemented in other cities within their country. Take Bulgaria, for example. If represented by Varna rather than Sofia in the *Doing Business* global ranking on the ease of starting a business, Bulgaria would jump 25 places, from 82 to 57. A Romanian city adopting the court efficiency of Timisoara and the costs of Iasi would rank among the top 10 economies globally on the ease of enforcing contracts. Pecs is not only the Hungarian champion in dealing with construction permits; along with Szeged, it also outperforms the EU average in this area—the only two of the 22 benchmarked cities to do so.

We hope that this study will benefit our partner countries as a tool to promote competition between the cities and regions, to encourage peer learning, and to inspire policy makers to improve the ease of doing business in their jurisdictions. Small administrative improvements can make a big difference in the life of small firms—unlike larger businesses that face the same bureaucratic inefficiencies, they do not have access to the resources and skills needed to get better and faster service.

There are other EU countries that have benefited from similar subnational regulatory analysis—such as Italy, Poland and Spain. They can offer examples of how peer-to-peer learning and inter-agency coordination help drive regulatory improvements. And we at the World Bank hope to continue to provide this service for other EU member states.



Arup Banerji
Regional Director
European Union
World Bank Group



Overview

MAIN FINDINGS

- Business regulations and their implementation vary substantially both among and within Bulgaria, Hungary and Romania—with the biggest differences in Bulgaria and Romania.
- No city excels in all five areas measured; among the 22 cities benchmarked, each ranks in the top half on at least one indicator set and in the bottom half on at least one other.
- Each country has cities that outperform the European Union average in at least one area: Varna and Pleven in Bulgaria in starting a business, Pecs and Szeged in Hungary in dealing with construction permits, all Hungarian cities and Oradea in Romania in registering property, and most cities in enforcing contracts. But no city is close to the EU average in getting electricity.
- Budapest and Sofia both lag behind most of the smaller cities in their countries. Yet Bucharest ranks in the top half among Romanian cities in most areas measured, demonstrating the potential for dealing efficiently with high demand for business services.
- Reform-minded officials can make tangible improvements by replicating good practices in other cities in their country. Bulgarian cities could make starting a business easier by adopting the good practices in Varna. Hungarian cities could improve in getting electricity by emulating the good practices of Szeged and Szekesfehervar. And Romanian cities could look to Timisoara's example to improve contract enforcement.

By any metric Bulgaria, Hungary and Romania have made extraordinary progress in the past quarter century. After transitioning from communism, the three countries carried out a set of important reforms to join the European Union and were rewarded with strong and inclusive growth, declining poverty, rising living standards and rapid convergence toward EU income levels. Bulgaria and Romania grew by an average 6% a year from 2000 up to the global financial crisis of 2008—a rate that moved their income per capita from a third of the EU average to a half.¹ Hungary is already classified as a high-income economy. In all three countries open borders, rising incomes and integration in the EU market have allowed citizens to participate in global economic, social and technological progress to an unprecedented degree.

Today there are further reasons for optimism. All three economies are growing much faster than the EU average—with Bulgaria exceeding 3% growth, and Romania 4% growth, in 2016.² All three have falling, single-digit unemployment rates.³ Their public finances are mostly sound and in good standing. But this does not mean that all is well. While before the global economic crisis the rate of income growth for the bottom 40% outpaced the average, this trend has been reversed. Long-term demographic trends are not favorable and are being exacerbated by the outflows of well-qualified workers in search of better opportunities abroad. And convergence with Western neighbors has been slower than expected. A reduced supply of outside investment and growing uncertainty in the global economy compound these challenges.

If the three countries want to continue their ascent and meet the rising expectations of their citizens, new growth drivers and a sustained commitment to reform will be needed. Achieving higher productivity growth—a key determinant of long-term prosperity in any country—will require enhancing the business

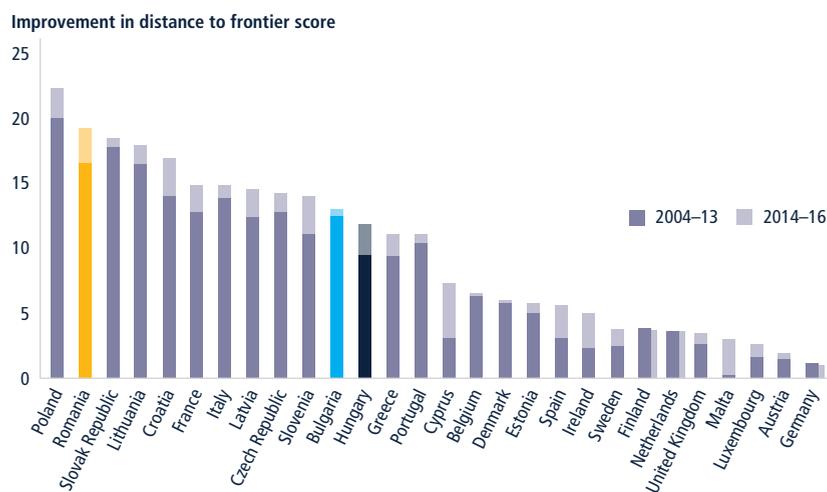
climate, improving the employability of all citizens and increasing the efficiency and effectiveness of public institutions. In Bulgaria and Romania higher-quality infrastructure will also be needed, to reap the full benefits of open trade within the EU. While all potential growth drivers should be kept in mind, a favorable business climate is a priority for private-sector-led growth and job creation. Creating a level playing field for all economic actors is critical—to ensure that entrepreneurs with good ideas and energy can start and grow businesses, generating employment. This is particularly important for small and medium-size firms, which make up more than 98% of all businesses in the EU and provide around two-thirds of the private sector jobs.⁴

Adhering to the common market treaty has brought a surge of institutional changes and improvements in the business environment in all three countries. In the years leading up to EU accession, two were among the top 10 most

active reformers globally according to the *Doing Business* survey—Romania in 2006 and Bulgaria in 2007. In the wake of the financial crisis, as the doing business agenda gained prominence again throughout the EU, all three countries made considerable efforts to remove the remaining obstacles to growth and job creation. Hungary counted among the top 10 most active reformers in 2010. Overall, Romania has made the biggest leap of any EU member state except Poland in closing the gap with global best practices in business regulation (figure 1.1). But the reform momentum has been slowing in recent years. This is especially so in Bulgaria, where *Doing Business* has recorded no more than one regulatory reform annually since 2012.

All three countries are now among the top 50 in the *Doing Business* global ranking of 190 economies on the ease of doing business. But within the EU they rank among the 10 most restrictive member states, below such competitors

FIGURE 1.1 Romania has made more progress than any other EU member state except Poland in closing the gap with global best practices in business regulation



Source: *Doing Business* database.

Note: The distance to frontier score shows how far an economy is from the best performance achieved by any economy on each *Doing Business* indicator. Higher scores indicate greater regulatory efficiency and quality. The vertical bars in the figure show only the amount of improvement, not the entire distance to frontier score. Because of significant changes in the *Doing Business* methodology between 2013 and 2014, improvements are measured in two separate periods, 2004–13 and 2014–16. The data set is incomplete for Cyprus, added to the *Doing Business* sample in 2009, and for Malta, added in 2014.

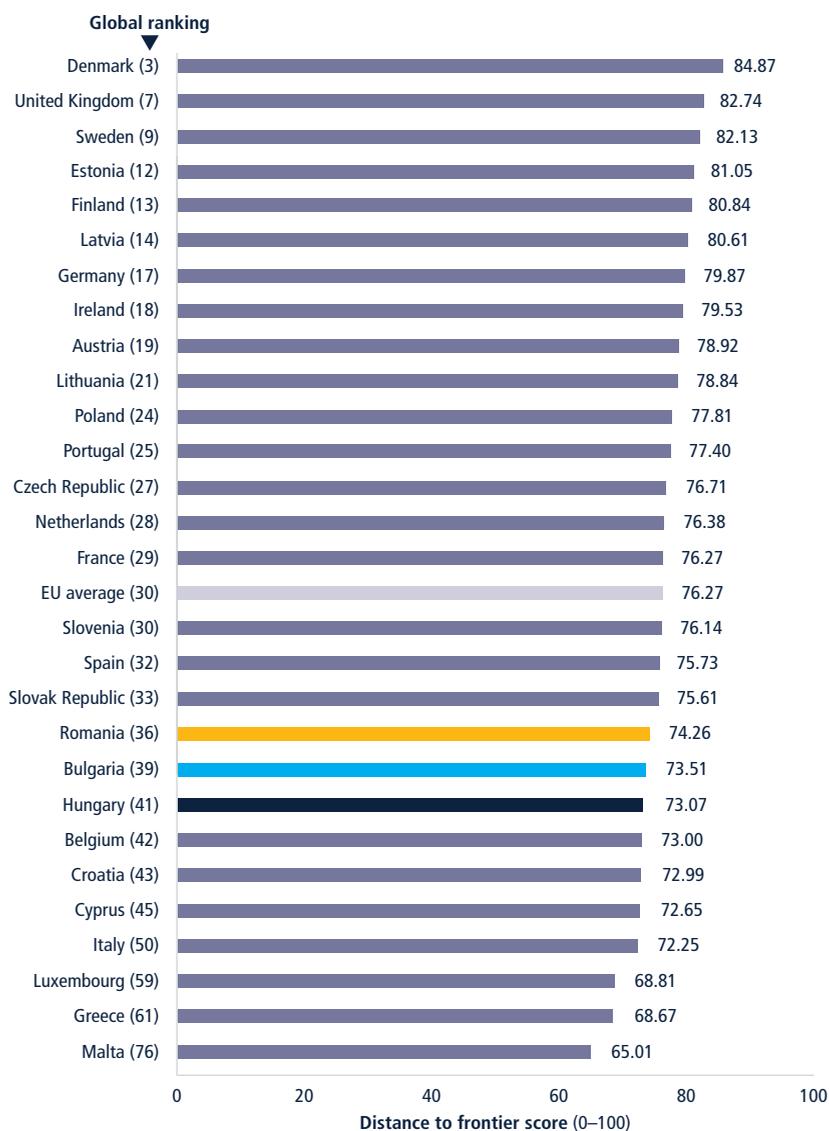
as Poland, the Czech Republic and the Baltic States (figure 1.2). Getting electricity, dealing with construction permits and paying taxes remain problematic in all three countries. For example, companies spend more than 450 working hours a year compiling their taxes in Bulgaria and almost 300 hours in Hungary, compared with less than 100 hours in

Estonia, Finland or Ireland. Yet weak performance in one area can coexist with strong performance in another. Hungary outperforms the EU average in several areas, including registering property and trading across borders (figure 1.3). Romania ranks among the top economies in getting credit, and Bulgaria in protecting minority investors. This

unevenness in performance across areas measured by *Doing Business* shows that regulatory reform remains incomplete, with more potential for yielding gains in competitiveness.

WHAT DOES DOING BUSINESS IN THE EUROPEAN UNION 2017: BULGARIA, HUNGARY AND ROMANIA MEASURE?

FIGURE 1.2 Romania, Bulgaria and Hungary all rank among the top 50 economies on the ease of doing business, though below the EU average



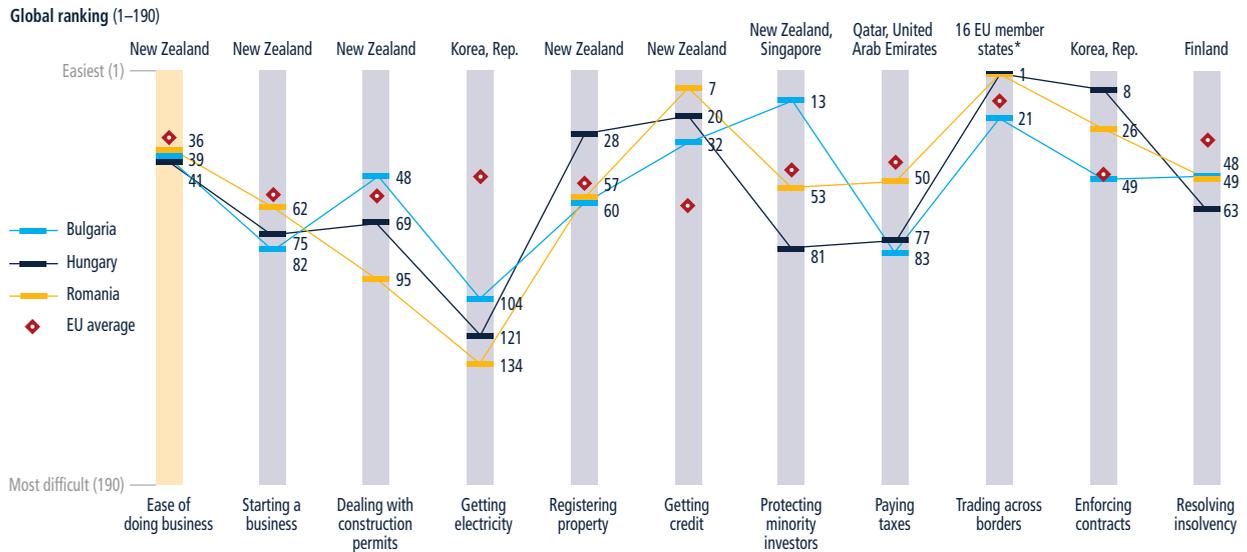
Source: *Doing Business* database.

Note: The distance to frontier score shows how far an economy is from the best performance achieved by any economy on each *Doing Business* indicator. The measure is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). Bulgaria, Hungary and Romania, as well as the other EU member states, are each represented by their capital city (which is also their largest business city). Data are based on the *Doing Business 2017* report.

Doing Business tracks business regulations that affect small and medium-size domestic companies. In its annual publication each economy is represented by its largest business city. *Doing Business* reports at the subnational level yield a more nuanced picture, because many regulations and administrative measures are implemented or determined by local authorities. Coordinating across different levels of government and institutions is essential to reduce the regulatory burden on companies. From an entrepreneur's point of view, it is irrelevant whether a requirement comes from the municipality, the region or a national institution.

This study is the latest in a series to expand the benchmarking exercise to secondary cities in one or more EU member states so as to give a more complete representation of the business and regulatory environment.⁵ This edition covers 22 cities in Bulgaria, Hungary and Romania.⁶ The focus is on indicator sets that measure the complexity and cost of regulatory processes, as well as the strength of legal institutions, affecting five stages in the life of a small to medium-size domestic firm: starting a business, dealing with construction permits, getting electricity, registering property and enforcing contracts through a local court. Working to implement regulatory reforms at both the national and subnational level could increase the pace of convergence toward best practices.

FIGURE 1.3 Bulgaria, Hungary and Romania have high global rankings in some areas measured by *Doing Business*, relatively low rankings in others



Source: *Doing Business* database.

Note: Bulgaria, Hungary and Romania, as well as the other EU member states used to compute the EU average, are each represented by their capital city (which is also their largest business city). Data are based on the *Doing Business 2017* report.

* These are Austria, Belgium, Croatia, the Czech Republic, Denmark, France, Hungary, Italy, Luxembourg, the Netherlands, Poland, Portugal, Romania, Slovenia, the Slovak Republic and Spain.

WHAT ARE THE MAIN FINDINGS?

The results reveal substantial variation in business regulations and their implementation among the three countries—and even among cities within the same country (table 1.1). Compared regionally, the Hungarian cities have a stronger performance in four of the five areas measured. But they lag behind in starting a business—where four Bulgarian cities share the top positions—because of high costs (almost twice the EU average) and the highest paid-in minimum capital requirement in the EU. In areas where local authorities have the most autonomy in developing and implementing regulatory rules, such as dealing with construction permits and getting electricity, the Romanian cities rank lowest.

A granular look at the rankings leads to several observations. First, Budapest and Sofia both lag behind most of the smaller cities in their countries. These results

can be attributed in part to the higher demand for business services in the largest business city than in the smaller, less populated ones. As an illustration, Budapest sees more property sale transactions in a year than all six of the other Hungarian cities combined.⁷ Yet Bucharest ranks in the top half among Romanian cities in all areas but enforcing contracts—demonstrating that large cities can be efficient and offer quality services by capitalizing on economies of scale and investing in administrative modernization.

Second, the biggest subnational differences are in Bulgaria and Romania. In Bulgaria, Varna ranks 20 places higher (at number 1) than Sofia in starting a business—while Ruse ranks 13 places higher than Sofia in enforcing contracts. In Romania, Bucharest ranks 17 places higher than Craiova (with the lowest ranking) in starting a business—and Timisoara 17 places higher than Brasov (also with the lowest ranking) in enforcing contracts. The cities in Hungary

show more homogeneous performance, all ranking in the top half in four areas—except for Budapest, which does so in three areas—and in the bottom half in starting a business.

Third, no city excels in all areas. Indeed, each city ranks in the top half among the 22 cities on at least one indicator set and in the bottom half on at least one other (see table 1.1). For example, Varna (Bulgaria) has the top ranking in starting a business, but one of the lowest in registering property. And while Oradea (Romania) ranks near the top in starting a business, it could look to Timisoara (Romania) to improve its performance in enforcing contracts. In Hungary, Budapest could look to Pecs or Szeged to learn how to improve efficiency in construction permitting. In Romania, Timisoara and Constanta could provide a positive example in the area of contract enforcement. This kind of subnational variation in regulatory performance can help policy makers identify areas where improvements

TABLE 1.1 How close are the 22 cities to the best regulatory practices in the world?

| City (Country) | Starting a business | | Dealing with construction permits | | Getting electricity | | Registering property | | Enforcing contracts | |
|--------------------------|---------------------|------|-----------------------------------|------|---------------------|------|----------------------|------|---------------------|------|
| | DTF score | Rank | DTF score | Rank | DTF score | Rank | DTF score | Rank | DTF score | Rank |
| Burgas (Bulgaria) | 90.05 | 3 | 69.23 | 11 | 65.49 | 3 | 70.67 | 18 | 72.68 | 15 |
| Pleven (Bulgaria) | 90.50 | 2 | 71.92 | 8 | 54.66 | 13 | 70.44 | 19 | 73.63 | 12 |
| Plovdiv (Bulgaria) | 90.05 | 3 | 68.30 | 12 | 65.06 | 5 | 69.59 | 21 | 72.36 | 17 |
| Ruse (Bulgaria) | 88.33 | 11 | 71.34 | 9 | 54.71 | 12 | 71.53 | 17 | 75.38 | 7 |
| Sofia (Bulgaria) | 86.82 | 21 | 72.75 | 6 | 54.64 | 14 | 69.23 | 22 | 67.04 | 20 |
| Varna (Bulgaria) | 90.56 | 1 | 70.53 | 10 | 59.05 | 10 | 70.19 | 20 | 74.23 | 9 |
| Budapest (Hungary) | 87.28 | 20 | 67.89 | 13 | 63.25 | 7 | 80.08 | 6 | 73.75 | 11 |
| Debrecen (Hungary) | 87.61 | 13 | 72.71 | 7 | 63.36 | 6 | 81.16 | 1 | 81.72 | 1 |
| Gyor (Hungary) | 87.32 | 18 | 73.35 | 5 | 63.25 | 7 | 80.80 | 4 | 74.20 | 10 |
| Miskolc (Hungary) | 87.61 | 13 | 73.47 | 4 | 61.76 | 9 | 80.92 | 2 | 79.53 | 2 |
| Pecs (Hungary) | 87.61 | 13 | 75.58 | 1 | 65.21 | 4 | 79.96 | 7 | 77.07 | 4 |
| Szeged (Hungary) | 87.57 | 16 | 74.38 | 2 | 67.46 | 1 | 80.80 | 4 | 75.98 | 6 |
| Szekesfehervar (Hungary) | 87.32 | 18 | 73.70 | 3 | 65.53 | 2 | 80.92 | 2 | 79.12 | 3 |
| Brasov (Romania) | 88.78 | 9 | 56.28 | 17 | 49.56 | 19 | 74.65 | 9 | 64.24 | 22 |
| Bucharest (Romania) | 89.53 | 5 | 58.09 | 15 | 53.23 | 15 | 74.65 | 9 | 72.25 | 18 |
| Cluj-Napoca (Romania) | 88.78 | 9 | 54.32 | 20 | 50.41 | 18 | 73.81 | 16 | 73.34 | 14 |
| Constanta (Romania) | 87.52 | 17 | 49.26 | 21 | 49.06 | 20 | 74.65 | 9 | 75.04 | 8 |
| Craiova (Romania) | 86.27 | 22 | 61.31 | 14 | 53.01 | 16 | 74.65 | 9 | 73.37 | 13 |
| Iasi (Romania) | 88.28 | 12 | 56.01 | 18 | 57.76 | 11 | 74.65 | 9 | 72.64 | 16 |
| Oradea (Romania) | 89.53 | 5 | 57.84 | 16 | 50.80 | 17 | 75.48 | 8 | 72.01 | 19 |
| Ploiesti (Romania) | 89.53 | 5 | 54.40 | 19 | 47.22 | 21 | 74.64 | 15 | 65.86 | 21 |
| Timisoara (Romania) | 89.53 | 5 | 48.92 | 22 | 43.56 | 22 | 74.65 | 9 | 76.13 | 5 |

Source: Doing Business database.

Note: The distance to frontier (DTF) score shows how far a location is from the best performance achieved by any economy on each Doing Business indicator. The score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more details, see the chapter "About Doing Business and Doing Business in the European Union 2017: Bulgaria, Hungary and Romania." The data for Bucharest, Budapest and Sofia have been revised since the publication of Doing Business 2017. The complete data set can be found on the Doing Business website at <http://www.doingbusiness.org>.

are possible without major legislative changes (figure 1.4).

Fourth, the distance to frontier score—which shows how far each city is from global best practices in absolute terms as well as providing the basis for ranking the cities—reveals that the most marked differences in performance within each country are in the areas of dealing with construction permits, getting electricity and enforcing contracts. This should not be surprising, because many requirements in construction permitting are under municipal competence, different utility companies supply electricity in different regions of each country and the role of local courts is paramount in enforcing contracts. These gaps in performance

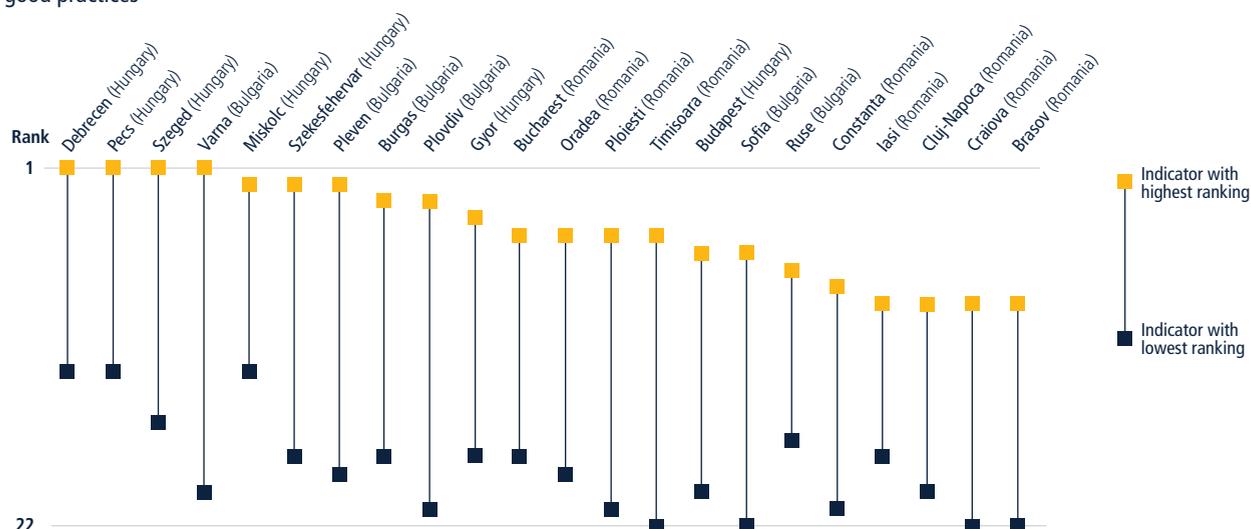
among cities in each country suggest that there are important lessons that cities can learn from one another and that will make a difference in relative competitiveness not just within each country but also at the global level.

For example, distance to frontier scores for dealing with construction permits show big differences among Hungarian cities (figure 1.5). Pecs has a score (75.58) that ranks it above Belgium and Norway and, along with Szeged's score, exceeds the EU average (74.14). By contrast, Budapest's score (67.89) is almost 8 points lower than Pecs's and well below the EU average, though higher than the global average (65.76). Heavy workloads in the Budapest chief architect's office

result in longer waits for the urban planning approval than in any of the other Hungarian cities. Budapest is also the only one where the water and sewerage connections are completed by separate agencies.

In getting electricity, big contrasts emerge among Bulgarian cities. Sofia's distance to frontier score (54.64) is well below the global average. Meanwhile, Burgas's score (65.49) is close to the global average. If Sofia managed to replicate good practices found elsewhere in Bulgaria to shorten delays and cut costs in the connection process, not only would it move up in the ranking of the 22 cities benchmarked in this report—but Bulgaria, as

FIGURE 1.4 Uneven performance across the different areas measured in each city reveals opportunities for reform and exchange of good practices



Source: Doing Business database.

represented by Sofia, would move up in the global ranking.

Similar differences are revealed among Romanian cities in enforcing contracts. The distance to frontier score differs by 12 points between Timisoara and Brasov. Timisoara's score (76.13) would be the second best among EU member states, behind only Lithuania. Meanwhile, Brasov's score (64.24) is lower than the EU average. Timisoara benefits from having a separate commercial division and a more sophisticated electronic case management system in its court. In Brasov, which lacks these elements, resolving and enforcing a commercial claim takes nearly eight months longer.

When comparing performance at the European and global level, one observation stands out: each country has at least one city that outperforms the EU average in at least one area (figure 1.6). Two Bulgarian cities, Varna and Pleven, surpass the EU average for starting a business—the only ones among the 22 cities to do so. These two cities benefit from low start-up costs, faster value added tax (VAT) registration and a more

streamlined process requiring no registration with the municipality.

Pecs is not only the Hungarian champion in dealing with construction permits; along with Szeged, it also outperforms the EU average in this area. Pecs requires the fewest procedures and, thanks in part to good staffing levels at the chief architect's office, issues building and occupancy permits faster than any of the other Hungarian cities.

Hungarian cities stand out on the ease of registering property—thanks to a streamlined process for property transfers and high scores on the quality of land administration index—but Oradea (Romania) also manages to outdo the EU average. While cadastral records in Romania are kept largely in paper format, Oradea has scanned the majority of its records.

All the cities in Bulgaria and Hungary, and most in Romania, outperform the EU average in enforcing contracts. Indeed, Debrecen, Miskolc and Szekesfehervar in Hungary outperform Lithuania, the EU's best performer, thanks to low costs and speedy trials of

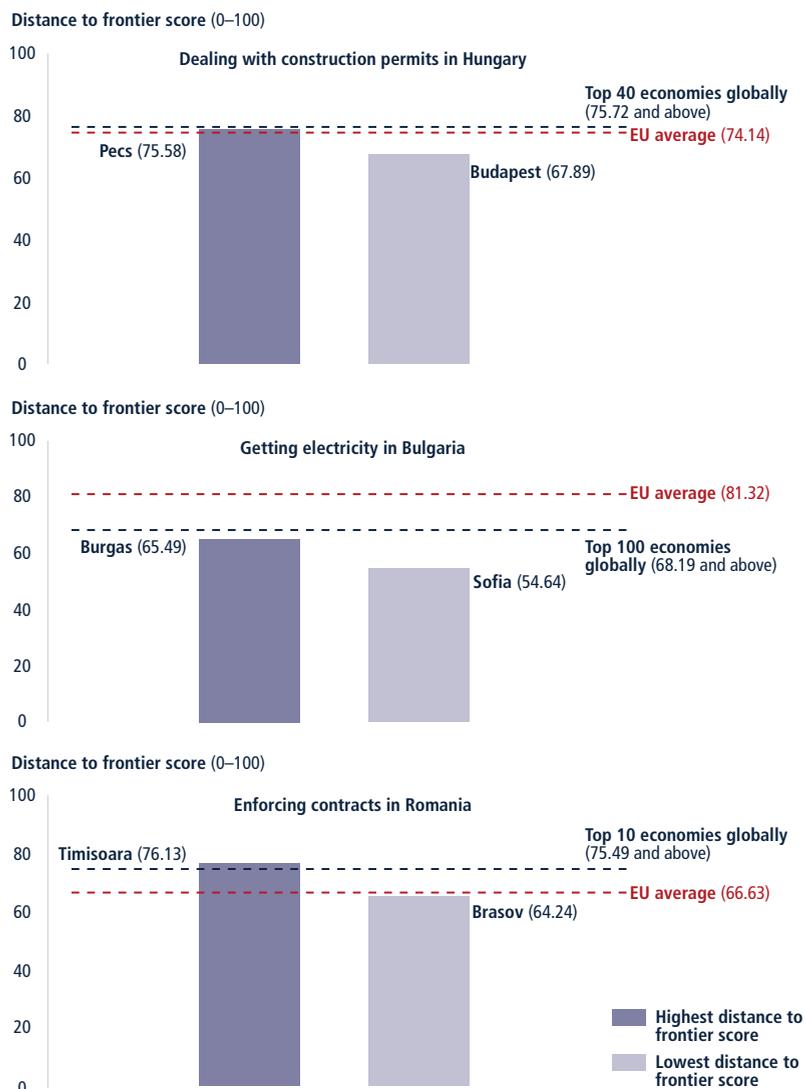
14 months or less. The two Romanian exceptions, Brasov and Ploiesti, have longer delays during the trial stage, high up-front enforcement costs and lower scores on the quality of judicial processes index.

No city is close to the EU average in getting electricity, however. Obtaining a new connection takes longer in all three countries than it does in any other EU member state. Even in Iasi (Romania), with the fastest process among the 22 cities benchmarked, an entrepreneur needs to wait almost three months longer than the EU average and five months longer than in the fastest EU economies (Austria and Germany).

THE WAY FORWARD

When an economy is ailing, the economic discourse usually turns to the fiscal and monetary policies that the government could deploy. Less attention is given to the nuts and bolts that hold the economy together—such as the regulations that govern business licensing, real estate transactions or the provision of basic utility services.

FIGURE 1.5 Marked performance gaps in dealing with construction permits, getting electricity and enforcing contracts



Source: *Doing Business* database.

Note: The distance to frontier score shows how far a location is from the best performance achieved by any economy on each *Doing Business* indicator. The score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). The averages for the EU are based on economy-level data for the 28 EU member states.

Yet the effect of the much talked about fiscal and monetary measures can be stymied if these nuts and bolts do not work properly. Getting business regulations right—by striking the right balance between enabling the private sector to flourish and achieving public policy goals—requires a coordinated effort by policy makers and policy implementers at all levels of government. The

national government may take pains to design regulations that make it easier for entrepreneurs to start and operate a business. But it is how these regulations are implemented on the front lines that matters.

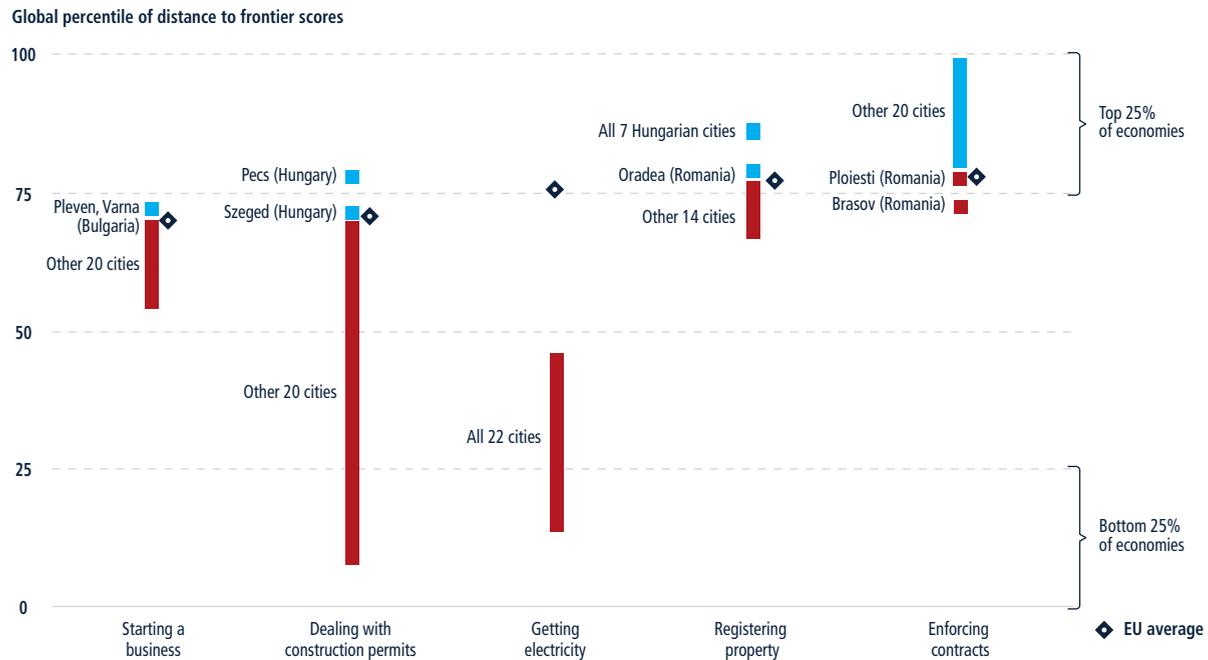
The annual *Doing Business* report aims to draw attention to how red tape affects small and medium-size businesses

and encourage governments to look outward to learn from global good practices. Subnational *Doing Business* reports remind countries that it is also good to look inward. Good practices can be found beyond the largest business city. And any city will find it harder to say that it cannot improve its practices if another city facing the same regulatory conditions is providing the business community with services that are more efficient, less costly and higher quality.

This report highlights differences both among and within countries. Differences in regulatory performance across locations can help national and local policy makers to identify priority areas for reform and to find good practices that can guide the way forward. Good local and global practices are identified throughout the report, as well as opportunities for regulatory reform in each country (table 1.2).

Some common themes emerge in looking at aspects needing improvement. One is procedural complexity. With some exceptions, most of the 22 cities have processes for starting a business, dealing with construction permits, registering property and getting electricity that are more complex than the EU average.⁸ In Bulgaria an entrepreneur has to complete eight procedures to transfer property, almost twice as many as the EU average. Complying with the municipal tax requirements alone requires two procedures. Similarly, builders in Romania need to obtain at least six different pre-construction documents and approvals before getting a construction permit, including clearances from the Health Department, the Environment Agency and the Inspectorate of Emergency Situations. To streamline the process, local officials could learn from Craiova's practice of convening representatives of all utility providers to decide which approvals are needed. Its City Hall will even obtain all the clearances on behalf of the applicant for an extra processing fee. Policy makers could also look

FIGURE 1.6 At least one city in each country outperforms the EU average in at least one area measured



Source: *Doing Business* database.

Note: The global percentiles are based on the *Doing Business* global sample of 190 economies. The averages for the EU are based on economy-level data for the 28 EU member states.

abroad. For example, Georgia's move to group all nonutility agencies providing clearances in a one-stop shop not only streamlined procedures but also cut the time for the preconstruction approval process from 70 days to 15.

A second common theme is uneven transaction volumes, which also appear to affect performance in some cities. In Sofia, for example, the higher volume of property sale transactions contributes to longer waiting times for property transfers than in the other Bulgarian cities. Similarly, in Budapest the heavy workload of the chief architect's office means a wait for the urban planning approval that is twice as long as in the other Hungarian cities: one month rather than two weeks on average. Among Romanian cities, Ploiesti has greater difficulties dealing with its caseload, which is second only to Bucharest's;⁹ the time from filing a complaint to obtaining a judgment in Ploiesti amounts to 16 months, the second longest among all 22 cities covered. And in Bulgaria, judges in Sofia's courts have

significantly more cases than those in the faster courts of Pleven and Ruse.¹⁰ This higher volume exacerbates problems with information technology infrastructure and internal processes, making Sofia the city with the biggest court delays. Issues with uneven caseload distribution in Bulgaria are well known and have been raised by the European Commission and the World Bank.¹¹

Not all cities with higher transaction volumes struggle. Good management, well-trained staff and efficient internal processes can do much to alleviate issues associated with higher volumes, with no need to assign additional resources. Despite having more property sale transactions than all six other Hungarian cities combined,¹² Budapest completes property transfers faster than Pecs, where volumes are low. In Romania large cities such as Bucharest and Timisoara issue the VAT taxpayer identification number faster than others. Bucharest has a higher caseload per judge in its first-instance courts than the other Romanian cities,¹³

yet has faster contract enforcement than those with 20–40% fewer cases. Sofia deals with substantially more building permit applications than any of the other cities in Bulgaria, yet manages to achieve faster approval times because of the availability of fast-track services, though these come with higher fees (making Sofia's construction permitting process the most expensive among the Bulgarian cities).

Another common theme is the use of information technology systems to increase efficiency and provide e-government services. Bulgaria and Romania have both implemented electronic filing for company registration, with different levels of success. While in Bulgaria almost three-quarters of new limited liability companies are registered online,¹⁴ in Romania the share is less than 1% in many cities.¹⁵ To increase take-up, Romanian cities could first look to the example of Constanta, where thanks to outreach by the chamber of commerce take-up has reached 24%. Then they

TABLE 1.2 Potential opportunities for improvement in Bulgaria, Hungary and Romania

| Regulatory area | Bulgaria | Hungary | Romania | Reform recommendations |
|-----------------------------------|---|--|---|---|
| Starting a business | <ul style="list-style-type: none"> • | <ul style="list-style-type: none"> • | <ul style="list-style-type: none"> • | <ul style="list-style-type: none"> • Simplify VAT registration • Promote online business registration and eliminate the need for a visit to the commercial registry to collect the certificate of incorporation • Reduce or eliminate the paid-in minimum capital requirement for limited liability companies • Make the involvement of legal intermediaries (lawyers, notaries) in company formation optional • Review municipal requirements • Expand online platform to include social security and labor registrations • Review whether certain requirements (such as membership in the chamber of commerce and depositing the symbolic minimum capital with a bank) can be eliminated for small and medium-size businesses • Introduce a unique business identification number |
| Dealing with construction permits | <ul style="list-style-type: none"> • • • • • • | <ul style="list-style-type: none"> • • | <ul style="list-style-type: none"> • • • • • • • | <ul style="list-style-type: none"> • Consolidate requirements and regulations for the construction permitting process • Fully adopt a risk-based approach to environmental approvals • Review the cost structure for building permits • Streamline the process for preconstruction approvals • Expand electronic platforms throughout the construction permitting process • Clarify the responsibilities of supervisory agents relative to municipalities and other stakeholders in the construction permitting process • Consolidate final inspections and approvals upon completion of construction • Look for easy ways to simplify construction permitting, such as extending the validity of the land registry excerpt and eliminating requirements for documents that the requesting agency should already have as well as the need for verification by the Order of Architects |
| Getting electricity | <ul style="list-style-type: none"> • • • • • • | <ul style="list-style-type: none"> • • | <ul style="list-style-type: none"> • • • • • • | <ul style="list-style-type: none"> • Introduce silence-is-consent rules and risk-based approaches to reduce delays in preconnection approvals • Organize back-office preconnection approvals internally • Identify opportunities to simplify requirements, such as the signing of contractor and easement agreements as well as requests for preapproval and approval of connections • Clarify and better communicate the process and requirements for getting electricity • Review the cost of obtaining a new connection • Strengthen the incentives for reliable power supply |
| Registering property | <ul style="list-style-type: none"> • • • • • • • | <ul style="list-style-type: none"> • • | <ul style="list-style-type: none"> • • • • • • • | <ul style="list-style-type: none"> • Update local and national tax information internally by linking systems across institutions • Eliminate the requirement to verify legal good standing with the commercial registry • Assess the feasibility of reducing property transfer taxes • Introduce standardized contracts for property transfers and consider making the use of lawyers or notaries optional • Expand cadastral or property registration coverage • Create an electronic platform for property transfers • Introduce mechanisms for dealing efficiently with land disputes • Publish annual statistics on completed transactions and land disputes |
| Enforcing contracts | <ul style="list-style-type: none"> • • • • • • | <ul style="list-style-type: none"> • • | <ul style="list-style-type: none"> • • • • • • | <ul style="list-style-type: none"> • Actively manage the pretrial phase • Set legal limits to the granting of adjournments • Simplify the calculation and review of court fees • Make judgments at all levels available online • Introduce electronic filing and improve electronic payments • Introduce small claims court or simplified small claims procedures • Use case data assessments with a view to rebalancing workloads |

Note: All reform recommendations are detailed in the "What can be improved?" section of the corresponding chapter.

could look to Bulgaria, which offers lower fees for online registration to encourage use of this option.

Meanwhile, Romania has an electronic case management system in place throughout the country, though some courts have used its features more effectively than others. Some have even designed their own software add-ons. One example is the “Infodosar” software developed by the courts in Cluj-Napoca and Timisoara, which allows litigants greater access to court documents. In Bulgaria, by contrast, Sofia has different software than the other cities and more limited features for court users.

Hungary leads the way in e-government services. All new companies have been registered electronically since 2008, when electronic registration was made mandatory. Information technology systems have been put in place in the courts, where electronic filing is mandatory for commercial lawsuits and there is a well-functioning electronic case management system. In addition, electronic platforms are in place for construction permitting and property registration. But the use of the systems for business incorporation and property transfers is restricted to

legal professionals or institutions such as banks, driving up the costs of these transactions.

Cities can make big gains in competitiveness by replicating good practices within their own country (figure 1.7). And because Sofia, Budapest and Bucharest (as their country’s largest business city) represent Bulgaria, Hungary and Romania in the *Doing Business* global ranking, improvements in these cities would be reflected in their country’s rankings. Save for business start-up in Romania—where Bucharest already ranks at the top among the nine cities covered—gains would be made in every area across the three countries.

Indeed, if Bulgaria were represented in the area of starting a business not by Sofia but by Varna—where start-up takes nine days fewer and requires no registration with the municipality—the country would see its distance to frontier score increase by almost 4 points and would jump 25 places in the ranking, from 82 to 57.

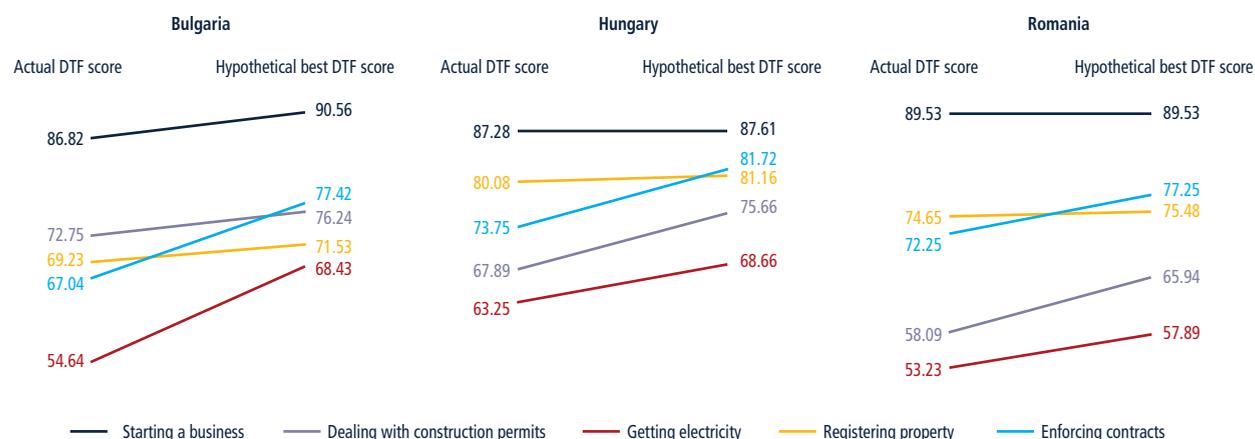
In getting electricity, a Hungarian city reaching efficiency levels as high as Szekesfehervar’s and reliability of supply as good as Szeged’s would have a

distance to frontier score more than 5 points higher than the current score for Hungary (as represented by Budapest). This hypothetical city would have a global ranking of 98, 23 places higher than Hungary’s current ranking of 121. Similarly, a city adopting the best practices within Hungary in dealing with construction permits would be at 42 in the global ranking, just below Finland and ahead of Norway.

A Romanian city adopting the court efficiency of Timisoara and the costs of lasi, where attorney fees are low, would rank among the top 10 economies globally on the ease of enforcing contracts. In Timisoara judges leverage the electronic case management system to ease administrative burdens. They also complete the filing phase faster, because they are less likely than judges in the other Romanian cities to request revisions to the initial complaint.

The potential gains are more modest in the area of registering property. In all three countries a hypothetical city adopting local good practices in this area would have a distance to frontier score only 1 point higher on average than its country’s current score.

FIGURE 1.7 If all local good practices were adopted, the global performance of each country would improve



Source: *Doing Business* database.

Note: For the actual distance to frontier (DTF) score, each country is represented by its capital city (which is also its largest business city). The hypothetical DTF score is based on the best performances recorded among the benchmarked cities within a country. The DTF score shows how far on average a location is from the best performance achieved by any economy on each *Doing Business* indicator. The score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better).

Other countries offer examples of how peer-to-peer learning works. In Italy, following the publication of *Doing Business in Italy 2013*, the minister of justice used subnational data in her official speech inaugurating the 2013 judicial year. The minister gave her speech in Turin, the city with the number 1 ranking on the ease of enforcing contracts, to showcase its court as a good-practice example for other Italian courts.

Another example comes from Mexico, where the Federal Commission for Regulatory Improvement (COFEMER) organizes a biannual conference allowing every state to share its experience in improving regulation. Peer learning also takes place when local policy makers visit neighboring states and cities. For example, policy makers from the state of Colima visited Sinaloa to learn about that state’s electronic system for issuing land use authorizations. Soon Colima set up a similar system on its own website. Not surprisingly, data

show that the states making a greater effort to maintain a dialogue with their peers also have a better regulatory environment as measured by *Doing Business* (figure 1.8).

Mexican authorities have also gone a step further. The Ministry of Economy uses *Doing Business* and other indicators for monitoring and evaluation purposes. Its funding vehicle Fondo PYME offers subsidies to states and municipalities that implement regulatory reform projects to improve their investment climate and competitiveness. Improvement in the indicators is included in the terms of reference for locations seeking funds.

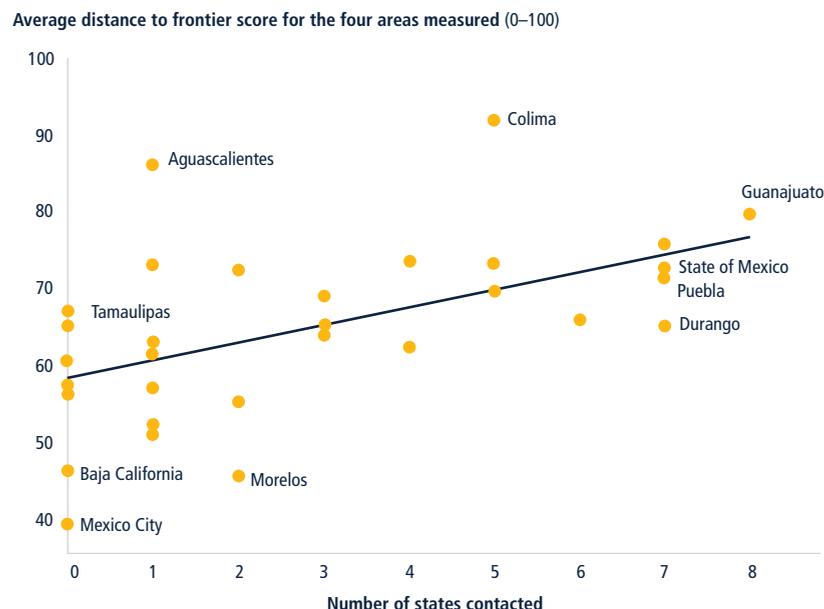
Consultation with stakeholders is another key part of the regulatory reform process. Take Poland. The subnational findings in *Doing Business in Poland 2015* formed a basis for dialogue between national and local policy makers to ensure the effective rollout and implementation of the new Building Law

across the country. Numerous amendments and inconsistent dissemination had resulted in confusion and uneven implementation across cities. As a city official from Olsztyn put it, “The regulation is complex and open to interpretation. Builders would shop around for municipal officials willing to interpret the rules more leniently. We had to issue more than 20 guidelines to ensure uniform interpretation in the application of the law in our city.” Making the law more cohesive, communicating legislative changes to all stakeholders—enforcement agencies, business and legal communities and the general public—and providing guidelines on how to interpret the law became priorities for the Polish government in ensuring that the changes were understood and put into practice.

Similarly, Hungary’s government is using interagency and public-private dialogue to help drive regulatory improvements. Concerned about keeping the economy’s growth rate at the 3–4% level, the government has identified red tape as an issue.¹⁶ In October 2016 it created the National Competitiveness Council to propose measures for improving competitiveness, supporting small and medium-size enterprises and addressing labor market and wage challenges. The council is formed of representatives of academia, chambers of commerce and industry, and the Hungarian Investment Promotion Agency as well as private companies. Without understanding the private sector’s concerns and the barriers that prevent businesses from starting, operating and growing, no government can claim to have set up a comprehensive reform agenda that will make a real difference for the businesses in its country.

While there is no “one size fits all” approach to regulatory reform and every jurisdiction has a unique path, many successful reformers establish high-level oversight committees in charge of prioritizing the reform agenda and maintaining the reform momentum. Successful

FIGURE 1.8 Mexican states doing more to maintain a dialogue with their peers have a better business regulatory environment



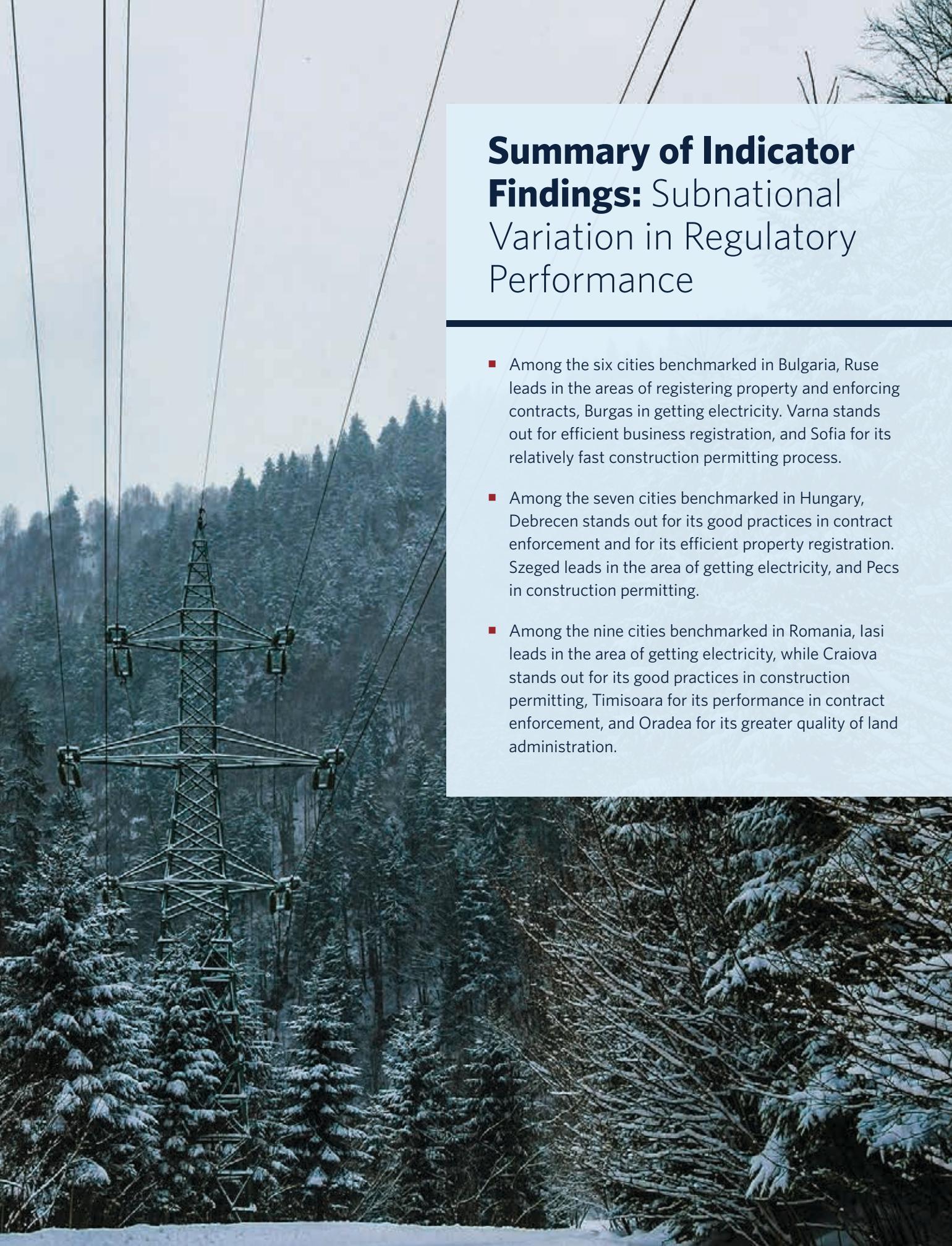
Source: *Doing Business* database, based on data obtained in November 2013 during consultative meetings with authorities from Mexican states.
 Note: The correlation between the distance to frontier score and the number of states contacted by other states is 0.53, and the relationship is significant at the 1% level.

reformers also assign clear accountability to policy makers (such as a specific ministry or the prime minister's office) in the reform process. Technical working groups then lead implementation at the agency level. The most successful technical committees have representatives from all key agencies involved in a particular area, as well as knowledgeable members of the private sector.

The findings of this study provide an opportunity for policy makers in Bulgaria, Hungary and Romania to address impediments in the investment climate by leveraging examples within each of these countries as well as across the EU. There is plenty to be optimistic about, with each country excelling in different areas. There is room to work not just incrementally but boldly, with comprehensive measures. Formulating an ambitious plan, with clear responsibilities and goals for improvement, would be a first step in addressing the challenges. Promoting convergence among regions and cities toward top performers—and thus improving the ease of doing business across the country—is a worthy undertaking, and it will bring disproportionate benefits for small firms.

NOTES

1. World Bank Group Data, accessed May 5, 2017, <http://data.worldbank.org/indicator/>.
2. Trading Economics database, accessed April 19, 2017, <http://www.tradingeconomics.com>.
3. "Unemployment Statistics," Eurostat, accessed April 19, 2017, http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics.
4. European Commission, *Regional Policy for Smart Growth of SMEs: Guide for Managing Authorities and Bodies in Charge of the Development and Implementation of Research and Innovation Strategies for Smart Specialisation* (Brussels: European Commission, 2013), http://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/sme_guide/sme_guide_en.pdf.
5. Previous studies include *Doing Business in Poland 2015*, *Doing Business in Spain 2015* and *Doing Business in Italy 2013*.
6. Burgas, Pleven, Plovdiv, Ruse, Sofia and Varna in Bulgaria; Budapest, Debrecen, Győr, Miskolc, Pécs, Szeged and Szekesfehérvár in Hungary; Braşov, Bucharest, Cluj-Napoca, Constanţa, Craiova, Iaşi, Oradea, Ploieşti and Timişoara in Romania.
7. Statistics provided by the Hungarian Department of Land Administration (Foldhivatal).
8. The Hungarian cities have a number of procedures that is lower than the EU average for registering property and on par with the EU average for getting electricity. The Bulgarian cities have a number of procedures that is on par with the EU average for starting a business.
9. Romanian Superior Council of Magistracy, *Rapoarte privind starea justiției* (Report on the Status of Justice for the Year 2015), annex I, <http://www.csm1909.ro>.
10. Supreme Judicial Council of Bulgaria, "Civil Caseload Data per Judge for 2015," appendix 83 in *Summarized Statistic Tables for Court Activities for the Year 2015*, available at <http://www.vss.justice.bg/page/view/1082>.
11. European Commission, "Report from the Commission to the European Parliament and the Council on Progress in Bulgaria under the Co-operation and Verification Mechanism," COM(2017) 43 final (European Commission, Brussels, 2017), https://ec.europa.eu/info/effective-justice/rule-law/assistance-bulgaria-and-romania-under-cvm/reports-progress-bulgaria-and-romania_en; World Bank, "Bulgaria Judicial Performance, Caseload and Expenditure Review (2008–2014)" (World Bank, Washington, DC, 2015).
12. Statistics provided by the Hungarian Department of Land Administration (Foldhivatal).
13. Romanian Superior Council of Magistracy, *Rapoarte privind starea justiției* (Report on the Status of Justice for the Year 2015), annex I, <http://www.csm1909.ro>.
14. Statistics provided by the Commercial Register at the Registry Agency, Bulgaria.
15. Statistics provided by the National Trade Registry Office, Romania.
16. Ministry of National Economy of Hungary, "National Competitiveness Council to Ensure Sustainable Growth," October 17, 2016, <http://www.kormany.hu/en/ministry-for-national-economy/news/national-competitiveness-council-to-ensure-sustainable-growth>.



Summary of Indicator Findings: Subnational Variation in Regulatory Performance

- Among the six cities benchmarked in Bulgaria, Ruse leads in the areas of registering property and enforcing contracts, Burgas in getting electricity. Varna stands out for efficient business registration, and Sofia for its relatively fast construction permitting process.
- Among the seven cities benchmarked in Hungary, Debrecen stands out for its good practices in contract enforcement and for its efficient property registration. Szeged leads in the area of getting electricity, and Pecs in construction permitting.
- Among the nine cities benchmarked in Romania, Iasi leads in the area of getting electricity, while Craiova stands out for its good practices in construction permitting, Timisoara for its performance in contract enforcement, and Oradea for its greater quality of land administration.

All cities in Bulgaria share the same regulatory framework—as do those in Hungary and those in Romania. The subnational variation uncovered by this report is therefore driven by other factors. One is differences in the resources and efficiency levels of the local offices of public agencies, especially evident in the areas of starting a business, registering property and enforcing contracts. Another is variation in the efficiency levels of municipal authorities, which manage most of the process in the area of dealing with construction permits. A third factor relates to getting electricity. As a result of the liberalization of energy markets, different distribution utilities operate in different regions of each country. This leads to differences among cities both in the efficiency of the process to obtain a new electricity connection and in the quality of electricity supply.

WHERE IS STARTING A BUSINESS EASIER?

Bulgaria

In Bulgaria starting a business is easiest in Varna, where it takes five procedures and 14 days—and most difficult in Sofia, where it requires six procedures and 23 days (figure 2.1). Indeed, if represented by Varna rather than Sofia in the *Doing Business* global ranking, Bulgaria would jump 25 places, from 82 to 57. The main factor driving the variation is differences in municipal requirements. In Ruse and Sofia all newly incorporated companies need to inform the municipality about the type of activity they perform and the start of their operations. While a simple notification suffices in Ruse, in Sofia an inspector is dispatched to check the company premises, after which the company is registered in the municipal business registry within seven days. The other factor behind the variation in Bulgaria is the time it takes to register for value added tax (VAT): applicants wait 10 days in Pleven and Varna—and 12 days in the other cities.

To make starting a business easier, Bulgaria could follow Hungary’s example and consolidate VAT registration with business and income tax registration at the Registry Agency. Rather than imposing a separate municipal registration, Ruse and Sofia could obtain data on all companies registered in their jurisdiction from the Registry Agency and, using a risk-based system to classify business activities, decide whether an inspection is needed.

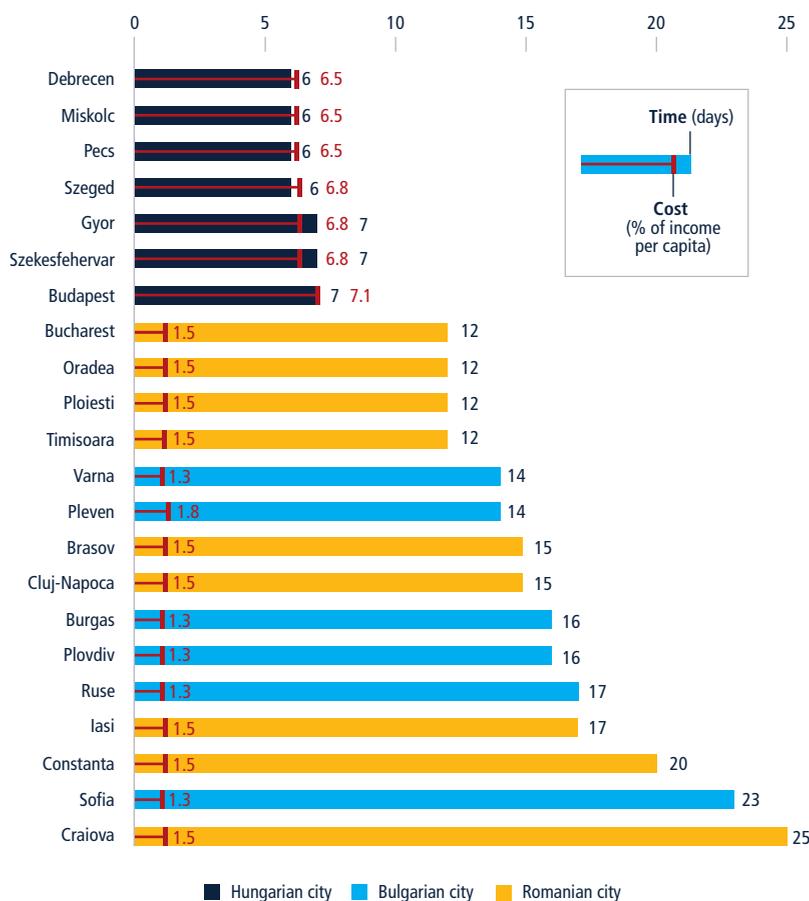
Hungary

In Hungary the start-up process is relatively fast but expensive. Across all seven cities surveyed, starting a business involves completing the same six procedures, which takes six or seven days. The cost ranges from 6.5% to 7.1% of income

per capita¹—almost twice the EU average of 3.7%, a figure that includes top performers such as Slovenia (no cost), Denmark (0.2%) and Austria (0.3%).

Variations in performance within Hungary are marginal and stem mainly from differences in lawyer fees. Companies must hire a lawyer to prepare and submit their registration documents through an online platform. Legal fees are subject to negotiation. If standard incorporation documents are used, the fees range from HUF 160,000 (EUR 516) in Debrecen, Miskolc and Pecs to HUF 180,000 (EUR 581) in Budapest. In addition, entrepreneurs setting up a limited liability company need to deposit capital of almost EUR 5,000—the equivalent of 45.5% of income per

FIGURE 2.1 The time required to start a business varies substantially among cities in Bulgaria and Romania



Source: *Doing Business* database.

capita, the highest such requirement in the European Union—if they want to limit their personal liability.

To make business start-up easier, Hungary could follow Portugal's example and make the use of legal professionals optional for companies using standard incorporation documents. Providing public access to the business registration system would allow significant cost savings for small businesses.

Romania

In Romania starting a business anywhere in the country requires the same six procedures and the same fees—equivalent to 1.5% of income per capita.² Yet the time it takes varies widely among the nine cities benchmarked—from 12 days in four cities (Bucharest, Oradea, Ploiesti and Timisoara) to 25 in Craiova. Among EU member states, only Poland and Malta impose a longer wait on entrepreneurs. The main factor behind this variation is the time it takes to register for VAT. The procedure is fastest in Bucharest, Oradea, Ploiesti and Timisoara. In Constanta it takes two weeks, and in Craiova almost three. Romania has introduced several changes aimed at streamlining the VAT registration process, one as recently as February 2017.

Online business registration has been available in Romania since 2012, but it saves entrepreneurs neither time nor cost. On average, fewer than 10% of new limited liability companies use the online registration platform. Take-up ranges from less than 1% in most cities to 24% in Constanta, where the local chamber of commerce actively provides assistance to local entrepreneurs.

To ease the start-up process, Romania could follow Hungary's example and consolidate VAT registration with business and corporate tax registration at the Trade Registry. It could also consider introducing incentives to encourage use of the online platform. For example, it could offer online registration at substantially lower fees than paper-based registration—as was

done in Bulgaria, where almost three-quarters of new limited liability companies register electronically.

WHERE IS DEALING WITH CONSTRUCTION PERMITS EASIER—AND THE QUALITY OF BUILDING REGULATION HIGHER?

Bulgaria

In Bulgaria completing the construction permitting process for a simple warehouse, including connecting it to water and sewerage, requires 18 procedures in Pleven, Ruse and Sofia but 20 in Plovdiv. The variation stems in part from the number of requirements for obtaining a water and sewerage connection. Among the six Bulgarian cities, Sofia has the easiest and fastest construction permitting process, taking 97 days—largely because it is the only one offering a fast-track option at an additional fee for several municipal services. Ruse has the slowest construction permitting process, taking 165 days, because of the longer wait for a water connection and an inefficient approval process in the phased inspections during construction. But Ruse also has the least expensive process, costing 1.9% of the warehouse value—the only Bulgarian city where the cost is below the EU average of 2.0%. In Sofia the cost amounts to 4.6% of the warehouse value, reflecting high service fees for expedited procedures.

Like Hungary and Romania, Bulgaria makes its building regulations available online; requirements are clearly specified; proper quality control checks are in place before, during and after construction; and professionals involved in the quality control process are highly qualified. As a result, it scores 13 of 15 possible points on the building quality control index, higher than the EU average of 11.4.

But room for improvement remains in Bulgaria. Building permit fees, established at the local level by municipalities, depend on the size of the building. Yet the fees for

providing services should be based not on the size of the building but on the cost of providing the services. Bulgarian authorities could therefore consider charging a lower fixed fee for simpler buildings that pose little risk to public health and safety and a higher fixed fee for larger projects. In addition, Bulgaria could benefit from learning from other countries, such as Hungary, that have adopted electronic platforms at all stages of the construction permitting process.

Hungary

In Hungary dealing with construction permits is easiest and least time-consuming in Pecs, where it requires 17 procedures and about five months. The city stands out for its speedy process for issuing both the building permit and the occupancy permit. In Budapest, by contrast, the overall construction permitting process takes about seven months. Because of the heavy workload of the chief architect's office, obtaining the urban planning approval alone takes a month, compared with an average of two weeks in the other Hungarian cities. In addition, Budapest is the only one of the Hungarian cities where the water and sewerage connections are completed by separate agencies, pushing the total number of procedures up to 20 as compared with the 18 in most of the others. Dealing with construction permits is inexpensive across Hungary: it costs an average of 0.5% of the warehouse value, placing the country in the top quartile globally.

The Hungarian cities have good building regulations and strong quality control mechanisms, earning them a score of 13 of 15 possible points on the building quality control index. The only aspects missing are a risk-based inspection system and a mandatory insurance regime for construction practitioners to cover construction defects. Hungary has adopted electronic platforms throughout the construction permitting process. Building permit applications and the accompanying documentation can be submitted through an online portal, while another system—an electronic construction log—serves as a

journal of construction milestones guiding the internal administrative process during construction.

Hungary has a relatively high number of procedures that take place after construction, seven on average (excluding the utility connection). These include three different final inspections—from the Fire Protection Unit, the Public Health Unit and the Building Department. Combining these inspections into one joint event would simplify the postconstruction phase.

Romania

Dealing with construction permits in Romania can be burdensome (figure 2.2). In Bucharest, with the most streamlined process, it takes 24 procedures, while in Cluj-Napoca, Ploiesti and Timisoara it requires 27. The main difference among the Romanian cities is in obtaining project clearances before construction. This process is most efficient in Craiova, the Romanian city that has advanced furthest toward global good practices in construction permitting (as reflected in its distance to frontier score of 61.31). There

the City Hall convenes representatives of all utility companies when processing the request for the urban planning certificate. It then decides which approvals are required for the building permit and lists them in the urban planning certificate.

But Craiova has neither the fastest nor the least costly construction permitting process overall in Romania. Instead, thanks mainly to a City Hall that operates very efficiently, Oradea stands out as having the fastest process, requiring 156 days. Compare this with the more than 300 days in Constanta and Timisoara. But Oradea also has the most expensive process: at 7.6% of the warehouse value, the cost is four times that in Cluj-Napoca, Craiova or Iasi. In general, costs are relatively high in Romania. At 3.4% of the warehouse value, the average cost is 1.7 times the EU average, largely because of the high approval and building permit fees.

Like Bulgaria and Hungary, however, Romania makes its building regulations available online; requirements are clearly

specified; proper quality control checks are in place before, during and after construction; and professionals involved in the quality control process are highly qualified. As a result, it scores 13 of the 15 possible points on the building quality control index, surpassing the EU average of 11.4.

Moving forward, Romanian cities should focus on streamlining preconstruction clearances, which take on average six separate steps. Next, they could aim to centralize all preapprovals at a single window for the applicant—as Georgia did, cutting 10 steps and 70 days as a result. In the long run the aim should be to introduce an electronic one-stop shop where all agencies review the application online, as in Hungary.

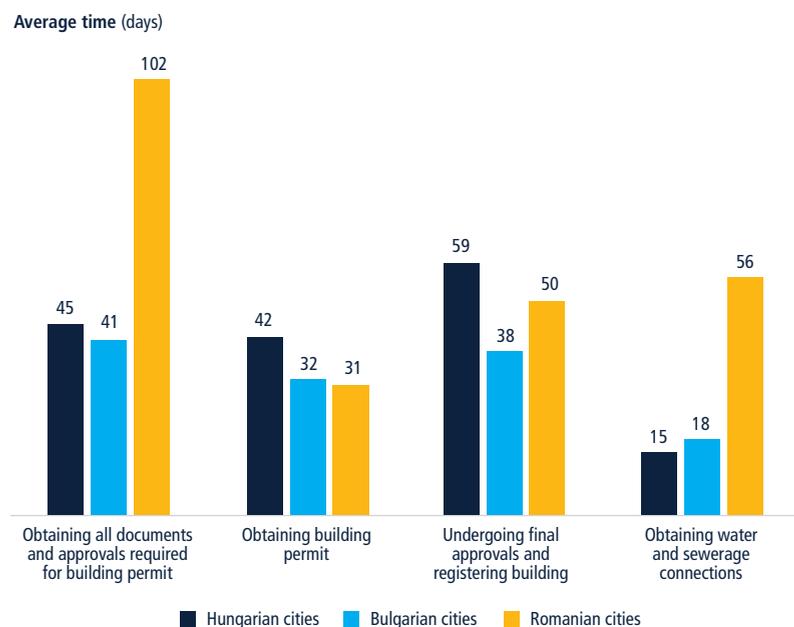
WHERE IS GETTING ELECTRICITY EASIER—AND THE POWER SUPPLY MORE RELIABLE?

Bulgaria

In the six cities benchmarked in Bulgaria, connecting a new warehouse to the electricity network requires on average five procedures and 236 days and costs 244.6% of income per capita. Averaged across the six cities, the time for getting electricity ranks the country among the bottom three EU member states on this indicator, together with Hungary and Romania. Based on the quality of services provided by distribution utilities and suppliers, the Bulgarian cities score an average 5.7 of 8 possible points on the reliability of supply and transparency of tariffs index.

Among the six Bulgarian cities, Burgas has the best performance in the area of getting electricity thanks to a high score on the reliability of supply and transparency of tariffs index as well as the second most efficient connection process. Varna has the most efficient process, taking five procedures and 200 days. Getting electricity is most difficult in Sofia, where it requires one more procedure and two more months.

FIGURE 2.2 Obtaining a building permit takes the least time on average in Romanian cities—but obtaining other preconstruction approvals the most time



Source: Doing Business database.

Differences lie in the approval of the project design and in the type of connection needed. The process is longer and more complex where the connection is to the medium-voltage network, as is the case in Pleven and Sofia. Because this type of connection involves the installation of a new substation, getting electricity is also substantially more expensive in Pleven (at 516.3% of income per capita) and Sofia (523.0%) than in the other four cities (107.1%).

Burgas and Plovdiv record the highest scores among the Bulgarian cities on the reliability of supply and transparency of tariffs index, 7 of 8 points. Pleven and Sofia follow with 6 points. Ruse and Varna—where the electricity supply is less reliable and the distribution utility does not use automated systems to monitor outages and restore service—receive 4 points.

The Bulgarian cities could substantially reduce the time required to obtain an electricity connection by establishing one-stop shops allowing entrepreneurs—or companies acting on their behalf—to easily request and receive, without delays, the necessary approvals and authorizations to build the new connection.

Hungary

Getting electricity in Hungary requires five procedures, takes 244 days on average and costs 93.9% of income per capita. The seven cities surveyed score an average 7 of 8 points on the reliability of supply and transparency of tariffs index. The time required to get a new commercial connection ranges from 227 days in Szekesfehervar to 277 in Gyor. The variation is driven by the time needed to obtain all clearances from utilities and public agencies to start the connection works. Collecting these approvals—a task undertaken by distribution utilities—is by far the longest and most burdensome step in all the cities. Completing it takes from 200 days in Szekesfehervar to 250 in Gyor.

Szeged, where customers experience on average less than one outage a year, for a total duration of one hour, earns the maximum score of 8 on the reliability of supply and transparency of tariffs index. At the other end of the spectrum, Miskolc, where customers experience on average 2.2 outages a year, for a total duration of 5.5 hours, earns a score of 6 on the index.

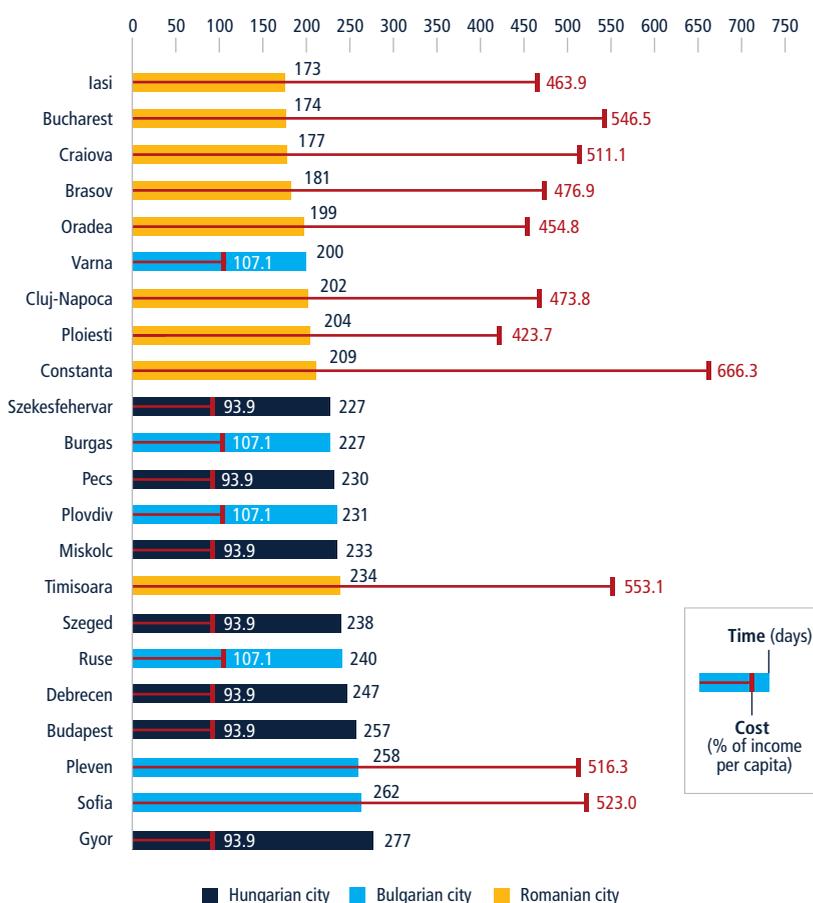
Hungary could make the electricity connection process faster and more efficient by tightening the time limits for each agency to issue its clearance and by introducing a silence-is-consent rule, so that when the approving authority fails to respond within the given time frame, approval is automatically granted.

Romania

In Romania getting electricity takes on average nine procedures, 195 days and 507.8% of income per capita. The nine cities score on average 6.7 of 8 points on the reliability of supply and transparency of tariffs index. Customers in Bucharest, Cluj-Napoca, Constanta, Craiova, Iasi and Oradea are subject to less frequent and shorter power outages than those in the other four cities benchmarked—and these six cities therefore receive a higher score on the reliability of supply and transparency of tariffs index.

Among the Romanian cities, establishing a new connection is easiest in Iasi (figure 2.3), where it takes eight procedures and 173 days, and most difficult in Timisoara,

FIGURE 2.3 Getting electricity is a faster process in Romanian cities—but also a costly one



Source: Doing Business database.

where it requires one more procedure and two more months. The variation in time is driven mainly by how long it takes to complete the connection works (ranging from 52 days in Iasi to four months in Timisoara) and to obtain a construction permit for connection works (from one month in Bucharest to three months in Constanta). Ploiesti has the lowest cost for getting a new connection (423.7% of income per capita), and Constanta the highest cost (666.3% of income per capita). The difference stems mainly from the cost of the connection works.

Identifying opportunities to reduce the number of steps needed to get an electricity connection is key to making the process easier in Romania, where the average number of requirements is much higher than in most advanced economies. All Romanian cities could follow the example of Iasi, where entrepreneurs are not required to sign an easement declaration in front of a notary nor an assignment agreement with a contractor. In addition, the twofold approval process, requiring the customer to first obtain a preapproval and then the final connection contract, could be replaced with one procedure. And introducing a geographic information system (GIS) would eliminate the need for site visits by distribution utilities.

WHERE IS REGISTERING PROPERTY EASIER—AND LAND ADMINISTRATION STRONGER?

Bulgaria

In all six Bulgarian cities, registering a property takes eight procedures, the same as in Belgium and France. This is the second highest number of procedures among EU member states—only Greece requires more (10). Among the six cities, registering a property is easiest in Ruse, where it takes 11 days and costs 2.6% of the property value—and most difficult in Sofia, where it takes 19 days and costs 2.9% of the property value. Burgas,

Pleven, Ruse and Varna all score 20 of 30 possible points on the quality of land administration index, which measures aspects of the reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution and equal access to property rights. Plovdiv and Sofia get 1 point less because of slower land dispute resolution.

Transaction volumes are partly to blame for the differences across the Bulgarian cities in the time for property registration. The Property Register office in Sofia handles more transactions than the local office in any of the other cities. Many of these transactions involve complex, first-time title registration requests, which clog up the queue and delay other cases as well.

The cost to register a property varies with the property transfer tax. National law allows municipalities to charge from 0.1% to 3% of the property value. Varna levies the maximum allowable rate of 3%, while Ruse charges the lowest rate among the six cities, at 2.2%. Across the Bulgarian cities, property registration is on average faster and less costly than the EU average.

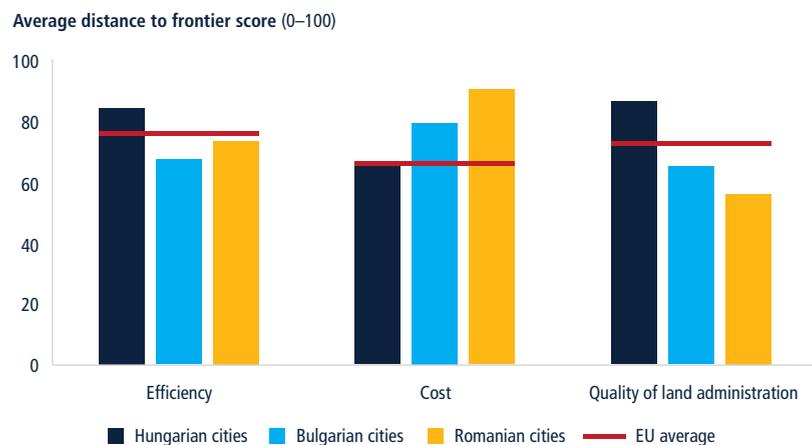
To make property registration easier, Bulgarian authorities could reduce or streamline the requirements by linking systems and sharing information across agencies. If the Property Register or cadastre agency could check tax information on properties directly, entrepreneurs in Bulgaria would no longer need to obtain separate clearances from local and national tax agencies.

Hungary

Hungary's strong performance on both the efficiency and quality of land administration places the country among the top 10 EU member states on the ease of registering property and at 28 in the global ranking (figure 2.4). Among the seven cities benchmarked, registering a property is easiest in Debrecen, where it takes four procedures and 8.5 days, and most difficult in Budapest and Pecs, where it takes the same four procedures but 17.5 and 18.5 days. The variation in time is driven mainly by differences in efficiency among local offices of the Land Administration Department (Foldhivatal).

Property registration in all seven Hungarian cities takes fewer procedures

FIGURE 2.4 Hungarian cities stand out for efficiency and quality in property registration, but also for a more expensive process



Source: *Doing Business* database.

Note: The distance to frontier score for efficiency is the average for procedures and time. The distance to frontier score shows how far a location is from the best performance achieved by any economy on each *Doing Business* indicator. The score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). The averages for the EU are based on economy-level data for the 28 EU member states.

and less time than the EU average of five procedures and 24 days. The cost is the same 5% of the property value across all the Hungarian cities—higher than in the cities benchmarked in Bulgaria and Romania, and slightly higher than the EU average. But the Hungarian cities are set apart by the reliability of infrastructure in the land administration system as well as by the geographic coverage of Foldhivatal. They score 26 of 30 points on the quality of land administration index—the highest score among the 22 cities covered in this report. Indeed, the score is only 3 points shy of Singapore’s, the highest globally, and 2.5 points shy of the scores for Lithuania and the Netherlands, the highest among EU member states.

To make registering property easier, Hungary could open its electronic platform for property transfers (TakarNet) to the general public. Today the platform is accessible only to authorized users (bailiffs, notaries, lawyers, financial institutions), for a fee. Eventually Hungarian authorities could make the use of lawyers optional in property transfers and put the entire process online.

Romania

In all nine Romanian cities, registering a property takes six procedures and 16 days and costs 1.4% of the property value. The national legal time limits are uniformly enforced across all cities. But small variations arise in the cost of obtaining a fiscal certificate from the municipality. Brasov, Bucharest, Craiova and Timisoara issue this certificate at no cost, while Ploiesti charges the highest amount, RON 115.

Property registration in the Romanian cities takes over a week less than the EU average, and costs almost 3.4 percentage points less as a share of the property value. But Romanian cities lag behind the EU average on the quality of land administration index, with most scoring 17 of 30 points. Oradea receives 18 points because of the better state of its cadastral records. Cluj-Napoca scores 16 points because the majority of its land records

remain in paper format, while the other cities have digitized their land records.

Moving forward, Romanian cities should continue to digitize both land registry and cadastre records. Having fully digitized records helps make property transfers not only easier but also more secure. In addition, the authorities should continue their effort to register all properties by 2023, a goal set in the government’s National Program for Cadastre and Land Registration. Today only 23% of properties in Romania are registered—53% of properties in urban areas and 16% in rural areas.³

WHERE IS ENFORCING CONTRACTS EASIER—AND THE QUALITY OF JUDICIAL PROCESSES HIGHER?

Bulgaria

On average across the six Bulgarian cities, enforcing a contract through a local court takes 395 days and costs 17.9% of the claim amount. The process is among the fastest in the EU and less costly than the EU average, though attorney fees are nearly twice as high as in Hungary. If Bulgaria (as represented by Sofia) had reached the average performances observed in the country on the time and cost to enforce a contract and the quality of judicial processes index, it would have ranked among the top 25 on the ease of enforcing contracts in *Doing Business 2017*. And if it had reached the best performances, it would have ranked among the top 10.

Among the six Bulgarian cities, enforcing a contract is easiest in Ruse, where it takes less than 11 months, and most difficult in the largest city, Sofia, where it takes nearly 19 months. The Sofia Regional Court is a special case because its judges have substantially higher case-loads than their counterparts in the other benchmarked cities. Problems with internal work processes exacerbate delays in Sofia. So do problems in calculating fees. In Sofia plaintiffs tend to leave the

calculation of the filing fee to the judge so as to avoid making mistakes. This compounds delays by imposing even more steps on an already overburdened court, and backlogs make it difficult to provide a prompt response to the plaintiff on the correct fee.

Performance on the quality of judicial processes index varies among the six Bulgarian cities, with three outperforming the EU average and Burgas, Pleven and Sofia underperforming the average. The regional courts in Burgas and Pleven lack judges who exclusively hear commercial cases, and Sofia’s electronic case management system has fewer features than those in the other cities.

Besides redistributing judges and clerks to better meet demand in courts across the country, Bulgaria could consider introducing small claims courts or procedures to make better use of resources. These help expedite the resolution of minor disputes of relatively low value by setting aside many legal formalities and using simplified or fast-track procedures.

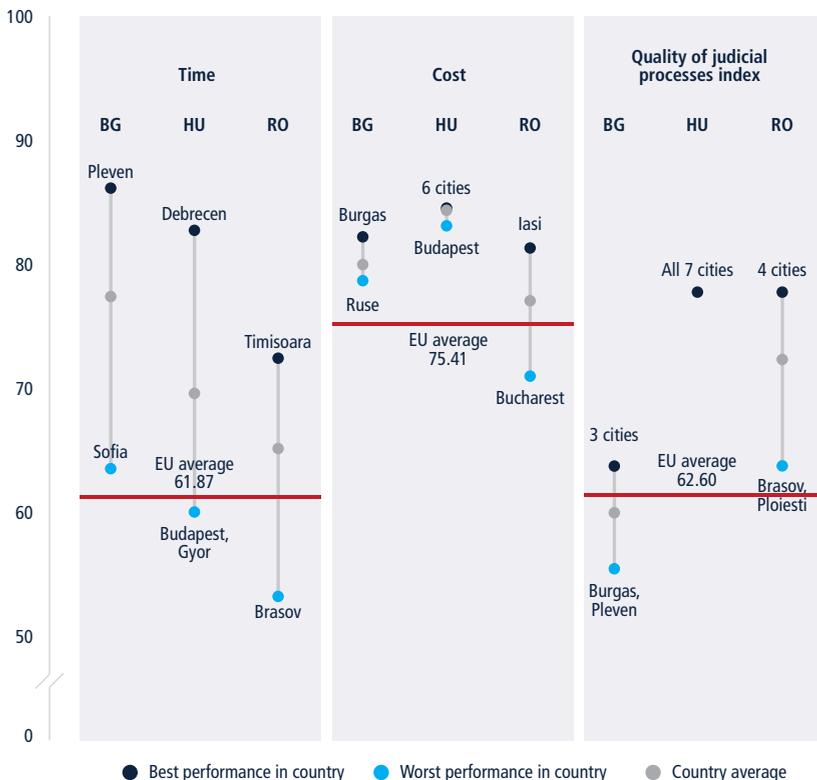
Hungary

All seven Hungarian cities outperform the EU average on the cost to enforce a contract and on the quality of judicial processes index. The greatest differences among the cities in enforcing contracts is in the time required (figure 2.5). All the cities except Budapest and Győr have faster contract enforcement times than the EU average. Judges in Budapest handle the largest number of commercial cases, and the cases tend to be more complex. Those in Győr are more likely to handle cases with international implications, given the city’s proximity to the border, and these cases also tend to be more complex.

Hungarian cities benefit from low attorney fees and low up-front enforcement costs as well as high scores on the quality of judicial processes index that reflect advanced electronic services (for filing and payment) and a well-functioning case

FIGURE 2.5 In enforcing contracts, the largest differences within each country are in the time required—and the smallest in the cost

Distance to frontier score (0–100)



Source: *Doing Business* database.

Note: The distance to frontier score shows how far a location is from the best performance achieved by any economy on each *Doing Business* indicator. The score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). The averages for Bulgaria, Hungary and Romania are based on data for the cities benchmarked in each country. The averages for the EU are based on economy-level data for the 28 EU member states. BG = Bulgaria; HU = Hungary; RO = Romania.

management system. Enforcing contracts in Hungary is easiest in Debrecen and most difficult in Budapest. In Debrecen costs are low, and obtaining and enforcing a judgment takes just 11 months. Time is saved because judges strictly scrutinize initial complaints, rejecting outright those that have errors or that fail to show good-faith efforts to reach a settlement before trial. In addition, hearings are scheduled three days a week rather than only two days, as in most of the other Hungarian cities, and penalties are more likely to be imposed for tardiness in presenting expert testimony—a reduction of 1% of expert fees for every day of delay.

To increase trial efficiency, Hungary could consider introducing pretrial conferences.

Held after a case is filed, these informal meetings are aimed at clarifying and narrowing the issues in dispute and advancing the negotiations of the parties toward a settlement. Key elements for an effective pretrial conference include allowing the judge to have early and continuous control over the progress of the case; developing a realistic, meaningful and binding case timeline; and promoting early settlement of the case while limiting the scope of the trial.⁴

Romania

In Romania enforcing a contract is easiest in Timisoara, where it takes 15 months—and most difficult in Brasov, where it takes 23 months. Timisoara combines speedy trials with a relatively high quality

of judicial processes and relatively low costs compared with the other Romanian cities. Times for filing are fast. Judges report that they rarely have to ask litigants to amend their complaints. The courts in Timisoara, along with those in Cluj-Napoca, improved litigants' access to case documents by developing the "Infodosar" software.

In Brasov, with the longest contract enforcement time among the Romanian cities, vacancies in judges' positions make it more difficult to deal with caseloads. Brasov also lacks a specialized commercial division at the tribunal level, and its electronic case management system provides inadequate access for lawyers. Ploiesti has the second-longest contract enforcement time in Romania, at nearly 22 months.

Romania has the highest average cost to enforce a judgment among the three countries, at 6.6% of the claim amount—more than twice the cost in Bulgaria and three times that in Hungary. Bucharest has both the highest cost in Romania and the fastest enforcement, taking just over three months. Bailiffs in Romania often request advances to cover their expenses in seizing and selling movable assets.

One of the main bottlenecks in starting a trial in Romania is the admissibility of complaints. In many cities a significant number of complaints are sent back to the plaintiff for correction, often simply because of errors in the calculation of the filing fee. Romania could simplify the calculation of filing fees and train court clerks to check the calculation in complaints, freeing up judges' time for more substantive matters.

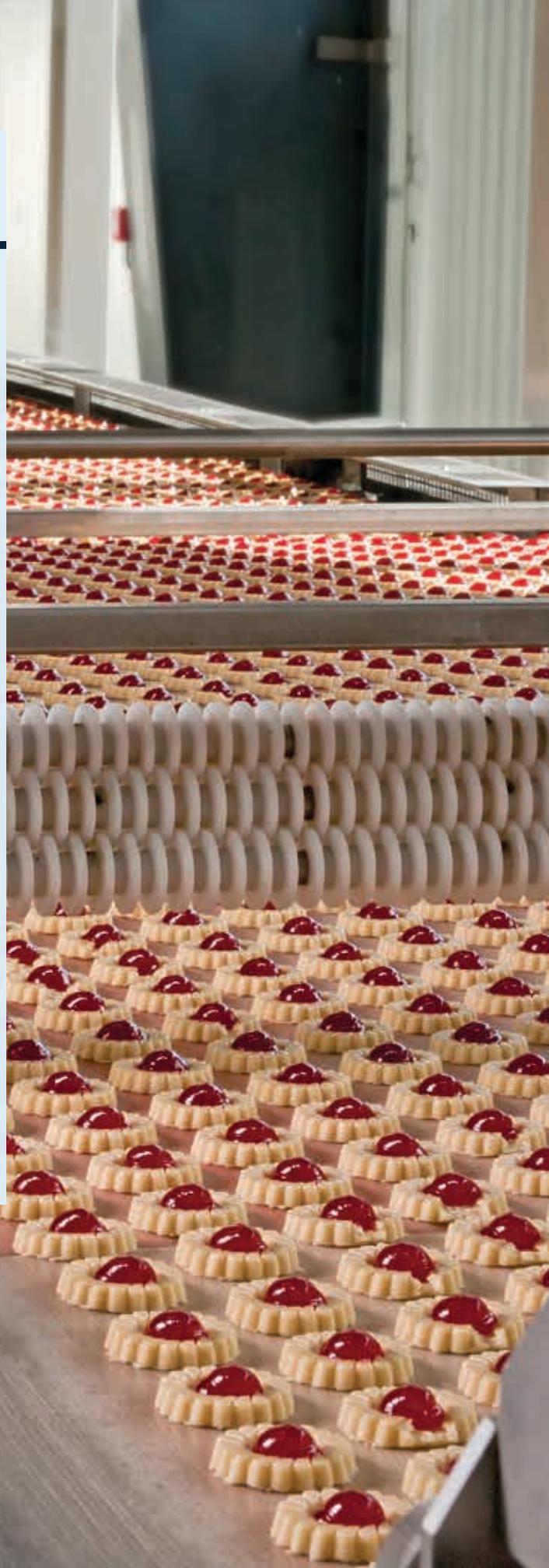
NOTES

1. This cost does not reflect the elimination in March 2017 of certain fees and charges (such as stamp duty and publication fees) related to the registration of legal entities, including limited liability companies.
2. This cost does not reflect the recent elimination of registration fees of RON 400 by Law 1/2017, in force since February 1, 2017, which eliminated more than 100 fees and duties.
3. Data obtained from the Romanian National Agency for Cadastre and Land Registration.
4. Heike Gramckow, Omniah Ebeid, Erica Bosio and Jorge Luis Silva Mendez, *Good Practices for Courts: Helpful Elements for Good Court Performance and the World Bank's Quality of Judicial Process Indicators* (Washington, DC: World Bank, 2016).

Starting a Business

MAIN FINDINGS

- Budapest lags behind other cities in Hungary on the ease of starting a business, and Sofia lags behind in Bulgaria. But in Romania, Bucharest shares the lead with Oradea, Ploiesti and Timisoara.
- Variations in performance within Hungary are marginal and stem mainly from differences in lawyer fees. In Bulgaria and Romania, however, differences are substantial.
- If represented by Varna rather than Sofia in the *Doing Business* global ranking on the ease of starting a business, Bulgaria would jump 25 places, from 82 to 57. Varna is not only the Bulgarian champion; along with Pleven, it also outperforms the European Union average on the efficiency of the start-up process—the only ones among the 22 benchmarked cities to do so.
- Starting a business in Romania can take anywhere from 12 days in Bucharest, Oradea, Ploiesti and Timisoara to 25 days in Craiova. The gap is due to differences in efficiency among regional branches of the national tax authority in issuing the value added tax identification number.
- All three countries have implemented electronic filing for company registration. But take-up of the online option remains limited in Romania, ranging from less than 1% in most cities to 24% in Constanta.



Companies in the European Union can register in any member state, regardless of their country of operation or their directors' nationality. This freedom allows them to take advantage of simpler registration regimes or lower start-up costs outside their home country.¹

This flexibility appeals to Marin and Adam, two computer science graduates who have been working together for the past few years at a technology company in Germany. Having built up savings, business contacts and a roster of potential clients, they are planning to start their own venture—either in Romania, in Marin's home city of Oradea, or in Hungary, in Adam's home city of Debrecen. So the first step is to decide where to register their company. In Debrecen they can start operating in six days, while in Oradea they would need to wait one more week. But in Oradea they would need only EUR 162 to cover both registration fees and the minimum capital that must be deposited in a bank.² In Debrecen they would have to hire a lawyer, pay around EUR 700 in registration and legal fees and deposit almost EUR 5,000 as capital if they want to limit their personal liability when setting up a limited liability company (*korlátolt felelősségű társaság*). Money being of the essence, their choice is not hard to make.

Efficient and effective business regulations support firm creation and employment. Economies that have a more efficient business registration process also tend to have a higher rate of entry by new firms and greater new business density (figure 3.1).³ Evidence at the country level supports these findings. Take the case of Portugal, which introduced a one-stop shop for business registration in 2005 to reduce the regulatory burden for new entrepreneurs. Estimates show that the number of new monthly start-ups rose by 17%, and the number of new jobs by 22%.⁴ Comparable evidence exists at the regional level for Italy: provinces with a longer process for starting a business

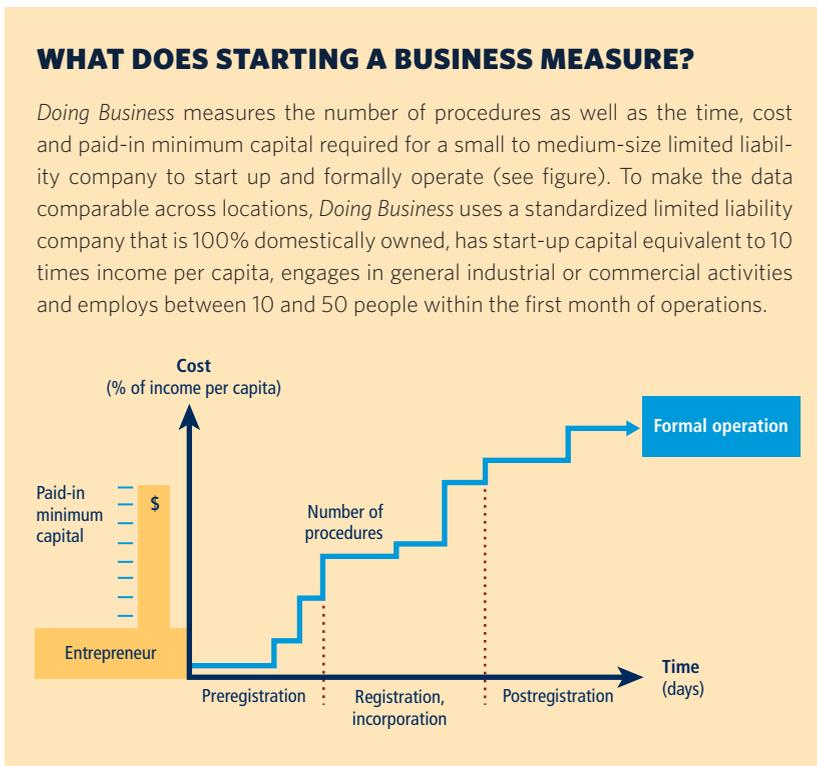


FIGURE 3.1 An efficient start-up process is associated with a higher density of new businesses



Sources: *Doing Business* database; Entrepreneurship Database, World Bank Group, <http://www.doingbusiness.org/data/exploretopics/entrepreneurship>.

Note: New business density is the number of newly registered businesses per 100,000 working-age adults (ages 15–64). The distance to frontier score is the average for the procedures, time, cost and paid-in minimum capital associated with starting a business. The score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). The data are for 2012 and 2014 and cover 109 economies. The correlation between the distance to frontier score and new business density is 0.57. The correlation is significant at the 1% level.

have lower rates of firm creation than those with a more streamlined process.⁵ Faster business registration is associated with more start-ups in industries with the strongest potential for growth, such as those experiencing technology shifts or expansionary global demand.⁶ Empirical evidence also suggests that more efficient business entry regulations improve firm productivity and macroeconomic performance.⁷

Not surprisingly, facilitating business registration has been a focus for many EU member states. Indeed, since 2010 *Doing Business* has recorded 50 reforms in the EU reducing the complexity and cost of business entry regulation in line with global best practices—registering such changes in all but three member states.⁸ Such efforts are particularly important for small and medium-size firms, with fewer resources than large businesses for dealing with bureaucratic inefficiencies. These firms also employ a significant number of people and are

responsible for a large share of net job creation in the EU.

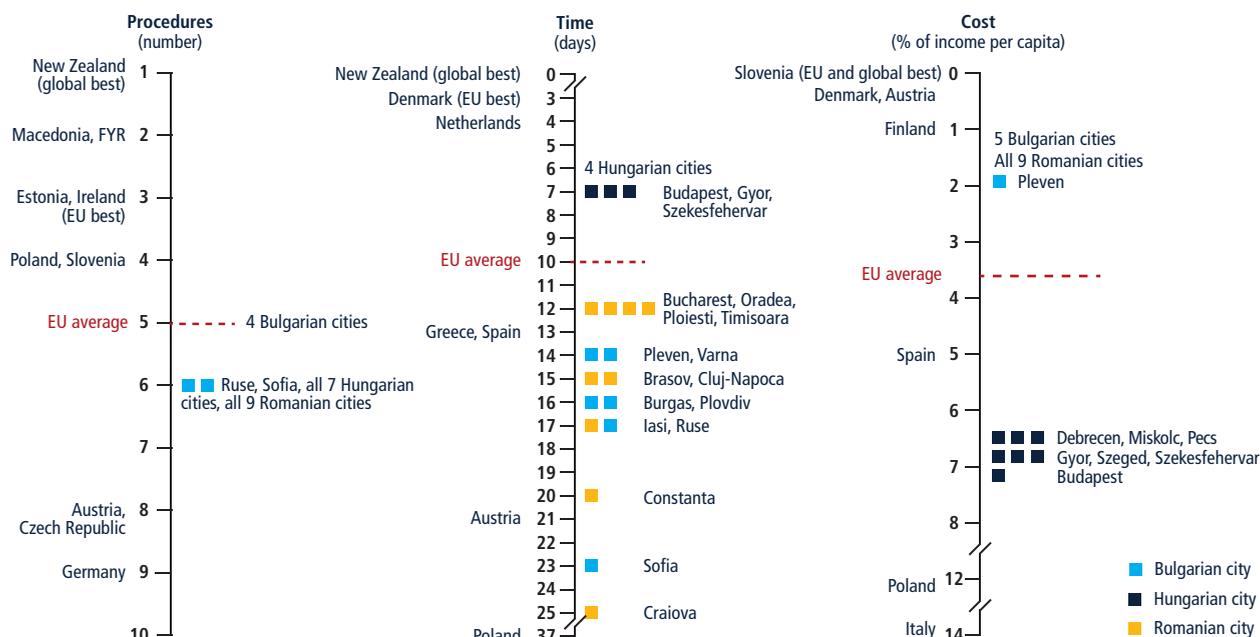
HOW DOES STARTING A BUSINESS WORK IN BULGARIA, HUNGARY AND ROMANIA?

In the latest *Doing Business* ranking of 190 economies on the ease of starting a business, more than a third of the top 25 are EU member states. Yet there is much variation within the EU. Romania stands at 62 in the ranking, Hungary at 75 and Bulgaria at 82—all below the EU average of 56, though ahead of Spain and Austria. Yet all three countries have a distance to frontier score close to 90 (of a maximum 100), indicating that they are not far from global best practices. Their relatively low positions in the ranking reflect the tight clustering of economies near the top, the result of so many having improved their performance in this area over the years.

The process of starting a business is relatively fast but costly in Hungary; the opposite is true in Bulgaria and Romania. Across the cities benchmarked in Hungary, the average cost to start a business, at 6.7% of income per capita, is four times the average in Bulgaria and Romania and almost twice the EU average of 3.7%—a figure that includes top performers such as Slovenia (no cost), Denmark (0.2%) and Austria (0.3%) (figure 3.2). But start-up takes only about a week on average in Hungary. In Bulgaria and Romania it takes more than two. Among EU member states, only Poland, Malta, and Austria impose a longer wait on entrepreneurs.

The number of procedures required to start a business ranges from five in four Bulgarian cities—Burgas, Plevn, Plovdiv and Varna—to six in the other 18 cities benchmarked (figure 3.3). Belgium, Estonia, Finland, Ireland, and Sweden manage to regulate business start-up through only three steps. In Hungary

FIGURE 3.2 Starting a business—Bulgarian, Hungarian and Romanian cities in global comparison



Source: *Doing Business* database.

Note: The averages for the EU are based on economy-level data for the 28 EU member states.

FIGURE 3.3 Entrepreneurs complete five to six procedures to start a business in Bulgaria, Hungary or Romania



Source: Doing Business database.
 * Procedure applies only in Ruse and Sofia.

companies must hire a lawyer to register. Newly incorporated companies are also obliged to register with local authorities in all seven cities benchmarked in Hungary and in two in Bulgaria—Ruse and Sofia. No local requirements exist in Romania.

Bulgaria, Hungary and Romania have undertaken substantial reforms to align their regulations and institutions with the most efficient practices in business registration (table 3.1). All three countries introduced one-stop shops consolidating requirements from several agencies, created a centralized electronic database for commercial registration, introduced statutory time limits and enabled electronic registration (box 3.1). Hungary made electronic registration mandatory—eliminating paper-based registration in 2008. Bulgaria now issues every company a single identification (ID) number; used across agencies, this ID number facilitates compliance checks throughout the life of the business. Romania no longer requires the use of legal intermediaries (lawyers, notaries). But all three countries still have a minimum capital requirement. In Bulgaria and Romania, the amount that must be deposited as paid-in minimum capital is less than 1% of income per capita; in Hungary it is 45.5% of income per capita, the highest in the EU.

Among the 22 cities benchmarked in this study, starting a business is easiest in Varna (Bulgaria) and most difficult in Craiova (Romania) (table 3.2). Among the Romanian cities, Bucharest shares the lead with Oradea, Ploiesti and Timisoara, all with a ranking of 5 among the 22 cities. By contrast, the other two capital cities have the lowest rankings in their country, with Budapest at 20 and Sofia at 21.

Variations in performance within Hungary are marginal and stem mainly from differences in lawyer fees. In Bulgaria and Romania, however, differences are substantial. The best and worst performing cities in Bulgaria are 20 places apart in the ranking, with Varna at the top and

Sofia second to last. The main reason is an additional requirement in Sofia to register with the municipality and receive an inspection of business premises at the start of operations. Similarly, while most of the Romanian cities rank among the top half, Craiova lags behind all other cities. The gap is due to differences in efficiency among regional branches of the national tax authority in issuing the value added tax (VAT) ID number.

How does the process vary within Bulgaria?

Among the six cities benchmarked in Bulgaria, starting a business is easiest in Varna, where it takes five procedures and 14 days—and most difficult in Sofia, where it

TABLE 3.1 Regulatory reforms have brought Bulgaria, Hungary and Romania closer to the most efficient practices in business registration

| Change implemented | Bulgaria | Hungary | Romania |
|--|----------|---------|---------|
| Introduced standardized incorporation documents | | ✓ | ✓ |
| Offered business registration functions online | ✓ | ✓ | ✓ |
| Introduced a unique business identification number | ✓ | | |
| Reduced or eliminated minimum capital requirements | ✓ | | ✓ |
| Introduced statutory time limits | ✓ | ✓ | ✓ |
| Created a single interface: the one-stop shop ^a | ✓ | ✓ | ✓ |
| Made involvement of third parties (lawyers, notaries) optional | | | ✓ |
| Established a flat fee schedule for business incorporation | ✓ | ✓ | ✓ |

Source: Doing Business database.
 a. Not all postincorporation procedures are integrated at the registry.

BOX 3.1 Three markedly different approaches to going digital in company registration in Bulgaria, Hungary and Romania

Bulgaria, Hungary and Romania all provide online access to nationwide company information and registration systems. In addition, thanks to information sharing among agencies, business registration includes registration with the tax authority for corporate taxes in all three countries. But the three have taken markedly different approaches with their online business registration systems, resulting in big differences in take-up (see figure).

The share of new companies using online registration varies widely among Bulgaria, Hungary and Romania



Sources: Bulgaria, Commercial Register at the Registry Agency; Romania, National Trade Registry Office.

EUR 56). Another possible factor is that clerks at the local commercial registry do not provide guidance on applications. Instead, these are simply scanned and uploaded to the system and then assigned for review and processing to any registry officer in the country who happens to be available.

The certificate of incorporation is issued in hard copy or certified electronic copy. In practice, however, Bulgarian companies are rarely required to provide a copy in dealings with institutions of public interest such as courts, banks, notary offices, and state and municipal authorities. The law obliges these institutions to make their own checks of the legal status of companies that provide their unique identification code; officials requesting additional paperwork can be subject to fines.

Today almost three-quarters of new limited liability companies in Bulgaria are registered online. Among the benchmarked cities, take-up is highest in Sofia, Plovdiv and Burgas. In Ruse just over half of new limited liability companies use electronic filing. In Pleven the majority still use paper-based registration; while costlier, this is just as fast and easy, because the statutory limit of two days applies regardless of the registration method. One factor slowing take-up in Bulgaria is the still limited use of electronic signatures.

In Romania, where online registration has been available since 2012, it saves entrepreneurs neither time nor cost. Moreover, even though the application can be done online, the certificate of incorporation is issued only in hard copy and needs to be picked up in person from the commercial registry. While public institutions can check a company's status on the commercial registry's website, they are not obliged to do so by law and therefore usually require the company to provide the relevant documents in hard copy.

a. Statistics provided by the National Judicial Office and the Ministry of Justice of Hungary.

(continued)

In Hungary, where the use of legal intermediaries is mandatory in business registration, lawyers and notaries have no choice: all registration applications have had to be submitted electronically since 2008. Companies can choose between standard or simplified electronic filing. The simplified option, with a standard template for the articles of association, costs half as much, at HUF 50,000 (EUR 161); it is also much faster (taking 1–2 days as compared with 8–15 for the standard option). More than 90% of firms register with standard articles of association.^a A Court of Registration ruling concludes the incorporation process. If needed, the certificate of incorporation can be accessed online and downloaded as a certified electronic copy.

Take-up has also been high in many cities in Bulgaria, where the online system began operating in 2009. One factor encouraging its use is the lower fees for electronic filing, set at half the price of paper-based registration (EUR 28 rather than

BOX 3.1 Three markedly different approaches to going digital in company registration in Bulgaria, Hungary and Romania (*continued*)

On average, fewer than 10% of new limited liability companies in Romania use the online registration platform. Take-up ranges from less than 1% in most cities to 24% in Constanta, where the local chamber of commerce actively provides assistance to local entrepreneurs. In Bucharest only 6.5% of limited liability companies incorporated between January 2015 and June 2016 were registered online. Most applicants lack electronic signatures.

But the number of online applications is expected to pick up with the introduction of mandatory online tax filing for companies,^b which will make electronic signatures increasingly common. Moreover, the recent introduction of express counters at registry offices across Romania—where applications are registered but not checked for accuracy—might lead to fewer in-person applications, since counter assistance will no longer be available.

b. While the National Agency of Tax Administration has announced an intention to make online filing mandatory for companies, no formal requirements have been published yet.

TABLE 3.2 Starting a business in Bulgaria, Hungary and Romania—where is it easier?

| City (Country) | Rank | Distance to frontier score (0–100) | Procedures (number) | Time (days) | Cost (% of income per capita) | Paid-in minimum capital (% of income per capita) |
|--------------------------|------|------------------------------------|---------------------|-------------|-------------------------------|--|
| Varna (Bulgaria) | 1 | 90.56 | 5 | 14 | 1.3 | 0.0 |
| Pleven (Bulgaria) | 2 | 90.50 | 5 | 14 | 1.8 | 0.0 |
| Burgas (Bulgaria) | 3 | 90.05 | 5 | 16 | 1.3 | 0.0 |
| Plovdiv (Bulgaria) | 3 | 90.05 | 5 | 16 | 1.3 | 0.0 |
| Bucharest (Romania) | 5 | 89.53 | 6 | 12 | 1.5 | 0.6 |
| Oradea (Romania) | 5 | 89.53 | 6 | 12 | 1.5 | 0.6 |
| Ploiesti (Romania) | 5 | 89.53 | 6 | 12 | 1.5 | 0.6 |
| Timisoara (Romania) | 5 | 89.53 | 6 | 12 | 1.5 | 0.6 |
| Brasov (Romania) | 9 | 88.78 | 6 | 15 | 1.5 | 0.6 |
| Cluj-Napoca (Romania) | 9 | 88.78 | 6 | 15 | 1.5 | 0.6 |
| Ruse (Bulgaria) | 11 | 88.33 | 6 | 17 | 1.3 | 0.0 |
| Iasi (Romania) | 12 | 88.28 | 6 | 17 | 1.5 | 0.6 |
| Debrecen (Hungary) | 13 | 87.61 | 6 | 6 | 6.5 | 45.5 |
| Miskolc (Hungary) | 13 | 87.61 | 6 | 6 | 6.5 | 45.5 |
| Pecs (Hungary) | 13 | 87.61 | 6 | 6 | 6.5 | 45.5 |
| Szeged (Hungary) | 16 | 87.57 | 6 | 6 | 6.8 | 45.5 |
| Constanta (Romania) | 17 | 87.52 | 6 | 20 | 1.5 | 0.6 |
| Gyor (Hungary) | 18 | 87.32 | 6 | 7 | 6.8 | 45.5 |
| Szekesfehervar (Hungary) | 18 | 87.32 | 6 | 7 | 6.8 | 45.5 |
| Budapest (Hungary) | 20 | 87.28 | 6 | 7 | 7.1 | 45.5 |
| Sofia (Bulgaria) | 21 | 86.82 | 6 | 23 | 1.3 | 0.0 |
| Craiova (Romania) | 22 | 86.27 | 6 | 25 | 1.5 | 0.6 |

Source: *Doing Business* database.

Note: Rankings are based on the average distance to frontier score for the procedures, time, cost and paid-in minimum capital associated with starting a business. The distance to frontier score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more details, see the chapter "About *Doing Business* and *Doing Business in the European Union 2017: Bulgaria, Hungary and Romania*." The data for Bucharest, Budapest and Sofia have been revised since the publication of *Doing Business 2017*. The complete data set can be found on the *Doing Business* website at <http://www.doingbusiness.org>.

requires six procedures and 23 days. Indeed, if represented by Varna rather than Sofia in the *Doing Business* global ranking, Bulgaria would jump 25 places, from 82 to 57.

Two main factors drive the variation in procedures and time among the six cities. One is differences in the time it takes

to register for VAT. Business, corporate income tax and statistics registrations can all be completed at the one-stop shop in the Registry Agency. But VAT registration remained with the tax authority under the Ministry of Finance and requires a separate application and evaluation. Applicants wait 10 days to receive their

VAT ID numbers in Pleven and Varna— and 12 days in the other cities (box 3.2).

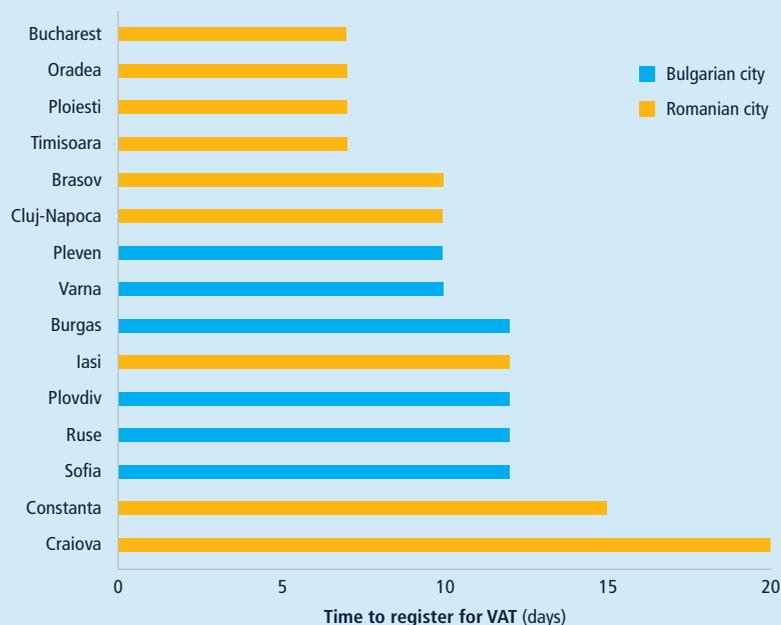
The other factor is differences in municipal requirements. In Ruse and Sofia all newly incorporated companies need to inform the municipality about the type of activity they perform and the start of

BOX 3.2 Is VAT registration set to become easier in Bulgaria and Romania?

In Bulgaria and Romania corporate tax registration takes place simultaneously with company registration at the commercial registry. But VAT registration, undertaken voluntarily by many companies at start-up, remains a separate procedure.^a

Registering for VAT requires that company founders provide considerable information (such as tax records, proof of income, diplomas and summaries of experience, criminal records, and evidence of the adequacy of registered premises for commercial activity). This is evaluated by the tax authority to determine whether the applicant meets the criteria for VAT registration. The measures are meant to prevent tax fraud by ensuring that a company's founders have no history that might raise questions about its risk. The process can be a long one even for companies deemed to be low risk (see figure), and the outcome is not guaranteed.

VAT registration is time-consuming across cities in Bulgaria and Romania



Source: *Doing Business* database.

that previously had to be attached to the application. But this change did not reduce the time for registration. Instead, it shifted the burden to tax officers, who now have to verify the details in the application by searching different databases, such as those of the commercial registry, the cadastre agency and the insolvency bulletin. Most recently, ANAF Ordinance 210/2017 (in force since February 1, 2017) eliminated Form 088 altogether. In addition, tax officers may no longer reject an application without first allowing the taxpayer 45 days to dispute the decision. It remains too early to assess the impact, if any, of these recent changes on the ease of VAT registration across cities in Romania.

a. VAT registration becomes mandatory for a company if its turnover over a period of 12 consecutive months exceeds BGN 50,000 in Bulgaria or RON 220,000 in Romania.

b. Statistics provided by the Bulgarian National Revenue Agency.

Still, both countries have taken recent steps to ease the burden on companies. Bulgaria's National Revenue Agency introduced electronic VAT registration with qualified electronic signatures, allowing taxpayers to register online. However, most applicants still choose to apply in person.^b An ongoing initiative at the National Revenue Agency aims to consolidate VAT registration with company incorporation at the Registry Agency.

Romania has recently introduced several changes aimed at streamlining the process. Ordinance 2393/2016 of the National Agency for Fiscal Administration (ANAF) simplified Form 088, which requests information from applicants that tax officers use to assess the applicants' capacity and intention to undertake activities that are subject to VAT. The ordinance also reduced documentation requirements, allowing company founders to submit an affidavit rather than the documents

their operations. In the other four cities this is necessary only if the company owns property or conducts its activity on municipal property. Moreover, while in Ruse a simple notification suffices, in Sofia an inspector is dispatched to check the company premises, after which the company is registered in the municipal business registry within seven days.

The cost to start a business in Bulgaria ranges from 1.3% of income per capita in most cities to 1.8% in Pleven. The difference comes from the registration fee. Among the six cities surveyed, Pleven is the only one where the majority of limited liability companies still use paper-based registration, which costs BGN 110 (EUR 56) (see box 3.1).⁹ Those using the online platform pay half that price: BGN 55 (EUR 28).

How does the process vary within Hungary?

In Hungary, across all seven cities surveyed, starting a business involves completing the same six procedures, which takes six or seven days and costs from 6.5% to 7.1% of income per capita. The first step is to hire a lawyer to prepare and submit the company's registration documents. Legal fees are subject to negotiation. For simpler cases they range from HUF 160,000 (EUR 516) in Debrecen, Miskolc and Pecs to HUF 180,000 (EUR 581) in Budapest.

The next step is to open a bank account and deposit the minimum capital. While the legislation does not explicitly require depositing at least half the minimum capital at the time of incorporation, under the Civil Code company founders who have not paid in the full minimum capital contribution are subject to certain restrictions on dividend distribution as well as liable for the company's debts in the amount of the outstanding cash contributions.

The Court of Registration in the city electronically registers the business, a

procedure that includes registrations with the tax authorities (for corporate income tax and VAT, if applicable) and the statistical office. Using standard incorporation documents cuts the cost of registration by half (to HUF 50,000, or EUR 161) and ensures that the process can be completed the same day—as in Debrecen, Miskolc, Pecs and Szeged—or at the latest by the next business day.¹⁰

Newly incorporated companies are also required to register for social security, with the national chamber of commerce and with local authorities for tax purposes. All these postregistration procedures can be completed in one day and at no cost except for annual membership fees of HUF 5,000 for the chamber of commerce.

How does the process vary within Romania?

In Romania starting a business anywhere in the country requires the same six procedures and the same fees—equivalent to 1.5% of income per capita.¹¹ Yet the time it takes varies widely among the nine cities benchmarked—from 12 days in four cities (Bucharest, Oradea, Ploiesti and Timisoara) to 20 days in Constanta and 25 in Craiova (figure 3.4).

Dealings with the commercial registry take relatively little time—one day for company name reservation and three days for incorporation, in accordance with statutory time limits uniformly enforced across the country. But VAT registration takes one to three weeks for companies deemed to be low risk, depending on the workload and resources of the local office of the national tax authority.

VAT registration is fastest in Bucharest, Oradea, Ploiesti and Timisoara. In Constanta it takes two weeks, and in Craiova almost three (see box 3.2). The differences in delays cannot be explained by application volumes, because VAT registration takes the same amount of time in large cities like Bucharest and Timisoara as it does in smaller ones like Oradea and Ploiesti.¹² Constanta might be slower because it does not have a regional office, where applications are evaluated for risk—but Craiova does have one and it still takes three weeks.

Another visit to the tax authority is needed to obtain the so-called registry of controls—used to record inspections carried out by different control bodies in Romania. In most of the cities

FIGURE 3.4 The time required to start a business varies substantially among cities in Bulgaria and Romania



Source: Doing Business database.

benchmarked, the registry can be purchased on the spot. The exception is Constanta, where the tax authority's local office, located at the Treasury, is open only Tuesdays and Thursdays.

WHAT CAN BE IMPROVED?

Bulgaria, Hungary and Romania already have sophisticated systems for starting a business. But there is always room for improvement in the policy framework underpinning the activities of the private sector, the main engine of economic growth and job creation. More can be done to further ease business start-up and align the process with best practices worldwide and in the region—as in New Zealand, Canada and the former Yugoslav Republic of Macedonia, where start-up takes one or two procedures that can be completed in two days or less and requires no paid-in minimum capital.

Simplify VAT registration BULGARIA, ROMANIA

In Bulgaria and Romania, while corporate tax registration takes place simultaneously with company registration at the commercial registry, new companies choosing to register for VAT must complete a separate procedure to do so. Obtaining a VAT number takes one to three weeks as tax officers undertake a thorough evaluation of a company's founders, premises and declared business activity to reduce the risk of non-compliance and fraudulent claims (see box 3.2).

Streamlining risk screening at the point of registration would allow a reallocation of the resources used to perform this activity to other compliance actions. VAT registration could take place in parallel with corporate tax registration, with the two registrations synchronized as part of the initial company registration with the commercial registry. This would eliminate the need for secondary VAT registration, reducing the burden on both the taxpayers and the tax authority.

This is already the case in Hungary, where VAT registration can be declared during the company incorporation process at the Court of Registration. Completing all three registrations takes just one or two days. Other countries also offer examples. In Lithuania the founders of a new company can complete VAT registration online in up to three days when registering with the Register of Legal Entities. Similarly, in Latvia a VAT law in force since 2013 enabled simultaneous filing of the company and VAT registration applications at the commercial registry. The process can be completed in three days. More recently, in Cyprus the Tax Department set up in 2014 integrated the Inland Revenue Department and the VAT Services. As a result, companies can now file for their tax ID number and VAT registration simultaneously.

Promote online business registration and eliminate the need for a visit to the commercial registry to collect the certificate of incorporation ROMANIA

While the take-up of online business registration remains limited in Romania, the government could begin actively promoting this option now that electronic signatures are expected to become more widely used for tax purposes. An important tool for doing so is a public information campaign to emphasize the benefits of online registration, to educate stakeholders and to reassure them of the validity of electronic data. This effort could be supported by local chambers of commerce—as has been effectively done in Constanta, where 24% of all new limited liability companies are registered online, the highest take-up by far among the nine Romanian cities benchmarked. The government could even consider introducing incentives to encourage use of the online platform. For example, it could offer online registration at substantially lower fees than paper-based registration—as was done in Bulgaria, where almost three-quarters

of new limited liability companies register electronically.

While electronic filing is available in Romania, the process is not yet fully electronic: it still requires visiting the registry in person to collect the certificate of incorporation. The next step should be to start issuing certified electronic copies, as is already being done in Bulgaria and Hungary. In addition, because institutions of public interest (such as courts, banks, notary offices, and state and municipal authorities) have online access to the registry database, these institutions could be encouraged—or obliged by law, as in Bulgaria (see box 3.1)—to make their own checks of the legal status of companies that provide their registration code, without requesting additional paperwork.

Most countries that have successfully introduced an online registration system first encouraged its use for a few years and then, once take-up was high, discontinued the paper-based system. One of these is New Zealand, which has the top ranking on the ease of starting a business in *Doing Business 2017*. The country progressively moved to an exclusively online system more than a decade ago. While continuing the paper-based system, it offered online registration at substantially lower fees and with a guaranteed time limit (within 24 hours). Once use of the online registration system reached a significant level, New Zealand made electronic registration mandatory and phased out paper-based registration.

Similarly, electronic filing has become virtually universal in the United Kingdom. Entrepreneurs can register online from the comfort of their office or at the Companies House, where computers are available to allow electronic registration. The share of new companies registered electronically grew sharply in the first few years, rising from around 25% in 2001—the year electronic registration was introduced—to 95% in 2009 and 98% in 2013.¹³

Reduce or eliminate the paid-in minimum capital requirement for limited liability companies

HUNGARY

Hungary's paid-in minimum capital requirement, at 45.5% of income per capita, remains the highest in the EU (figure 3.5). The Civil Code, which took effect in 2014, raised the minimum capital requirement from HUF 0.5 million to HUF 3 million. While there is no explicit legal requirement to pay in at least 50% of the minimum capital at the time of registration, under the Civil Code company founders who pay in less than 50% at that time are subject to certain restrictions relating to dividend distribution; the company cannot pay dividends until the profits cover the unpaid part of the initial cash contribution. They also bear liability for the company's debts in the amount of their outstanding cash

contributions until the full minimum capital contribution is paid in.¹⁴ Thus in effect these restrictions create a paid-in minimum capital requirement. Indeed, to avoid being subject to the restrictions, Hungarian entrepreneurs commonly pay in the minimum capital in full at the time of incorporation or within a year afterward.

Yet research shows that minimum capital requirements provide little protection to creditors and hardly any security for investors during insolvency.¹⁵ Recovery rates are no higher in economies with paid-in minimum capital requirements than in those without them.¹⁶ Before making an investment decision, creditors usually assess other protections—in the company law, insolvency law and secured transactions law. Moreover, a minimum capital requirement can act as

a barrier to entry—especially for small companies.¹⁷

Today more than 100 economies benchmarked by *Doing Business* have no paid-in minimum capital requirement. Among EU members, four have no requirement: Cyprus, Ireland, the Netherlands and the United Kingdom. Eight others have a requirement amounting to less than 0.1% of income per capita: Bulgaria, the Czech Republic, France, Greece, Italy, Latvia, Portugal and Romania. Globally, 44 countries abolished or reduced their paid-in minimum capital requirement over the past five years.¹⁸

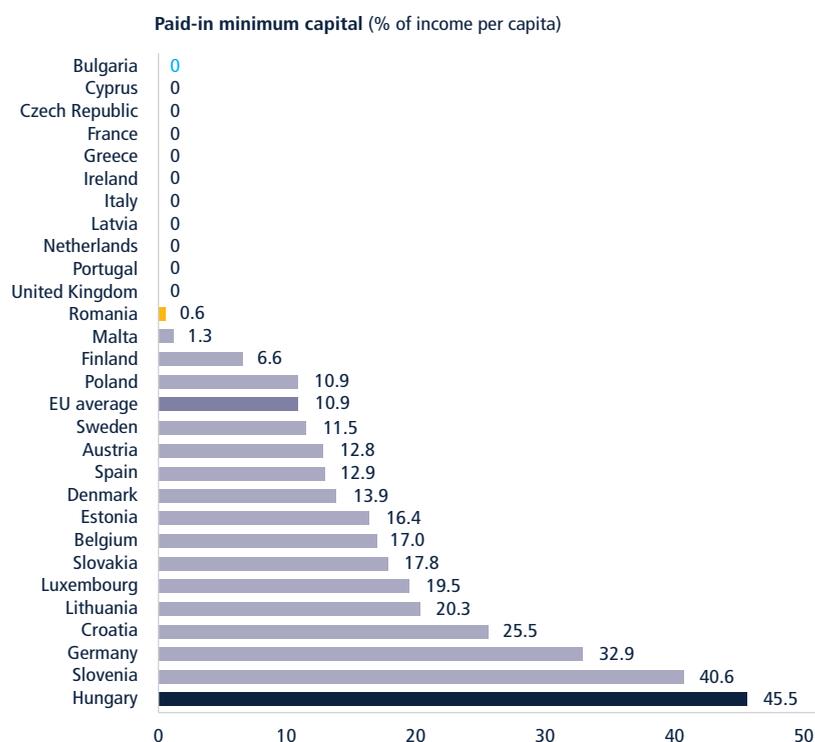
Make third-party involvement optional

BULGARIA, HUNGARY

Start-up costs in Hungary amount to around 7% of income per capita—an amount topped only by Italy, Malta, Cyprus, Poland and Croatia among EU member states. About 75% of these costs come from the mandatory step of hiring a lawyer to represent the company, create the company deed and prepare other founding documents.¹⁹ Providing public access to the business registration system would allow significant cost savings for small businesses. Larger companies, with more complex structures, could continue to consult professionals. Experience elsewhere shows that requiring businesses to use legal services for registration is not necessary to ensure accuracy and compliance with the law. Portugal successfully made third-party involvement optional for companies using standard incorporation documents provided by the registry.

Bulgaria requires the use of notaries to certify statements of consent (affidavits) of the company founders and their specimen signatures.²⁰ Why not have registry staff provide this service, as in Romania? Registry staff are professionals who could be entrusted by law with the power to verify documents and identities—just as notaries are. A single verification should suffice for a standard company. Eliminating the requirement

FIGURE 3.5 How much are entrepreneurs in EU member states required to deposit as minimum capital?



Source: *Doing Business* database.

Note: Bulgaria, the Czech Republic, France, Greece, Italy, Latvia and Portugal have a paid-in minimum capital requirement amounting to less than 0.1% of income per capita. The average for the EU is based on economy-level data for the 28 EU member states.

to use notaries would remove one procedure and one day from the process of starting a business in Bulgaria, as well as the BGN 5 fee for notarization.

Moreover, with the introduction of online registration and digital signatures, the need to verify personal identification becomes obsolete. The Singapore registrar, for example, simply assumes that businesses have no interest in going through with a fraudulent registration. The registry office uses postregistration verification, informing people that a company has been created with their names listed as founders. Thus rather than verifying every application, officials can focus their time on the few fraudulent cases in which people are listed as company founders without their consent.

Globally, almost half the economies benchmarked by *Doing Business*—including Denmark, France and Romania—have no requirement for using legal or notary services in company registration, and more and more are making the use of these services optional.

Review municipal requirements **BULGARIA, HUNGARY**

Two of the Bulgarian cities benchmarked, Ruse and Sofia, require all newly incorporated companies preparing to start operations to inform the municipality about the type of activity they're engaging in. This notification is done in person by the company representative. In Sofia an inspector is then dispatched to check the company premises—a process that takes seven days and is the main reason that Sofia has a lower ranking than any other city in Bulgaria. In the other four cities benchmarked in Bulgaria this is necessary only if the company owns property or conducts its activity on municipal property. Rather than imposing this requirement, municipalities could obtain data on all companies registered in their jurisdiction from the Registry Agency and, using a risk-based system to classify business activities, decide whether an inspection is needed.

Similarly, in Hungary, where companies are subject to a local business tax in all seven cities benchmarked, exchange of information between the national tax authority and the municipalities would eliminate the need for a separate registration with city hall.

In 2012 Spain did away with the requirement to obtain a municipal license before starting operations. This change reduced the time to start a business by six days.

Expand online platform to include social security and labor registrations **HUNGARY, ROMANIA**

After completing business registration, new companies in Hungary must register with social security and those in Romania with the Labor Inspectorate. These procedures could eventually be integrated into the business registration process. In both countries the one-stop shop at the registry already consolidates several steps—and the integration efforts should continue, with a single, consolidated online interface as the final goal.

Other countries offer examples. Portugal's "FastTrack" online platform allows users to select a preapproved name from the registry's website and proceed to the one-stop interface to register the company. The registry then automatically processes the tax, social security and labor registrations and publishes the incorporation notice. In Slovenia, thanks to interconnectivity between the systems of different agencies, the electronic single window (e-Vem) allows entrepreneurs to register with the business registrar, the statistical office, the tax authority and the health institute in a single step.

Review whether certain requirements can be eliminated for small and medium-size businesses **BULGARIA, HUNGARY, ROMANIA**

Some requirements may warrant review to see whether they are necessary for small and medium-size businesses. In

Hungary, for example, all companies are required to be members of the chamber of commerce. While the chamber of commerce may provide valuable services to its members, few countries worldwide continue to make membership mandatory. More often, membership is required only for companies in highly regulated or strategic industries (such as banking, exporting, shipping, insurance or construction) while remaining voluntary for businesses performing general commercial activities.

Another example relates to the paid-in minimum capital. While the minimum capital requirement for a newly registered company is a symbolic EUR 1 in Bulgaria and about EUR 45 in Romania, the law still requires that entrepreneurs forming a company open a bank account, deposit the minimum capital and attach the bank statement to the initial application for company registration. This requirement could be eliminated by allowing companies to register by just declaring their minimum capital. While companies will continue to open bank accounts to operate their business, there may be no need to provide proof of one at registration. Alternatively, the government could form partnerships with commercial banks and link its online business registration system with their online banking platforms.

Introduce a unique business identification number **HUNGARY, ROMANIA**

Newly created companies in Hungary and Romania receive a separate ID number from each agency involved in business registration. Issuing a single, unique ID number could facilitate information sharing across agencies. This is the practice in Bulgaria, where the business registration authority generates a unique business ID number for tax, statistical, social security and other registration purposes.

Hungary and Romania could follow suit, introducing a single business ID number that businesses would use as a unique identifier for all interactions

with government agencies. This would facilitate compliance checks throughout the life of a company as well as free companies from the administrative burden of submitting information multiple times to different agencies. Norway has taken this a step further: since 2005 it has imposed a legal obligation on all public registers and public authorities to use the data registered in the Central Coordinating Register for Legal Entities rather than requiring businesses to resubmit these data.²¹

One common approach to implementing this reform is to assign a unique ID number at the time of business registration that is then reused by other authorities, such as the tax authority or social security agency. Another approach, used in Norway, is to assign entrepreneurs a unique ID number before they proceed to register their business. The ID number and the identifying information are then made available to all agencies involved in the registration process. Regardless of the approach, the reform does not necessarily require introducing an entirely new system of ID numbers. For example, the Belgian government simply changed the old VAT ID number into an enterprise number.²²

Introducing a common ID number for businesses requires a common database, interoperable systems and mapping, and the conversion of existing identifiers. The process is relatively complex and cost-intensive. Nonetheless, a growing number of countries have introduced common ID numbers to increase efficiency in the public sector and reduce the administrative burden on businesses.

NOTES

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3. Leora Klapper, Anat Lewin and Juan Manuel Quesada Delgado, "The Impact of the Business Environment on the Business Creation Process," Policy Research Working Paper 4937 (World Bank, Washington, DC, 2009).
4. Lee Branstetter, Francisco Lima, Lowell J. Taylor and Ana Venâncio, "Do Entry Regulations Deter Entrepreneurship and Job Creation? Evidence from Recent Reforms in Portugal," *Economic Journal* 124, no. 577 (2014): 805-32.
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6. Antonio Ciccone and Elias Papaioannou, "Red Tape and Delayed Entry," *Journal of the European Economic Association* 5, nos. 2-3 (2007): 444-58.
7. Norman Loayza, Ana Maria Oviedo and Luis Servén, "Regulation and Macroeconomic Performance," Policy Research Working Paper 3469 (World Bank, Washington, DC, 2005); and Levon Barseghyan, "Entry Costs and Cross-Country Differences in Productivity and Output," *Journal of Economic Growth* 13, no. 2 (2008): 145-67.
8. These three are Belgium, Finland and Hungary.
9. Statistics provided by the Commercial Register at the Registry Agency, Bulgaria.
10. This cost does not reflect the elimination in March 2017 of certain fees and charges (such as stamp duty and publication fees) related to the registration of legal entities, including limited liability companies.
11. This cost does not reflect the recent elimination of registration fees of RON 400 by Law 1/2017, in force since February 1, 2017, which eliminated more than 100 fees and duties.
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13. U.K. Companies House, *Companies House Annual Report & Accounts 2012/13* (London: The Stationery Office, 2013) and *Companies Register Activities 2012-2013* (London: Companies House, 2013).
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15. Geoffrey Elkind, "Minimum Capital Requirements: A Comparative Analysis" (U.S. Agency for International Development, Washington, DC, 2007). Other relevant studies include John Armour, "Legal Capital: An Outdated Concept?" *European Business Organization Law Review* 7, no. 1 (2006): 5-27; Friedrich Kübler, "A Comparative Approach to Capital Maintenance: Germany," *European Business Law Review* 15, no. 5 (2004): 1031-35; Joelle Simon, "A Comparative Approach to Capital Maintenance: France," *European Business Law Review* 15, no. 5 (2004): 1037-44; Peter O. Mülbart and Max Birke, "Legal Capital—Is There a Case against the European Legal Capital Rules?" *European Business Organization Law Review* 3, no. 4 (2002): 695-732.
16. World Bank, *Doing Business 2012: Doing Business in a More Transparent World* (Washington, DC: World Bank, 2011).
17. Andre Van Stel, David Storey and Roy Thurik, "The Effect of Business Regulations on Nascent and Young Business Entrepreneurship," *Small Business Economics* 28, no. 2 (2007): 171-86.
18. *Doing Business* database.
19. The cost can range from HUF 100,000 to HUF 250,000 (EUR 323 to EUR 807).
20. Article 141 of the Bulgarian Commercial Act requires the statements of consent and signature specimens of company managers to be certified by notary.
21. World Bank Group, Investment Climate Department, *Business Registration Reform Case Study: Norway* (Washington, DC: World Bank Group, 2011).
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Dealing with Construction Permits

MAIN FINDINGS

- Among the three countries, completing the construction permitting process for a simple warehouse is easiest in Hungary, where it takes 18 procedures and 164 days and costs 0.5% of the warehouse value on average. But the process is fastest in Bulgaria, where it takes 141 days on average.
- Construction permitting is considerably more burdensome in all three countries than in most other member states of the European Union. This is largely because of the number of approvals builders are required to obtain before applying for a building permit.
- In Bulgaria construction permitting is easiest and fastest in Sofia, where it takes 97 days. In Hungary the process is easiest and least time-consuming in Pecs, where it requires 17 procedures and about five months. And in Romania the process is easiest in Craiova, though it is neither fastest nor least costly there.
- Bulgaria, Hungary and Romania all perform well on the building quality control index, scoring 13 of 15 possible points and surpassing the EU average of 11.4 points.
- Among the main constraints to greater efficiency in the permitting process, particularly in Bulgaria and Romania, are lack of transparency around the requirements, lack of streamlined processes for preapprovals and weak electronic platforms.



In 2015 almost all member states of the European Union saw an increase in the number of building permits issued. In Hungary, for example, 29% more building permits were issued than in the previous year.¹ In 2009 the country had adopted building regulations that tightened the legal time limit for issuing building permits by 15 days. It was not alone in such efforts: over the past decade countries across the EU moved toward simpler and faster building permitting processes.² This makes sense, since the construction and construction products sector represents about 10% of the overall GDP of the EU.³ And studies have shown that long delays in receiving permits can lead to higher transaction costs and fewer construction projects.⁴

HOW DOES CONSTRUCTION PERMITTING WORK IN BULGARIA, HUNGARY AND ROMANIA?

Bulgaria, Hungary and Romania all have a construction permitting process that is regulated predominantly at the national level but implemented by local agencies (figure 4.1). And in all three countries licensed private experts or companies are heavily involved at both the design and construction supervision stage as well as in updating the geodetic measurements after construction. But while Bulgaria and Romania have an inspection system organized around specified phases of construction, Hungary relies on a more random system of unscheduled inspections.

Among the three countries, dealing with construction permits is easiest in Hungary, where it takes 18 procedures and 164 days and costs only 0.5% of the warehouse value on average (table 4.1). But the process is fastest in Bulgaria, where it takes 141 days on average. In Romania it takes 115 days more on average than in Bulgaria, and in both Bulgaria and Romania it costs more than six times as much as in Hungary.

How do results compare with other EU member states and globally?

Construction permitting is considerably more burdensome in all three countries than in most other EU member states—with the 18 procedures in Hungary, 19 in Bulgaria and 26 in Romania all exceeding

WHAT DOES DEALING WITH CONSTRUCTION PERMITS MEASURE?

To measure the ease of dealing with construction permits, *Doing Business* records the procedures, time and cost required for a small or medium-size business to obtain the approvals needed to build a commercial warehouse and connect it to water and sewerage. This includes all inspections and certificates needed before, during and after construction of the warehouse. To make the data comparable across locations, it is assumed that the warehouse is in the periurban area of the analyzed business city, that it is not in a special economic or industrial zone and that it will be used for the general storage of nonhazardous materials such as books. In addition, *Doing Business* compiles a building quality control index that measures the underlying quality of construction regulations and controls. The index accounts for one-fourth of the distance to frontier score for dealing with construction permits (see figure).

Dealing with construction permits: measuring the efficiency and quality of building regulation

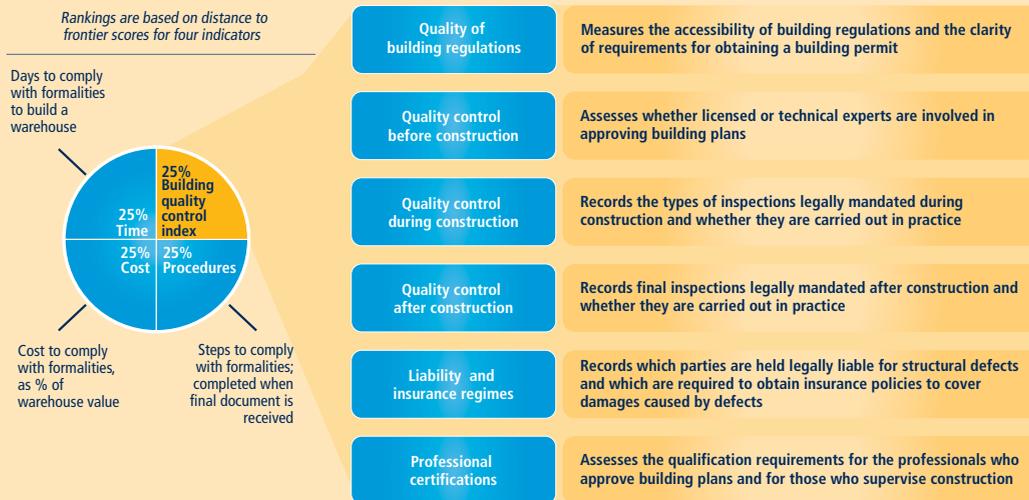


FIGURE 4.1 Dealing with construction permits requires more procedures before construction in Romania but more after construction in Hungary



Source: Doing Business database.

Note: The procedures shown for each country are common to all cities benchmarked in that country. Additional requirements apply in specific cities. Procedures administered by national agencies are in some cases completed (or performed) at regional branches of these national agencies.

the EU average of only 13 (figure 4.2). This largely reflects approvals that builders must obtain before applying for a building permit. In both Bulgaria and

Romania six preapprovals are required.⁵ Indeed, Romania and Bulgaria require more procedures than any other EU member state except the Czech Republic.

Yet construction permitting takes much less time in Bulgaria (at 141 days), and slightly less time in Hungary (164), than the EU average (169). In Romania,

TABLE 4.1 Dealing with construction permits in Bulgaria, Hungary and Romania—where is it easier?

| City (Country) | Rank | Distance to frontier score (0–100) | Procedures (number) | Time (days) | Cost (% of warehouse value) | Building quality control index (0–15) |
|--------------------------|------|------------------------------------|---------------------|-------------|-----------------------------|---------------------------------------|
| Pecs (Hungary) | 1 | 75.58 | 17 | 144.5 | 0.4 | 13 |
| Szeged (Hungary) | 2 | 74.38 | 18 | 147.5 | 0.4 | 13 |
| Szekesfehervar (Hungary) | 3 | 73.70 | 18 | 155.5 | 0.5 | 13 |
| Miskolc (Hungary) | 4 | 73.47 | 18 | 158.5 | 0.5 | 13 |
| Gyor (Hungary) | 5 | 73.35 | 18 | 161.5 | 0.4 | 13 |
| Sofia (Bulgaria) | 6 | 72.75 | 18 | 97 | 4.6 | 13 |
| Debrecen (Hungary) | 7 | 72.71 | 18 | 171.5 | 0.4 | 13 |
| Pleven (Bulgaria) | 8 | 71.92 | 18 | 152 | 2.1 | 13 |
| Ruse (Bulgaria) | 9 | 71.34 | 18 | 165 | 1.9 | 13 |
| Varna (Bulgaria) | 10 | 70.53 | 19 | 135 | 3.4 | 13 |
| Burgas (Bulgaria) | 11 | 69.23 | 19 | 133 | 4.6 | 13 |
| Plovdiv (Bulgaria) | 12 | 68.30 | 20 | 162 | 2.9 | 13 |
| Budapest (Hungary) | 13 | 67.89 | 20 | 205.5 | 0.7 | 13 |
| Craiova (Romania) | 14 | 61.31 | 25 | 206 | 1.9 | 13 |
| Bucharest (Romania) | 15 | 58.09 | 24 | 260 | 2.2 | 13 |
| Oradea (Romania) | 16 | 57.84 | 25 | 156 | 7.6 | 13 |
| Brasov (Romania) | 17 | 56.28 | 26 | 247 | 2.8 | 13 |
| Iasi (Romania) | 18 | 56.01 | 26 | 266 | 1.9 | 13 |
| Ploiesti (Romania) | 19 | 54.40 | 27 | 268 | 2.3 | 13 |
| Cluj-Napoca (Romania) | 20 | 54.32 | 27 | 275 | 1.9 | 13 |
| Constanta (Romania) | 21 | 49.26 | 25 | 307 | 5.7 | 13 |
| Timisoara (Romania) | 22 | 48.92 | 27 | 315 | 3.9 | 13 |

Source: *Doing Business* database.

Note: Rankings are based on the average distance to frontier score for the procedures, time and cost associated with dealing with construction permits as well as for the building quality control index. The distance to frontier score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more details, see the chapter “About *Doing Business* and *Doing Business in the European Union 2017: Bulgaria, Hungary and Romania*.” The data for Bucharest, Budapest and Sofia have been revised since the publication of *Doing Business 2017*. The complete data set can be found on the *Doing Business* website at <http://www.doingbusiness.org>.

however, it takes much more time (256 days) than in any other EU member state except the Slovak Republic (286) and Cyprus (507). In Romania obtaining the urban planning certificate or the building permit alone can take up to a month.

Dealing with construction permits is much less costly on average in Hungary (at 0.5% of the warehouse value) than across the EU on average (2.0%). But it is much more costly in Bulgaria (3.2%) and Romania (3.4%), largely because of high preapproval and building permit fees (figure 4.3).

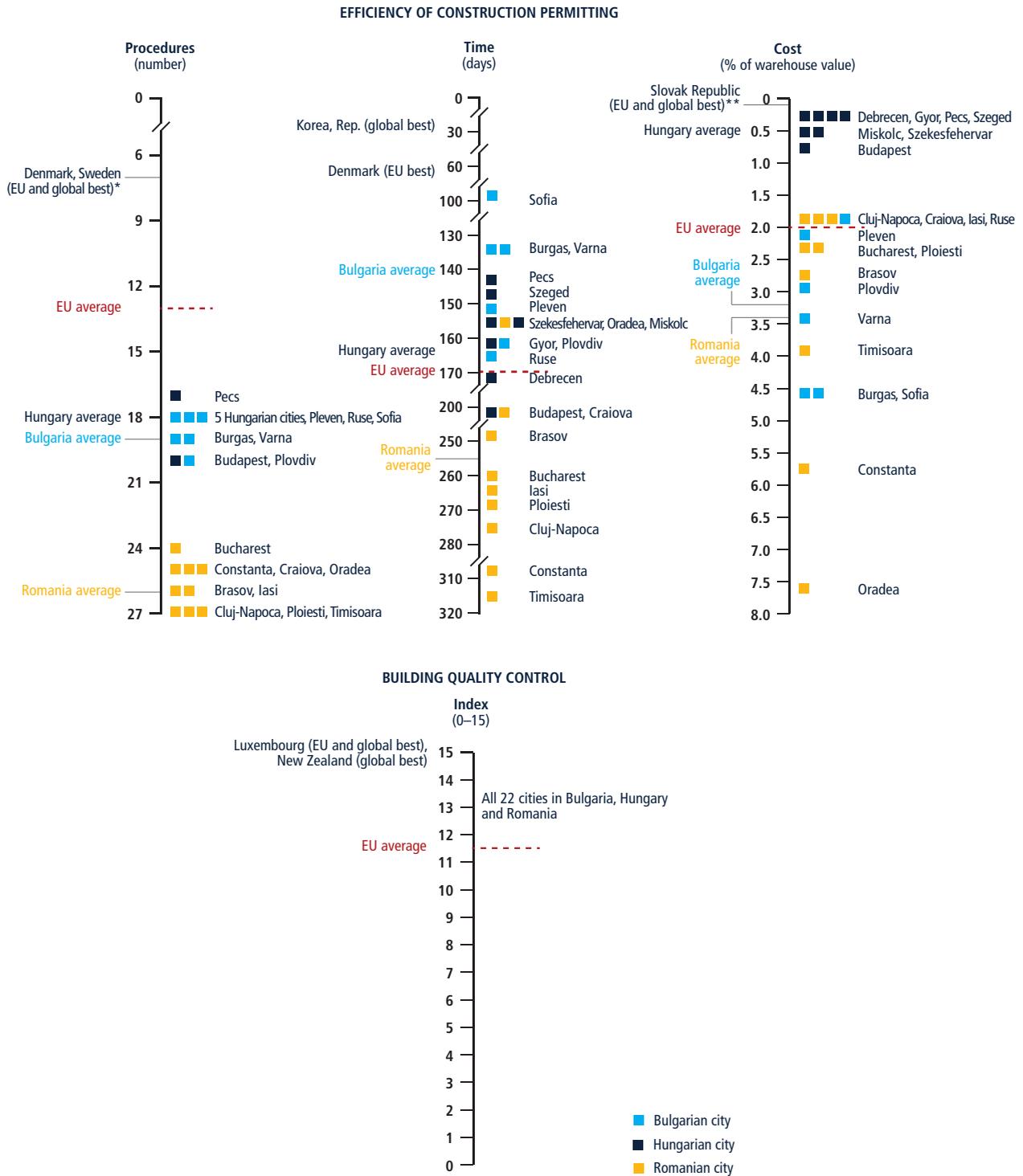
Bulgaria, Hungary and Romania all perform well on the building quality control index, which assesses the quality of

construction regulations and controls in six main areas (for a possible 15 points): quality of building regulations (2 points); quality control before (1), during (3) and after construction (3); liability and insurance regimes (2); and professional certifications (4). All three countries score 13 of the 15 possible points, surpassing the EU average (11.4) as well as the global average (9.4)—largely because of the transparency of requirements and the quality control at all stages. There is no subnational variation in the three countries, as all areas assessed are covered by national regulation.

All three countries make building regulations available online and clearly specify the requirements for a building permit

(table 4.2). They have local authorities staffed with licensed architects and engineers who verify that building plans are in compliance with the building regulations; require a supervising engineer (and, in Bulgaria, a supervision company) to be legally responsible for supervising construction; and have building control authorities conduct either random or phased inspections throughout the construction process. All three have regulations defining risk categories for buildings, though these regulations have no impact on construction supervision (inspections are the same for all types of buildings, regardless of risk category). They legally mandate final inspections after construction that also occur in practice. They hold both the architect or engineer

FIGURE 4.2 Dealing with construction permits requires more procedures in Bulgaria, Hungary and Romania than in most other EU member states



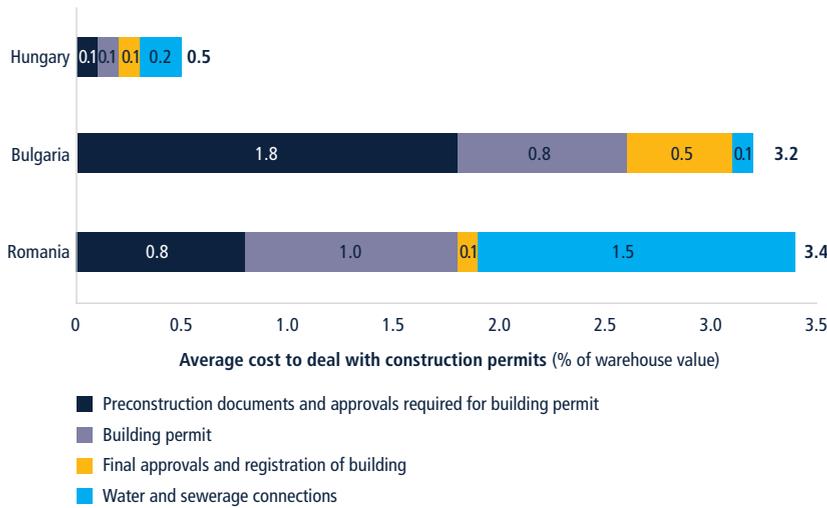
Source: Doing Business database.

Note: The averages for Bulgaria, Hungary and Romania are based on data for the cities benchmarked in each country. The averages for the EU are based on economy-level data for the 28 EU member states.

* Georgia and the Marshall Islands also have seven procedures.

** Dominica, Mongolia, St. Vincent and the Grenadines, Thailand, and Trinidad and Tobago also have a cost of 0.1% of the warehouse value.

FIGURE 4.3 Builders face high fees for preconstruction approvals and building permits in Bulgaria and Romania



Source: Doing Business database.

in charge of drawing the plans and the construction company legally liable for structural defects discovered in a building after it has been occupied. And they have strict qualification requirements for the

professionals responsible for permitting approvals.

There are also differences among the three countries in aspects measured by

the index. In addition to the architect or engineer and the construction company, Bulgaria and Romania also hold the professional in charge of supervising construction liable. But while Bulgaria requires these parties to obtain an insurance policy to cover possible defects, Hungary and Romania do not. Qualification requirements also differ. All three countries require the supervising engineer to have a university degree and be registered with the professional association or pass a certification exam. But while Hungary and Romania also require the supervising engineer to have a minimum number of years of experience, Bulgaria does not.

How does the process vary within Bulgaria?

An entrepreneur dealing with construction permits in Bulgaria can expect to complete anywhere from 18 procedures in Pleven, Ruse or Sofia to 20 in Plovdiv. The variation stems in part from the number of requirements for obtaining a water and sewerage connection.⁶ In all six

TABLE 4.2 All three countries have strong building quality control mechanisms

| | | Bulgaria | Hungary | Romania |
|--|--|-----------|-----------|-----------|
| Building quality control index (0–15) | | 13 | 13 | 13 |
| Quality of building regulations (0–2) | Are building regulations easily accessible? | 1 | 1 | 1 |
| | Are the requirements for obtaining a building permit clearly specified? | 1 | 1 | 1 |
| Quality control before construction (0–1) | Is a licensed architect or licensed engineer part of the committee or team that reviews and approves building permit applications? | 1 | 1 | 1 |
| Quality control during construction (0–3) | Are inspections mandated by law during the construction process? | 1 | 1 | 1 |
| | Are inspections during construction implemented in practice? | 1 | 1 | 1 |
| Quality control after construction (0–3) | Is a final inspection mandated by law? | 2 | 2 | 2 |
| | Is a final inspection implemented in practice? | 1 | 1 | 1 |
| Liability and insurance regimes (0–2) | Is any party involved in the construction process held legally liable for latent defects once the building is in use? | 1 | 1 | 1 |
| | Is any party involved in the construction process legally required to obtain a latent defect liability—or decennial (10-year) liability—insurance policy to cover possible structural flaws or problems in the building once it is in use? | 1 | 0 | 0 |
| Professional certifications (0–4) | Are there qualification requirements for the professional responsible for verifying that the architectural plans or drawings are in compliance with the building regulations? | 2 | 2 | 2 |
| | Are there qualification requirements for the professional who conducts the technical inspections during construction? | 1 | 2 | 2 |

Source: Doing Business database.

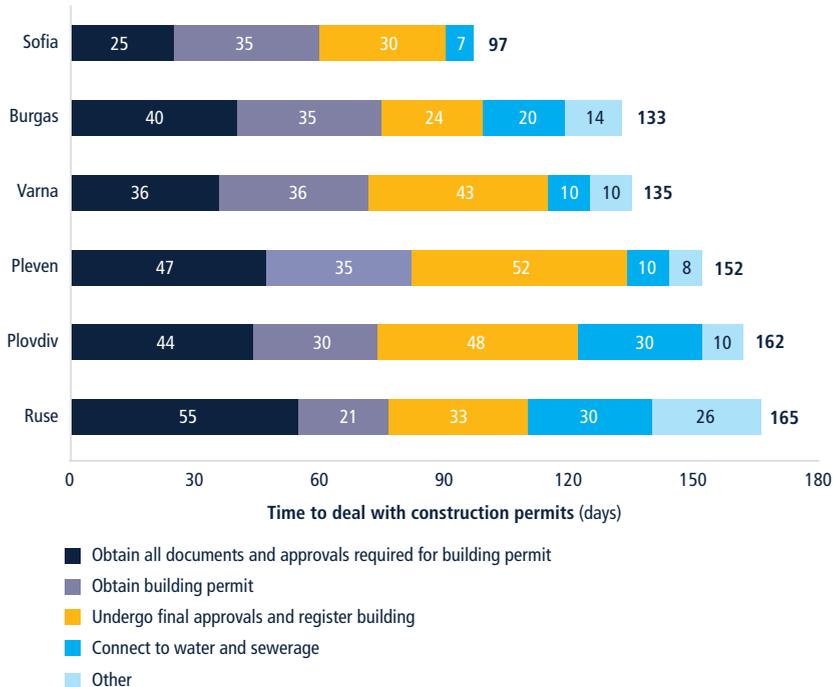
Maximum points not obtained.

Bulgarian cities entrepreneurs must first sign a preliminary contract with the water company allowing them to connect the warehouse to the utility's network. But in Plovdiv and Ruse, for example, entrepreneurs must also invest in constructing the water network, which is done through another contract—a “tripartite contract” signed by the water company, the municipality and the construction company. Concluding this contract takes a week in Plovdiv but a month in Ruse.

Another source of variation is the approval from the Regional Health Inspectorate. In Plovdiv and Varna entrepreneurs must obtain this approval on their own. But in the other four cities the Regional Inspectorate of Environment and Water notifies the Regional Health Inspectorate that it has issued the environmental decision—and that agency then requires a personal visit only if there are objections to the project, saving the entrepreneur a step if there are none. Inspection practices also vary. The Law on Spatial Planning permits municipalities to inspect a building upon completion but does not require it. Ruse is the only city where the municipality is unlikely to conduct a final inspection—though in all six cities the supervising engineer must submit a final report to the municipality once the project is completed.

Among the six Bulgarian cities, construction permitting is easiest and fastest in Sofia, taking only 97 days—as compared with 165 in Ruse, with the slowest process (figure 4.4). The reason is that Sofia offers a fast-track option for some services. So if entrepreneurs are willing to pay extra fees, they can obtain the project visa in 3 days rather than the usual 14; the approval for opening a construction site in 2 days rather than 7; and the approval of the “carcass” construction in 4 days rather than 14.⁷ But the fast-track fees also make Sofia's permitting process the most costly, at 4.6% of the warehouse value, suggesting that offering fast-track services is not necessarily always optimal.⁸ The cost in Sofia is 1.4 percentage

FIGURE 4.4 Dealing with construction permits takes almost 70 days less in Sofia than in Ruse



Source: *Doing Business* database.

points more than the average for the six cities—and almost 3 percentage points more than in Ruse, with the lowest cost.

How does the process vary within Hungary?

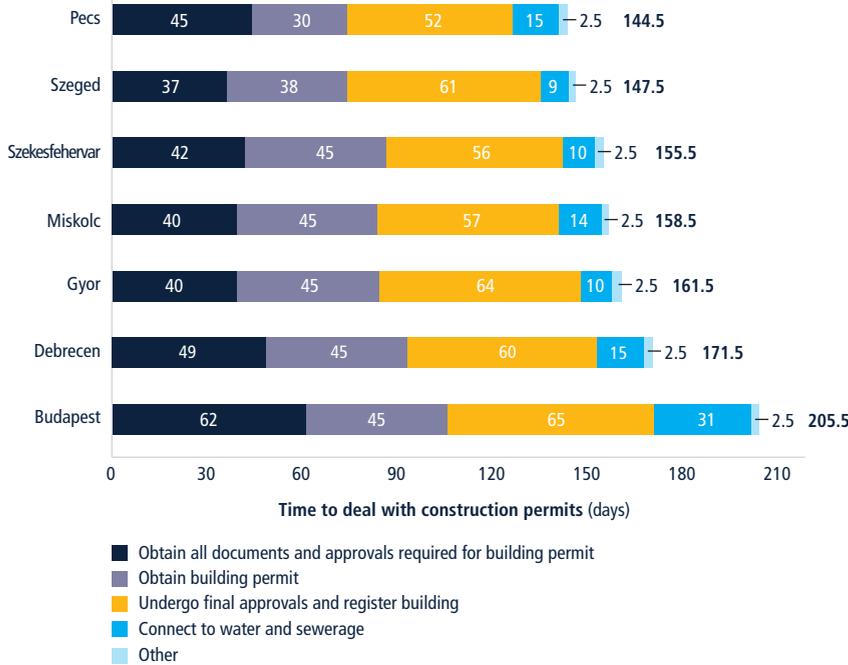
Among the seven Hungarian cities, construction permitting is easiest and fastest in Pecs, the only one requiring as few as 17 procedures, which can be completed in 144.5 days (figure 4.5). In Pecs the building permit is issued in 30 days, and the occupancy permit (including the update of the site ownership certificate) in 35 days—while each of these steps take about 45 days on average in the other six cities. This is in part because of better staffing in the Technical Unit of the Mayor's Office in Pecs. Pecs is also the only Hungarian city requiring no urban planning approval for a warehouse like the one in the *Doing Business* case study.

Budapest has the most complex and slowest permitting process among the Hungarian cities, taking 20 procedures

and 205.5 days. Because of a heavy workload, the Chief Architect Unit at the Mayor's Office takes a month to issue the urban planning approval—compared with two weeks on average in the other cities. The higher volume of applications in larger cities makes it more imperative to improve workflows, enhance interagency coordination and ensure good project management. Even the higher staffing levels in the larger cities are often not enough to offset the workload.⁹ Perhaps unsurprisingly, if not for the expedited services, Sofia would have the slowest permitting process in Bulgaria. Indeed, public officials in the capital cities of all three countries cited lack of adequate staffing as among their main challenges.¹⁰

In Budapest obtaining water and sewerage connections (including obtaining the utility permission documents) requires interacting with two separate agencies—Budapest Waterworks and Budapest Sewage Works—and both processes take around 40 days (though the documents

FIGURE 4.5 The construction permitting process can be completed two months faster in Pecs than in Budapest



Source: Doing Business database.

can be obtained simultaneously). In all the other cities a single utility company can take care of both connections. On the other hand, Budapest is one of only two cities (the other being Szekesfehervar) where the water company does not charge a fee for the utility statement that must be obtained before connecting. But Budapest nevertheless has the highest fees for new connections: at HUF 724,759 (EUR 2,339), they are more than three times those in Debrecen, with the lowest fees at HUF 205,600 (EUR 664).¹¹

How does the process vary within Romania?

Among the nine Romanian cities, dealing with construction permits takes the fewest procedures in Bucharest (24) and the most in Cluj-Napoca, Ploiesti and Timisoara (27). Differences across cities in the project clearances required explain some of the variation. For example, Timisoara is the only one requiring a solid waste disposal clearance, and Iasi the only one requiring a project clearance from the City Hall’s Slope Committee (because of

the city’s hilly topography). And Bucharest, Craiova and Ploiesti are the only ones not requiring a clearance from the Road Police or Circulation Committee.¹²

Another reason is differences in the process after construction. This process is more streamlined in Bucharest and Oradea, where the final assessment of the building is issued on the spot, as soon as the final inspection is completed. In the other cities the final assessment is issued 18 days afterward on average.

The construction permitting process is slowest in Timisoara, where it takes 315 days (the most among all 22 cities benchmarked across the three countries), largely because obtaining the water and sewerage connection takes up to three months. The process is fastest in Oradea, where it takes only 156 days (figure 4.6). In Oradea the City Hall issues building permits within 12 days on average, while in the other Romanian cities this takes 30–45 days.

FIGURE 4.6 Dealing with construction permits takes half as much time in Oradea as in Timisoara



Source: Doing Business database.

In Craiova, with the second-fastest process in Romania as well as the easiest one, project clearances are handled more efficiently. The City Hall convenes representatives of all utility companies when processing the request for the urban planning certificate and then decides which approvals are required for the building permit, noting them in the certificate. In addition, the City Hall will obtain all the clearances on behalf of the applicant for an extra processing fee (RON 14, or EUR 3.10, per clearance). While this does not speed up the clearance process, it does save the applicant from having to go separately to each agency to obtain the clearances.¹³ This means fewer procedures in Craiova (25) than in Cluj-Napoca, Ploiesti and Timisoara (27), for example.

While Oradea has the fastest process in Romania, it also has the most costly one among all 22 cities benchmarked, at 7.6% of the warehouse value. This is largely because of the extremely high cost to connect to water and sewerage, with fees per meter of RON 225 (EUR 50)

for the water connection and RON 450 (EUR 99) for the sewerage connection. In Constanta, with the second most costly permitting process among the 22 cities, the cost is 5.7% of the warehouse value.

WHAT CAN BE IMPROVED?

This chapter's review of the construction permitting process in Bulgaria, Hungary and Romania points to several areas of possible improvement. Some recommendations apply to all three countries, others to one or two of them.

Consolidate requirements and regulations BULGARIA, HUNGARY, ROMANIA

In all three countries developers have to consult numerous laws, regulations and websites to identify the documentation required for a building permit application as well as the construction standards they must follow.¹⁴ Making all such information easily available would 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.¹⁵ Exhaustive guidelines should cover key steps, the agencies involved, documentation requirements, and the certificates, permits and approvals required along with corresponding time frames and fees.

Many economies have improved transparency in recent years with positive results. Along with other good practices in Vienna, for example, authorities put all planning information on a web-based GIS platform (box 4.1).

Fully adopt a risk-based approach to environmental approvals

BULGARIA, HUNGARY, ROMANIA

Bulgaria's Law on Environment Protection (appendixes 1 and 2) clearly defines the types of projects that require an environmental impact assessment. A simple commercial building like the *Doing*

BOX 4.1 High standards for transparency and construction supervision in Austria

In Vienna and Lower Austria information and communication technology solutions have increased the transparency of land planning information. Authorities have put official land plans into an interactive GIS-based format and made them publicly available online. The online system integrates information on building specifications as well as details on the location, capacity and availability of utility connections. This enables builders and developers to find online all the information they need for building permit applications. It also eliminates the need for a number of preapprovals.

Austria has also rationalized its building inspection system while setting high standards for quality control. Legislation adopted in 1990 introduced a risk-based approach to inspections, replacing a regulatory system that required a building permit for almost any work. Different classes of buildings and construction work were introduced, with administrative procedures and safeguards adapted to each class according to its level of risk: class 1 projects require only a construction notice, class 2 projects require a simplified building permit procedure, and class 3 projects undergo a formal building permit procedure with full third-party review of all critical elements of construction.

The Austrian building quality control system gives substantial responsibility to private (and highly qualified) professionals and, for more complex projects, requires that these professionals be third-party actors. Buildings in Austria typically must be designed by a professional designer or architect and constructed by a master builder. For large-scale or more complex projects, project developers are required to appoint a third-party *Prüfingenieur*—a highly qualified professional civil engineer who is legally certified and registered—to inspect important elements of construction during the project. To ensure high professional standards and compliance, Austria has introduced strict professional qualification requirements for the regulated professional groups involved in the construction industry.

Source: World Bank Group, Investment Climate Department, *Good Practices for Construction Regulation and Enforcement Reform: Guidelines for Reformers* (Washington, DC: World Bank Group, 2013).

Business case study warehouse does not require one. But like all building projects, regardless of size or complexity, it would still have to get official confirmation of this from the Regional Inspectorate of Environment and Water. One thing the agency checks is the location of the project, to ensure that it is not in a protected area. Since the law already classifies buildings by risk, Bulgaria could go one step further by eliminating the environmental approval for simpler buildings.

To eliminate location checks, Bulgaria could develop more accurate GIS-based maps that municipalities could consult when reviewing a building permit application. In the absence of GIS-based maps, the Regional Inspectorate of Environment and Water is using paper-based maps and a set of objective criteria to determine whether projects require an environmental impact assessment. 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.

In Romania the process is more complicated, involving three phases. Government Decision 445/2009 (annexes 1 and 2) lists the types of projects subject to a full environmental impact assessment. But every project must still be submitted to the Environment Agency for a decision on whether it should move on to the second phase, for a project clearance. If it does, the agency assembles a technical analysis committee to decide whether the project will undergo a full environmental impact assessment (third phase). The law is vague, providing relatively broad descriptions of projects that would require a simple evaluation (first phase). So even a simple building like the *Doing Business case study warehouse* would likely undergo the project clearance process, with a committee deciding whether it should undergo a full impact assessment. This imposes a burden on the entrepreneur, because the clearance

process requires submitting full technical documentation (online and in person)—including plans, details on size and location, and the urban planning certificate and other clearances—as well as paying another fee.¹⁶

Similarly, in Hungary, while the Building Department obtains the environmental clearance on behalf of the applicant, all projects must still undergo the process.

In all three countries simpler projects clearly exempted by law should not need to undergo an environmental approval process. If all projects must obtain an environmental decision, defining risk-based categories in the legislation, as all three countries have done, becomes ineffective and redundant.

Many EU member states have adopted a risk-based environmental approval process. In Belgium, for example, no environmental impact report is required for a warehouse like the one in the *Doing Business case study*. And 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. But no separate environmental approval is required.

Review the cost structure for building permits

BULGARIA, ROMANIA

Where dealing with construction permits is relatively costly, as it is in Bulgaria and Romania, this can raise concerns about informality: overly high costs of compliance with building regulations may discourage businesses from following formal procedures.

In Bulgaria building permit fees, though established by municipalities, depend in all cases on the size of the building. In Romania fees are set at 1% of the value of the construction. But the fees for providing services in any country should be based not on the size or

cost of the building but on the cost of providing the services. Authorities in Bulgaria and Romania could therefore consider charging lower fees for simpler buildings that pose little risk to public health and safety. In this way larger projects with more substantial building fees could subsidize the fees of smaller ones. Hungary charges a fixed fee of HUF 100,000 (EUR 323) for the building permit for buildings over 250 square meters, an administrative fee of HUF 5,000 (EUR 16) and a fixed fee for each review required. For the case study warehouse most Hungarian cities would require a review of the documentation by the Public Health Unit (HUF 8,700, or EUR 28) and by the Environment and Conservation Unit (HUF 14,000, or EUR 45).

In economies that have adopted good practices in this area, building permit fees are generally set so as to recover the cost of providing the services rather than to fulfill a tax purpose. For example, New Zealand set the fees at a level that will cover the costs associated with the review of plans and any inspections, along with overhead costs.

Streamline the process for preconstruction approvals

BULGARIA, ROMANIA

One of the main bottlenecks in construction permitting in Bulgaria and Romania is the large number of approvals an entrepreneur must obtain before applying for a building permit. Each approval requires a separate visit to the responsible agency. In the medium to long term Bulgaria and Romania could revisit the entire preapproval process—and consider adopting a more risk-based system that exempts some types of buildings from some preapproval requirements, as is done in Austria. Adopting risk-based approvals allows building authorities to tailor the scope and intensity of controls to the type of building.

In the short to medium term, however, establishing a single focal point—a sort of

one-stop shop that could coordinate with all the agencies and issue a single pre-construction clearance—would increase efficiency. The applicant could present all documents required for the preapprovals in one visit to the municipality or city hall, which could then obtain all the preapprovals on the applicant's behalf by forwarding each application to the relevant agency. However, this would require more staffing and possibly higher fees to cover the additional staffing costs. Even more efficient would be to have each agency send a representative to sit at the permit-issuing agency and review applications on-site (even if done on a part-time basis).

Timisoara offers a good example. In other Romanian cities an engineer develops the situation and location plans required for an urban planning certificate, which are then endorsed by the cadastre office. In Timisoara the City Hall issues the plans. The City Hall has records of the entire city mapped through the GIS system, enabling it to obtain the plans faster and less expensively, without hiring additional experts. The City Hall also combines six clearances required from network utilities (such as the water and electricity companies) into one utility clearance, issued through its single window. This one-stop shop could be expanded to include representatives from other agencies that have to provide clearances, such as the Environment Agency and the Health Department.

Another example comes from Georgia. There, a one-stop shop consolidated all construction approvals from several departments (such as the water utility, the electricity utility, the Ministry of Culture and the Ministry of Environment Protection) into one approval process. This cut the number of procedures for dealing with construction permits by 10, and the time by 70 days.

Hungary has gone a step beyond physical one-stop shops by introducing an electronic platform allowing all agencies

to review the application online, as discussed in further detail in the following section.

Expand electronic platforms throughout the construction permitting process **BULGARIA, ROMANIA**

Electronic platforms can help cut delays at all phases of construction. They allow entrepreneurs to apply for building permits and submit plans online—which not only speeds up the process but also increases transparency, reduces opportunities for corruption and enables applicants to monitor the status of their applications. They also allow greater management oversight capabilities for the construction regulator, by enabling managers to monitor workflows in real time and ensure that service delivery standards are met.

In Bulgaria and Romania applications for building permits cannot be submitted online. Applications for other types of approvals can sometimes be submitted online, but still have to be presented in person as well. In Romania, for example, applicants must submit the documentation for an environmental clearance both electronically and in person.

Both countries could look to the example of Hungary, which launched the Building Regulatory Support Electronic Documentation System (ÉTDR) in 2013. All applicants for a building permit are required to submit their application through this electronic system, uploading all the technical and architectural plans. The Building Department then asks other authorities to review and approve the plans through the system.¹⁷ Companies can also use the system to request an occupancy permit. However, the system could benefit from further improvements. For example, officials noted that it can be challenging to review the plans and drawings on a single computer screen of inadequate size and that for this reason they sometimes ask applicants to submit a hard copy.

In 2013 Hungary also introduced an e-construction log system that improved internal administrative efficiency. 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.¹⁸

Bulgaria and Romania could start with an electronic platform providing a basic computerized workflow across key agencies—with the possibility of gradually integrating more services in the permitting process. Some cities have already begun leveraging information and communication technology solutions to improve service delivery. In Romania, Oradea's City Hall introduced an SMS alert system in 2016 that notifies an applicant whenever a document is signed or stamped. Since 2015 applicants have also been able to track the status of their application online.

Further efforts are under way in Romania. In December 2016 Romania adopted amendments to the Construction Law (through Emergency Ordinance 100/2016) requiring authorities to ensure that all documentation for the urban planning certificate, the building permit and all clearances can be submitted online. Progress has already been made in some cities. In Cluj-Napoca, for example, the City Hall has been issuing various certificates electronically since April 2017. Builders can now obtain urban planning certificates, sanitation clearances and building permit extensions without any need to interact with municipal employees.

Another example of good practices comes from Portugal. Lisbon has adopted a tracking system that is automatically updated once the final inspection takes place. The certificate of occupancy is ready immediately after the inspection.

Clarify the responsibilities of supervisory agents relative to municipalities and other stakeholders in the construction permitting process

BULGARIA

In Bulgaria construction supervision companies are legally mandated to collect the necessary documentation and blueprints for a proposed building project, carry out technical reviews and obtain the relevant permits from the municipality on the investor's behalf.¹⁹ Once the project is officially approved, these companies also supervise the construction activities.

But some of the roles played by these companies—and the added value of those roles—are contested. The companies are chosen and paid directly by the investor, and their responsibilities relative to the municipality and investor are unclear. Both public officials and private sector practitioners noted that these companies sometimes lack impartiality, often provide superficial reviews and supervision, and essentially duplicate work already done by the architects.²⁰ As a result, municipalities often end up carrying out additional reviews in an attempt to ensure public safety and avoid legal disputes.

To reduce delays and eliminate the duplication of tasks between architects and supervision companies, Bulgarian authorities should clarify the roles and responsibilities of these companies. To ensure a comprehensive view of the problem, discussions should involve architects, construction sector practitioners, public officials and the supervision companies themselves.

Consolidate final inspections and approvals upon completion of construction

HUNGARY

While Hungary requires fewer preapprovals than Bulgaria and Romania, it mandates three different final inspections once construction is completed: from the Fire Protection Unit, the Public Health

Unit and the Building Department. While in theory these could be done through a joint site visit, in practice the authorities inspect the building separately most of the time. The Building Department could coordinate a joint inspection, reducing the number of steps for entrepreneurs.

Romania provides a good example. Within 15 days after notification of the completion of construction, a final inspection must be organized with an “acceptance commission”—a body made up of the investor, technical experts and local administration officials. They all visit the site together, eliminating the need for the investor to wait for multiple site inspections.

Look for easy ways to simplify construction permitting

ROMANIA

Reform efforts often focus on broad, long-term goals even though opportunities exist for simpler reforms that are easier to implement. There are several such opportunities in Romania. One relates to the land registry excerpt that an entrepreneur must obtain from the National Agency for Cadastre and Land Registration (NACLR) before obtaining an urban planning certificate. The excerpt, which provides information on the legal status of the land plot, remains valid for only 30 days—even though the land's status is unlikely to change in such a short period. When applying for a building permit about two to three months later, the entrepreneur must therefore obtain another land registry excerpt. This requirement imposes an additional step for entrepreneurs, along with extra cost and time. In many economies land registry excerpts remain valid for six months to a year. Extending the validity of land registry excerpts in Romania would be an easy way to simplify the construction permitting process.

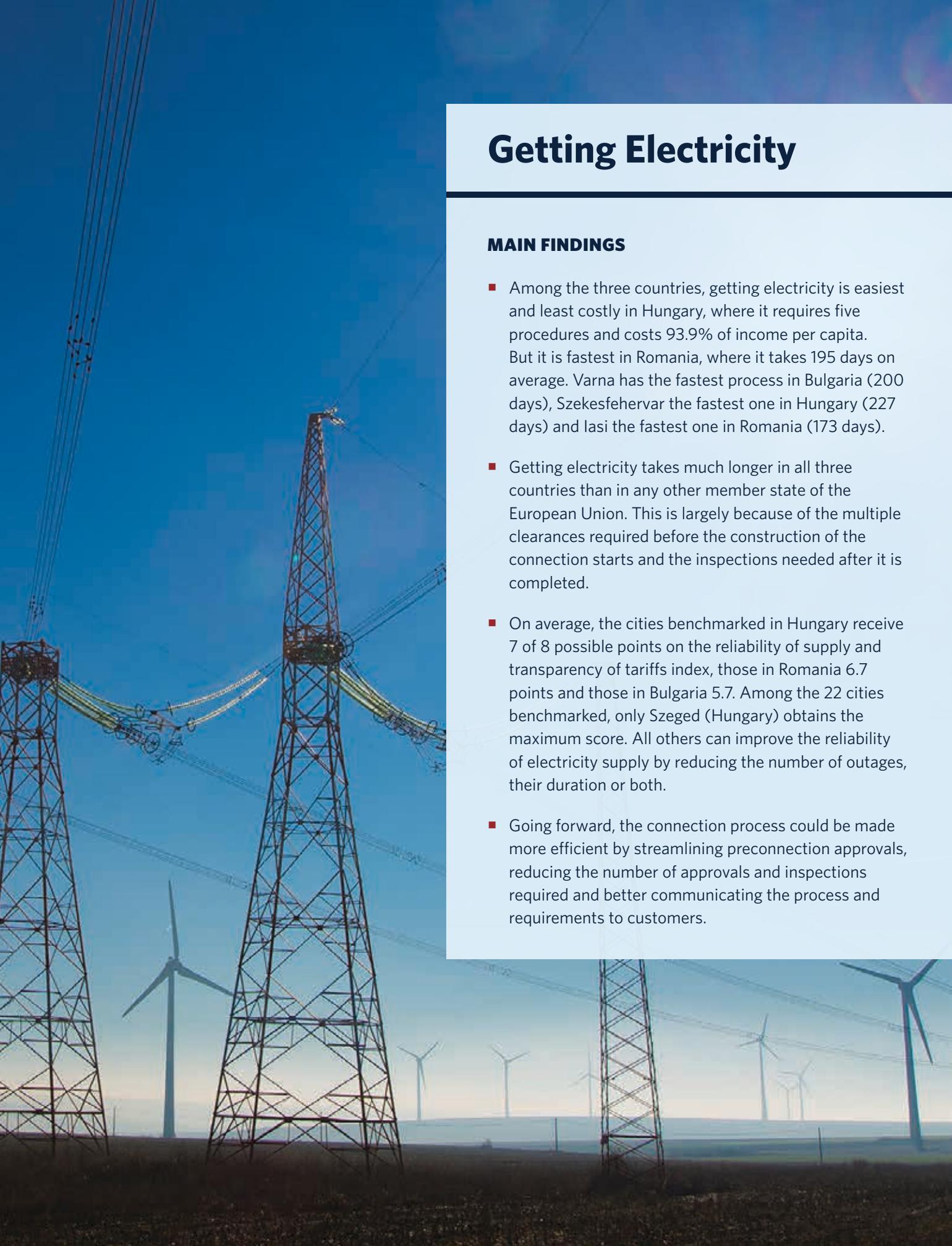
Opportunity also exists to simplify document requests. In some cities the Urbanism Department requests documents that it could obtain directly from

other units within the City Hall. To obtain an urban planning certificate in Craiova, for example, an entrepreneur must present an extract of the general urban plan (issued by the same Urbanism Department) and a certificate of street nomenclature (from another City Hall department) to be assigned a street address. Getting these documents adds two weeks to the process—yet both documents could easily be obtained through an internal system for sharing information within the City Hall.

A third opportunity relates to the requirement that entrepreneurs register their construction project with the Order of Architects and pay a stamp duty before applying for a building permit. In reality, this step is not a registration but simply a verification that the architects involved in the project have the proper licenses and registrations. Instead, the Order of Architects could list all licensed architects on its website and the City Hall could verify qualifications against this list after receiving the building permit application. The City Hall could also collect the stamp duty on behalf of the Order of Architects.

NOTES

1. Data for 2015 from the Eurostat database, http://ec.europa.eu/eurostat/data/database?node_code=sts_cobp_a. Data for 2016 are not yet available.
2. *Doing Business* database (2006-16 editions); João Costa Branco De Oliveira Pedro, Frits Meijer and Henk Visscher, "Comparison of Building Permit Procedures in European Union Countries" (Royal Institution of Chartered Surveyors, Salford, UK, 2011).
3. "Standards in Construction: The Eurocodes," *EU Science Hub*, European Commission, last modified July 14, 2016, <https://ec.europa.eu/jrc/en/research-topic/standards-construction-eurocodes>.
4. Sonia Hamman, "Housing Matters," Policy Research Working Paper 6876 (World Bank, Washington, DC, 2014).
5. The six preapprovals in Bulgaria are an updated cadastral extract from the cadastre, a project visa (equivalent to a permit to proceed with the design plans) from the municipality, a preliminary contract with the water company, a decision from the Regional Inspectorate of Environment and Water on whether the project requires a full environmental impact assessment, a preliminary energy efficiency assessment from a licensed expert and an evaluation of the project from a licensed construction supervision company. The six in Romania are an urban planning certificate from the city hall; project clearances from the Health Department, the Environment Agency and the Inspectorate of Emergency Situations; registration of the project with the Order of Architects; and an updated land registry excerpt from the cadastre.
6. The World Bank Group has had a long-standing engagement in Bulgaria's water sector through the Municipal Infrastructure Development Project. According to the new 10-year strategy for the sector, rehabilitation and construction of water supply and sewerage networks will require BGN 12 billion (EUR 6.1 billion). EU funds will cover only 30-40% of the total capital investments needed until 2020. The rest will have to come from the central government and the water utilities, requiring that the utilities substantially improve their efficiency as well as adjust their pricing.
7. This is the first step of the construction control process. The "carcass" construction phase is considered to be completed once the foundation, walls and roofing have been done.
8. Dealing with construction permits also costs 4.6% of the warehouse value in Burgas, but when the percentage values are rounded to two decimal places the cost is higher in Sofia (4.64%) than in Burgas (4.58%).
9. Interviews with public officials in Bulgaria, Hungary and Romania by World Bank Group staff members, October 3-21, 2016.
10. Interviews with public officials in Bulgaria, Hungary and Romania by World Bank Group staff members, October 3-21, 2016.
11. In Budapest the fee is charged as follows: HUF 100,000 (EUR 323) for the water connection + HUF 373,000 (EUR 1,204) per cubic meter of daily water consumption for the water utility public development contribution + HUF 539,000 (EUR 1,740) per cubic meter of daily sewage flow for the sewerage utility public development contribution + HUF 40,259 (EUR 130) for the on-site inspection of the sewerage connection. In Debrecen the fee is charged as follows: HUF 142,000 (EUR 458) for the water connection + HUF 42,000 (EUR 136) per cubic meter of daily water consumption for the water utility public development contribution + HUF 57,000 (EUR 184) per cubic meter of daily sewage flow for the sewerage utility public development contribution. The *Doing Business* case study assumes a daily water consumption of 0.7 cubic meters and a daily sewage flow of 0.6 cubic meters.
12. Ploiesti has the smallest population among the nine Romanian cities, and Craiova the third smallest after Brasov. In these cities road traffic therefore does not pose major problems and such clearances are deemed unnecessary. In Bucharest clearance from the Circulation Committee is sometimes necessary, depending on the location of the project. For the warehouse in the *Doing Business* case study it would not be required, since the building would be located on the periphery of the city.
13. The representatives of the utility companies will also meet to check whether all the necessary clearances are in place for obtaining the building permit (which is not always done in the other cities).
14. Because information is fragmented among several laws and regulations, municipalities often receive incomplete applications or drawings and plans requiring substantial amendments. This exacerbates the administrative backlog for the permit-issuing authorities. Moreover, forms are not standardized within the same agency across all cities.
15. Municipalities in Bulgaria, mayor's offices in Hungary and city halls in Romania.
16. The entrepreneur would also have to advertise the project at the city hall and in local newspapers.
17. Such authorities may include the Fire Protection, Public Health and Environment and Conservation Units.
18. This serves as notification to the Building Department of the completion of construction.
19. The use of supervision companies is mandatory only for certain categories of buildings, which would include the *Doing Business* case study warehouse.
20. Interviews with public and private officials in Bulgaria by World Bank Group staff members, June 2015.



Getting Electricity

MAIN FINDINGS

- Among the three countries, getting electricity is easiest and least costly in Hungary, where it requires five procedures and costs 93.9% of income per capita. But it is fastest in Romania, where it takes 195 days on average. Varna has the fastest process in Bulgaria (200 days), Szekesfehervar the fastest one in Hungary (227 days) and Iasi the fastest one in Romania (173 days).
- Getting electricity takes much longer in all three countries than in any other member state of the European Union. This is largely because of the multiple clearances required before the construction of the connection starts and the inspections needed after it is completed.
- On average, the cities benchmarked in Hungary receive 7 of 8 possible points on the reliability of supply and transparency of tariffs index, those in Romania 6.7 points and those in Bulgaria 5.7. Among the 22 cities benchmarked, only Szeged (Hungary) obtains the maximum score. All others can improve the reliability of electricity supply by reducing the number of outages, their duration or both.
- Going forward, the connection process could be made more efficient by streamlining preconnection approvals, reducing the number of approvals and inspections required and better communicating the process and requirements to customers.

In today's highly competitive, globalized economies the speed at which businesses can bring new products to market has a big impact on their competitive edge and performance. Whether supplying other businesses or their own retail outlets, entrepreneurs facing a delay may miss a narrow window of opportunity, losing out to faster competitors. The loss can be permanent: even the brightest innovation can become obsolete if it takes too long to reach customers.

So for an entrepreneur who needs to get a warehouse up and running before starting operations, the time it takes to obtain an electricity connection for that warehouse can be critical. Research shows that faster, simpler and less costly connection processes are associated with better firm performance, especially in industries with large electricity needs.¹

How long it takes to get an electricity connection varies widely across member states of the European Union.

According to global data reported by *Doing Business 2017*, entrepreneurs in Austria and Germany can connect their facilities to the network in less than a month, while those in Bulgaria, Hungary and Romania need to wait longer—more than four months in Bulgaria, six months in Romania and more than eight in Hungary.² These three, along with Cyprus, are the four EU member states with the longest process to get electricity as measured by *Doing Business*. Speeding up that process could make it easier for entrepreneurs in Bulgaria, Hungary and Romania to start new ventures—and to compete effectively with their peers in other EU member states.

HOW DOES GETTING ELECTRICITY WORK IN BULGARIA, HUNGARY AND ROMANIA?

In all three countries the process of obtaining an electricity connection is

regulated largely at the national level and monitored by a regulatory agency.³ As a result, the process is quite standardized in each country, requiring five procedures in Hungary, five to six in Bulgaria and eight to nine in Romania (figure 5.1).

To get a new electricity connection, entrepreneurs have to interact primarily with the distribution utility. There are several operating in each country, with each utility serving a designated geographic area (figure 5.2). Distribution utilities are key players in the connection process in all three countries, though their role varies. In Bulgaria, depending on the type of connection involved, either the distribution utility or the entrepreneur may assume the responsibility for preparing the design of the connection, obtaining the authorizations needed and carrying out the works. In Hungary, once the entrepreneur has submitted an application for a connection, the distribution utility is responsible for obtaining all the authorizations and completing the connection works.

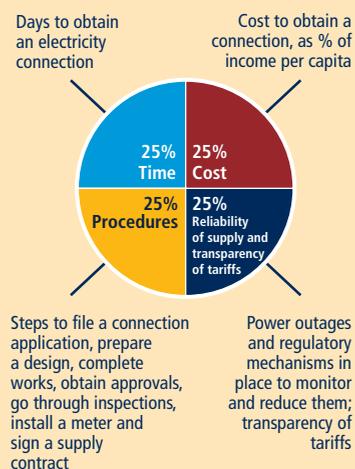
WHAT DOES GETTING ELECTRICITY MEASURE?

Doing Business records all procedures required for a business to obtain a permanent electricity connection and supply for a standardized warehouse. These procedures include applications and contracts with electricity utilities, all necessary inspections and clearances from the distribution utility and other agencies, and the external and final connection works. To make the data comparable across locations, several assumptions about the warehouse and the electricity connection are used. The location of the warehouse is assumed to be within city limits, the subscribed capacity of the connection 140 kilovolt-amperes (kVA), and the length of the connection 150 meters.

Doing Business also measures how reliable the supply of energy is and how transparent the consumption tariffs are. Its reliability of supply and transparency of tariffs index encompasses quantitative data on the duration and frequency of power outages as well as qualitative information on several aspects: the mechanisms put in place by the utility for monitoring power outages and restoring power supply, the reporting relationship between the utility and the regulator for power outages, the transparency and accessibility of tariffs and whether the utility faces a financial deterrent aimed at limiting outages. The index accounts for one-fourth of the distance to frontier score for getting electricity (see figure). In addition, *Doing Business* records the price of electricity in each location covered.^a

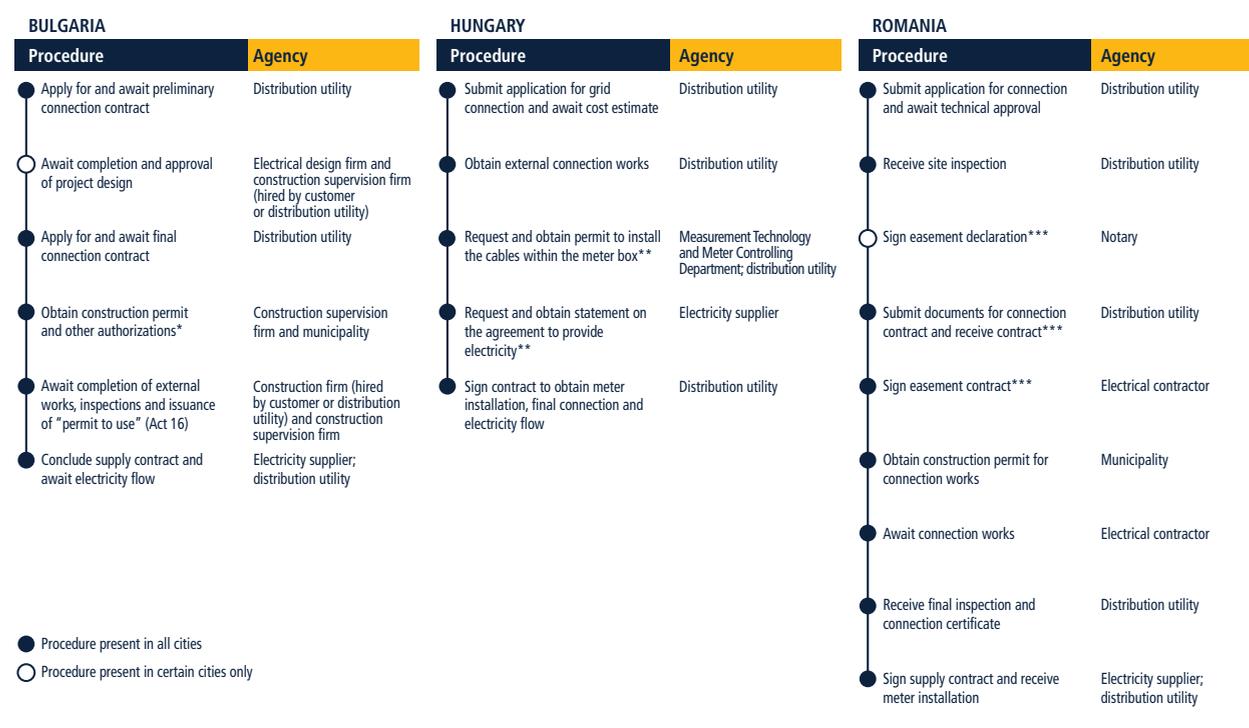
Getting electricity: measuring efficiency, reliability and transparency

Rankings are based on distance to frontier scores for four indicators



a. While *Doing Business* records the price of electricity, it does not include these data when calculating the distance to frontier score or the ranking on the ease of getting electricity.

FIGURE 5.1 Getting electricity takes five procedures in all the cities in Hungary and most in Bulgaria—but nine in most of the cities in Romania



Source: *Doing Business* database.

* In cities where the project design has not yet been completed and approved, this procedure also includes the preparation and approval of the design.

** This procedure takes place simultaneously with the previous one.

*** The exact nature and order of these procedures vary across cities.

In Romania the entrepreneur usually obtains the authorizations and selects a contractor to carry out the works, then hands over responsibility for managing the construction to the distribution utility. In all three countries, once the construction is completed, the last step is to sign a contract with an electricity supplier. The entrepreneur is free to choose the supplier, as electricity markets in all three countries have been liberalized or are undergoing that process.⁴

How do results compare with other EU member states and globally?

Among the three countries, getting electricity is easiest and least costly in Hungary: in all seven cities benchmarked it requires only five procedures and costs 93.9% of income per capita (table 5.1). By contrast, in Romania the process takes nine procedures in all the cities except Iasi (where it takes

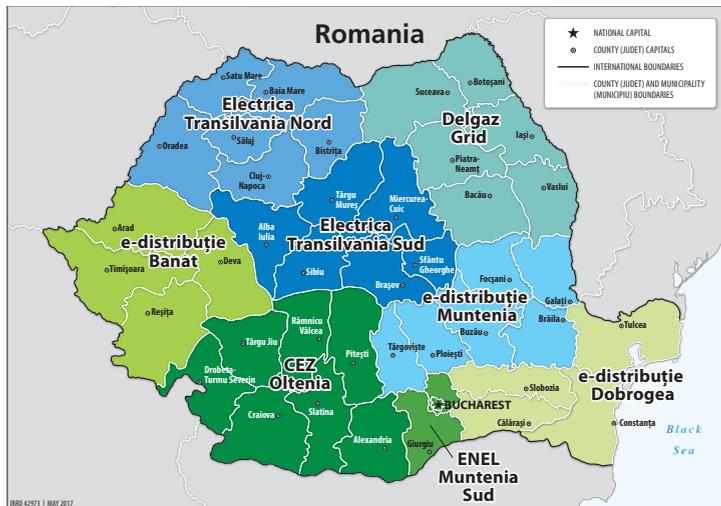
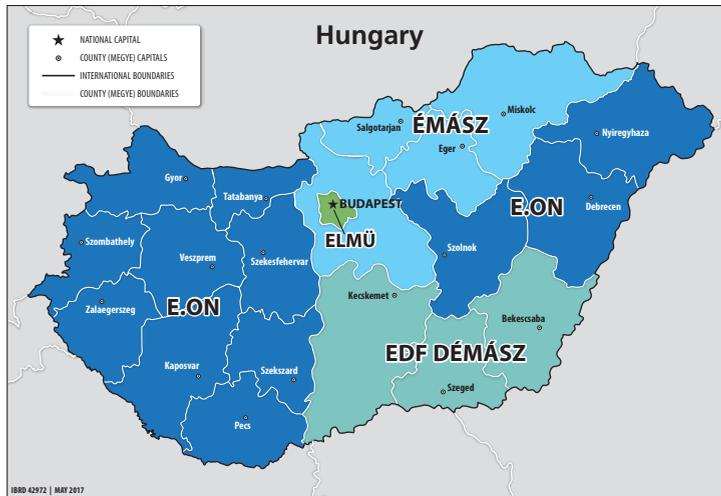
eight), and the cost averages 507.8% of income per capita. Yet despite the greater procedural complexity and cost, the process is fast: getting electricity in Romania takes 195 days on average. In Hungary it takes 244 days on average. The Hungarian cities have the highest average score on the reliability of supply and transparency of tariffs index, 7 of the 8 possible points, while the Romanian cities have an average score of 6.7 points and the Bulgarian cities an average of 5.7.

The number of procedures required in all seven cities benchmarked in Hungary and in four of the Bulgarian cities (Burgas, Plovdiv, Ruse and Varna) matches the EU average of five. Nevertheless, comparison with Germany and Sweden, both recording the lowest number globally (three), suggests room for improvement. Romania has the highest number among EU member states. Indeed, with the

exception of Iasi, the Romanian cities have the most complex process globally (with Bangladesh, Nigeria and Tajikistan also requiring nine procedures).

In all three countries, getting electricity takes longer than in any other EU member state.⁵ Even in Iasi, with the fastest process among the 22 cities benchmarked (173 days), an entrepreneur must wait almost three months longer than the EU average (90 days)—and five months longer than in the EU economies with the fastest processes, Austria (23 days) and Germany (28 days) (figure 5.3). These long waits are due mostly to the many authorizations that must be obtained before the connection works start—whether by distribution utilities, by contractors they hire or by the entrepreneurs themselves—as well as the different assessments required once the works are completed.

FIGURE 5.2 Electricity distribution utilities operate in designated geographic zones in the three countries



The cost to get electricity in all the Hungarian cities and in four of the Bulgarian cities (Burgas, Plovdiv, Ruse and Varna) is lower than the EU average of 128.5% of income per capita. In Romania, however, even the city with the least costly process (Ploiesti, at 423.7% of income per capita) records a higher cost than any other EU member state. On average, a Romanian entrepreneur faces a cost four times the EU average and more than 25 times the cost in Poland, the lowest among EU member states (at 19% of income per capita).

On the reliability of supply and transparency of tariffs index, 16 EU member states receive the highest possible score (8 points), while eight, including Hungary (on average across cities), receive the second-best score (7). The average scores for Bulgaria (5.7) and Romania (6.7) rank them among the bottom four member states, along with Malta (6) and Croatia (5). All 22 cities benchmarked obtain the maximum points on the components related to the regulation of power outages, financial deterrents aimed at limiting outages and the transparency of tariffs—and Szeged (Hungary) obtains the maximum overall score (8). With the exception of Szeged, all the cities can improve the reliability of electricity supply by reducing the number of power outages, their duration or both (table 5.2).

How does the process vary within Bulgaria?

In Bulgaria the process to obtain a new electricity connection is regulated at the national level by Ordinance 6 of February 24, 2014, on the accession of producers and customers of electricity to the transmission or distribution networks (last modified October 4, 2016); the Law on Spatial Planning; and Tariff 14 on the fees to be collected by the Ministry of Regional Development and Public Works and by regional authorities (last modified December 13, 2016). Municipalities nevertheless retain some responsibility, notably in setting fees for construction

Note: Since March 1, 2017, the utility operating in Szeged (Hungary) has been DÉMÁSZ Zrt.

TABLE 5.1 Getting electricity in Bulgaria, Hungary and Romania—where is it easier and where is power supply more reliable?

| City (Country) | Rank | Distance to frontier score (0–100) | Procedures (number) | Time (days) | Cost (% of income per capita) | Reliability of supply and transparency of tariffs index (0–8) |
|------------------------|------|------------------------------------|---------------------|-------------|-------------------------------|---|
| Szeged (Hungary) | 1 | 67.46 | 5 | 238 | 93.9 | 8 |
| Szekefehevar (Hungary) | 2 | 65.53 | 5 | 227 | 93.9 | 7 |
| Burgas (Bulgaria) | 3 | 65.49 | 5 | 227 | 107.1 | 7 |
| Pecs (Hungary) | 4 | 65.21 | 5 | 230 | 93.9 | 7 |
| Plovdiv (Bulgaria) | 5 | 65.06 | 5 | 231 | 107.1 | 7 |
| Debrecen (Hungary) | 6 | 63.36 | 5 | 247 | 93.9 | 7 |
| Budapest (Hungary) | 7 | 63.25 | 5 | 257 | 93.9 | 7 |
| Gyor (Hungary) | 8 | 63.25 | 5 | 277 | 93.9 | 7 |
| Miskolc (Hungary) | 9 | 61.76 | 5 | 233 | 93.9 | 6 |
| Varna (Bulgaria) | 10 | 59.05 | 5 | 200 | 107.1 | 4 |
| Iasi (Romania) | 11 | 57.76 | 8 | 173 | 463.9 | 7 |
| Ruse (Bulgaria) | 12 | 54.71 | 5 | 240 | 107.1 | 4 |
| Pleven (Bulgaria) | 13 | 54.66 | 6 | 258 | 516.3 | 6 |
| Sofia (Bulgaria) | 14 | 54.64 | 6 | 262 | 523.0 | 6 |
| Bucharest (Romania) | 15 | 53.23 | 9 | 174 | 546.5 | 7 |
| Craiova (Romania) | 16 | 53.01 | 9 | 177 | 511.1 | 7 |
| Oradea (Romania) | 17 | 50.80 | 9 | 199 | 454.8 | 7 |
| Cluj-Napoca (Romania) | 18 | 50.41 | 9 | 202 | 473.8 | 7 |
| Brasov (Romania) | 19 | 49.56 | 9 | 181 | 476.9 | 6 |
| Constanta (Romania) | 20 | 49.06 | 9 | 209 | 666.3 | 7 |
| Ploiesti (Romania) | 21 | 47.22 | 9 | 204 | 423.7 | 6 |
| Timisoara (Romania) | 22 | 43.56 | 9 | 234 | 553.1 | 6 |

Source: *Doing Business* database.

Note: Rankings are based on the average distance to frontier score for the procedures, time and cost associated with getting electricity as well as for the reliability of supply and transparency of tariffs index. The distance to frontier score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). Budapest and Gyor have the same score despite the difference in the time recorded for the two cities because in both cases the time exceeds the worst performance, defined as the 95th percentile among all economies in the *Doing Business* sample (248 days). For more details, see the chapter "About *Doing Business* and *Doing Business in the European Union 2017: Bulgaria, Hungary and Romania*." The data for Bucharest, Budapest and Sofia have been revised since the publication of *Doing Business 2017*. The complete data set can be found on the *Doing Business* website at <http://www.doingbusiness.org>.

permits and other approvals required for connection works.

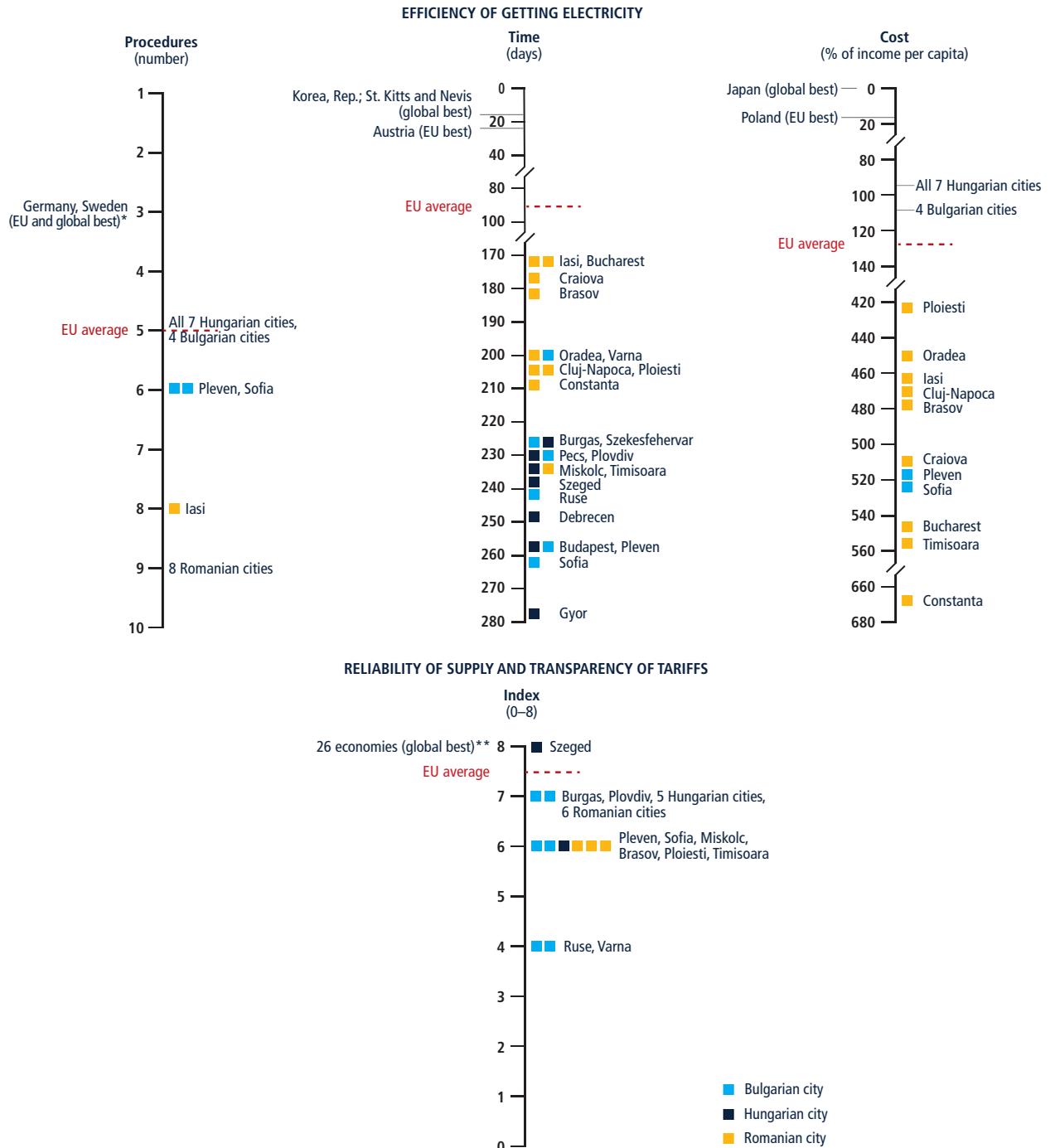
Among the six Bulgarian cities, the connection process is less complex in Burgas, Plovdiv, Ruse and Varna, where it requires five procedures, and more complex in Pleven and Sofia, where it takes six—a difference that stems from the type of connection involved. In Burgas, Plovdiv, Ruse and Varna, where the warehouse in the *Doing Business* case study would commonly be connected to the low-voltage network, the distribution utility coordinates the entire process, from the signing of the final contract to the issuance of the permit to use the newly built connection.⁶ But in Pleven and Sofia, where the distribution

utility CEZ operates, the common practice would be to connect the warehouse to the medium-voltage network. In this case the entrepreneur bears all the responsibility.⁷ The entrepreneur hires private companies to perform the various tasks—one company to prepare the design of the new connection, another one to buy the material and complete the works, and still another to coordinate and supervise the construction. Even so, the process is more burdensome than in the other four cities, as it involves one additional procedure for the preparation of the design.

An entrepreneur in Bulgaria should expect to devote substantial time to getting electricity, from seven months (200

days) in Varna to nine months (262 days) in Sofia. The variation in time is driven by two main factors: the number of agencies approving the design, and the type of connection involved. In Varna only the distribution utility and the municipality approve the design at this stage of the process.⁸ In the other five cities the utilities responsible for such services as gas, water, heating and telecommunications also need to provide clearances, which takes about a month.⁹ Moreover, in Pleven and Sofia, where the connection would be to the medium-voltage network and would therefore require a new substation, the entrepreneur has to wait one month more: the installation of the substation extends the works by 17 days,

FIGURE 5.3 While getting a new connection takes only three months on average in the European Union, it takes more than six in Romania and around eight in Bulgaria and Hungary



Source: Doing Business database.

Note: The averages for the EU are based on economy-level data for the 28 EU member states.

* Fourteen non-EU economies also have three procedures: the Comoros; Hong Kong SAR, China; Kenya; the Republic of Korea; the former Yugoslav Republic of Macedonia; the Federated States of Micronesia; the Russian Federation; San Marino; St. Vincent and the Grenadines; Switzerland; Taiwan, China; Timor-Leste; Togo; and the United Arab Emirates.

** The 26 economies with a score of 8 include 16 EU member states: Belgium; Cyprus; the Czech Republic; Estonia; Finland; France; Germany; Ireland; Lithuania; the Netherlands; Portugal; the Slovak Republic; Slovenia; Spain; Sweden; and the United Kingdom. The other 10 are non-EU economies: Belarus; Hong Kong SAR, China; Japan; the Republic of Korea; Malaysia; Norway; the Russian Federation; Taiwan, China; the United Arab Emirates; and Uzbekistan.

TABLE 5.2 Except for Szeged in Hungary, all the cities have scope to improve the reliability of electricity supply

| | Bulgaria | | Hungary | | Romania | |
|---|----------|-----------------|----------|----------|----------|----------|
| | Ruse | Burgas, Plovdiv | Miskolc | Szeged | Ploiesti | Oradea |
| Reliability of supply and transparency of tariffs index (0–8) | 4 | 7 | 6 | 8 | 6 | 7 |
| Total duration and frequency of outages per customer a year (0–3) | 1 | 2 | 1 | 3 | 1 | 2 |
| System average interruption duration index (SAIDI) | 11.1 | 2.6 | 5.5 | 0.7 | 8.3 | 1.2 |
| System average interruption frequency index (SAIFI) | 6.4 | 1.1 | 2.2 | 0.4 | 2.5 | 0.9 |
| Mechanisms for monitoring outages (0–1) | 0 | 1 | 1 | 1 | 1 | 1 |
| Does the distribution utility use automated tools to monitor outages? | No | Yes | Yes | Yes | Yes | Yes |
| Mechanisms for restoring service (0–1) | 0 | 1 | 1 | 1 | 1 | 1 |
| Does the distribution utility use automated tools to restore service? | No | Yes | Yes | Yes | Yes | Yes |
| Regulatory monitoring (0–1) | 1 | 1 | 1 | 1 | 1 | 1 |
| Does a regulator—that is, an entity separate from the utility—monitor the utility's performance on reliability of supply? | Yes | Yes | Yes | Yes | Yes | Yes |
| Financial deterrents aimed at limiting outages (0–1) | 1 | 1 | 1 | 1 | 1 | 1 |
| Does the utility either pay compensation to customers or face fines by the regulator (or both) if outages exceed a certain cap? | Yes | Yes | Yes | Yes | Yes | Yes |
| Communication of tariffs and tariff changes (0–1) | 1 | 1 | 1 | 1 | 1 | 1 |
| Are effective tariffs available online? | Yes | Yes | Yes | Yes | Yes | Yes |
| Are customers notified of a change in tariff ahead of the billing cycle? | Yes | Yes | Yes | Yes | Yes | Yes |

Source: *Doing Business* database.

Note: For each country the table shows the results for the cities obtaining the lowest and highest scores on the reliability of supply and transparency of tariffs index. Where two or more cities in a country obtain the same score, the worst- and best-performing cities were selected on the basis of the sum of their scores on the duration and frequency of power outages as measured by SAIDI and SAIFI. If both the SAIDI and SAIFI values are between 0 and 1, 3 points are assigned; if both are between 1 and 4, 2 points are assigned; if both are between 4 and 12, 1 point is assigned.

and an additional inspection by the distribution utility required once the works are completed takes another 10 days.¹⁰

In all six cities the issuance of the construction permit is among the requirements taking the most time (from 38 days in Varna to 45 in Pleven, Plovdiv and Sofia)—a step regulated at the national level but carried out by municipalities. Municipalities also issue other authorizations needed to start the works (for example, a permit for waste transport as well as a clearance and schedule for closing streets).¹¹ Another substantial source of delay is the “permit to use” (Act 16), required for the signing of the supply contract. This permit is issued by the Directorate for National Construction Control (DNSK) within 30 days. On average across the six cities, entrepreneurs spend 141 days—60% of the entire connection process—waiting for clearances before the works start (88.3 days) and

for the right to use the new connection once it is built (52.3 days) (figure 5.4).

The cost to obtain a connection is almost five times as high in Pleven (BGN 59,544) and Sofia (BGN 60,319) as in the other four cities (BGN 12,349). The difference is again due to the type of connection, with a connection to the medium-voltage network involving many more costs than one to the low-voltage network. In Pleven and Sofia the entrepreneur not only pays for the design, the material, the works and the services of the construction supervision company, but also covers the administrative fees due to the municipality, the cadastre, the nonelectrical utilities and the distribution utility.¹² In the other cities the entrepreneur simply pays a connection fee, which is set by the national regulator.

Burgas and Plovdiv earn the highest score among the six Bulgarian cities on the reliability of supply and transparency of

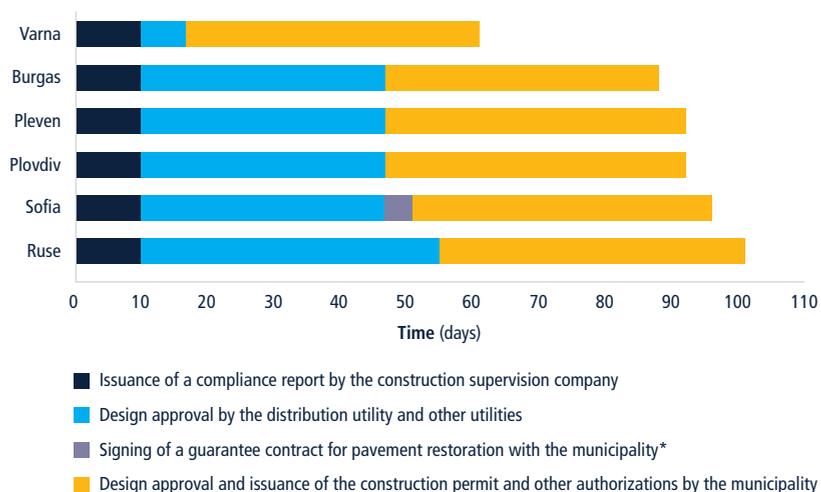
tariffs index (7 of 8 points). Customers in these two cities experience less frequent and shorter power outages on average (1.12 a year, for a total duration of 2.63 hours a year) than those in the other four. In addition, the distribution utility operating in Burgas and Plovdiv (EVN) uses automated tools to monitor outages and restore service—as does the utility in Pleven and Sofia (CEZ). By contrast, the one in Ruse and Varna (Energopro) uses manually operated systems.

How does the process vary within Hungary?

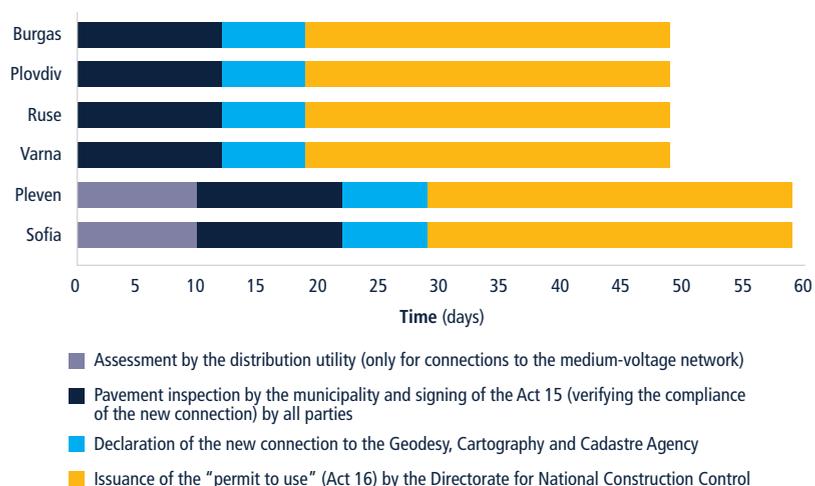
Getting an electricity connection in Hungary, as a nationally regulated process, is fairly standardized, following the same five procedural steps in all cities. The fee schedules are also regulated at the national level.¹³ The connection process, as regulated by the 2007 Electricity Law (LXXXVI) and Regulation 382/2007 (XII.23), starts with the customer

FIGURE 5.4 Getting clearances before the works start and after they are completed accounts for 60% of the time to get electricity in Bulgaria

Clearances before the works start



Clearances after the works are completed



Source: *Doing Business* database.

* The data are as of December 2016, when the signing of a guarantee contract with the municipality was required in five of the six cities (in Pleven this requirement was introduced only in January 2017). The time for signing the contract is recorded only for Sofia, where it falls under the responsibility of the entrepreneur. In the other four cities distribution utilities are responsible for the entire process and have preestablished contracts with the municipality.

submitting an application to the utility. The application must include a site map showing the connection point, specify the voltage level needed and provide proof of eligibility to request the external connection. The utility checks the application and develops a proposal that includes the preliminary technical details, a time frame and the cost estimate. Once the customer accepts the proposal, the

utility prepares the design, obtains all the necessary approvals from third parties on behalf of the customer and carries out the external connection works.¹⁴ Finally, before the electricity can start to flow, the customer obtains a permit from the utility to install the cables within the meter box, chooses an energy supplier from among those serving the area and receives the meter installation from the utility.

While the connection process involves the same procedures and cost across cities in Hungary, there are differences in the time it takes to get electricity and in the reliability of networks. The variation in time is driven by how long it takes for the utility to obtain all the clearances and approvals needed to start the connection works. Approvals have to be obtained from other utilities (for gas, telecommunications, and water and sewerage),¹⁵ the notary in the mayor's office, the Environment Protection Authority, the local road department, the Hungarian Road Authority, the land registry and the county's Measurement Technology and Meter Controlling Department—as well as from neighboring landowners whose property is affected. The regulation establishes a time frame for each authority to provide its approval, but in practice the authorization process can take longer—from a minimum of 200 days in Szekesfehervar to 250 days in Gyor.¹⁶ In contrast, the actual construction work on-site takes only 2–3 days.

Even though the same utility company (E.ON) operates in both Szekesfehervar and Gyor, obtaining all the clearances takes longer in Gyor because of the large amount of investment that this city has attracted in recent years, straining the capacity of utilities and public agencies.

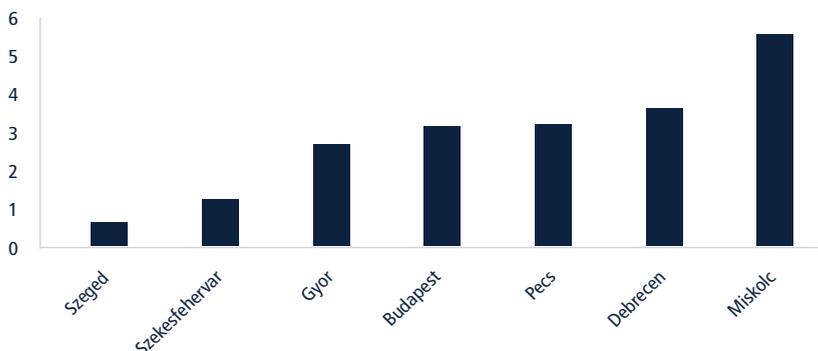
Szeged, where customers experience on average less than 1 outage a year, for a total duration of less than 1 hour, earns the maximum score of 8 on the reliability of supply and transparency of tariffs index (figure 5.5). Miskolc, where customers experience on average 2.2 outages a year, for a total duration of more than 5.5 hours, receives a score of 6 on the index. The other five cities all receive a score of 7.

How does the process vary within Romania?

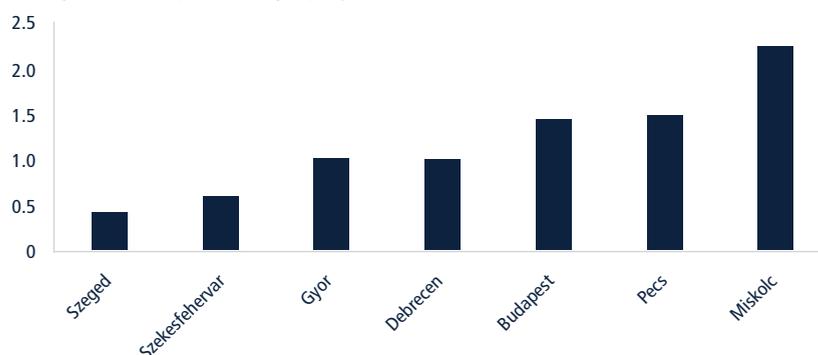
In Romania the connection process is regulated by Electricity Law 13/2007 and by Law 123/2012 on Electricity and Gas. The first step is for the customer to

FIGURE 5.5 Customers in Szeged experience shorter and less frequent power outages than those in the other Hungarian cities

Average hours of power outages per year for a customer



Average number of power outages per year for a customer



Source: *Doing Business* database.

Note: Based on data for the system average interruption duration index (SAIDI) and the system average interruption frequency index (SAIFI).

obtain the technical information on the connection and the cost estimate from the utility.¹⁷ In Romania a warehouse like the one in the *Doing Business* case study is typically connected to the medium-voltage network, leading to a need to install a transformer on the customer's private land. Because of the lack of clarity in the regulation, the process of granting the distribution utility access to the private land to install the new transformer varies across cities. In Brasov the customer signs an easement declaration before a notary. In Cluj-Napoca, Craiova, Iasi, Oradea and Ploiesti the customer signs an easement contract, again before a notary, in this case paying a higher notarization fee. In Bucharest, Constanta and Timisoara the customer signs both an easement declaration and, later on, an easement contract.

The customer chooses an electrical contractor and signs a connection contract with the utility.¹⁸ The contractor is then hired by the utility. In five cities (Brasov, Cluj-Napoca, Craiova, Oradea and Ploiesti) the customer needs to sign a formal assignment agreement with the contractor.

Once hired by the utility, the contractor is responsible for preparing the design and executing the works as well as for obtaining all the required authorizations, such as the construction permit from the municipality, the environment approval, the fire safety clearance and the clearances from other utilities with underground networks in the area. Once the construction works are finished, the utility inspects the new connection and issues a connection certificate. The customer signs a supply

contract with one of the energy suppliers that operates in the area. The utility then installs the meter, and electricity starts flowing.

Among the nine Romanian cities, obtaining an electricity connection is easiest in Iasi, where it takes eight procedures and 173 days, and most difficult in Timisoara, where it requires nine procedures and 234 days. In Iasi, the only one of the cities where eight procedures are required, customers do not need to sign either an easement declaration before a notary or an assignment agreement with a contractor, while all the other cities require one document or the other.

In time requirements, the main difference among the cities is in the completion of the connection works. This requires 52 days in Iasi and two months in Brasov, Cluj-Napoca, Constanta, Craiova and Oradea—but three months in Bucharest and Ploiesti and four in Timisoara. Obtaining a construction permit from the municipality, the second longest step in the process, can take from one month (as in Bucharest) to three months (as in Constanta). Receiving the connection contract from the utility takes 25 days in Cluj-Napoca and Oradea, while it takes only 10 days in the other cities. Receiving the final inspection takes 10 days in Craiova, Iasi, Ploiesti and Timisoara, but 15 days in Constanta, 17 in Brasov and 20 in Cluj-Napoca and Oradea. Receiving the meter installation after a supply contract is signed requires only 2 days in Brasov, Bucharest, Constanta, Oradea, Ploiesti and Timisoara, while it takes 5 days in Cluj-Napoca and Craiova, and 10 in Iasi.

Among the nine cities, Ploiesti has the lowest cost for getting a new connection (RON 148,755, or 423.7% of income per capita), and Constanta the highest cost (RON 233,935, or 666.3% of income per capita). The difference is driven mainly by the cost of the connection works required for the *Doing Business* case study—RON 130,000 in Ploiesti, but RON 220,000 in Constanta. Other differences among

cities depend on the cost of the design (which ranges from RON 5,000 in Oradea to RON 13,500 in Ploiesti) and on the fees for the construction permits from the municipality (ranging from RON 2,200 in Oradea to RON 7,000 in Brasov). In addition, in some cities an excavation permit must be obtained from the municipality.¹⁹

Data on power outages also show differences among the nine cities. Customers in Brasov, Ploiesti and Timisoara experience longer and more frequent outages, and these three cities receive a score of 6 on the reliability of supply and transparency of tariffs index. The other six cities receive a score of 7. Ploiesti has the longest total duration of outages (averaging eight hours a year for a customer), and Timisoara the most frequent outages (averaging more than five a year for a customer). In Brasov customers experience on average more than four outages a year, for a total duration of almost five hours.

WHAT CAN BE IMPROVED?

This chapter's review of the process of getting a new electricity connection and the reliability of power supply in Bulgaria, Hungary and Romania points to several areas of possible improvement.

Introduce silence-is-consent rules and risk-based approaches to reduce delays in preconnection approvals

BULGARIA, HUNGARY, ROMANIA

All three countries have a long process for getting an electricity connection compared with the rest of the EU. The main bottleneck is obtaining the clearances needed before the connection works start. While regulations in all three countries establish time limits for each agency to issue its clearance, often these are not respected. Thus a first step could be to introduce a silence-is-consent rule—so that when the approving authority fails to respond

within the given time frame, the approval is automatically granted. Italy, Poland and Spain are among the countries that have adopted silence-is-consent rules, as illustrated in earlier *Doing Business* subnational studies.²⁰

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 time frames established by law, especially for simple, standard connections. Modern regulations establish different levels of scrutiny—and therefore different time frames—for different levels of complexity. This approach allows approvals for simple connections to be fast-tracked, freeing public authorities to focus on riskier projects. To be effective, risk-based approaches need to include a comprehensive classification of risks.

Organize back-office preconnection approvals internally

BULGARIA, HUNGARY, ROMANIA

In Bulgaria and Romania preconnection approvals are needed from several different municipal offices, such as the public roads office, the waste management administration and the excavation permits department. In addition, the municipality issues a final construction permit authorizing the start of the connection works. But in granting this construction permit the municipality already implies that all municipal authorities approve the connection. Consolidating these approvals internally would reduce delays for customers and municipalities alike. It would also avoid the risk of different municipal officials issuing contradictory decisions on the same project.

Bucharest, Cluj-Napoca, Constanta and Iasi have a good practice that could be adopted elsewhere in Romania: in these four cities the construction permit includes the excavation permit. Requiring two separate permits, as is done in the other five Romanian cities, duplicates efforts for municipal authorities and adds

to the length of the process because it means reviewing the same application twice. Lithuania offers another example. There applicants submit only one consolidated form to the municipality, which then collects the clearances from different departments on their behalf.

In Bulgaria, Hungary and Romania applicants also need to obtain preconnection approvals from utilities and, in some cases, from the environment agency or the fire department. One-stop shops could eventually be set up to coordinate the process and issue a single consolidated approval to the applicant. The challenge is persuading the agencies to send representatives to a common location and give them enough decision-making power so that applications can be processed without delays. One solution would be to work out a part-time system in which representatives from the different agencies work at a single access point at set times and days each week.

The most modern one-stop shops are virtual, such as a web-based platform allowing applicants to request all clearances simultaneously by submitting one online form. If all the relevant authorities were linked to a single system in which notifications and documents could be exchanged electronically, the process would be faster and more streamlined. Introducing this type of online process can be a daunting task. Such projects are typically linked to larger regulatory reforms and e-government programs. To succeed, they need to include training for staff to operate and maintain electronic systems. They also require the right technology infrastructure and a high level of internet penetration.

Bulgaria, Hungary and Romania could also look to the example of cities that partner with private companies to make authorization processes easier, as some Spanish municipalities do. For example, Barcelona works with ACEFAT, and Valencia with OCOVAL. These private entities facilitate the exchange of information between

applicants and public authorities, easing the workload of agencies that might have backlogs because of resource constraints.

Identify opportunities to simplify requirements

BULGARIA, ROMANIA

Reducing the number of steps needed to get an electricity connection is a key factor in making the process easier, especially in Romania, where the number of requirements is much higher than in most high-income economies. In Romania the customer typically chooses a private contractor to prepare the project and perform the works, but the contractor is then hired by the utility. This mixed system leads to a series of extra procedures, such as the signing of an assignment agreement between the customer and the contractor, the signing of an execution contract between the utility and the contractor, and extra inspections by the utility. Moreover, because of the lack of clarity in the regulation on what is needed for utilities to carry out works on private land, distribution utilities in Romania require a notarized easement contract from their customers.

In addition, obtaining an approval for the connection from the utility is a two-step process: the customer needs to first obtain a preapproval and then the final connection contract. Romania (and to a certain extent Bulgaria) could benefit from considering the simpler process in Hungary (and in such other EU economies as Austria and Germany), where the customer needs to submit only one application to get a connection contract.

The utility's inspections—for which the customer is typically present, though this is not mandatory—offer another opportunity for simplifying the process in Romania. Before providing a cost estimate, utilities perform external inspections to check the surroundings of the building and determine precisely where cables and the meter should be installed. In other economies around

the world, utilities use a geographic information system (GIS), which makes the site visit obsolete. In Mexico, for example, the distribution utility developed a GIS to map the distribution network in 2011/12 and now no longer carries out a physical inspection before issuing the feasibility study. Similarly, in Turkey the utility Boğaziçi Elektrik Dağıtım, taking advantage of the widespread use of GIS in the country, now checks by GIS to see whether a new connection will require installing an additional transformer.

The postconnection process is particularly burdensome in Bulgaria, where the customer needs to obtain a permit to use the newly built connection from the Directorate for National Construction Control (Act 16). This involves setting up a commission of all interested parties to assess whether the connection is ready for use. Given the length of time spent in obtaining the permission to build the connection, and since the compliance of the newly built connection is verified by all parties (Act 15), this assessment could happen after the customer starts to use electricity, to avoid further delay.

Clarify and better communicate the process and requirements for getting electricity

BULGARIA, HUNGARY, ROMANIA

Utilities should clearly explain to customers exactly what is needed to obtain a new electricity connection. Besides making the process more transparent, this would cut the cost and time for customers by reducing the number of incomplete or incorrect applications submitted—and thus the administrative backlogs. Exhaustive guidelines should cover information about key steps; the agencies involved; the documentation requirements; and the certificates, permits and approvals required as well as the corresponding time frames and fees. Clear and complete information should also be available online and easily accessible through mobile devices.

Many jurisdictions around the world have improved transparency in recent years. Good practices include making land use plans available to all citizens, such as by placing the plans online; developing process maps or guidelines for the entire process; and providing clear and complete guidelines on application requirements. Authorities in Vienna, for example, have put all planning information on a web-based platform where users can view zoning plans, land use policies, and infrastructure capacity and availability.

Review the cost of obtaining a new connection

BULGARIA, ROMANIA

The type of connection works varies depending on network capacity and, in Bulgaria, also on distribution utilities' practices. If a connection to the medium-voltage network is required, more complicated connection works may be necessary. The resulting capital investments are covered by the new customer. This obligation substantially raises the total connection cost, as is clearly the case in Romania and Bulgaria. Covering the cost for a new transformer represents a financial obstacle for most small and medium-size enterprises. The distribution utility could contribute to the initial capital investment, as is done in Thailand. This initial investment could be recovered through transparent consumption tariffs charged to all customers that connect to the new transformer.

Ensuring that entrepreneurs can obtain a new connection at an affordable price is important. Also critical is to ensure that distribution utilities can charge connection fees that recover their costs where they are responsible for purchasing the material and completing the work. This is an issue in Bulgaria, where distribution utilities are required to build new connections at connection fees that are set by regulation and have not changed since 2002.²¹

Strengthen incentives for reliable power supply

BULGARIA, HUNGARY, ROMANIA

Regulators in all three countries impose financial sanctions on distribution utilities if they fail to provide reliable energy to their customers. But this does not always provide adequate incentives for distribution utilities to maintain a high reliability of supply throughout the year and across their entire zone of operations. In Bulgaria, for example, the regulator has set caps on the frequency and duration of outages and imposes financial sanctions when distribution utilities exceed them—but the caps are high and therefore ineffective as financial deterrents.²² Some utilities in Bulgaria compensate customers voluntarily, but only for outages lasting 24 hours or more (in the case of CEZ) or 48 hours or more (in the case of EVN). While outages are infrequent and of short duration in cities, they tend to be frequent in villages and remote regions.

NOTES

1. Carolin Geginat and Rita Ramalho, "Electricity Connections and Firm Performance in 183 Countries," Policy Research Working Paper 7460 (World Bank, Washington, DC, 2015).
2. The time measures for Bulgaria, Hungary and Romania are those for their capital city (which is also their largest business city), in accordance with the global *Doing Business 2017: Equal Opportunity for All* (Washington, DC: World Bank, 2016).
3. These regulatory agencies are the State Energy and Water Regulatory Commission (DKER) in Bulgaria, the Energy and Public Utility Regulatory Authority (MEKH) in Hungary and the Energy Regulatory Authority (ANRE) in Romania. Each of these agencies is responsible for supervising the national power sector (generation, transmission, distribution and supply) as well as electricity prices.
4. In Hungary, where liberalization started in 2003, the supply market is now fully liberalized: all customers can choose among different suppliers, and prices are unregulated. In Romania, where liberalization started in 2007, and in Bulgaria, where it started in 2016, prices are not yet fully unregulated for all types of customers.
5. Among other EU member states the time required to obtain electricity ranges from 23 days in Austria to 137 days in Cyprus.
6. In Bulgaria the responsibility for preparing the design, purchasing the material and completing the external works should be defined in accordance with Ordinance 6, paragraph 21. For a connection to the low-voltage network, either the distribution utility or the customer can undertake these steps, as mutually agreed. If the customer takes on the responsibility, the distribution utility should then repurchase the material from the customer—all of which should be reflected in the final contract signed by the customer and the distribution utility. In practice, however, it is much more common for distribution utilities operating in these four cities to retain the responsibility, which they carry out by contracting private companies to complete the design and the works as well as construction supervision companies to coordinate and oversee operations. For a connection to the medium-voltage network, however, the customer is by law responsible for undertaking these steps (see note 7).
7. According to Ordinance 6, paragraph 21, if the customer is a business and the connection is to the medium-voltage network, the works are to be executed by the customer and the infrastructure built will remain on its property. The electricity consumption bill for business customers tends to be lower for a connection to the medium-voltage network than for one to the low-voltage network as a result of a difference in the (regulated) price component for transmission. For example, see the distribution prices on the CEZ website at <http://www.cez.bg/en/prices/electricity-prices/for-distribution.html>.
8. In Varna other utilities (gas, water, heating, telecommunications) provide their clearance at an earlier stage, before the customer obtains the construction permit for the warehouse. They approve the "blueprint," a document issued by the cadastre that maps all communication networks around the warehouse. The design of the external connection is then prepared based on this blueprint.
9. Supervision companies—which are commonly responsible for coordinating the approval process—usually circulate several copies of the design to the different agencies so as to save time. Nevertheless, this step remains long, as each agency takes about a month to provide its clearance.
10. Once the external works are completed, the entrepreneur needs to request a commission from the distribution utility, CEZ, to inspect and approve the works ahead of the issuance of the Act 15.
11. In Burgas, Pleven, Plovdiv and Sofia entrepreneurs obtain these authorizations in parallel with the construction permit. But in Ruse and Varna they need to wait six days after the permit is issued to obtain them.
12. The purchase of the substation represents a substantial share of the cost for an entrepreneur in Pleven or Sofia: for the *Doing Business* case study warehouse a substation would cost around BGN 25,000–35,000, according to respondents. In addition to the expenses related to the design, the material, the works, the administrative fees and the services of the construction supervision company, an entrepreneur in Sofia also needs to pay a deposit of BGN 2,600 to the municipality, to be returned only if the pavement is fully restored after the completion of works. The cost recorded is the present value of lost interest earnings on this deposit.
13. Regulation 7/2014 (IX.12), MEKH rendelet, annex 14/7.
14. While in Romania the customer can choose the contractor whom the utility hires, in Hungary utilities choose and hire the electrical engineer who prepares the design, performs the works and obtains the necessary clearances and permits.
15. While in six of the Hungarian cities a single utility manages the water and sewerage networks, in Budapest two separate utilities do so. This makes the process of obtaining approvals even more cumbersome in the capital, which has the second longest connection process among the Hungarian cities.
16. The authorization process is regulated by Regulation 382/2007 (XII.23).
17. In complex cases the utility provides multiple connection options, and the customer chooses the one preferred.
18. The contractor has to be certified by the Energy Regulatory Authority (ANRE).
19. The excavation permit for the case under analysis costs RON 72 in Brasov, RON 100 in Ploiesti, RON 104 in Oradea, RON 250 in Timisoara and RON 600 in Craiova. The permit is free of charge in Cluj-Napoca, and no permit is required in Bucharest, Constanta and Iasi.
20. See World Bank, *Doing Business in Italy 2013* (Washington, DC: World Bank, 2013), *Doing Business in Poland 2015* (Washington, DC: World Bank, 2015) and *Doing Business in Spain 2015* (Washington, DC: World Bank, 2015).
21. Connection fees are determined by regulatory decision TS-002 of March 29, 2002. According to Ordinance 6, paragraph 21, for connections to the low-voltage network distribution utilities have to conduct the works at their own expense unless the customer takes on this responsibility, as mutually agreed with the distribution utility, in which case the installed material will be transferred to the utility upon the completion of the works.
22. The caps set by the State Energy and Water Regulatory Commission (DKER) are published in "Methodology for Assessing the Target Indicators on Reliability of Electricity and Quality of Services by the Distribution Utilities and Suppliers." For the latest values published on DKER's website, see http://www.dker.bg/files/DOWNLOAD/rule_el_25.pdf. If distribution utilities exceed these caps, financial penalties are triggered in accordance with Ordinance 1 of March 18, 2013, on the regulation of electricity prices, paragraph 37.



Registering Property

MAIN FINDINGS

- Among the three countries, registering property is easiest in Hungary, where it requires four procedures, takes 12.5 days on average and costs 5% of the property value. But the process is less expensive in Bulgaria, at an average of 3% of the property value—and in Romania, at 1.4%.
 - Compared with averages for the European Union, registering property takes considerably less time in all 22 cities benchmarked in Bulgaria, Hungary and Romania—and is less costly but also more complex across the cities benchmarked in Bulgaria and Romania.
 - Debrecen has the easiest property registration among the seven cities benchmarked in Hungary as well as among all 22. Oradea outperforms its peers in Romania while Ruse does so in Bulgaria.
 - Hungary's strong performance on both the efficiency and quality of land administration places the country among the top 10 EU member states on the ease of registering property and at 28 in the global ranking.
 - On the quality of land administration index, the Hungarian cities surpass the EU average thanks to their reliability of infrastructure and geographic coverage, while the Bulgarian and Romanian cities lag behind.
- 

The race to transform formerly planned economies into properly functioning market economies has been an uneven one. Some countries, especially Central European ones and the Baltic States, have navigated the transition more smoothly than others. Becoming more competitive in an increasingly global economy was key, along with reforming the legal and institutional framework.

Providing secure property rights—critical to support investment, productivity and economic growth¹—played an essential part in achieving competitiveness. This entailed not only undertaking legal reforms but also creating a reliable infrastructure, especially in the form of land records and cadastral maps.

Hungary provides a telling example. Its preservation of land books over more than 150 years, including during communism, made it easier to computerize and modernize the land administration sector during the transition (box 6.1). Today Hungary places among the top 30 in the *Doing Business* global ranking of 190 economies on the ease of registering property. Thanks to similar efforts, so do the Baltic States and several Central and Eastern European countries.²

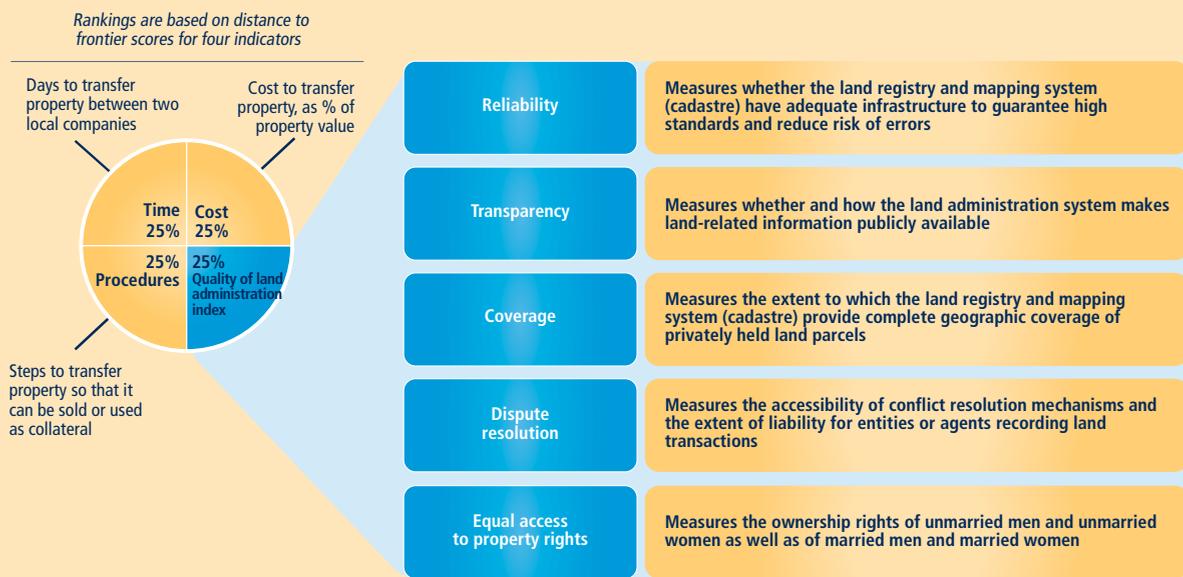
With real property (land and buildings) accounting for between half and three-quarters of the wealth in most countries, having an up-to-date land information system matters.³ Research suggests that property owners with secure ownership are more likely to

invest in private enterprises and to transfer land to more efficient users. In addition, the ability to access authoritative information on land ownership reduces transaction costs in financial markets, making it easier to use property as collateral.⁴ Land registries along with cadastres identifying the location of property are tools used around the world to map, prove and secure property rights. For governments, having reliable, up-to-date information in cadastres and land registries is essential to correctly assess and collect tax revenues. It also enables governments to map out the varying requirements of cities and strategically plan the provision of services and infrastructure to meet the greatest needs across each city.⁵

WHAT DOES REGISTERING PROPERTY MEASURE?

Doing Business records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name so that the buyer can use the property for expanding its business, use the property as collateral in taking new loans or, if necessary, sell the property to another business. It also measures the time and cost to complete each of these procedures. In addition, *Doing Business* measures the quality of the land administration system in each economy. The quality of land administration index has five dimensions: reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution and equal access to property rights (see figure).

Registering property: measuring the efficiency and quality of the land administration system



BOX 6.1 A long history of improvements in Hungary's land administration system

The first cadastral surveying in Hungary took place between 1786 and 1790. This effort was triggered by the Law on Parcel Surveying for Hungary, a decree issued by Emperor Joseph the Second, ruler of the Habsburg lands. The initiative was short-lived, however, as all documentation was destroyed soon after the emperor's death in 1790. But the cadastral surveying was resumed in the 19th century for tax collection purposes, and the country has kept organized property records ever since.

Until 1971 land administration was based on a dual system, with both a land register and a land cadastre. By 1981 the country had merged data and offices throughout its territory, establishing a unified land registration system under what is now the Ministry of Agriculture and Rural Development.

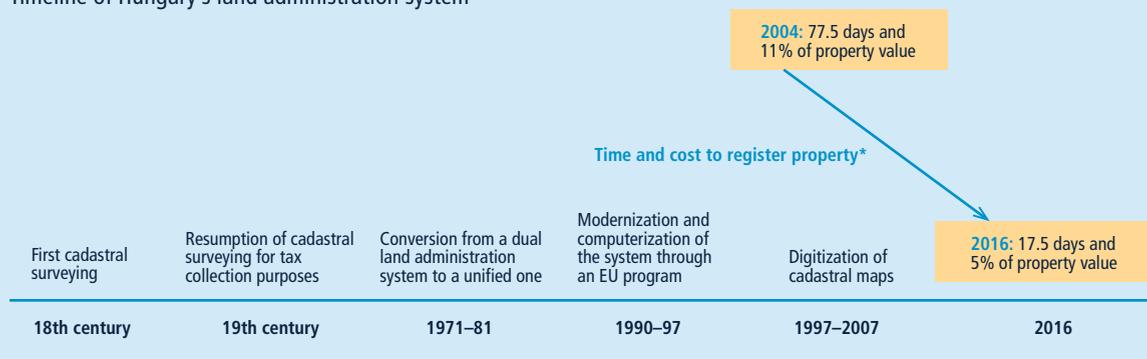
In 1990 Hungary started a program to modernize the land administration system in collaboration with the EU. The program included setting up computer infrastructure in district land offices across the country as well as implementing legal and operational changes that took years. The system was fully computerized by 1997. Hungary then launched a program to digitize cadastral mapping, which succeeded in making cadastral maps in digital format available for the entire territory by 2007.

Today the Department of Land Administration (Foldhivatal) covers more than 10 million registered properties across the country. Every property has a unique identification number that is used in both land books and cadastral maps. Since 2007 Foldhivatal has funded itself through revenues generated from services.

District land offices across the country communicate through TakarNet, a centralized electronic network that contains detailed information on all properties. The system can be accessed for a fee by authorized users, such as bailiffs, public notaries, lawyers who deal with land transactions, and banks and other financial institutions. While private individuals cannot join the network, they can access Foldhivatal's website (Foldhivatal Online), where they can obtain limited information on properties for a fee.

The reform of Hungary's land registry shows that such efforts require not only persistence and innovation but also time. Each of the major reforms and infrastructure improvements since 1971 took around a decade to fully implement (see figure). Today Foldhivatal covers 100% of Hungary's territory in both its land records and its cadastral maps. This is an achievement: globally, only 22% of economies cover all private land in their land records, and only 24% do so in their cadastral maps. In addition, property registration has become more efficient in Hungary (as represented by Budapest). The time required to register property has steadily fallen, from almost 80 days in 2004 to just 17.5 days today. Meanwhile, the cost has been cut by more than half, from 11% of the property value to 5%.^a Moreover, the reliability of records has been strengthened, and the critical ingredients for online property registration have been put in place.

Timeline of Hungary's land administration system



Sources: Hungary, Department of Land Administration (Foldhivatal), <http://www.foldhivatal.hu/>; *Doing Business* database.^a

*As represented by Budapest.

Note: This box is based mostly on information from the portal of the Hungarian Department of Land Administration (Foldhivatal) (<http://www.foldhivatal.hu/>).

a. *Doing Business* database.

HOW DOES REGISTERING PROPERTY WORK IN BULGARIA, HUNGARY AND ROMANIA?

In Hungary and Romania the land registries and cadastres are under one umbrella institution—the Department of Land Administration (Foldhivatal) in Hungary and the National Agency for Cadastre and Land Registration (NACLR) in Romania. In Bulgaria the Property Register is under the courts and the Ministry of Justice, while the Geodesy, Cartography and Cadastre Agency (GCCA) is an executive agency under the Ministry of Regional Development and Public Works.

In all three countries, registering a property transfer requires the use of legal professionals—lawyers in Hungary, notaries in Bulgaria and Romania (figure 6.1). In Hungary an entrepreneur needs to interact only with Foldhivatal and the Court of Registration. In Romania the

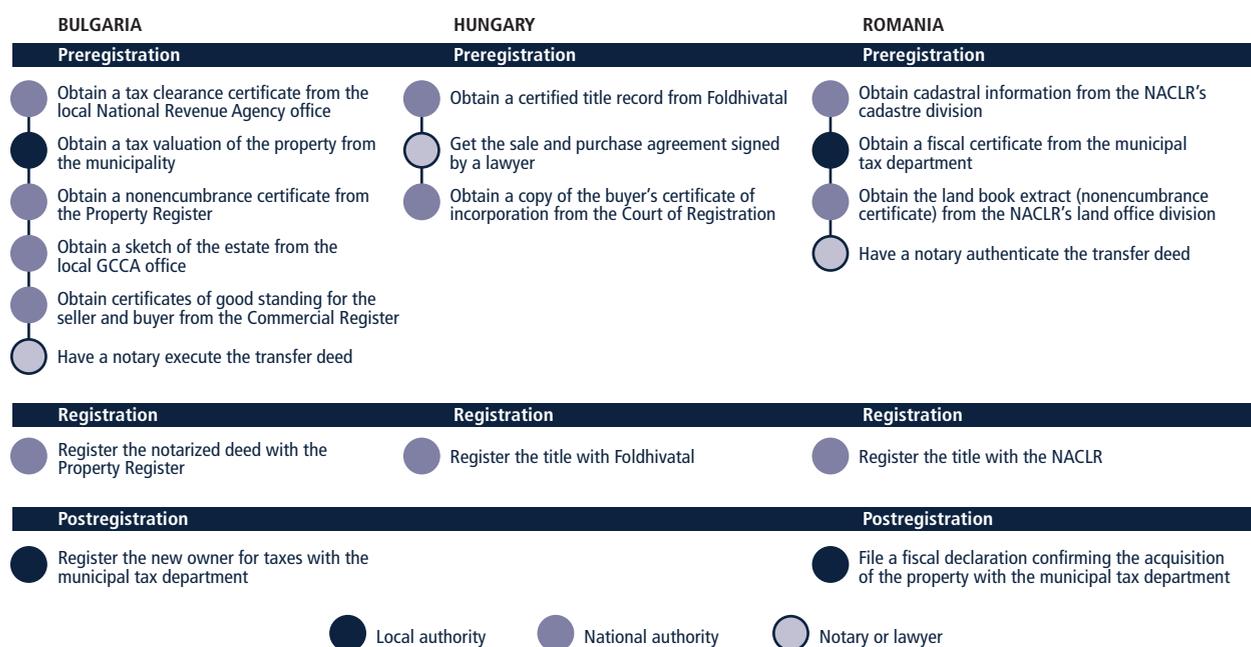
entrepreneur must pay separate visits to the cadastre and land office divisions of the NACLR as well as to the municipal tax department. In Bulgaria the registration process is more complex, requiring separate interactions with the National Revenue Agency, the municipal tax directorate, the Property Register, the local GCCA office and the Commercial Register. In both Bulgaria and Romania, once the property is registered under the buyer's name, the new owner must register with the municipality for tax purposes.

Among the 22 cities benchmarked, registering property is easiest in Debrecen (Hungary), most difficult in Sofia (Bulgaria) (table 6.1). Overall, the process is easiest in Hungary, where it requires four procedures, takes 12.5 days on average and costs 5% of the property value. In the Romanian cities the process takes six procedures, 16 days and only 1.4% of the property value. Transferring property is most difficult in Bulgaria, where it requires eight procedures, mainly because of multiple interactions

with tax authorities (national and local) along with requirements at the Property Register and GCCA. The time required to register property in Bulgaria averages 13.5 days, and the cost 3% of the property value. The Hungarian cities also score significantly higher on the quality of land administration index (earning 26 of 30 points) than do the Bulgarian cities (19.5 on average) or the Romanian cities (17 on average).

Hungary's strong performance on both the efficiency and quality of land administration places the country among the top 10 EU member states on the ease of registering property and at 28 in the global ranking. Romania stands at 57 in the global ranking, and Bulgaria at 60—slightly below the EU average of 51 but ahead of Croatia, Germany and France. Indeed, registering property takes considerably less time in all cities benchmarked in Bulgaria, Hungary and Romania than the average for EU member states—less time than in the Czech Republic, Poland, Croatia or France,

FIGURE 6.1 Hungary has simpler procedural requirements for transferring property than Bulgaria and Romania



Source: Doing Business database.

TABLE 6.1 Registering property in Bulgaria, Hungary and Romania—where is it easier and where is the land administration system more accessible and reliable?

| City (Country) | Rank | Distance to frontier score (0–100) | Procedures (number) | Time (days) | Cost (% of property value) | Quality of land administration index (0–30) |
|---------------------------------|------|------------------------------------|---------------------|-------------|----------------------------|---|
| Debrecen (Hungary) | 1 | 81.16 | 4 | 8.5 | 5.0 | 26 |
| Miskolc (Hungary) | 2 | 80.92 | 4 | 10.5 | 5.0 | 26 |
| Szekesfehervar (Hungary) | 2 | 80.92 | 4 | 10.5 | 5.0 | 26 |
| Gyor (Hungary) | 4 | 80.80 | 4 | 11.5 | 5.0 | 26 |
| Szeged (Hungary) | 4 | 80.80 | 4 | 11.5 | 5.0 | 26 |
| Budapest (Hungary) | 6 | 80.08 | 4 | 17.5 | 5.0 | 26 |
| Pecs (Hungary) | 7 | 79.96 | 4 | 18.5 | 5.0 | 26 |
| Oradea (Romania) | 8 | 75.48 | 6 | 16 | 1.4 | 18 |
| Brasov (Romania) | 9 | 74.65 | 6 | 16 | 1.4 | 17 |
| Bucharest (Romania) | 9 | 74.65 | 6 | 16 | 1.4 | 17 |
| Constanta (Romania) | 9 | 74.65 | 6 | 16 | 1.4 | 17 |
| Craiova (Romania) | 9 | 74.65 | 6 | 16 | 1.4 | 17 |
| Iasi (Romania) | 9 | 74.65 | 6 | 16 | 1.4 | 17 |
| Timisoara (Romania) | 9 | 74.65 | 6 | 16 | 1.4 | 17 |
| Ploiesti (Romania) ^a | 15 | 74.64 | 6 | 16 | 1.4 | 17 |
| Cluj-Napoca (Romania) | 16 | 73.81 | 6 | 16 | 1.4 | 16 |
| Ruse (Bulgaria) | 17 | 71.53 | 8 | 11 | 2.6 | 20 |
| Burgas (Bulgaria) | 18 | 70.67 | 8 | 14 | 2.9 | 20 |
| Pleven (Bulgaria) | 19 | 70.44 | 8 | 11 | 3.3 | 20 |
| Varna (Bulgaria) | 20 | 70.19 | 8 | 11 | 3.4 | 20 |
| Plovdiv (Bulgaria) | 21 | 69.59 | 8 | 16 | 2.9 | 19 |
| Sofia (Bulgaria) | 22 | 69.23 | 8 | 19 | 2.9 | 19 |

Source: *Doing Business* database.

Note: Rankings are based on the average distance to frontier score for the procedures, time and cost associated with registering property as well as for the quality of land administration index. The distance to frontier score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more details, see the chapter “About *Doing Business* and *Doing Business in the European Union 2017: Bulgaria, Hungary and Romania*.” The data for Bucharest, Budapest and Sofia have been revised since the publication of *Doing Business 2017*. The complete data set can be found on the *Doing Business* website at <http://www.doingbusiness.org>.

a. While Ploiesti appears to have the same indicator data for registering property as six other Romanian cities, it has a lower ranking than those six (15 rather than 9) because its cost to register property is around RON 100 higher, a difference not reflected in the table because of the rounding of the cost data.

though more than in Portugal (where it takes just 1 day) or Lithuania (3.5 days) (figure 6.2). Compared with the EU average, the process is also less costly across the cities benchmarked in Bulgaria and Romania, though both countries require more procedures. In fact, Bulgaria requires more procedures than all other EU member states except Belgium and France (which also require 8) and Greece (which requires 10).

Hungary’s score on the quality of land administration index is only 3 points lower than Singapore’s, the highest globally, and 2.5 lower than Lithuania’s and

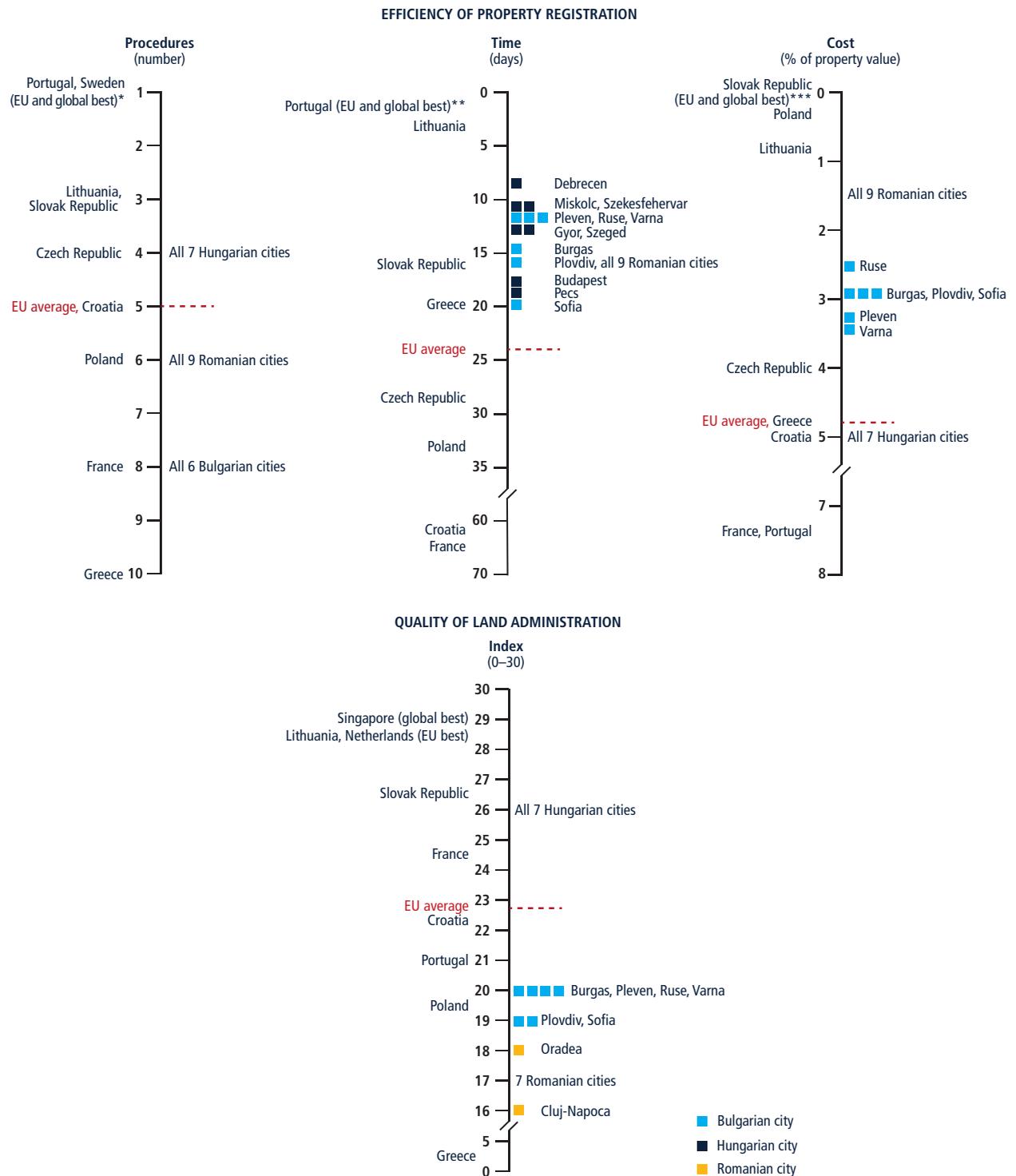
the Netherlands’, the highest among EU member states. Bulgaria and Romania have among the lowest scores among EU member states—only Greece and Malta have lower ones. Among the main weaknesses reflected by their scores is the lack of full geographic coverage of the land registry and cadastre.

What drives differences in efficiency?

In all three countries only two or three interactions with the property register or cadastre are necessary to register a property. In Hungary, once a lawyer signs the sale and purchase agreement

and the buyer obtains a copy of its certificate of incorporation from the Court of Registration, nothing else is needed—the documents go straight to Foldhivatal for registration. In Bulgaria, by contrast, the municipality alone requires two separate interactions for tax purposes, one before and another after registration. In addition, the National Revenue Agency must issue a certificate attesting that there are no unpaid taxes and the Commercial Register must certify the legal good standing of the buyer and seller.⁶ On average across the Bulgarian cities, entrepreneurs spend as much time with other agencies as with the Property Register and GCCA.

FIGURE 6.2 Compared with EU averages, property registration is faster in all three countries—and less costly in Romania and Bulgaria



Source: Doing Business database.

Note: The averages for the EU are based on economy-level data for the 28 EU member states.

* Georgia and Norway also have one procedure.

** Georgia and New Zealand also have a process requiring one day.

*** Georgia and Saudi Arabia also have a cost of 0.0% of the property value.

Among the six Bulgarian cities, registering a property is easiest in Ruse, where the process is fast and inexpensive. In those where it takes more time, title registration tends to account for the difference. While this step typically takes 1–2 days in four of the cities, it takes 10 days in Sofia and 4 in Plovdiv, exceeding the statutory time limit of 3 days. This variation is driven in part by differences in both the type and volume of transactions. In Sofia the Property Register office receives a large number of complex title registration requests.⁷ These take more time to process because registry employees have to do more due diligence, scan the notarized deeds and file a paper copy. This clogs up the queue, delaying other cases as well. Moreover, while the Property Register offices in Burgas, Pleven and Ruse handle around 10,000 property transactions a year, the office in Sofia handles more than 35,000 and the one in Plovdiv more than 22,000 (figure 6.3).

Yet the number of transactions is not all that matters. In Varna, where there are 16,000 a year, service delivery is as fast as in Pleven and Ruse. Varna's Property Register office takes only 2 days to process the final registration of the property. In Burgas, with one of the lowest transaction volumes in the country, the total time to register property is 3 days more than in Pleven, Ruse and Varna. The reason is that the municipality in Burgas requests a sketch of the estate (issued by GCCA) before providing an evaluation of the property. In the other cities the sketch and the evaluation are handled simultaneously.

In Romania the total time needed to register a property transfer is the same across all nine cities because of statutory time limits set by the NACLRL that are uniformly enforced regardless of transaction volumes. Cadastral information, for example, is provided within the 8-day legal time limit. Similarly, the act of registration takes 3 calendar days under the expedited option—also within the legal time limit.⁸

FIGURE 6.3 A higher volume of property transactions is associated with longer delays in Bulgaria but not Hungary



Sources: *Doing Business* database; Bulgaria, Property Register at the Registry Agency; Hungary, Department of Land Administration (Foldhivatal).

Note: The number of property transactions for each city is the average number registered annually in the land book of the local Property Register or land registry office in 2013–15.

In Hungary the two land registries in Budapest handle 275,000 transactions a year, more than in all six other cities combined. Yet they still manage to process registrations faster than in Pecs, where the volume is only 5,000 a year. Debrecen has the fastest process: the local land registry office takes only 2–3 days to make a ruling on a case under the expedited option, with postal delivery taking another 3 days.

Among the three countries, Hungary has the highest cost to register property, consisting mainly of legal fees (1% of the property value) and transfer taxes (4%) that apply uniformly across all locations (figure 6.4). Romania, with the lowest cost, has no transfer tax or stamp duty.

The biggest share of the cost comes from transfer fees charged by the NACLRL (0.8% of the property value) and notary fees (0.6%). Small variations arise in the cost of obtaining a fiscal certificate from the municipality. Brasov, Bucharest, Craiova and Timisoara issue this certificate at no cost, while Ploiesti charges the highest amount, RON 115. The cost varies across Bulgaria, where the Local Taxes and Fees Act allows municipalities to charge from 0.1% to 3% of the property value in transfer taxes. Varna, with the highest cost among the Bulgarian cities benchmarked, levies the maximum transfer tax rate allowed by law; Ruse charges 2.2%. Notary fees (0.3% of the property value) and transfer fees (0.1%) apply uniformly across the country.

FIGURE 6.4 With no transfer tax, Romania has the lowest property registration cost among the three countries



Source: Doing Business database.

Note: The average for Bulgaria is based on data for the cities benchmarked in that country.

How does the quality of land administration vary?

While the time, cost and procedural complexity of property registration all matter for businesses, good land administration goes beyond efficiency. It ensures property owners a secure title, backed by a reliable land administration system. *Doing Business* assesses the quality of this system through five main dimensions: reliability of infrastructure (0–8 points); geographic coverage (0–8); transparency of information (0–6); land dispute resolution (0–8); and equal access to property rights (–2 to 0). Results for these dimensions are then added for the overall score on the quality of land administration index (for a possible 30 points).

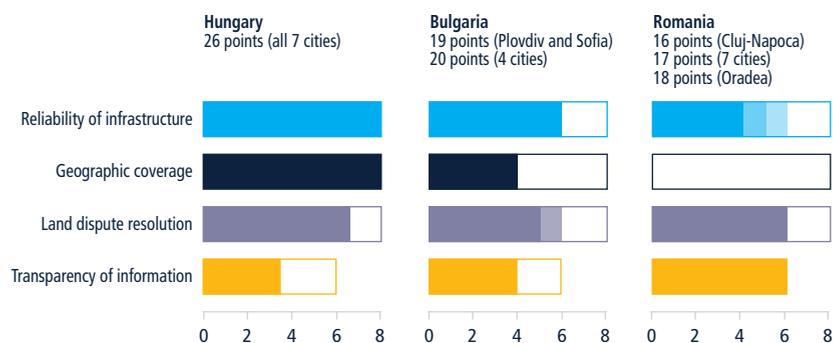
The Hungarian cities are set apart from the rest by the reliability of infrastructure and the geographic coverage of Foldhivatal (figure 6.5). They score full points on both dimensions. The land records and cadastral maps are all in digital format. This enables seamless communications not only between the cadastre and land registry divisions of Foldhivatal, but also with other government agencies and with private parties.

Every piece of property, public or private, is formally registered and properly mapped.

The Bulgarian cities get partial points on both reliability of infrastructure and geographic coverage. Both registry and cadastral records have been scanned, though scanned images cannot be electronically searched and updated (earning 6 of 8 points on reliability of infrastructure). The Property Register covers the country's entire territory, but the GCCA does not (for 4 of 8 points on geographic coverage).

The Romanian cities also score partial points on reliability of infrastructure. The registry division of the NACLIR recently digitized the land records in most cities. Among the benchmarked cities, Cluj-Napoca is the only one where the majority of land records are still on paper, with just 5% in digital format. But cadastral records in most of the Romanian cities remain in paper format. Exceptions are Cluj-Napoca and Oradea, where the majority of cadastral records are scanned. The Romanian cities score no points on geographic coverage, with

FIGURE 6.5 Reliability of infrastructure and geographic coverage set Hungarian cities apart on the quality of land administration index



Source: Doing Business database.

neither property records nor cadastral maps providing full coverage of privately held land.

Making land-related information—such as fee schedules, time limits for service delivery and statistics on transactions—publicly available provides clients with critical information on the transactions they undertake and reduces mistakes and opportunities for bribery. The best practice is for registries and cadastres to make such information publicly available either online or on a public board at the agency. All nine cities in Romania obtain the full 6 points on transparency of information—globally, only three economies other than Romania also score the maximum points (the Netherlands, the Russian Federation and Singapore).

Cities get fewer points on transparency of information in Bulgaria (4) and Hungary (3.5) because they lack separate mechanisms for filing complaints about problems arising with land records or cadastral maps. In addition, there is no public commitment by the cadastre divisions to deliver services within a certain time frame. Moreover, in Hungary official statistics tracking the number of transactions at the property registration agency are not publicly available.

Scores on land dispute resolution are relatively even across cities in all three countries (6.5 points for those in Hungary, 6 for those in Romania and most in Bulgaria). Plovdiv and Sofia are the exceptions—they get 1 point less because resolving a property dispute there takes two to three years, while it takes one to two years in all the other cities.

In 2016 *Doing Business* added questions to the quality of land administration index to assess, in each economy, whether a person's gender has a bearing on access to property rights. In Bulgaria, Hungary and Romania as well as 171 other economies, married and unmarried women have the same ownership rights to property as their male counterparts.

WHAT CAN BE IMPROVED?

This chapter's review of the efficiency and quality of land administration in Bulgaria, Hungary and Romania points to some possible improvements. Several apply to all three of the countries, others to one or two of them.

Update local and national tax information internally by linking systems across institutions **BULGARIA, ROMANIA**

Registering a property transfer in Bulgaria requires personal interactions with the local office of the National Revenue Agency, to obtain a certificate attesting that the seller has no unpaid taxes, and with the municipality, to obtain a tax valuation of the property and to register the new owner for municipal taxes. Similar interactions are required in Romania, where the municipal tax department issues a tax clearance certificate for the seller before the transfer is processed with the cadastre office and receives a fiscal declaration from the buyer after the transfer.

These separate interactions with each agency are necessary because of a lack of interconnectivity and data sharing. Entrepreneurs in Bulgaria would not need to obtain a tax clearance and tax valuation from local and national tax agencies if the Property Register or GCCA could check tax information on properties directly. Those in Romania would have no need to obtain a tax clearance before title registration and complete a tax registration for the new owner afterward if the municipalities had access to NACLRC records.

The Romanian municipalities of Constanta and Timisoara have already constructed comprehensive taxpayer databases and introduced online services for tax payments and fiscal declarations. Other cities could follow suit. They could then link their taxpayer database with the NACLRC.⁹ For the sharing to be reciprocal,

the NACLRC would need to update its infrastructure.

Over the past 12 years 50 economies worldwide simplified property registration and eliminated unnecessary requirements by linking systems across institutions. Denmark, Latvia and Portugal were among them. When Latvian municipalities gave the land registry access to tax information, they freed entrepreneurs operating in Riga from having to provide this information in paper format, saving them time and money. Bulgaria and Romania could follow their example.

Eliminate the requirement to verify legal good standing with the commercial registry **BULGARIA, HUNGARY**

Before transferring a property title in Bulgaria, the buyer and seller need to obtain certificates of good standing from the Commercial Register. In Hungary Foldhivatal requires both parties to provide a company extract (company data stored in the Court of Registration) as well as specimen signatures from their legal representatives. These verifications ensure that the companies are registered and that those signing documents on their behalf are authorized to do so. In most countries the property deed suffices to engage in a property transfer. Only three other EU member states—Denmark, Italy and Poland—require parties to confirm their legal status. In many countries there is no need for notaries to check the legal status of the parties because the property registration system is linked to the company registration system.

Assess the feasibility of reducing property transfer taxes **BULGARIA, HUNGARY**

Property transfer taxes are an important source of revenue for many governments. But when transfer fees and taxes are too burdensome, people may be encouraged to undervalue property. Hungary is among the 10 EU member states with the highest cost to register property. Most of

the cost comes from the property transfer tax, set at 4% of the property value.

Over the past 10 years 52 economies worldwide lowered transfer taxes and other government fees related to property registration. In 2012 Ireland reduced its transfer tax from 6% of the property value to 2%. Fifteen EU member states have transfer taxes of 3.6% or lower, including Romania and the Slovak Republic, which levy no such tax. While all six Bulgarian cities have property transfer costs that are lower than the EU average, Varna and Pleven charge a higher property transfer tax than Sofia.

Revenue impact studies and tax simulations could be conducted to assess whether the property transfer tax rate could be reduced in a way that is revenue-neutral or revenue-increasing. Lower fees may broaden the collection base for this tax. When the Egyptian government lowered the registration tax from 3% of the property value to a fixed fee of about US\$200, it recorded a 39% increase in property registration revenue because of an increase in the number of registrations.¹⁰ Other countries have seen similar results—including Greece, which reduced its property transfer tax from 10% of the property value to 3%.¹¹

Introduce standardized contracts for property transfers and consider making the use of lawyers or notaries optional **BULGARIA, HUNGARY, ROMANIA**

Companies completing a property transfer in Bulgaria or Romania must have a notary countersign or authenticate their sale and purchase agreement. Those in Hungary must have a lawyer do so. Companies also typically ask the notary or lawyer to draft the sale and purchase agreement. The requirement to use legal professionals for property transfers adds at least one procedure that takes one to two days and imposes additional costs. For the type of property in the *Doing Business* case study, Hungarian lawyers charge on average 1% of the value of the

transaction. Bulgarian notaries charge 0.3%, and Romanian notaries 0.6%.

In many countries companies can choose to transfer a property without the assistance of legal professionals. They use a standardized contract obtained online or from the registry. Standardized contracts reduce the potential for mistakes or irregularities, because the content that is critical for the land registry is mandatory. Offering such contracts would also reduce both the time and cost of registration. Companies could still resort to legal consultation and tailor-made contracts, especially for more complex cases—but by choice. Both Montenegro and the United Kingdom offer standardized contracts to the public.

Doing Business data show that three of four economies manage property registration without mandating the use of lawyers or notaries, including Denmark, Portugal and Sweden. Indeed, Bulgaria, Hungary and Romania are among the fewer than 40 economies that require double verification of property sale and purchase agreements—one by a lawyer or public notary and one by the land registry. Portugal successfully made notary involvement optional for companies wishing to transfer property: parties need only sign the agreement in person at the registry. As a result, registering property in Lisbon takes only one procedure and one day.

Expand cadastral or property registration coverage **BULGARIA, ROMANIA**

Even a reliable and transparent land administration system has diminished usefulness if it covers only part of an economy's territory. Where land registries and cadastres do not provide complete geographic coverage, companies and individuals cannot be sure whether areas not covered might be relevant to their interests. Around the world only 22% of economies have a registry with full coverage of private land—and only 24% a cadastre with complete coverage. Hungary is one of them.

In Romania neither the land registry division nor the cadastre division of the NACLR covers the full territory. Only 23% of properties are registered—53% of properties in urban areas and 16% of those in rural areas.¹² In April 2015, however, the Romanian government approved the National Program for Cadastre and Land Registration with the aim of completing the registration of real estate properties by 2023.

In Bulgaria the majority of properties are registered with the Property Register. The situation with cadastral maps is more complicated. Three different institutions hold cadastral maps or cadastral plans, in varying formats and covering different areas. The GCCA covers only about 18% of the territory. The Ministry of Agriculture holds maps for about 70%, mostly agricultural land. Municipalities also hold sizable collections of cadastral plans, mainly covering urban areas. The municipal plans include utility maps as well as cadastral maps. The territory covered by the GCCA often overlaps with what the municipalities cover. This can create confusion and diminish the reliability of information. A recently introduced bill of law would allow all cadastral maps now with the Ministry of Agriculture to fall under the responsibility of the GCCA, increasing its territorial coverage to 88%. The GCCA could also take over the cadastral plans held by municipalities. To achieve the desired effect, however, legislative changes are not enough. As Hungary's experience shows, necessary upgrades in human resources and information and communication technology infrastructure are equally important.

Create an electronic platform for property transfers **BULGARIA, HUNGARY, ROMANIA**

A nationwide electronic system allowing all requirements for transferring property to be completed online would make carrying out land transactions easier as well as increase the security and transparency of the process. It would also save resources for businesses and governments alike.

Among the three countries, Hungary has made the greatest advances toward such a system, but transaction parties or their lawyer still need to visit a Foldhivatal office in person to request registration. Foldhivatal has a functioning online platform (TakarNet) where it offers information on properties, but this platform is not accessible to the general public. Only authorized users such as lawyers, banks and other financial institutions can access it, for a fee. Eventually TakarNet could become a platform that supports online registration and is open to all.

In Bulgaria the core processes for property registration are still paper-based. Applications submitted to the Property Register are entered manually into an electronic database. In Romania the digitization of land records and cadastral maps is still under way. The good news is that the cadastre and land office divisions of the NACLR have a common database. This could make online registration easier to implement once all records have been digitized.¹³

Countries that have implemented a fully electronic system did so progressively over several years. New Zealand digitized

its property records between 1997 and 2002 and subsequently introduced electronic registration. But by 2005 only about half of property transactions were being submitted electronically. A final push was needed. In 2008 electronic registration was made mandatory by law. Today property registration can be completed in just two steps, at a cost of 0.1% of the property value—and New Zealand tops the *Doing Business* ranking on the ease of registering property.

Among EU member states, several have implemented online registration. One of them is Denmark, where the government began modernizing its land registry more than two decades ago (box 6.2). Today electronic submission of documents is mandatory for property transfers. Transferring a property takes only 4 days—down from 42 in 2003, when the first *Doing Business* data were produced.

Introduce mechanisms for dealing efficiently with land disputes **BULGARIA, ROMANIA**

For cases in which a party to a property transaction suffers damage or loss due to an error by the property registry,

measures can be taken to improve the efficiency of the dispute settlement by making it possible to avoid having to go to court. Some countries create funds to compensate parties that have suffered losses caused by mistakes in the property registry, especially when those mistakes cannot be corrected without affecting bona fide titleholders.

The United Kingdom has a statutory compensation scheme allowing claims to be made directly to the land registry. Claims can be submitted for mistakes in the register or for such reasons as loss or destruction of records. If a claim is not settled, the claimant has a reserved right to seek remedies through the courts.¹⁴ In Ireland claims for compensation can be filed directly with the Property Registration Authority.¹⁵ Under the Swedish Land Code the state will compensate a claimant for losses suffered because of a mistake by the property registry.¹⁶

Hungary has a compensation mechanism to cover losses incurred by parties who engaged in good faith in a property transaction based on erroneous information certified by the property registry. Bulgaria

BOX 6.2 Going electronic in property registration—an EU example of good practice from Denmark

Denmark used to have a complex property registration system. At its core was an archive of around 80 million paper documents managed by local district courts that were not connected to one another. Completing a property transfer required working with thick, heavy land books in the local district court—a long and burdensome process for employees and customers alike.

The Danish government recognized the need to modernize land administration, and in 1992 the Parliament amended the Land Registration Act to allow computerization—with the aim of speeding up the registration process and improving customer service. Between 1993 and 2000 the government scanned all records and computerized the country's then 82 judicial district offices. While the records were being scanned, staff were being trained in how to work with the new registration system.

In 2006, after the land records were fully digitized, work to develop a paperless registration system began. Another amendment to the Land Registration Act created the legal basis for implementing a digital land register, which was completed and operational by 2009. By 2011 Denmark required all applications to be submitted online, enabling more efficient screening of applications.

Today, transferring a property in Denmark requires only three procedures, all of which can be completed online. Thanks to the online access to a single source of land registration data, citizens and businesses can transfer property on their own, with no involvement by third parties such as lawyers or notaries. They can also obtain information on any property. The Danish financial sector played a part: to facilitate access to credit as well as to information, it created a central hub allowing banks and the land registry to share land registration data.

Note: This box is based mostly on information obtained from the portal of the Danish Registration Court (<http://www.tinglysningstretten.dk>) and the *Doing Business* database.

and Romania could follow suit by implementing a similar mechanism.

Publish annual statistics on completed transactions and land disputes

BULGARIA, HUNGARY, ROMANIA

All three countries publish information online on service requirements, fees and standards for property registration. Publishing annual statistics on the number and type of transactions completed by land registries and cadastres can further bolster transparency. The Property Register in Bulgaria and the NACL in Romania publish such statistics and refresh them several times a year.¹⁷ Foldhivatal authorities in Hungary could do the same.

Elsewhere, Lithuania's land registry publishes performance statistics on its website, while Norway's statistical agency publishes quarterly data on property and lease transfers by the type of transfer and property. Jordan's Department of Land and Survey publishes monthly data online on the number of transactions completed. The United Kingdom's land registry also publishes monthly data on transactions, providing information on the number and type of applications completed in the previous month. Real estate firms and professionals use this information for forecasting purposes. Officials in the Republic of Korea estimate that enabling users to view documents online rather than requiring that they visit an office to do so translates into significant cost savings. Land registries with fully electronic systems share information not only with citizens but also with other public and private institutions. Denmark's central hub enabling the land registry to share land registration data with banks is one such example (see box 6.2).

A step further would be to collect statistics on first-instance land disputes and make them publicly available. When land disputes occur, it is important to ensure that they clear the courts quickly so that citizens' resources are not perpetually

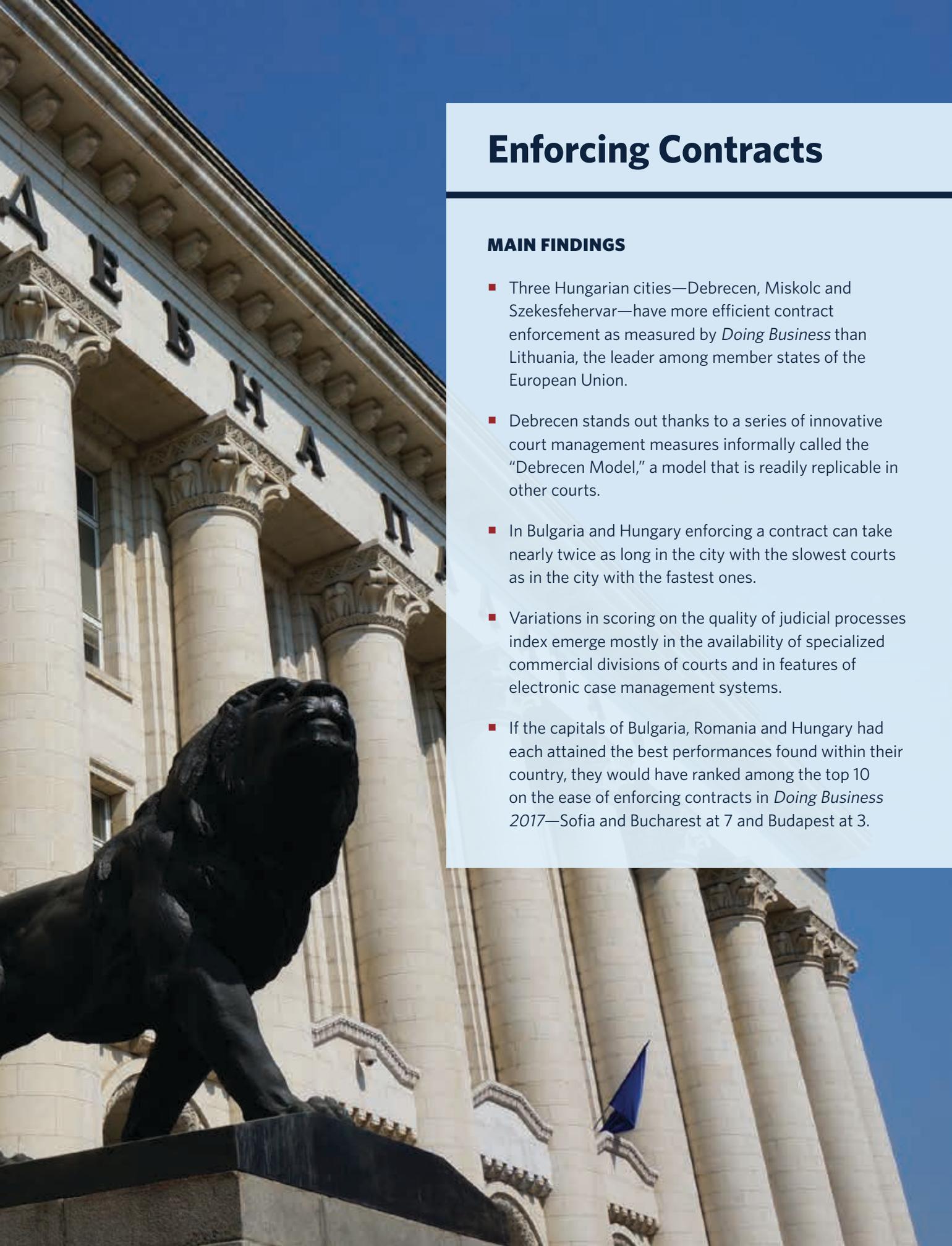
tied up in the legal system. To monitor the land dispute resolution system, some countries carefully track land disputes and, at a minimum, publish the number of such disputes that have been presented to the courts. This information not only helps to ensure transparency but also serves as a barometer for identifying gaps in the reliability of the land registration system. Around the world 20 economies provide such statistics—including Finland, France, Georgia, Latvia and Turkey.¹⁸

NOTES

1. Stijn Claessens and Luc Laeven, "Financial Development, Property Rights, and Growth," *Journal of Finance* 58, no. 6 (2003): 2401-36.
2. Lithuania is at number 2 in the global ranking on the ease of registering property, Estonia at 6 and Latvia at 23. Among Central and Eastern European countries, Georgia has a global ranking of 3, the Slovak Republic 7 and Hungary 28.
3. World Bank, *World Development Report 1989* (New York: Oxford University Press, 1989).
4. Simon Johnson, John McMillan and Christopher Woodruff, "Property Rights and Finance," *American Economic Review* 92, no. 5 (2002): 1335-56.
5. Property information held in cadastres and land registries is part of the land information available to governments. Land information also includes other geographic, environmental and socioeconomic data related to land that are useful for urban planning and development.
6. Requesting certification of legal good standing is common practice in the due diligence carried out by the buyer and seller.
7. Complex cases include those involving owners with accounts at the Property Register that include multiple properties, multiple mortgages or multiple property tax bills due.
8. Obtaining a municipal fiscal certificate takes longer in Bucharest (four days) and in Brasov and Timisoara (two days) than in all six other Romanian cities (one day). This difference is not reflected in the overall time to register property because this step (procedure 2) can be completed simultaneously with the step of obtaining cadastral information from the NACL (procedure 1).
9. Romania's latest national fiscal code, in effect since January 2016, establishes a framework for allowing local authorities to issue electronically signed fiscal certificates. To fully operationalize the new fiscal code and enable municipalities to issue electronically signed official documents will require the adoption of the so-called methodological

norms (secondary legislation) of the code. This is yet to be done because it requires the agreement of several stakeholders, including municipalities, the Ministry of Public Finance, the Ministry of Regional Development and Public Administration, and the Association of Towns and Communes of Romania.

10. World Bank, *Doing Business in Egypt 2008* (Washington, DC: World Bank, 2007).
11. World Bank, *Doing Business in 2015: Going Beyond Efficiency* (Washington, DC: World Bank, 2015).
12. Data obtained from the NACL.
13. The NACL is currently rolling out a so-called e-terra 3 electronic system, which is expected to gradually expand the number of property-related transactions (mostly internal at the beginning) to be performed electronically. These include mapping, application management, internal document management and property registration in land books.
14. United Kingdom, Land Registration Act 2002. For more details, see also section 4 ("Applications for Indemnity") in "Practice Guide 39: Rectification and Indemnity," Her Majesty's Land Registry, last updated April 3, 2017, <https://www.gov.uk/government/publications/rectification-and-indemnity/practice-guide-39-rectification-and-indemnity>.
15. Republic of Ireland, Registration of Title Act, 1964.
16. Swedish Land Code (SFS 1970:994), chapter 19, section 37; and Real Property Formation Act (1970:988), chapter 19, section 5. Compensation for wrongful handling falls under the Tort Liability Act (1972:207).
17. The statistics are published on the official websites of the Property Register in Bulgaria (<http://www.registryagency.bg/bg/registri/imoten-registar/statistika/>) and the NACL in Romania (http://www.ancpi.ro/images/statistica_oct_2016.pdf).
18. Statistics are provided in France by Ministère de la Justice, <http://www.justice.gouv.fr>; in Georgia by the Supreme Court of Georgia, <http://www.supremecourt.ge>; and in Turkey by the State Institute of Statistics, <http://www.turkstat.gov.tr>.



Enforcing Contracts

MAIN FINDINGS

- Three Hungarian cities—Debrecen, Miskolc and Szekesfehervar—have more efficient contract enforcement as measured by *Doing Business* than Lithuania, the leader among member states of the European Union.
- Debrecen stands out thanks to a series of innovative court management measures informally called the “Debrecen Model,” a model that is readily replicable in other courts.
- In Bulgaria and Hungary enforcing a contract can take nearly twice as long in the city with the slowest courts as in the city with the fastest ones.
- Variations in scoring on the quality of judicial processes index emerge mostly in the availability of specialized commercial divisions of courts and in features of electronic case management systems.
- If the capitals of Bulgaria, Romania and Hungary had each attained the best performances found within their country, they would have ranked among the top 10 on the ease of enforcing contracts in *Doing Business 2017*—Sofia and Bucharest at 7 and Budapest at 3.

An entrepreneur in Bulgaria who brings a commercial case to court can expect to have it resolved and the judgment enforced in just a year—except in Sofia. As one judge put it, “Sofia is another world.” While judges in other Bulgarian cities take only a few days to scrutinize complaints before ordering service on the defendant, in Sofia this step alone can take around three months.

Bulgaria is not the only country where court performance differs among cities. In Romania resolving a commercial dispute in the courts takes 50% longer in the city with the slowest courts than in the city with the fastest ones. The differences are even more striking in Bulgaria and Hungary, where it can take nearly twice as long in the slowest city as in the fastest one.

Within each of these countries the same legal framework applies in all cities. Why the variation in performance among them? What makes the biggest difference

is court management, including the use of case management software, adherence to deadlines and efficiency in internal processing of cases.

The time it takes to resolve commercial disputes matters—because efficient contract enforcement is essential to economic development and sustained growth.¹ Economies with a more efficient judiciary, in which courts can effectively enforce contractual obligations, have more developed credit markets as well as a higher level of overall economic development.² A stronger judiciary is also associated with more rapid growth of small firms.³ Overall, enhancing the efficiency of the judicial system can improve the business climate, foster innovation, attract foreign direct investment and secure tax revenues.⁴

By contrast, where legal institutions are ineffective, changes to the law are likely to have limited impact. Moreover, where judicial practices and processes within a country are inconsistent or vary excessively from one location to another,

businesses find it difficult to make reasonable assumptions in their dealings, particularly in contractual matters. The resulting unpredictability affects business operations, dampens the business climate and mars perceptions of the judicial system.

HOW DOES CONTRACT ENFORCEMENT WORK IN BULGARIA, HUNGARY AND ROMANIA?

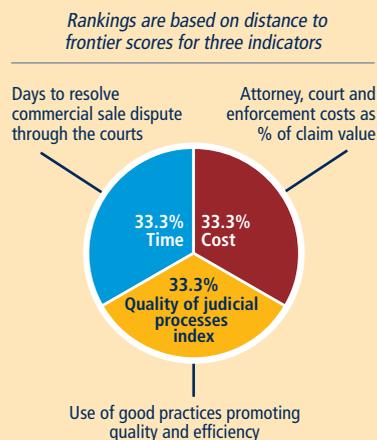
According to *Doing Business* research, to enforce a commercial claim like the one in the *Doing Business* case study, entrepreneurs in Bulgaria must go to the regional courts (*районните съдилища*), those in Hungary to the district courts (*jársbíróságok*) and those in Romania to the first-instance courts (*judecătoria*).⁵ In all three countries judges scrutinize complaints before ordering service of process, which is done by regular mail sent by the court in Hungary and Romania and by court officers in Bulgaria. The trials are conducted through a series of hearings that are typically not consecutive but spread out. Once the evidentiary hearing is concluded, the judgment is handed down—and once the time for appeal has expired without an appeal being filed, the judgment can be enforced by private enforcement agents.⁶

What are the findings?

On average, the cities benchmarked in each of these three countries outperform the average for member states of the European Union on the efficiency of contract enforcement. Indeed, the average distance to frontier score for these cities in each country—77.34 in Hungary, 72.55 in Bulgaria and 71.65 in Romania—would earn a place among the top 25 economies globally. Some cities do even better. Speedy trials and low costs help Debrecen, Miskolc and Szekesfehervar (all in Hungary) outperform Lithuania, the EU member state with the most efficient contract enforcement as measured by *Doing Business*.⁷

WHAT DOES ENFORCING CONTRACTS MEASURE?

Doing Business measures the time and cost for resolving a commercial dispute through a local first-instance court. The case study assumes that a seller delivers custom-made goods to a buyer who refuses delivery, alleging that the goods are of inadequate quality. To enforce the sales agreement, the seller files a claim with a local court, which hears arguments on the merits of the case. Before a decision is reached in favor of the seller, an expert is appointed to provide an opinion on the quality of the goods in dispute, which distinguishes the case from simple debt enforcement. *Doing Business* also builds a quality of judicial processes index that measures whether a location has adopted a series of good practices in its court system in four areas: court structure and proceedings, case management, court automation and alternative dispute resolution (see figure).



Among the 22 cities benchmarked, enforcing contracts is easiest in Debrecen, where costs are low (13.8% of the claim amount) and obtaining and enforcing a judgment takes just 11 months. It is most difficult in Brasov (Romania), as a result of delays in trial and enforcement as well as relatively high expert fees and enforcement costs compared with those in the other 21 cities (table 7.1). Most of the 22 cities outperform the EU average on speed, cost and quality (figure 7.1).

Location matters: depending on where a business is located among the 22 cities benchmarked, the time required for resolving a commercial dispute and enforcing the judgment can differ by around 13 months. In Pleven (Bulgaria) it

takes nearly 10 months, while in Brasov (Romania) it takes 23 months, about the same as in Poland and the Slovak Republic. Among EU member states, enforcing contracts takes the least time in Luxembourg and Sweden, just over 10 months.

All seven cities benchmarked in Hungary outperform the EU average on cost and the quality of judicial processes—and all but two on time. Debrecen has the top ranking among all 22 cities, while Budapest has the lowest among the Hungarian cities and a ranking of 11 among the 22. The difference is due mainly to the longer times for trial and enforcement and the higher costs of expert testimony in Budapest. All the Hungarian cities benefit from low

attorney fees and low up-front enforcement costs as well as high scores on the quality of judicial processes index that reflect advanced electronic services (e-filing and e-payment) and a well-functioning case management system. Indeed, if Hungary (as represented by Budapest) had achieved the best performances observed among the seven cities on time, cost and quality, it would have been number 3 in the ranking on the ease of enforcing contracts in *Doing Business 2017*.

The nine Romanian cities show the largest variation in performance. While Timisoara and Constanta rank in the top 10 among the 22 cities benchmarked, Ploiesti and Brasov rank at the bottom.

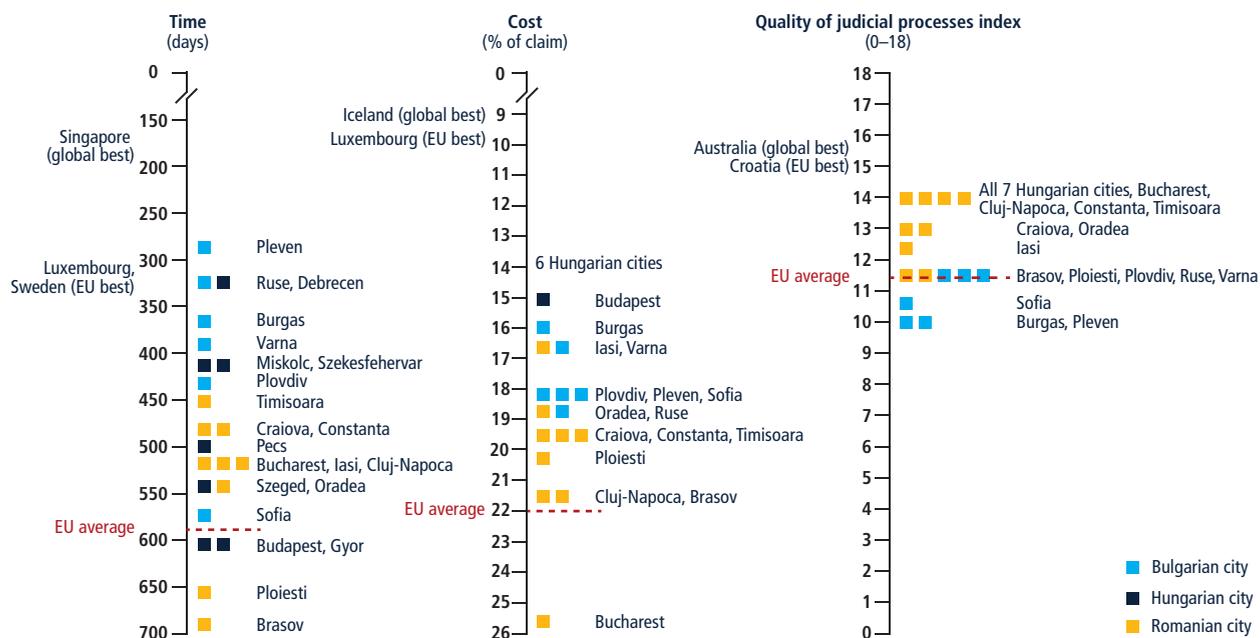
TABLE 7.1 Enforcing contracts in Bulgaria, Hungary and Romania—where is it easier?

| City (Country) | Rank | Distance to frontier score (0–100) | Time (days) | Cost (% of claim) | Quality of judicial processes index (0–18) |
|--------------------------|------|------------------------------------|-------------|-------------------|--|
| Debrecen (Hungary) | 1 | 81.72 | 330 | 13.8 | 14.0 |
| Miskolc (Hungary) | 2 | 79.53 | 410 | 13.8 | 14.0 |
| Szekesfehervar (Hungary) | 3 | 79.12 | 425 | 13.8 | 14.0 |
| Pecs (Hungary) | 4 | 77.07 | 500 | 13.8 | 14.0 |
| Timisoara (Romania) | 5 | 76.13 | 455 | 19.6 | 14.0 |
| Szeged (Hungary) | 6 | 75.98 | 540 | 13.8 | 14.0 |
| Ruse (Bulgaria) | 7 | 75.38 | 321 | 19.0 | 11.5 |
| Constanta (Romania) | 8 | 75.04 | 495 | 19.6 | 14.0 |
| Varna (Bulgaria) | 9 | 74.23 | 395 | 16.7 | 11.5 |
| Gyor (Hungary) | 10 | 74.20 | 605 | 13.8 | 14.0 |
| Budapest (Hungary) | 11 | 73.75 | 605 | 15.0 | 14.0 |
| Pleven (Bulgaria) | 12 | 73.63 | 289 | 18.6 | 10.0 |
| Craiova (Romania) | 13 | 73.37 | 491 | 19.4 | 13.0 |
| Cluj-Napoca (Romania) | 14 | 73.34 | 527 | 21.8 | 14.0 |
| Burgas (Bulgaria) | 15 | 72.68 | 361 | 15.9 | 10.0 |
| Iasi (Romania) | 16 | 72.64 | 522 | 16.6 | 12.5 |
| Plovdiv (Bulgaria) | 17 | 72.36 | 440 | 18.4 | 11.5 |
| Bucharest (Romania) | 18 | 72.25 | 512 | 25.8 | 14.0 |
| Oradea (Romania) | 19 | 72.01 | 549 | 18.8 | 13.0 |
| Sofia (Bulgaria) | 20 | 67.04 | 564 | 18.6 | 10.5 |
| Ploiesti (Romania) | 21 | 65.86 | 653 | 20.2 | 11.5 |
| Brasov (Romania) | 22 | 64.24 | 689 | 21.9 | 11.5 |

Source: *Doing Business* database.

Note: Rankings are based on the average distance to frontier score for the time and cost associated with enforcing a contract as well as for the quality of judicial processes index. The distance to frontier score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more details, see the chapter “About *Doing Business* and *Doing Business in the European Union 2017: Bulgaria, Hungary and Romania*.” The data for Bucharest, Budapest and Sofia have been revised since the publication of *Doing Business 2017*. The complete data set can be found on the *Doing Business* website at <http://www.doingbusiness.org>.

FIGURE 7.1 Most of the cities in Bulgaria, Hungary and Romania outperform the EU average on speed, cost and quality for enforcing contracts



Source: *Doing Business* database.

Note: The averages for the EU are based on economy-level data for the 28 EU member states. For practical reasons, the figure groups cities with similar times or costs in some cases. See table 7.1 for more precise data on the indicators.

Overall, the majority of the Romanian cities have a below-average ranking, reflecting longer delays during the trial stage and higher up-front enforcement costs. Nonetheless, if Romania (as represented by Bucharest) had attained the best performances among the nine cities on time, cost and quality, it would also have ranked among the top 10 in *Doing Business 2017*.

The Bulgarian cities Ruse and Varna belong to the group of 10 benchmarked cities where it is easier to enforce a contract—and they earn scores on the quality of judicial processes index that are among the country's highest, though lower than those of counterparts in Hungary and Romania. By contrast, Sofia has the worst performance in Bulgaria, with a ranking of 20 among the 22. A range of procedural bottlenecks slow the pace of dispute resolution in Sofia. In addition, judges there deal with heavy caseloads, and the court lacks a well-functioning case management system. If Bulgaria (as

represented by Sofia) had attained the best performances among its six benchmarked cities on time, cost and quality, it too would have ranked among the top 10 in *Doing Business 2017*.

How do time measures vary?

In all three countries a common delay in filing and service stems from the need for a formal review of the complaint, especially to correct mistakes in calculating fees. While filing and service together take 40 days on average in the EU, this process takes nearly two weeks longer on average in Hungary and three weeks longer in Bulgaria.

Among Hungarian cities, however, filing and service take only 40 days in Debrecen and Miskolc. Judges in these two cities appear to be strict in ensuring that parties comply with requirements, and they are likely to reject complaints that fall short. By contrast, filing and service take up to 60 days in Budapest, Győr, Szeged and Szekesfehervar.

In Bulgaria the review of the complaint that judges perform before ordering service of process takes 6–10 weeks in all cities except Sofia, where it takes three months. Several factors undermine performance at the Sofia Regional Court. Human resources are one factor, but not the predominant cause of delay. The Sofia court carries a substantially heavier caseload per judge than those in the rest of the country, but not heavier than would be expected in an EU country's capital city. A 2015 World Bank study identified a multitude of factors that work together to compound delays. Business processes in the Sofia court are cumbersome and create bottlenecks in case processing, at this stage and throughout the case flow. The physical layout of the court buildings is not well suited to case flow. The information and communication technology infrastructure is fragmented, requiring clerks to use different systems for different types of cases. And interacting with the court can be difficult, so that accessing the

case file, for example, usually requires a personal visit to the court. But the Sofia court has a staff-to-judge ratio slightly above the average for regional courts in Bulgarian district towns, so there may be opportunities for reducing delay by making smarter use of existing staff.⁸

In Romania courts in Oradea, Constanta and Timisoara take just over a month to review complaints. Judges report that they rarely have to ask litigants to amend them. Meanwhile, in Ploiesti the same process takes nearly three months, with many complaints sent back for revision, most frequently because the plaintiff miscalculated the filing fee.

In some instances, such as in Craiova (Romania) and Sofia (Bulgaria), litigants tend to leave the calculation of the filing fee to the judge so as to avoid making mistakes. In Sofia this compounds delays by imposing even more steps on an already burdened court, and backlogs make it difficult to provide a prompt response to the plaintiff on the correct filing fee.

Often courts that have few cases can resolve those cases faster, but this is not always so. Two Bulgarian cities, Pleven and Ruse, have the fastest trial times among the 22 cities benchmarked, at just over four months.⁹ Courts in these cities have very light caseloads—around 50 civil cases per judge in 2015—allowing them to adhere to deadlines and resolve cases quickly. But light workloads do not always mean fast results. Plovdiv has a caseload (53.83 civil cases per judge) just as light as that in Ruse (53.16), but its time from filing to judgment is 53% slower. Similarly, Varna has a caseload (48.88 civil cases per judge) much like that in Pleven (44.68) but a time that is 54% slower. Nonetheless, the Sofia Regional Court is clearly a special case. Its judges carry 85–130% more cases than those in the regional courts of the other five cities benchmarked in Bulgaria, and reaching a judgment in that court takes 11 months (figure 7.2).

The longest times for the trial phase can be found in the Romanian cities of Brasov, Oradea and Ploiesti, at close to 13 months. Among the nine Romanian cities benchmarked, Brasov and Ploiesti have the most cases per judge after Bucharest¹⁰—in Brasov in part because not all judges' positions are filled, which adds to the caseloads of the other judges. Just to schedule the first hearing for a case in these two cities can take 2.5–4 months. In Timisoara (Romania) the trial phase takes less than 10 months thanks in part to lighter caseloads allowing a faster calendar of hearings.

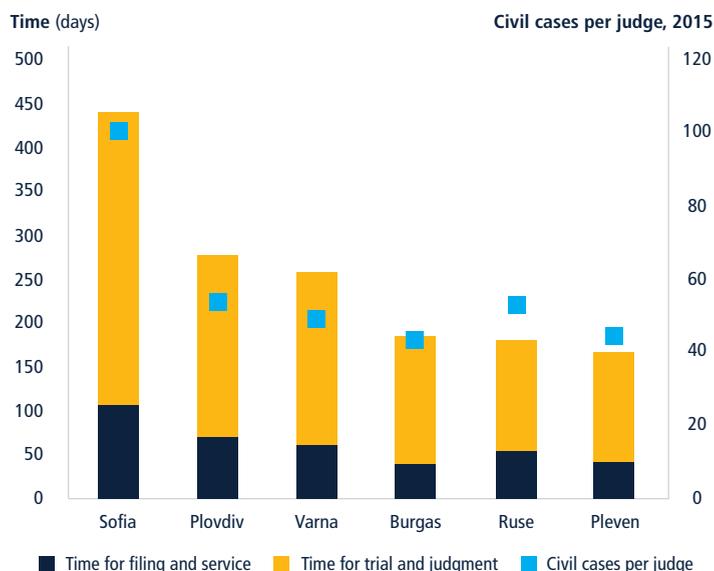
The Hungarian city with the fastest time for the trial and judgment phase on average owes that speed to a series of proactive court management measures informally called the “Debrecen Model.” In the Debrecen District Court the trial and judgment phase typically takes just under 7 months. Judges in Debrecen tend to strictly scrutinize initial complaints, rejecting outright those that have errors or that fail to show good-faith efforts to

reach a settlement before trial. This has led to an improvement in the quality of the complaints presented. In an effort to ensure timeliness and prevent adjournments, judges in Debrecen also report being more likely to impose penalties on expert witnesses who are tardy in presenting their testimony—a reduction of 1% of expert fees for every day of delay.

These practices applied in Debrecen are provided for by national law and are not novel to court management globally. The difference seems to be that the Debrecen court takes a strict approach to implementing the procedural laws available to it, to ensure proactive case management. This suggests that any court in Hungary—and likely elsewhere—could apply such measures to improve its own performance.

Another difference in Debrecen is that hearings are scheduled three days a week rather than only two days, as in most of the other Hungarian cities. This likely also improves timeliness and encourages

FIGURE 7.2 Despite similarly light caseloads, the regional court in Plovdiv takes 53% more time than the one in Ruse to resolve a civil case



Sources: *Doing Business* database; Supreme Judicial Council of Bulgaria, “Civil Caseload Data per Judge for 2015,” appendix 83 in *Summarized Statistic Tables for Court Activities for the Year 2015*, available at <http://www.vss.justice.bg/page/view/1082>.

Note: The caseload data refer to cases per approved judge's position in each regional court in 2015. Caseload data taking into account the number of positions actually filled were unavailable for civil cases only.

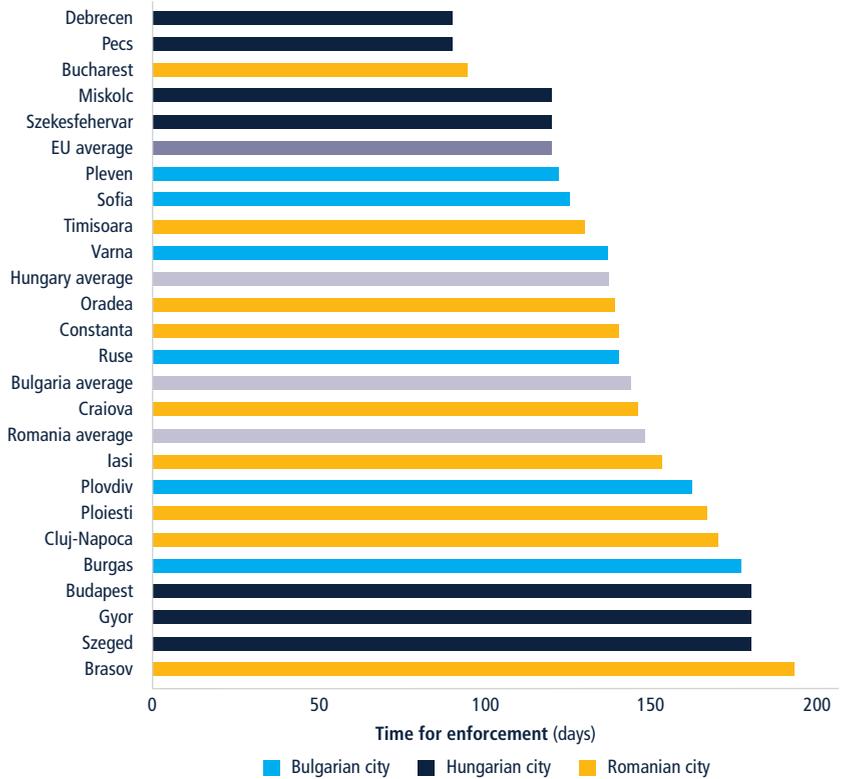
effective time management among judges, staff and litigants.

Meanwhile, in Budapest, Gyor and Pecs the trial and judgment phase typically takes a year. In Budapest judges handle a larger number of commercial cases, and judges and lawyers mention that the cases tend to be more complex. In Gyor judges report that proximity to the border can make it more likely for cases with international implications to be filed. Among the Hungarian cities with slower trials, judges point to heavy caseloads, a higher complexity of cases, a shortage of experts to provide testimony and delays in receiving their testimony. Court delays are exacerbated by the lack of a system to easily reassign judges to temporarily fill in for those with extended absences.

When it comes to enforcement of the judgment, only 5 of the 22 cities match or surpass the EU average for time (figure 7.3). Enforcement takes roughly the same time on average across Bulgaria, Hungary and Romania. But a different picture emerges at the city level. In Hungary enforcing a judgment takes about twice as long in Budapest, Gyor and Szeged as in Debrecen and Pecs, where it takes only three months. One of the main delays is obtaining an enforceable copy of the judgment, having the application for enforcement granted and then having the enforcement order sent by the court to the bailiff. Creditors in Hungary do not choose the bailiff who will enforce their claim; instead, the court designates a bailiff according to criteria that include the address of the debtor. Similar time differences occur in Romania, where enforcing a judgment takes half as much time in Bucharest as in Brasov.

A common complaint in all three countries is the difficulty of locating suitable assets to seize for enforcement. Company registries often have outdated addresses for companies, which makes it harder to find assets for seizure. Moreover, access to other databases can prove difficult. In Romania the Association of Bailiffs has an agreement

FIGURE 7.3 Only 5 of the 22 cities match or surpass the EU average on the time for enforcement of judgments



Source: Doing Business database.

Note: The averages for Bulgaria, Hungary and Romania are based on data for the cities benchmarked in each country. The average for the EU is based on economy-level data for the 28 EU member states.

with the national tax authority allowing bailiffs to access its asset database for a fee. But the national tax authority does not have access to local tax information. The bailiffs in some Romanian cities have therefore reached agreements with individual city halls to access their databases, such as in Brasov and Iasi.

What are the main drivers of cost?

The cost to enforce a contract is lowest in Hungary, at 14% of the claim amount on average, and highest in Romania, at 20.4%. Indeed, the cost in Hungary is among the lowest in the EU thanks to low attorney fees and low up-front enforcement costs. In Romania high enforcement costs stand out.

Attorney fees as a share of income per capita are nearly twice as high in Bulgaria as in Hungary on average.¹¹ Still, even in Bulgaria the fees are significantly lower

than the EU average of 13% of the claim amount. Attorney fees tend to vary across cities because they are based on market rates. In Hungary, however, where lawyers tend to practice in more than one city thanks to geographic proximity coupled with good road connections, there are no noticeable variations in attorney fees. With the exception of Oradea, Romanian cities also show little variation in attorney costs. In Iasi these costs amount to 5% of the claim amount, and in Bucharest to 7.7%. In Oradea, however, they rise to 9%, a level that local lawyers claim is driven by the smaller number of practicing attorneys in the city and the absence of a larger market nearby that could serve it.

In Bulgaria there is a minimum that attorneys can charge, but above that they can negotiate with their client.¹² For a commercial case with a claim amount

of twice the income per capita (as in the *Doing Business* case study), attorneys report charging above the floor. Attorney costs are higher in Pleven, Plovdiv and Ruse, at 10.4% of the claim amount. Among the other Bulgarian cities, they are lowest in Burgas, at 7.1% of the claim amount. Attorneys in Burgas suggest that fees are most likely lower there because of the larger legal market and the downturn it suffered along with local companies during the financial crisis.

Together with attorney fees, expenses incurred during trial are the biggest drivers of cost, though they do not account for significant differences within countries (figure 7.4). Filing fees, which are calculated on the basis of the value of the claim, can range from 3.7% of the claim in Romania and 4% in Bulgaria to 6% in Hungary. Filing fees do not vary from city to city within these countries because they are nationally regulated. Together with the expert fees, which

typically amount to 1–2% of the claim, filing fees make court costs in these countries comparatively higher than the EU average of 4.8% of the claim.

Romania has the highest average cost to enforce a judgment among the three countries—at twice the cost in Bulgaria and three times that in Hungary. In Romania bailiffs often request advances to cover their expenses in seizing and selling debtors’ movable assets. Apart from these advances, the biggest expense is paying for the asset valuator and the organization of the auction. The costs of these items, which are not regulated, can vary widely in Romania. In Bucharest, for example, despite one of the fastest enforcement times among the 22 benchmarked cities, organizing an auction can cost three times as much as in Oradea. In Bulgaria and Hungary the more common practice is for bailiffs to receive only the regulated up-front payment—which is

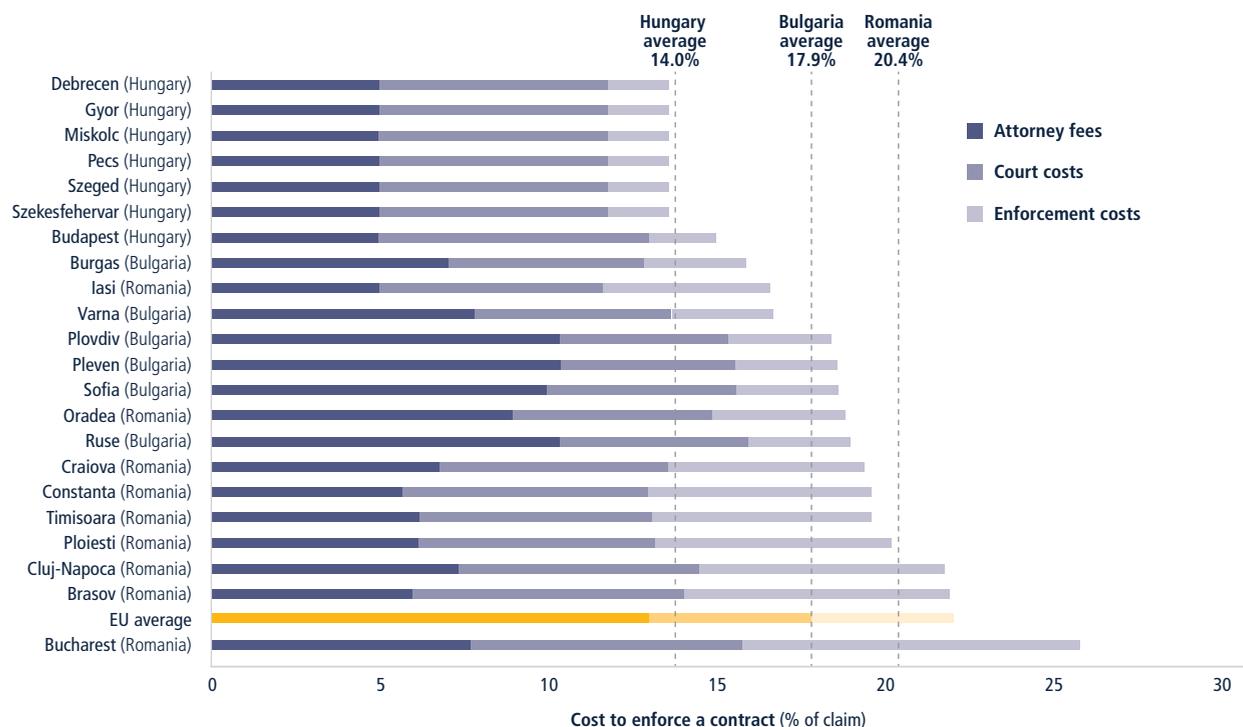
set by national regulation in each country and therefore does not vary among cities—and to cover their expenses through the proceeds of the public sale.

What judicial good practices are used?

Hungary has adopted the most judicial good practices as captured by the quality of judicial processes index, followed closely by Romania. Hungary’s average score on the index is 14.0, and Romania’s 13.1—both exceeding the EU average of 11.3. Bulgaria’s average score of 10.8 mainly reflects the lack of specialized commercial departments in the regional courts in some cities,¹³ the lack of a specialized small claims court or fast-track procedure as well as limitations on the matters that can be handled by arbitration.

The scoring on judicial good practices in Hungary shows no differences among cities (figure 7.5). In Bulgaria and Romania,

FIGURE 7.4 Together with attorney fees, expenses incurred during trial are the biggest drivers of cost in enforcing a contract



Source: *Doing Business* database.

Note: The averages for Bulgaria, Hungary and Romania are based on data for the cities benchmarked in each country. The average for the EU is based on economy-level data for the 28 EU member states.

FIGURE 7.5 Some differences in judicial good practices emerge among cities in Bulgaria and Romania, but not among those in Hungary

| | | Court structure and proceedings | | | | Case management | | | | | | Court automation | | | | Alternative dispute resolution | | | | | |
|-----------------|----------------|--|--|---------------------|----------------------------|-------------------------------------|------------------------------|---------------------|---------------------|------------------------------------|---------------------------------------|-------------------|--------------------|----------------------------------|-------------------------------------|---|------------------------------------|--|---------------------|-----------------------------------|------------------------------------|
| | | Specialized commercial court or division | Small claims court or fast-track procedure | Pretrial attachment | Randomized case assignment | Legal time standards for key events | Legal limits on adjournments | Performance reports | Pretrial conference | Electronic CMS features for judges | Electronic CMS features for attorneys | Electronic filing | Electronic service | Electronic payment of court fees | Electronic publication of judgments | Consolidated law for commercial arbitration | Limitations on arbitration matters | Enforcement of valid arbitration clauses | Voluntary mediation | Regulation of voluntary mediation | Financial incentives for mediation |
| Bulgaria | Burgas | | | ● | ● | ● | ◐ | ● | | ● | | | ● | ● | ● | | ● | ● | ● | ● | ● |
| | Pleven | | | ● | ● | ● | ◐ | ● | | ● | | | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| | Plovdiv | ● | | ● | ● | ● | ◐ | ● | | ● | | | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| | Ruse | ● | | ● | ● | ● | ◐ | ● | | ● | | | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| | Sofia | ● | | ● | ● | ● | ◐ | ● | | ● | | | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Varna | ● | | ● | ● | ● | ◐ | ● | | ● | | | ● | ● | ● | ● | ● | ● | ● | ● | ● | |
| Hungary | Budapest | ● | ● | ● | ◐ | ● | | ● | ● | ● | ● | ● | ● | ◐ | ● | ● | ● | ● | ● | ● | ● |
| | Debrecen | ● | ● | ● | ◐ | ● | | ● | ● | ● | ● | ● | ● | ◐ | ● | ● | ● | ● | ● | ● | ● |
| | Gyor | ● | ● | ● | ◐ | ● | | ● | ● | ● | ● | ● | ● | ◐ | ● | ● | ● | ● | ● | ● | ● |
| | Miskolc | ● | ● | ● | ◐ | ● | | ● | ● | ● | ● | ● | ● | ◐ | ● | ● | ● | ● | ● | ● | ● |
| | Pecs | ● | ● | ● | ◐ | ● | | ● | ● | ● | ● | ● | ● | ◐ | ● | ● | ● | ● | ● | ● | ● |
| | Szeged | ● | ● | ● | ◐ | ● | | ● | ● | ● | ● | ● | ● | ◐ | ● | ● | ● | ● | ● | ● | ● |
| | Szokesfehervar | ● | ● | ● | ◐ | ● | | ● | ● | ● | ● | ● | ● | ◐ | ● | ● | ● | ● | ● | ● | ● |
| Romania | Brasov | | ● | ● | ● | ● | | ● | ● | ● | | ● | ● | | ● | ● | ● | ● | ● | ● | ● |
| | Bucharest | ● | ● | ● | ● | ● | | ● | ● | ● | | ● | ● | | ● | ● | ● | ● | ● | ● | ● |
| | Cluj-Napoca | ● | ● | ● | ● | ● | | ● | ● | ● | | ● | ● | | ● | ● | ● | ● | ● | ● | ● |
| | Constanta | ● | ● | ● | ● | ● | | ● | ● | ● | | ● | ● | | ● | ● | ● | ● | ● | ● | ● |
| | Craiova | ● | ● | ● | ● | ● | | ● | ● | ● | | ● | ● | | ● | ● | ● | ● | ● | ● | ● |
| | Iasi | | ● | ● | ● | ● | | ● | ● | ● | | ● | ● | | ● | ● | ● | ● | ● | ● | ● |
| | Oradea | ● | ● | ● | ● | ● | | ● | ● | ● | | ● | ● | | ● | ● | ● | ● | ● | ● | ● |
| | Ploiesti | | ● | ● | ● | ● | | ● | ● | ● | | ● | ● | | ● | ● | ● | ● | ● | ● | ● |
| | Timisoara | ● | ● | ● | ● | ● | | ● | ● | ● | | ● | ● | | ● | ● | ● | ● | ● | ● | ● |

● Full points ◐ Partial points

Source: Doing Business database.

Note: The figure shows which locations have adopted the judicial good practices captured by the quality of judicial processes index. For more details, see the data notes. CMS = case management system.

by contrast, differences emerge in the availability of specialized commercial courts or divisions and in the features of electronic case management systems. In Romania all cities except Brasov, Iasi and Ploiesti have specialized commercial divisions in the form of tribunals that hear commercial cases with claims of RON 200,000 or above. In Bulgaria, Burgas and Plevna lack specialized commercial divisions, while in the other cities the regional courts have judges that hear only commercial cases.

Hungary and Romania both have an electronic case management system that is mostly unified, with all courts

having the same software. Hungary's Integrated Judicial Information System (BIIR) allows judges not only to keep track of their cases but also to send notifications to lawyers. Romania's Electronic Court Record Information System (ECRIS) offers substantially more features for judges than for litigants. Some cities have started their own initiatives to improve litigants' access to case documents. In Cluj-Napoca and Timisoara, for example, the courts have developed the "Infodosar" software for this purpose. Other cities, such as Iasi, have taken advantage of the Ministry of Justice portal (portal.just.ro) allowing courts to upload

documents, such as templates to be used in trials.

In Bulgaria different courts use different software systems: the system used in Sofia's courts has fewer features than those used in the regional courts in the other benchmarked cities. The various software systems used in those regional courts allow judges to view their hearing schedule, manage case documents and access laws and regulations. In Sofia some judges use Microsoft Excel to complement their existing system, which does not have all documents uploaded and does not allow judges to work on all stages of the process.

WHAT CAN BE IMPROVED?

This chapter's review of the process of enforcing contracts in Bulgaria, Hungary and Romania points to several areas of possible improvement.

Actively manage the pretrial phase

BULGARIA, HUNGARY, ROMANIA

Initially developed in the United States in the 1930s, the practice of using pretrial conferences as a case management technique has spread throughout Europe, including to 11 EU member states.¹⁴ It has not spread to Hungary and Romania, however, and is used in only certain types of cases in Bulgaria. Judges in these countries do not use pretrial conferences for commercial cases, though this practice can lead to more efficient trials. Held after a case is filed, these informal meetings are aimed at clarifying and narrowing the

issues in dispute and advancing the negotiations of the parties toward a settlement. Key elements for an effective pretrial conference include allowing the judge to have early and continuous control over the progress of the case; developing a realistic, meaningful and binding case timeline; and promoting early settlement of the case while limiting the scope of the trial.¹⁵

Bulgarian judges seeking examples of the practice need not look only abroad. Judges handling fast-track priority cases such as labor disputes or tenants' rights cases hold pretrial conferences. But this procedure has not yet been extended to other types of cases.

In the Finnish Rovaniemi Court of Appeal the practice is to tailor a program for each case and provide directions to the parties on the estimated time frame for the pretrial phase, pretrial hearings and trial. Detailed hearing timetables are sent

beforehand to the parties.¹⁶ The district courts of Western Australia actively manage cases with a view to settling them in the pretrial phase. The aim is to have civil cases resolved within 12 months and to have only 2-3 out of 100 go to trial.¹⁷ The pretrial conference phase is also a key element of the Norwegian court system, renowned for its active case management (box 7.1).

Beyond introducing pretrial conferences, courts in Bulgaria, Hungary and Romania could consider undertaking a thorough analysis of their business processes during the phase from filing to first hearing—such as the processes for receiving claims, scheduling hearings, serving process and ensuring the presence of witnesses, including expert witnesses. Identifying ways to simplify and streamline these processes could help increase the predictability of hearings, ensure readiness for trial and reduce delays.

BOX 7.1 A holistic approach to case management in the Norwegian courts

Norway completely revamped its civil procedure in 2008. It introduced a holistic model restricting civil cases to one main hearing, emphasizing the role of preparatory pretrial conferences and strictly limiting the number of adjournments in a case.^a Good case management practices like these can help reduce the caseload burden on courts and speed up the delivery of justice. After the Midhordland District Court in Norway introduced preparatory meetings in civil cases, more than 80% of these cases ended in a settlement rather than going to trial.^b

The Nedre Romerike District Court has also successfully implemented pretrial conference techniques. Judges schedule meetings shortly after a case is filed, allowing lawyers to attend in person or by phone. The judge and the parties plan the steps in the case and clarify the claims and main supportive arguments. They also discuss the evidence the parties plan to offer, set deadlines and establish the dates and number of days needed for the main hearing. Hearing dates are set in accordance with general time standards allowing six months for ordinary civil cases and three months for small claims. The court also follows a restrictive approach to adjournments. If the lawyer for a case is unavailable, the administrators push for its transfer to another lawyer at the same firm. Adjournments are rarely granted and usually limited to illness documented by a doctor's certificate.^c

Judicial discretion is a central feature of the Norwegian system. Judges tailor the proceedings and guide the parties by identifying disputes and undisputed facts. They have a duty to promote early settlement of disputes. They also assess whether mediation is appropriate for a case, and can refer cases for court-annexed mediation, which became available for all civil cases in 2008.^d

a. CEPEJ (European Commission for the Efficiency of Justice), "Reports on the Implementation of the CEPEJ Guidelines for Judicial Time Management in 7 Pilot Courts/Institutions (from Czech Republic, Georgia, Italy, Norway, Switzerland, United Kingdom)" (CEPEJ, Strasbourg, 2011).

b. CEPEJ, "Compendium of 'Best Practices' on Time Management of Judicial Proceedings" (CEPEJ, Strasbourg, 2006).

c. CEPEJ, "Reports on the Implementation of the CEPEJ Guidelines for Judicial Time Management in 7 Pilot Courts/Institutions (from Czech Republic, Georgia, Italy, Norway, Switzerland, United Kingdom)" (CEPEJ, Strasbourg, 2011).

d. Laura Ervo and Anna Nylund, eds., *Current Trends in Preparatory Proceedings: A Comparative Study of Nordic and Former Communist Countries* (Cham, Switzerland: Springer International, 2016).

Set legal limits to the granting of adjournments

BULGARIA, HUNGARY, ROMANIA

An integral part of good case management is establishing, in consultation with the parties, a clear, reasonable and realistic timeline for a case as well as clear rules limiting the use of adjournments. Without rules to enforce timelines, they quickly become meaningless. In 1984 the Committee of Ministers of the Council of Europe advised against having more than two hearings (preparatory and trial hearings). It also recommended that no adjournment should be granted save when “new facts appear or in other exceptional and important circumstances.”¹⁸ Only eight EU member states impose limitations on adjournments that are respected in practice.¹⁹ All of them—including Bulgaria—focus on limiting the adjournments to unforeseen and exceptional circumstances rather than on limiting the total number that can be granted.²⁰ Hungary and Romania impose neither of these types of limits on adjournments.

In the Slovak Republic the Bratislava District Court is obligated to decide a case on the first hearing; adjournments are allowed only for serious reasons that are put on the record. In Latvia the Riga Central Court cannot postpone a hearing without first setting a new hearing date. In the Swiss judicial district of Dorneck-Thierstein extensions are generally granted no more than twice.²¹

In parallel with setting limits on adjournments, it is also important to review judicial capacity, case management and infrastructure issues. Judges burdened by a large volume of cases may be inclined to grant adjournments; in the absence of effective management techniques or an automated case management system, for example, adjournments may seem an attractive method for managing their caseload.

Thus in addressing the issue of adjournments, courts should monitor the average

and median number for each type of case as well as the reasons for adjournments. Court management can then take steps to reduce the number of adjournments over time and tackle the most common reasons for them. Simply introducing this monitoring practice can help instill a culture of predictability for hearings, improving timeliness and reducing the frustrations experienced by judges, court staff and court users alike.

Simplify the calculation and review of court fees

BULGARIA, HUNGARY, ROMANIA

Judges in Bulgaria, Hungary and Romania conduct a formal review of an initial complaint before declaring it admissible and ordering that it be served on the defendant. Judges in some cities also report that a large number of complaints must be revised because of errors, most commonly in the calculation of court fees. The cost represented by the time judges spend in revising the calculation, and litigants in correcting the filing fee, can end up exceeding the fee itself. The calculation errors can also lead to delays in the court proceedings.

Several steps could be taken to mitigate this drain on court resources. One is to revise fee schedules to make the fees simpler to calculate. Bulgaria has set court fees at 4% of the claim amount, and Hungary at 6%. But in Romania a sliding scale makes the calculation more challenging. For example, for a claim valued at RON 65,000, the fee would amount to RON 2,023 plus 2% of the amount by which the value exceeds RON 38,790.

Another possible measure is to have trained court clerks rather than judges review initial complaints to verify that they meet the formal requirements and reflect the correct court fees. In addition, courts could make a fee calculator available online. This could increase accuracy in calculating court fees, help litigants predict their litigation costs and free up time for judges to devote to more substantive tasks.

The U.S. state of Virginia provides an online calculator for its circuit courts. Litigants specify the court in which they will present their complaint, the type of case, the amount of the claim and whether they will need sheriff services. The website then displays the filing fee.²² Serbia introduced online fee calculators for selected courts, such as the Leskovac Basic Court and, for certain types of cases, the Novi Sad Basic Court.²³

Make judgments at all levels available online

HUNGARY, ROMANIA

Publishing judgments strengthens the judiciary by enhancing transparency and public trust. It is also vital for a strong investment climate. Disseminating information on the outcome of commercial cases—especially on the courts’ interpretation and application of laws—helps create predictability, strengthening investors’ confidence on how regulations will affect their business dealings. A study in the Commonwealth of Independent States shows that publishing court decisions helps build legal certainty.²⁴

In Bulgaria the publication of judgments is enshrined in the Judiciary Systems Act (article 64), and judgments are available through the webpage of the Supreme Judicial Council (<http://legalacts.justice.bg/>). But Bulgaria could improve this online repository by reducing delays in publishing decisions and enhancing the search function.

In Romania the most important judgments of the High Court of Cassation and Justice are available online (<http://www.scj.ro/>). In addition, the Superior Council of Magistracy has been working with the Bar Association to develop an online database (ROLII) for judicial decisions at all levels. Work is currently focused on removing identifying information from (or “anonymizing”) decisions so that they can be made available online. An initial aim was to have 2 million anonymized judgments online by the end of 2016, with the ultimate goal being to create a

repository of 20 million judgments at all levels going back to 2007.²⁵

In Hungary cases of broad relevance are typically published online after being anonymized, though sometimes only excerpts of these cases are published.

Introduce electronic filing and improve electronic payments **BULGARIA, ROMANIA**

Submitting court documents electronically makes them readily available to be processed, shared and stored. This saves time and effort both for those submitting the documents and for the court staff and users. Among the judicial good practices recorded by *Doing Business*, e-filing is among the least common, implemented in only 28 of 190 economies around the world. Implementing e-filing is not easy, because it requires first putting in place authorizing legislation as well as authentication systems and information technology capacities on both the court and the user side.²⁶

Hungary has successfully introduced electronic filing since 2015, making its use mandatory for commercial cases between legal persons since July 1, 2016. In the second half of 2016, 40.57% of civil cases were submitted electronically.²⁷ Lawyers in Hungary use the Perkapu system, which is based on the existing ÁNYK platform, to communicate securely with the court. After submitting a complaint they receive an official acknowledgment from the system, also electronically.

Implementing a fully electronic system for document submission takes time, so the earlier a country starts the better. Italy introduced e-filing in stages. From 2005 until 2009 the system was piloted only for money claims in 5 of 165 tribunals and courts of appeal. Legislation was then updated to expand the system. Filing through the Electronic Civil Trial Online System (Processo Civile Telematico, or PCT) became mandatory for injunctions and pleadings in new civil cases in 2014, for all pleadings at

all tribunals soon after and in all courts of appeal in 2015. To increase take-up, some jurisdictions introduce incentives. In the United Kingdom the Money Claim Online Service offers a lower filing fee for a claim submitted online.²⁸

Along with electronic filing, electronic payment is central to a full-fledged case management system. The court systems of Bulgaria, Hungary and Romania all have the technical capacity to receive e-payments for court fees. But Hungary's system has the most advanced capacity, with a dedicated platform that automatically links payments to the corresponding complaint.

In Romania payment can be made by electronic bank transfer to the city treasury's bank account. Fearing fraud, however, many judges refuse to accept a printout of the transfer confirmation. Instead, they request a receipt that has been physically stamped at a branch of the bank, to ensure that the same receipt cannot be used as proof of payment in more than one case.

Courts in both Bulgaria and Romania have difficulty tracking the payment of filing fees for cases, because the payments are not always correctly identified. Simply noting the case number on the transfer request would help prevent the same receipt from being used more than once. Ultimately, a dedicated platform that automatically links fee payments and cases would allow courts to keep track of payments.

Introduce small claims court or simplified small claims procedures **BULGARIA**

Resolving a commercial dispute can be costly and time-consuming for small and micro businesses. One way to help is to introduce small claims courts or small claims procedures. These help expedite the resolution of minor disputes of relatively low value by setting aside many legal formalities and using simplified or

fast-track procedures. Simpler processes and more relaxed rules lower costs for claimants, who may be able to file and present their own case before the court without legal representation. In addition, since there is less work involved for the courts, filing fees can be lower and judges can issue decisions more quickly.

In Bulgaria, where there are no small claims courts, a simple case of EUR 1,000 would follow the same procedure as a complex case of EUR 1 million. Not surprisingly, an EU poll surveying EU citizens about disputes with a retailer, provider or business transaction partner found that Bulgarian consumers were the least willing to take a business to court over a dispute involving less than EUR 2,000—with only 31% saying that they would file suit.²⁹

There is no universal definition of small claims courts or procedures. EU member states seeking to provide efficient solutions for dealing with small claims use different approaches. Most use simplified small claims procedures within their regular court system; only Greece and Malta have small claims courts. Thresholds can range from up to EUR 1,000 in Germany and Croatia to none at all in the United Kingdom, where cases are assessed on the basis of their complexity.³⁰

Use case data assessments with a view to rebalancing workloads **BULGARIA, ROMANIA**

After a commercial case has been filed in a Bulgarian court, the first trial hearing typically takes place one to three months later—except in Sofia, where lawyers indicate that the wait is at least five months and often much longer. Congestion in the courts of larger Bulgarian cities, especially Sofia, is a well-known issue. The European Commission has repeatedly identified uneven caseloads as an important concern in Bulgaria, especially in the discussion of staff allocation to different courts.³¹ A 2015 World Bank study recommended a reorganization of the judiciary to improve its efficiency and

effectiveness based on an assessment of judicial workloads. The study identified 13 district courts with 10 or fewer cases per judge per month and 6 regional courts with 20 or fewer, well below the national average of 30.³²

The European Commission has also noted a need for Romania to address uneven workloads between courts. Concurrent studies by the World Bank, undertaken in 2013 and 2014, provided recommendations on workload distribution.³³ On the basis of all this information, the judicial management in Romania has already started work. It defined the “Strategy for the Development of the Judiciary 2015–2020” and an action plan in April 2016, which will be implemented with EU funding and World Bank loans. The action plan includes the redistribution of judges, prosecutors and clerks in accordance with an analysis of human resource needs.³⁴

NOTES

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- Bulgaria has both public and private enforcement agents available for litigants. However, most litigants for commercial cases prefer to use private enforcement agents. For the purposes of this analysis, this chapter refers to enforcement carried out by private bailiffs only.
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- Counted from the moment the complaint is successfully served on the defendant until the time to appeal a first-instance judgment has expired.
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About **Doing Business** and *Doing Business in the European Union 2017: Bulgaria, Hungary and Romania*

- *Doing Business* measures aspects of business regulations affecting domestic small and medium-size firms defined based on standardized case scenarios and located in the largest business city of each economy. In addition, for 11 economies a second city is covered.
- *Doing Business* covers 11 areas of business regulation across 190 economies. Ten of these areas—starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency—are included in the distance to frontier score and ease of doing business ranking. *Doing Business* also measures features of labor market regulation, which is not included in these two measures.
- *Doing Business in the European Union 2017: Bulgaria, Hungary and Romania* covers only 5 *Doing Business* indicator sets: starting a business, dealing with construction permits, getting electricity, registering property and enforcing contracts.
- *Doing Business* and *Doing Business in the European Union 2017: Bulgaria, Hungary and Romania* rely on four main sources of information: the relevant laws and regulations, expert respondents, the governments of the economies and cities covered and the World Bank Group regional staff.
- Governments use *Doing Business* as a source of objective data providing unique insights into good practices worldwide. Many *Doing Business* indicators are “actionable”—though depending on the context, they may not always be “action-worthy.”



The foundation of *Doing Business* is the notion that economic activity, particularly private sector development, benefits from clear and coherent rules: rules that set out and clarify property rights and facilitate the resolution of disputes and rules that enhance the predictability of economic interactions and provide contractual partners with essential protections against arbitrariness and abuse. Such rules are much more effective in shaping the incentives of economic agents in ways that promote growth and development where they are reasonably efficient in design, are transparent and accessible to those for whom they are intended and can be implemented at a reasonable cost. The quality of the rules also has a crucial bearing on how societies distribute the benefits and finance the costs of development strategies and policies.

Good rules are a key to social inclusion. Enabling growth—and ensuring that all people, regardless of income level, can participate in its benefits—requires an environment where new entrants with drive and good ideas can get started in business and where good firms can invest and expand. The role of government policy in the daily operations of domestic small and medium-size firms is a central focus of the *Doing Business* data. The objective is to encourage regulation that is designed to be efficient, accessible to all and simple to implement. Onerous regulation diverts the energies of entrepreneurs away from developing their businesses. But regulation that is efficient, transparent and implemented in a simple way facilitates business expansion and innovation, and makes it easier for aspiring entrepreneurs to compete on an equal footing.

Doing Business measures aspects of business regulation for domestic firms through an objective lens. The focus of the project is on small and medium-size companies in the largest business city of an economy. Based on standardized case studies, *Doing Business* presents quantitative indicators on the regulations that

apply to firms at different stages of their life cycle. The results for each economy can be compared with those for 189 other economies and over time.

FACTORS MEASURED BY DOING BUSINESS AND SUBNATIONAL DOING BUSINESS

Doing Business captures several important dimensions of the regulatory environment as it applies to local firms. It provides quantitative indicators on regulation for starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency (table 8.1). *Subnational Doing Business* focuses on indicators that are most likely to vary from city to city, such as dealing with construction permits or registering property. Indicators that use

a legal scoring methodology, such as protecting minority investors or getting credit, are typically excluded because they mostly look at national laws with general applicability.

Doing Business measures aspects of business regulation affecting domestic small and medium-size firms defined based on standardized case scenarios and located in the largest business city of each economy. In addition, for 11 economies a second city is covered. *Subnational Doing Business* covers a subset of the 11 areas of business regulation that *Doing Business* covers across 190 economies.

Doing Business relies on four main sources of information: the relevant laws and regulations, *Doing Business* respondents, the governments of the economies covered and the World Bank Group regional staff. More than 39,000 professionals in 190 economies have assisted in providing the data that inform the *Doing Business* indicators over the past 14 years.

TABLE 8.1 What *Doing Business* and *Subnational Doing Business* measure—11 areas of business regulation

| Indicator set | What is measured |
|--|--|
| Typically included in <i>Subnational Doing Business</i> reports | |
| Starting a business | Procedures, time, cost and paid-in minimum capital to start a limited liability company |
| Dealing with construction permits | Procedures, time and cost to complete all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system |
| Getting electricity | Procedures, time and cost to get connected to the electrical grid, the reliability of the electricity supply and the transparency of tariffs |
| Registering property | Procedures, time and cost to transfer a property and the quality of the land administration system |
| Enforcing contracts | Time and cost to resolve a commercial dispute and the quality of judicial processes |
| Not typically included in <i>Subnational Doing Business</i> reports | |
| Getting credit | Movable collateral laws and credit information systems |
| Protecting minority investors | Minority shareholders' rights in related-party transactions and in corporate governance |
| Paying taxes | Payments, time and total tax rate for a firm to comply with all tax regulations as well as post-filing processes |
| Trading across borders | Time and cost to export the product of comparative advantage and import auto parts |
| Resolving insolvency | Time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency |
| Labor market regulation | Flexibility in employment regulation and aspects of job quality |

The latest *Doing Business* report (*Doing Business 2017: Equal Opportunity for All*) includes a gender dimension in four of the 11 indicator sets.¹

The subnational *Doing Business* studies expand the *Doing Business* analysis beyond the largest business city of an economy. They measure variation in regulations or in the implementation of national laws across locations within an economy (as in South Africa) or a region (as in this report). Projects are undertaken at the request of governments.

Data collected by subnational studies over the past three years show that there can be substantial variation within an economy (figure 8.1). In Mexico in 2016, for example, registering a property transfer took as few as 9 days in Puebla and as many as 78 in Oaxaca. Indeed, within the same economy one can find locations that perform as well as economies ranking in the top 20 on the ease of registering property and locations that perform as poorly as economies ranking in the bottom 40 on that indicator.

The subnational *Doing Business* studies create disaggregated data on business

regulation. But they go beyond a data collection exercise. They have proved to be strong motivators for regulatory reform at the local level:

- The data produced are comparable across locations within the economy and internationally, enabling locations to benchmark their results both locally and globally. Comparisons of locations that are within the same economy and therefore share the same legal and regulatory framework can be revealing: local officials find it hard to explain why doing business is more difficult in their jurisdiction than in a neighboring one.
- Pointing out good practices that exist in some locations but not others within an economy helps policy makers recognize the potential for replicating these good practices. This can prompt discussions of regulatory reform across different levels of government, providing opportunities for local governments and agencies to learn from one another and resulting in local ownership and capacity building.

Since 2005 subnational reports have covered 438 locations in 65 economies, including Colombia, the Arab Republic

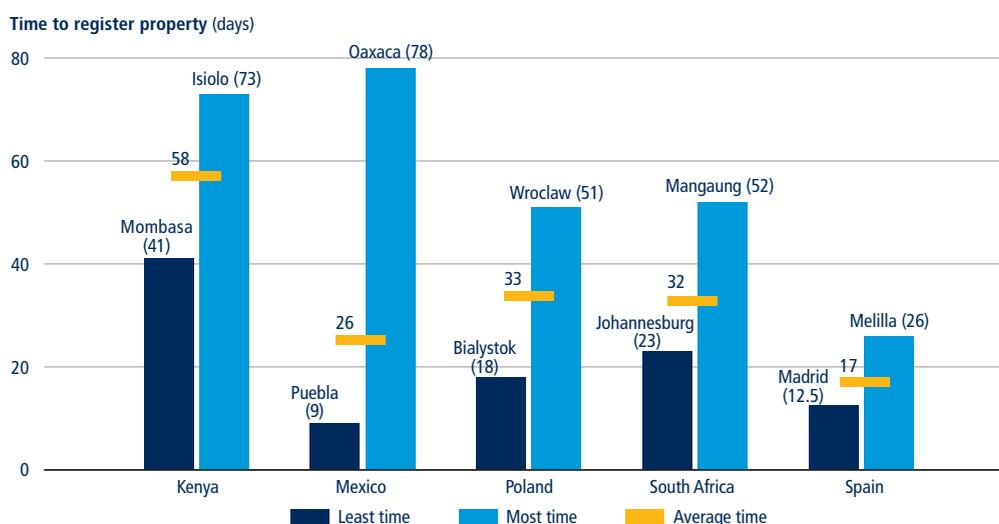
of Egypt, Italy, the Philippines and Serbia. Seventeen economies—including Indonesia, Kenya, Mexico, Nigeria, the Philippines, and the Russian Federation—have undertaken two or more rounds of subnational data collection to measure progress over time (figure 8.2). Recently subnational studies were completed in Kenya, Mexico, the United Arab Emirates, Afghanistan and Kazakhstan. Ongoing studies include those in Colombia (32 cities) and Nigeria (37 states).

Doing Business in the European Union 2017: Bulgaria, Hungary and Romania is the first report of the subnational *Doing Business* series in Bulgaria, Hungary and Romania. It measures 6 cities in Bulgaria (Burgas, Pleven, Plovdiv, Ruse, Sofia and Varna), 7 cities in Hungary (Budapest, Debrecen, Győr, Miskolc, Pécs, Szekesfehervar and Szeged) and 9 cities in Romania (Brasov, Bucharest, Cluj-Napoca, Constanta, Craiova, Iasi, Oradea, Ploiesti and Timisoara).

How the indicators are selected

The choice of the 11 sets of *Doing Business* indicators has been guided by economic research and firm-level data, specifically

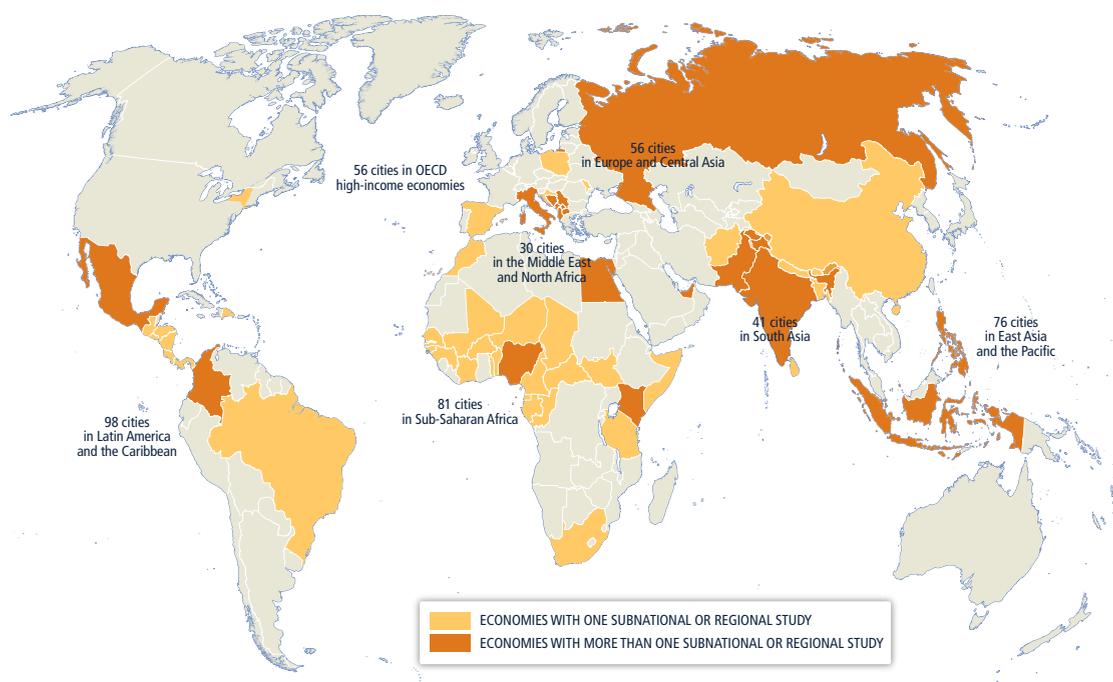
FIGURE 8.1 Different locations, different regulatory processes, same economy



Source: Subnational *Doing Business* database.

Note: The average time shown for each economy is based on all locations covered by the data: 11 cities in Kenya in 2016, 32 states in Mexico in 2016, 18 cities in Poland in 2015, 9 cities in South Africa in 2015 and 19 cities in Spain in 2015.

FIGURE 8.2 Comparing regulation at the local level: subnational *Doing Business* studies



Source: Subnational *Doing Business* database.

data from the *World Bank Enterprise Surveys*.² These surveys provide data highlighting the main obstacles to business activity as reported by entrepreneurs in more than 130,000 firms in 139 economies. Access to finance and access to electricity, for example, are among the factors identified by the surveys as important to businesses—inspiring the design of the *Doing Business* indicators on getting credit and getting electricity.

The design of the *Doing Business* indicators has also been informed by theoretical insights gleaned from extensive research and the literature on the role of institutions in enabling economic development. In addition, the background papers developing the methodology for each of the *Doing Business* indicator sets have established the importance of the rules and regulations that *Doing Business* focuses on for such economic outcomes as trade volumes, foreign direct investment, market capitalization in stock exchanges and private credit as a percentage of GDP.³

Doing Business in the European Union 2017: Bulgaria, Hungary and Romania covers 5 *Doing Business* areas: starting a business, dealing with construction permits, getting electricity, registering property and enforcing contracts. These *Doing Business* indicators were selected on the basis of their relevance to the countries’ context and ability to show variation across the cities measured.

Some *Doing Business* indicators give a higher score for more regulation and better-functioning institutions (such as courts). Higher scores are given for stricter disclosure requirements for related-party transactions, for example, in the area of protecting minority investors. Higher scores are also given for a simplified way of applying regulation that keeps compliance costs for firms low—such as by easing the burden of business start-up formalities with a one-stop shop or through a single online portal. Finally, *Doing Business* scores reward economies that apply a risk-based approach to regulation as a

way to address social and environmental concerns—such as by imposing a greater regulatory burden on activities that pose a high risk to the population and a lesser one on lower-risk activities. Thus the economies that rank highest on the ease of doing business are not those where there is no regulation—but those where governments have managed to create rules that facilitate interactions in the marketplace without needlessly hindering the development of the private sector.

The distance to frontier and ease of doing business ranking

To provide different perspectives on the data, *Doing Business* presents data both for individual indicators and for two aggregate measures: the distance to frontier score and the ease of doing business ranking. This report focuses only on the distance to frontier score and ranking for individual indicators.

The distance to frontier score aids in assessing the absolute level of regulatory

performance and how it improves over time. This measure shows the distance of each economy to the “frontier,” which represents the best performance observed on each of the indicators across all economies in the *Doing Business* sample since 2005 or the third year in which data were collected for the indicator. The frontier is set at the highest possible value for indicators calculated as scores, such as the strength of legal rights index or the quality of land administration index. This underscores the gap between a particular economy’s performance and the best performance at any point in time and helps in assessing the absolute

change in the economy’s regulatory environment over time as measured by *Doing Business*. The distance to frontier score is first computed for each topic and then averaged across all topics to compute the aggregate distance to frontier score. The ranking on the ease of doing business complements the distance to frontier score by providing information about an economy’s performance in business regulation relative to the performance of other economies as measured by *Doing Business*.

Doing Business in the European Union 2017: Bulgaria, Hungary and Romania includes

rankings of the 22 cities benchmarked on five topics: starting a business, dealing with construction permits, getting electricity, registering property and enforcing contracts. The distance to frontier score for each indicator captures the gap between a city’s performance and the best practices globally. For starting a business, for example, New Zealand has the smallest number of procedures required (one) and the shortest time to fulfill them (0.5 days). Slovenia has the lowest cost (0.0), and Australia, Colombia and 111 other economies have no paid-in minimum capital requirement (table 8.2).

TABLE 8.2 What is the frontier in regulatory practice?

| Topic and indicator | Who set the frontier | Frontier | Worst |
|---|--|----------|----------------------|
| Starting a business | | | |
| Procedures (number) | New Zealand | 1 | 18 ^a |
| Time (days) | New Zealand | 0.5 | 100 ^b |
| Cost (% of income per capita) | Slovenia | 0.0 | 200.0 ^b |
| Minimum capital (% of income per capita) | Australia; Colombia ^c | 0.0 | 400.0 ^b |
| Dealing with construction permits | | | |
| Procedures (number) | No economy was at the frontier as of June 1, 2016. | 5 | 30 ^a |
| Time (days) | Singapore | 26 | 373 ^b |
| Cost (% of warehouse value) | No economy was at the frontier as of June 1, 2016. | 0.0 | 20.0 ^b |
| Building quality control index (0–15) | Luxembourg; New Zealand | 15 | 0 ^d |
| Getting electricity | | | |
| Procedures (number) | Germany; Republic of Korea ^e | 3 | 9 ^a |
| Time (days) | Republic of Korea; St. Kitts and Nevis | 18 | 248 ^b |
| Cost (% of income per capita) | Japan | 0.0 | 8,100.0 ^b |
| Reliability of supply and transparency of tariffs index (0–8) | Belgium; Ireland; Malaysia ^f | 8 | 0 ^d |
| Registering property | | | |
| Procedures (number) | Georgia; Norway; Portugal; Sweden | 1 | 13 ^a |
| Time (days) | Georgia; New Zealand; Portugal | 1 | 210 ^b |
| Cost (% of property value) | Saudi Arabia | 0.0 | 15.0 ^b |
| Quality of land administration index (0–30) | No economy has attained the frontier yet. | 30 | 0 ^d |
| Enforcing contracts | | | |
| Time (days) | Singapore | 120 | 1,340 ^b |
| Cost (% of claim) | Bhutan | 0.1 | 89.0 ^b |
| Quality of judicial processes index (0–18) | No economy has attained the frontier yet. | 18 | 0 ^d |

Source: *Doing Business* database.

- Worst performance is defined as the 99th percentile among all economies in the *Doing Business* sample.
- Worst performance is defined as the 95th percentile among all economies in the *Doing Business* sample.
- Another 111 economies also have a paid-in minimum capital requirement of 0.
- Worst performance is the worst value recorded.
- In 14 other economies it also takes only three procedures to get an electricity connection.
- Another 23 economies also have a score of 8 on the reliability of supply and transparency of tariffs index.

Doing Business uses a simple averaging approach for weighting component indicators, calculating rankings and determining the distance to frontier score.⁴ Each topic covered by *Doing Business* relates to a different aspect of the business regulatory environment. The distance to frontier scores and rankings of each economy vary, often considerably, across topics, indicating that a strong performance by an economy in one area of regulation can coexist with weak performance in another. One way to assess the variability of an economy’s regulatory performance is to look at its distance to frontier scores across topics. Morocco, for example, has an overall distance to frontier score of 67.50, meaning that it is two-thirds of the way from the worst to the best performance. Its distance to frontier score is 92.34 for starting a business, 83.51 for paying taxes and 81.12 for trading across borders. At the same time, it has a distance to frontier score of 33.89 for resolving insolvency, 45 for getting credit and 53.33 for protecting minority investors.

Calculation of the distance to frontier score

Calculating the distance to frontier score for each economy involves two main steps. In the first step individual component indicators are normalized to a common unit where each of the 36 component indicators y (except for the total tax rate) is rescaled using the linear transformation $(\text{worst} - y)/(\text{worst} - \text{frontier})$. In this formulation the frontier represents the best performance on the indicator across all economies since 2005 or the third year in which data for the indicator were collected. Both the best performance and the worst performance are established every five years based on the *Doing Business* data for the year in which they are established, and remain at that level for the five years regardless of any changes in data in interim years. Thus an economy may set the frontier for an indicator even though it is no longer at the frontier in a subsequent year.

In the same formulation, to mitigate the effects of extreme outliers in the distributions of the rescaled data for most component indicators (very few economies need 700 days to complete the procedures to start a business, but many need nine days), the worst performance is calculated after the removal of outliers. The definition of outliers is based on the distribution for each component indicator. To simplify the process two rules were defined: the 95th percentile is used for the indicators with the most dispersed distributions (including minimum capital and the time and cost indicators), and the 99th percentile is used for number of procedures (figure 8.3).

In the second step, for each economy the scores obtained for individual indicators are aggregated through simple averaging for each topic for which performance is measured and ranked; for the 22 cities in *Doing Business in the European Union 2017: Bulgaria, Hungary and Romania*, this is done for starting a business, dealing with construction permits, getting electricity, registering property and enforcing contracts. More complex aggregation methods—such as principal components

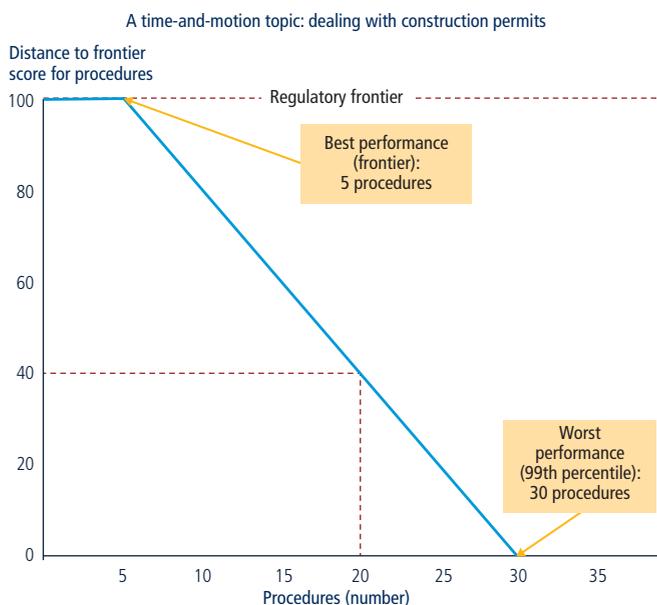
and unobserved components—yield a ranking nearly identical to the simple average used by *Doing Business*.⁵ Thus *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components.

A location’s distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. All distance to frontier calculations are based on a maximum of five decimals. However, indicator ranking calculations and the ease of doing business ranking calculations are based on two decimals.

FACTORS NOT MEASURED BY DOING BUSINESS AND SUBNATIONAL DOING BUSINESS

Many important policy areas are not covered by *Doing Business*; even within the areas it covers its scope is narrow (table 8.3). *Doing Business* does not measure the full range of factors, policies and institutions that affect the quality

FIGURE 8.3 How are distance to frontier scores calculated for indicators? An example



Source: *Doing Business* database.

TABLE 8.3 What *Doing Business* does not cover**Examples of areas not covered**

Macroeconomic stability

Development of the financial system

Quality of the labor force

Incidence of bribery and corruption

Market size

Lack of security

Examples of aspects not included within the areas covered

In paying taxes, personal income tax rates

In getting credit, the monetary policy stance and the associated ease or tightness of credit conditions for firms

In trading across borders, export or import tariffs and subsidies

In resolving insolvency, personal bankruptcy rules

of an economy's business environment or its national competitiveness. It does not, for example, capture aspects of macroeconomic stability, development of the financial system, market size, the quality of the labor force or the incidence of bribery and corruption.

The focus is deliberately narrow even within the relatively small set of indicators included in *Doing Business*. The time and cost required for the logistical process of exporting and importing goods is captured in the trading across borders indicators, for example, but these indicators do not measure the cost of tariffs or of international transport. *Doing Business* provides a narrow perspective on the infrastructure challenges that firms face, particularly in the developing world, through these indicators. It does not address the extent to which inadequate roads, rail, ports and communications may add to firms' costs and undermine competitiveness (except to the extent that the trading across borders indicators indirectly measure the quality of ports and border connections). Similar to the indicators on trading across borders, all aspects of commercial legislation are not covered by those on starting a business or protecting minority investors. And while *Doing Business* measures only a few aspects within each area that it covers,

business regulation reforms should not focus only on these aspects, because those that it does not measure are also important.

Doing Business does not attempt to quantify all costs and benefits of a particular law or regulation to society as a whole. The paying taxes indicators measure the total tax rate, which, in isolation, is a cost to businesses. However, the indicators do not measure—nor are they intended

to measure—the benefits of the social and economic programs funded with tax revenues. Measuring the quality and efficiency of business regulation provides only one input into the debate on the regulatory burden associated with achieving regulatory objectives, which can differ across economies.

ADVANTAGES AND LIMITATIONS OF THE METHODOLOGY

The *Doing Business* methodology is designed to be an easily replicable way to benchmark specific aspects of business regulation. Its advantages and limitations should be understood when using the data (table 8.4).

Ensuring comparability of the data across a global set of economies is a central consideration for the *Doing Business* indicators, which are developed around standardized case scenarios with specific assumptions. One such assumption is the location of a standardized business—the subject of the *Doing Business* case study—in the largest business city of the economy. The reality is that business

TABLE 8.4 Advantages and limitations of the *Doing Business* methodology

| Feature | Advantages | Limitations |
|---|---|---|
| Use of standardized case scenarios | Makes data comparable across economies and methodology transparent, using case scenarios that are common globally | Reduces scope of data; only regulatory reforms in areas measured can be systematically tracked; the case scenarios may not be the most common in a particular economy |
| Focus on largest business city ^a | Makes data collection manageable (cost-effective) and data comparable | Reduces representativeness of data for an economy if there are significant differences across locations |
| Focus on domestic and formal sector | Keeps attention on formal sector—where regulations are relevant and firms are most productive | Unable to reflect reality for informal sector—important where that is large—or for foreign firms facing a different set of constraints |
| Reliance on expert respondents | Ensures that data reflect knowledge of those with most experience in conducting types of transactions measured | Indicators less able to capture variation in experiences among entrepreneurs |
| Focus on the law | Makes indicators “actionable”—because the law is what policy makers can change | Where systematic compliance with the law is lacking, regulatory changes will not achieve full results desired |

Source: *Doing Business* database.

a. In economies with a population of more than 100 million as of 2013, *Doing Business* covers business regulation in both the largest and second largest business city. Subnational *Doing Business* studies go beyond the largest business city within a country or region.

regulations and their enforcement may differ within a country, particularly in federal states and large economies. But gathering data for every relevant jurisdiction in each of the 190 economies covered by *Doing Business* is infeasible. Nevertheless, where policy makers are interested in generating data at the local level, beyond the largest business city, *Doing Business* has complemented its global indicators with subnational studies. Coverage was extended to the second largest business city in economies with a population of more than 100 million (as of 2013) in *Doing Business 2015*.

Doing Business recognizes the limitations of the standardized case scenarios and assumptions. But while such assumptions come at the expense of generality, they also help to ensure the comparability of data. Some *Doing Business* topics are complex, and so it is important that the standardized cases are defined carefully. For example, the standardized case scenario usually involves a limited liability company or its legal equivalent. There are two reasons for this assumption. First, private, limited liability companies are the most prevalent business form (for firms with more than one owner) in many economies around the world. Second, this choice reflects the focus of *Doing Business* on expanding opportunities for entrepreneurship: investors are encouraged to venture into business when potential losses are limited to their capital participation.

Another assumption underlying the *Doing Business* indicators is that entrepreneurs have knowledge of and comply with applicable regulations. In practice, entrepreneurs may not be aware of what needs to be done or how to comply with regulations and may lose considerable time trying to find out. Alternatively, they may intentionally avoid compliance—by not registering for social security, for example. Firms may opt for bribery and other informal arrangements intended to bypass the rules where regulation is particularly onerous—an aspect that

helps explain differences between the de jure data provided by *Doing Business* and the de facto insights offered by the *World Bank Enterprise Surveys*.⁶ Levels of informality tend to be higher in economies with particularly burdensome regulation. Compared with their formal sector counterparts, firms in the informal sector typically grow more slowly, have poorer access to credit and employ fewer workers—and these workers remain outside the protections of labor law and, more generally, other legal protections embedded in the law.⁷ Firms in the informal sector are also less likely to pay taxes. *Doing Business* measures one set of factors that help explain the occurrence of informality and give policy makers insights into potential areas of regulatory reform.

DATA COLLECTION IN PRACTICE

The *Doing Business* data are based on a detailed reading of domestic laws and regulations as well as administrative requirements. The *Doing Business 2017* report covers 190 economies—including some of the smallest and poorest economies, for which little or no data are available from other sources. The data are collected through several rounds of communication with expert respondents (both private sector practitioners and government officials), through responses to questionnaires, conference calls, written correspondence and visits by the team. *Doing Business* relies on four main sources of information: the relevant laws and regulations, *Doing Business* respondents, the governments of the economies covered and the World Bank Group regional staff (figure 8.4). For a detailed explanation of the *Doing Business* methodology, see the data notes.

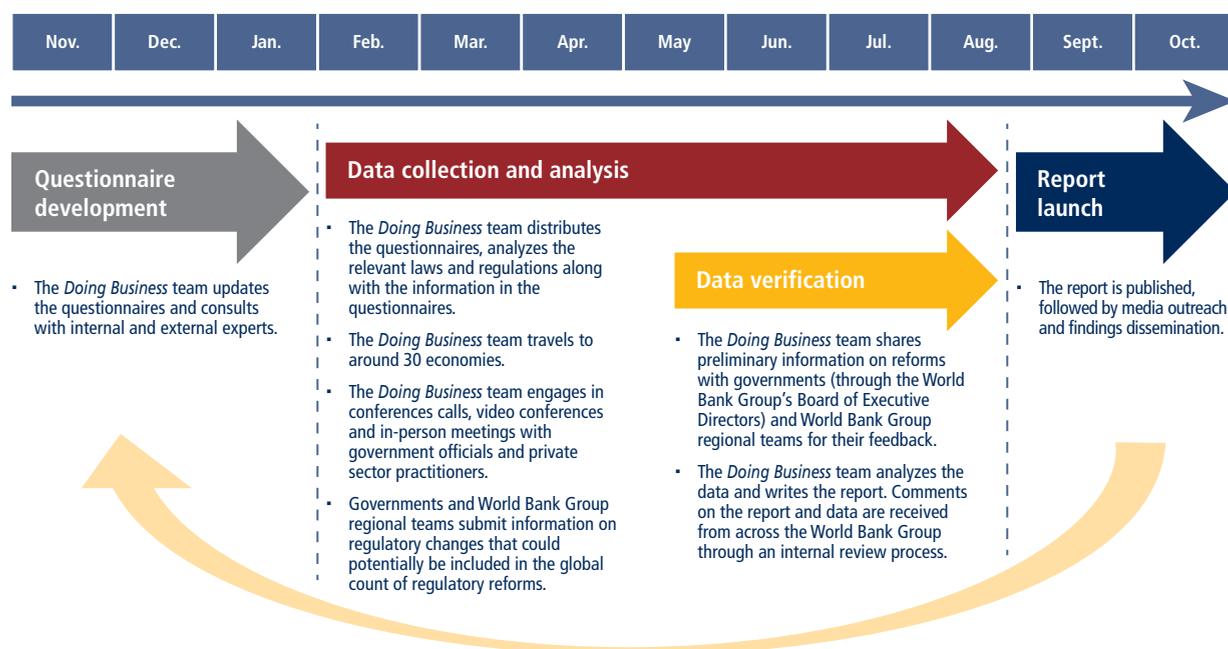
Subnational Doing Business follows similar data collection methods. However, subnational *Doing Business* studies are driven by client demand and do not follow the same timeline as global *Doing Business* publications.

Relevant laws and regulations

Indicators presented in *Doing Business in the European Union 2017: Bulgaria, Hungary and Romania* are based on laws and regulations. Besides participating in interviews or filling out written questionnaires, expert respondents provided references to the relevant laws, regulations and fee schedules, which were collected and analyzed by the subnational *Doing Business* team.

The team collects the texts of the relevant laws and regulations and checks the questionnaire responses for accuracy. The team will examine the civil procedure code, for example, to check the maximum number of adjournments in a commercial court dispute, and read the insolvency code to identify if the debtor can initiate liquidation or reorganization proceeding. These and other types of laws are available on the *Doing Business* law library website.⁸ Since the data collection process involves an annual update of an established database, having a very large sample of respondents is not strictly necessary. In principle, the role of the contributors is largely advisory—helping the *Doing Business* team to locate and understand the laws and regulations. There are quickly diminishing returns to an expanded pool of contributors. This notwithstanding, the number of contributors rose by 58% between 2010 and 2016.

Extensive consultations with multiple contributors are conducted by the team to minimize measurement error for the rest of the data. For some indicators—for example, those on dealing with construction permits, enforcing contracts and resolving insolvency—the time component and part of the cost component (where fee schedules are lacking) are based on actual practice rather than the law on the books. This introduces a degree of judgment by respondents on what actual practice looks like. When respondents disagree, the time indicators reported by *Doing Business* represent the median values of several responses given under the assumptions of the standardized case.

FIGURE 8.4 How *Doing Business* collects and verifies the data

Expert respondents

For *Doing Business in the European Union 2017: Bulgaria, Hungary and Romania*, more than 700 professionals across the three economies assisted in providing the data that inform the five areas covered. The subnational *Doing Business* website and the acknowledgments section of this report list the names and credentials of those respondents wishing to be acknowledged. Selected on the basis of their expertise in these areas, respondents are professionals who routinely administer or advise on the legal and regulatory requirements in the specific areas covered by *Doing Business in the European Union 2017: Bulgaria, Hungary and Romania*. Because of the focus on legal and regulatory arrangements, most of the respondents are legal professionals such as lawyers or notaries. Architects, engineers, and other professionals answered the questionnaires related to dealing with construction permits and getting electricity. Information that is incorporated into the indicators is also provided by certain public officials (such as registrars from

the company or property registry). Local and national government officials and judges also provided information that is incorporated into the indicators.

Following the standard methodological approach for time-and-motion studies, *Doing Business in the European Union 2017: Bulgaria, Hungary and Romania* breaks down each process or transaction, such as starting a business or registering a building, into separate steps to ensure a better estimate of time. The time estimate for each step is given by practitioners with significant and routine experience in the transaction.

There are two main reasons that the *Doing Business* methodology for data collection does not include a survey of firms. The first relates to the frequency with which firms engage in the transactions captured by the indicators, which is generally low. For example, a firm goes through the start-up process once in its existence, while an incorporation lawyer may carry out 10 such transactions each month. The incorporation lawyers and

other experts providing information to *Doing Business* are therefore better able to assess the process of starting a business than are individual firms. They also have access to current regulations and practices, while a firm may have faced a different set of rules when incorporating years before. The second reason is that the *Doing Business* questionnaires mostly gather legal information, which firms are unlikely to be fully familiar with. For example, few firms will know about all the many legal procedures involved in resolving a commercial dispute through the courts, even if they have gone through the process themselves. But a litigation lawyer should have little difficulty in providing the requested information on all the processes.

Governments and World Bank Group staff

After analyzing laws and regulations and conducting follow-up interviews with *Doing Business in the European Union 2017: Bulgaria, Hungary and Romania* respondents, the subnational *Doing Business* team shared preliminary findings of the

report with governments and public agencies operating at the national and local levels. Through this process, government authorities had the opportunity to comment on the preliminary data, in meetings with World Bank Group staff as well as in writing. Having public officials discuss and comment on the preliminary results has proven to be an important activity, not only to improve the quality of the report, but also to enhance the dialogue between the local governments and the World Bank Group at the subnational level.

USES OF THE DOING BUSINESS DATA

Doing Business was designed with two main types of users in mind: policy makers and researchers.⁹ It is a tool that governments can use to design sound business regulatory policies. Nevertheless, the *Doing Business* data are limited in scope and should be complemented with other sources of information. *Doing Business* focuses on a few specific rules relevant to the specific case studies analyzed. These rules and case studies are chosen to be illustrative of the business regulatory environment, but they are not a comprehensive description of that environment. By providing a unique data set that enables analysis aimed at better understanding the role of business regulation in economic development, *Doing Business* is also an important source of information for researchers.

Governments and policy makers

Doing Business offers policy makers a benchmarking tool useful in stimulating policy debate, both by exposing potential challenges and by identifying good practices and lessons learned. Despite the narrow focus of the indicators, the initial debate in an economy on the results they highlight typically turns into a deeper discussion on areas where business regulatory reform is needed, including areas well beyond those measured by *Doing Business*.

Many *Doing Business* indicators can be considered actionable. For example, governments can set the minimum capital requirement for new firms, invest in company and property registries to increase their efficiency, or improve the efficiency of tax administration by adopting the latest technology to facilitate the preparation, filing and payment of taxes by the business community. And they can undertake court reforms to shorten delays in the enforcement of contracts. But some *Doing Business* indicators capture procedures, time and costs that involve private sector participants, such as lawyers, notaries, architects, electricians or freight forwarders. Governments may have little influence in the short run over the fees these professions charge, though much can be achieved by strengthening professional licensing regimes and preventing anticompetitive behavior. And governments have no control over the geographic location of their economy, a factor that can adversely affect businesses.

While many *Doing Business* indicators are actionable, this does not necessarily mean that they are all “action-worthy” in a particular context. Business regulatory reforms are only one element of a strategy aimed at improving competitiveness and establishing a solid foundation for sustainable economic growth. There are many other important goals to pursue—such as effective management of public finances, adequate attention to education and training, adoption of the latest technologies to boost economic productivity and the quality of public services, and appropriate regard for air and water quality to safeguard public health. Governments must decide what set of priorities best suits their needs. To say that governments should work toward a sensible set of rules for private sector activity (as embodied, for example, in the *Doing Business* indicators) does not suggest that doing so should come at the expense of other worthy policy goals.

Over the past decade governments have increasingly turned to *Doing Business*

as a repository of actionable, objective data providing unique insights into good practices worldwide as they have come to understand the importance of business regulation as a driving force of competitiveness. To ensure the coordination of efforts across agencies, economies such as Colombia, Malaysia and Russia have formed regulatory reform committees. These committees use the *Doing Business* indicators as one input to inform their programs for improving the business environment. More than 40 other economies have also formed such committees. In East Asia and the Pacific they include: Brunei Darussalam; Indonesia; the Republic of Korea; the Philippines; Taiwan, China; and Thailand. In the Middle East and North Africa: the Arab Republic of Egypt, Kuwait, Morocco, Saudi Arabia and the United Arab Emirates. In South Asia: India and Pakistan. In Europe and Central Asia: Albania, Croatia, Georgia, Kazakhstan, Kosovo, the Kyrgyz Republic, the former Yugoslav Republic of Macedonia, Moldova, Montenegro, Poland, Tajikistan, Ukraine and Uzbekistan. In Sub-Saharan Africa: the Democratic Republic of Congo, the Republic of Congo, Côte d'Ivoire, Burundi, Guinea, Kenya, Liberia, Malawi, Mali, Mauritius, Nigeria, Rwanda, Sierra Leone, Togo, Zambia and Zimbabwe. And in Latin America: Chile, Costa Rica, the Dominican Republic, Guatemala, Mexico, Panama and Peru.

Many economies share knowledge on the regulatory reform process related to the areas measured by *Doing Business*. Among the most common venues for this knowledge sharing are peer-to-peer learning events—workshops where officials from different governments across a region or even across the globe meet to discuss the challenges of regulatory reform and to share their experiences.

Think tanks and other research organizations

Doing Business data are widely used by think tanks and other research

organizations, both for the development of new indexes and to produce research papers.

Many research papers have shown the importance of business regulation and how it relates to different economic outcomes.¹⁰ One of the most cited theoretical mechanisms on how excessive business regulation affects economic performance and development is that it makes it too costly for firms to engage in the formal economy, causing them not to invest or to move to the informal economy. Recent studies have conducted extensive empirical testing of this proposition using *Doing Business* and other related indicators. According to one study, for example, a reform that simplified business registration in Mexican municipalities increased registration by 5% and wage employment by 2.2%—and, as a result of increased competition, reduced the income of incumbent businesses by 3%.¹¹ Business registration reforms in Mexico also resulted in 14.9% of informal business owners shifting to the formal economy.¹²

Considerable effort has been devoted to studying the link between government regulation of firm entry and employment growth. In Portugal business reforms resulted in a reduction of the time and cost needed for company formalization, increasing the number of business start-ups by 17% and creating 7 new jobs per 100,000 inhabitants per month. But although these start-ups were smaller and more likely to be female-owned than before the reform, they were also headed by less experienced and poorly educated entrepreneurs with lower sales per worker.¹³

In many economies companies engaged in international trade struggle with high trade costs arising from transport, logistics and regulations, impeding their competitiveness and preventing them from taking full advantage of their productive capacity. With the availability of *Doing Business* indicators on trading across

borders—which measure the time, procedural and monetary costs of exporting and importing—several empirical studies have assessed how trade costs affect the export and import performance of economies. A rich body of empirical research shows that efficient infrastructure and a healthy business environment are positively linked to export performance.¹⁴

Improving infrastructure efficiency and trade logistics bring documented benefits to an economy's balance of trade and individual traders but delays in transit time can reduce exports: a study analyzing the importance of trade logistics found that a 1-day increase in transit time reduces exports by an average of 7% in Sub-Saharan Africa.¹⁵ Another study found that a 1-day delay in transport time for landlocked economies and for time sensitive agricultural and manufacturing products has a particularly large negative impact, reducing trade by more than 1% for each day of delay.¹⁶ Delays while clearing customs procedures also negatively impact a firm's ability to export, particularly when goods are destined for new clients.¹⁷ And in economies with flexible entry regulations, a 1% increase in trade is associated with an increase of more than 0.5% in income per capita, but has no positive income effects in economies with more rigid regulation.¹⁸ Research has also found that—although domestic buyers benefit from having goods of varying quality and price to choose from—import competition only results in minimal quality upgrading in OECD high-income economies with cumbersome regulation while it has no effect on quality upgrading in non-OECD economies with cumbersome regulation.¹⁹ Therefore, the potential gains for consumers from import competition are reduced where regulations are cumbersome.

Doing Business measures aspects of business regulation affecting domestic firms. However, research shows that better business regulation—as measured by *Doing Business*—is associated with higher levels of foreign direct investment.²⁰

Furthermore, foreign direct investment can either impede or promote domestic investment depending on how business friendly entry regulations are in the host economy. In fact, foreign direct investment has been shown to crowd out domestic investment in economies with costly processes for starting a business.²¹ Another study showed that economies with higher international market integration have, on average, easier and simpler processes for starting a business.²²

Recent empirical work shows the importance of well-designed credit market regulations and well-functioning court systems for debt recovery. For example, a reform making bankruptcy laws more efficient significantly improved the recovery rate of viable firms in Colombia.²³ In a multi-economy study, the introduction of collateral registries for movable assets was shown to increase firms' access to finance by approximately 8%.²⁴ In India the establishment of debt recovery tribunals reduced non-performing loans by 28% and lowered interest rates on larger loans, suggesting that faster processing of debt recovery cases cut the cost of credit.²⁵ An in-depth review of global bank flows revealed that firms in economies with better credit information sharing systems and higher branch penetration evade taxes to a lesser degree.²⁶ Strong shareholder rights have been found to lower financial frictions, especially for firms with large external finance relative to their capital stock (such as small firms or firms in distress).²⁷

There is also a large body of theoretical and empirical work investigating the distortionary effects of high tax rates and cumbersome tax codes and procedures. According to one study, business licensing among retail firms rose 13% after a tax reform in Brazil.²⁸ Another showed that a 10% reduction in tax complexity is comparable to a 1% reduction in effective corporate tax rates.²⁹

Labor market regulation—as measured by *Doing Business*—has been shown to

have important implications for the labor market. According to one study, graduating from school during a time of adverse economic conditions has a persistent, harmful effect on workers' subsequent employment opportunities. The persistence of this negative effect is stronger in countries with stricter employment protection legislation.³⁰ Rigid employment protection legislation can also have negative distributional consequences. A study on Chile, for example, found that the tightening of job security rules was associated with lower employment rates for youth, unskilled workers and women.³¹

Indexes

Doing Business identified 17 different data projects or indexes that use *Doing Business* as one of its sources of data.³² Most of these projects or institutions use indicator level data and not the aggregate ease of doing business ranking. Starting a business is the indicator set most widely used, followed by labor market regulation and paying taxes. These indexes typically combine *Doing Business* data with data from other sources to assess an economy along a particular aggregate dimension such as competitiveness or innovation. The Heritage Foundation's Index of Economic Freedom, for example, has used six *Doing Business* indicators to measure the degree of economic freedom in the world.³³ Economies that score better in these six areas also tend to have a high degree of economic freedom.

Similarly, the World Economic Forum uses *Doing Business* data in its Global Competitiveness Index to demonstrate how competitiveness is a global driver of economic growth. The organization also uses *Doing Business* indicators in four other indexes that measure technological readiness, human capital development, travel and tourism sector competitiveness and trade facilitation. These publicly accessible sources expand the general business environment data generated by *Doing Business* by incorporating it into the study of other important social and economic issues across economies and

regions. They prove that, taken individually, *Doing Business* indicators remain a useful starting point for a rich body of analysis across different areas and dimensions in the research world.

Doing Business has contributed substantially to the debate on the importance of business regulation for economic development. By expanding the time series and the scope of the data with the recent methodology expansion, *Doing Business* hopes to continue being a key reference going forward.

NOTES

1. The indicators are starting a business, registering property, enforcing contracts and labor market regulation.
2. Data from the *World Bank Enterprise Surveys* and *Doing Business* complement each other as two sides of the same coin. They both provide useful information on the business environment of an economy, but in significantly different ways. The scope of *Doing Business* is narrower than the *Enterprise Surveys*. However, by focusing on actionable indicators related to business regulation, *Doing Business* provides a clear roadmap for governments to improve. *Doing Business* uses standardized case scenarios while the *Enterprise Surveys* use representative samples. For more on the *Enterprise Surveys* and the differences between the *Enterprise Surveys* and *Doing Business*, see the website at <http://www.enterprisesurveys.org>.
3. These papers are available on the *Doing Business* website at <http://www.doingbusiness.org/methodology>.
4. For getting credit, indicators are weighted proportionally, according to their contribution to the total score, with a weight of 60% assigned to the strength of legal rights index and 40% to the depth of credit information index. In this way each point included in these indexes has the same value independent of the component it belongs to. Indicators for all other topics are assigned equal weights.
5. See Simeon Djankov, Darshini Manraj, Caralee McLiesh and Rita Ramalho, "Doing Business Indicators: Why Aggregate, and How to Do It" (World Bank, Washington, DC, 2005). Principal components and unobserved components methods yield a ranking nearly identical to that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.
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7. Friedrich Schneider, "The Informal Sector in 145 Countries" (Department of Economics, University Linz, Linz, 2005). See also Rafael La Porta and Andrei Shleifer, "The Unofficial Economy and Economic Development," Tuck School of Business Working Paper 2009-57 (Dartmouth College, Hanover, NH, 2008), available at Social Science Research Network (SSRN), <http://ssrn.com/abstract=1304760>.
8. For the law library, see the website at <http://www.doingbusiness.org/law-library>.
9. The focus of the *Doing Business* indicators remains the regulatory regime faced by domestic firms engaging in economic activity in the largest business city of an economy. *Doing Business* was not initially designed to inform decisions by foreign investors, though investors may in practice find the data useful as a proxy for the quality of the national investment climate. Analysis done in the World Bank Group's Global Indicators Group has shown that countries that have sensible rules for domestic economic activity also tend to have good rules for the activities of foreign in the local economy.
10. The papers cited here are just a few examples of research done in the areas measured by *Doing Business*. Since 2003, when the *Doing Business* report was first published, 2,182 research articles discussing how regulation in the areas measured by *Doing Business* influences economic outcomes have been published in peer-reviewed academic journals, Another 6,296 working papers have been posted online.
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17. Christian Volpe Martincus, Jeronimo Carballo and Alejandro Graziano, "Customs." *Journal of International Economics* 96 (2015): 119-37.

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30. Daiji Kawaguchi and Tetsushi Murao, "Labor-Market Institutions and Long-Term Effects of Youth Unemployment." *Journal of Money Credit and Banking* 46, S2 (2014): 95-116.
31. Claudio Montenegro and Carmen Pagés, "Who Benefits from Labor Market Regulations?" Policy Research Working Paper 3143 (World Bank, Washington DC, 2003).
32. The 17 indexes are : the Millennium Challenge Corporation's Open Data Catalog; the Heritage Foundation's Index of Economic Freedom (IEF); the World Economic Forum's Global Competitiveness Index (GCI), Networked Readiness Index (NRI, jointly with INSEAD), Human Capital Index (HCI), Enabling Trade Index (ETI) and Travel and Tourism Competitiveness Index (TTCI); INSEAD's Global Talent Competitiveness Index (GTCI) and Global Innovation Index (GII, jointly with Cornell University and the World Intellectual Property Organization); Fraser Institute's Economic Freedom of the World (EFW); KPMG's Change Readiness Index (CRI); Citi and Imperial College London's Digital Money Index; International Institute for Management Development's World Competitiveness Yearbook; DHL's Global Connectedness Index (GCI); PricewaterhouseCoopers' Paying Taxes 2016; The Global Picture; and Legatum Institute's Legatum Prosperity Index.
33. For more on the Heritage Foundation's Index of Economic Freedom, see the website at <http://heritage.org/index>.

Data Notes

The indicators presented and analyzed in *Doing Business in the European Union 2017: Bulgaria, Hungary and Romania* measure business regulation and the protection of property rights—and their effect on businesses, especially small and medium-size domestic firms. First, the indicators document the complexity of regulation, such as the number of procedures to start a business or to register a transfer of commercial property. Second, they gauge the time and cost to achieve a regulatory goal or comply with regulation, such as the time and cost to enforce a contract. Third, they measure the extent of legal protections, for example, the protections of property rights.

This report presents *Doing Business* indicators for 22 cities in Bulgaria, Hungary and Romania. The data for all sets of indicators in *Doing Business in the European Union 2017: Bulgaria, Hungary and Romania* are current as of December 31, 2016. The data for Sofia, Budapest, Bucharest and 187 other economies used for comparison are based on the indicators in *Doing Business 2017: Equal Opportunity for All*, the 14th in a series of annual reports published by the World Bank Group.

METHODOLOGY

The *Doing Business in the European Union 2017: Bulgaria, Hungary and Romania* data were collected in a standardized way. To start, the team customized the *Doing*

Business questionnaires for the specific study in Bulgaria, Hungary and Romania and translated them into Bulgarian, Hungarian and Romanian. The questionnaires use a simple business case to ensure comparability across locations and economies and over time—with assumptions about the legal form of the business, its size, its location and the nature of its operations. Questionnaires were administered to local experts, including lawyers, business consultants, architects, engineers, public officials, magistrates and other professionals routinely administering or advising on legal and regulatory requirements. These experts had several rounds of interaction with the project team, involving conference calls, written correspondence and visits by the team. The data from questionnaires were subjected to numerous rounds of verification, leading to revisions or expansions of the information collected.

The *Doing Business* methodology offers several advantages. It is transparent, using factual information about what laws and regulations say and allowing multiple interactions with local respondents to clarify potential misinterpretations of questions. Having representative samples of respondents is not an issue; *Doing Business* is not a statistical survey, and the texts of the relevant laws and regulations are collected and answers checked for accuracy. The methodology is inexpensive and easily replicable, so data can be collected in a large sample of locations and economies. Because standard

assumptions are used in the data collection, comparisons and benchmarks are valid across locations. Finally, the data not only highlight the extent of specific regulatory obstacles to business but also identify their source and point to what might be reformed.

LIMITS TO WHAT IS MEASURED

The *Doing Business* methodology has four limitations that should be considered when interpreting the data. First, the data often focus on a specific business form—generally a limited liability company (or its legal equivalent) of a specified size—and may not be representative of the regulation on other businesses (for example, sole proprietorships). Second, transactions described in a standardized case scenario refer to a specific set of issues and may not represent the full set of issues that a business encounters. Third, the measures of time involve an element of judgment by the expert respondents. When sources indicate different estimates, the time indicators reported in *Doing Business* represent the median values of several responses given under the assumptions of the standardized case.

Finally, the methodology assumes that a business has full information on what is required and does not waste time when completing procedures. In practice, completing a procedure may take longer if the business lacks information or is unable to follow up promptly. Alternatively,

Economy characteristics

Gross national income per capita

Doing Business in the European Union 2017: Bulgaria, Hungary and Romania reports 2015 income per capita as published in the World Bank's *World Development Indicators 2016*. Income is calculated using the Atlas method (in current U.S. dollars). For cost indicators expressed as a percentage of income per capita, 2015 gross national income (GNI) per capita in current U.S. dollars is used as the denominator. Bulgaria's income per capita for 2015 is US\$7,220 (BGN 11,534), Hungary's income per capita is US\$12,990 (HUF 3,296,327) and Romania's income per capita is US\$9,500 (RON 35,109).

Region and income group

Doing Business uses the World Bank regional and income group classifications, available at <http://data.worldbank.org/about/country-and-lending-groups>. Regional averages presented in figures and tables in the *Doing Business in the European Union 2017: Bulgaria, Hungary and Romania* report include economies from all income groups (low, lower middle, upper middle and high income).

Exchange rates

The exchange rate for the US dollar used in the *Doing Business in the European Union 2017: Bulgaria, Hungary and Romania* report is: US\$1 = 1.5975 Bulgarian Leva (BGN), US\$1 = 253.7588 Hungarian Forints (HUF) and US\$1 = 3.6957 Romanian Leu (RON). The exchange rate for the Euro used in the report is the rate of the European Central Bank as of December 30, 2016: EUR 1 = BGN 1.9558, EUR 1 = HUF 309.83 and EUR 1 = RON 4.539.

the business may choose to disregard some burdensome procedures. For both reasons the time delays reported in *Doing Business* would differ from the recollection of entrepreneurs reported in the World Bank Enterprise Surveys or other firm-level surveys.

CHANGES IN WHAT IS MEASURED

In the *Doing Business 2017* report, three indicator sets (starting a business, registering property and enforcing contracts) were expanded to cover a gender dimension, in addition to labor market regulation, which was expanded last year. Starting a business was expanded to also measure the process of starting a business when all shareholders are women. Registering property now also measures equality in ownership rights to property. And enforcing contracts was expanded to measure equality in evidentiary weight for men and women. Despite these changes in methodology introduced in the *Doing Business 2017* report, the data under the old and new methodologies are highly correlated.¹

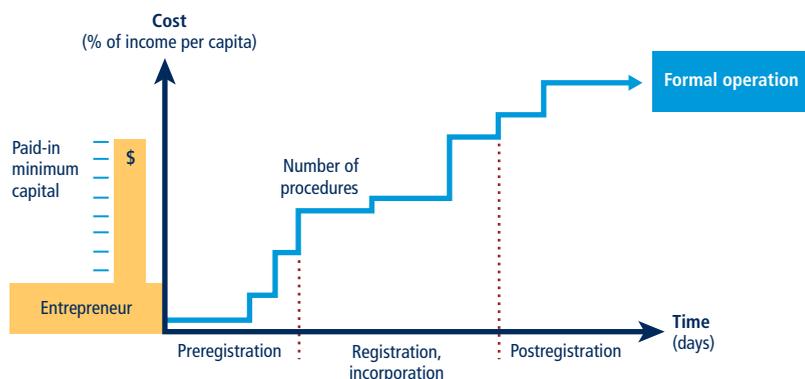
STARTING A BUSINESS

Doing Business records all procedures officially required, or commonly done in practice, for an entrepreneur to start up and formally operate an industrial or commercial business, as well as the time and cost to complete these procedures and the paid-in minimum capital requirement (figure 9.1). These procedures include the processes entrepreneurs undergo

when obtaining all necessary approvals, licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities.

The ranking of locations on the ease of starting a business is determined by sorting their distance to frontier scores for starting a business. These scores are the simple average of the distance to frontier scores for each of the component indicators (figure

FIGURE 9.1 What are the time, cost, paid-in minimum capital and number of procedures to get a local limited liability company up and running?



9.2). The distance to frontier score shows the distance of an economy or location to the “frontier,” which is derived from the most efficient practice or highest score achieved on each indicator.

Two types of local liability companies are considered under the starting a business methodology. They are identical in all aspects, except that one company is owned by five married women and the other by five married men. The distance to frontier score for each indicator is the average of the scores obtained for each of the component indicators for both of these standardized companies.

After a study of laws, regulations and publicly available information on business entry, a detailed list of procedures is developed, along with the time and cost to comply with each procedure under normal circumstances and the paid-in minimum capital requirement. Subsequently, local incorporation lawyers, notaries and government officials complete and verify the data.

Information is also collected on the sequence in which procedures are to

be completed and whether procedures may be carried out simultaneously. It is assumed that any required information is readily available and that the entrepreneur will pay no bribes. If answers by local experts differ, inquiries continue until the data are reconciled.

To make the data comparable across locations, several assumptions about the businesses and the procedures are used.

Assumptions about the business

The business:

- Is a limited liability company (or its legal equivalent).
- Operates in the selected city.
- Is 100% domestically owned and has five owners, none of whom is a legal entity.
- Has start-up capital of 10 times income per capita.
- Performs general industrial or commercial activities, such as the production or sale to the public of products or services. The business does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. It is not using heavily polluting production processes.
- Leases the commercial plant or offices and is not a proprietor of real estate. The amount of the annual lease for the office space is equivalent to 1 times income per capita.
- The size of the entire office space is approximately 929 meters (10,000 square feet).
- Does not qualify for investment incentives or any special benefits.
- Has at least 10 and up to 50 employees one month after the commencement of operations, all of them domestic nationals.
- Has a turnover of at least 100 times income per capita.
- Has a company deed 10 pages long.

The owners:

- Have reached the legal age of majority and are capable of making decisions as an adult. If there is no legal age of

majority, they are assumed to be 30 years old.

- Are sane, competent and in good health and have no criminal record.
- Are married and their marriages are monogamous and registered with the authorities.

Procedures

A procedure is defined as any interaction of the company founders with external parties (for example, government agencies, lawyers, auditors or notaries) or spouses (if legally required). Interactions between company founders or company officers and employees are not counted as procedures. Procedures that must be completed in the same building but in different offices or at different counters are counted as separate procedures. If founders have to visit the same office several times for different sequential procedures, each is counted separately. The founders are assumed to complete all procedures themselves, without middlemen, facilitators, accountants or lawyers, unless the use of such a third party is mandated by law or solicited by the majority of entrepreneurs. If the services of professionals are required, procedures conducted by such professionals on behalf of the company are counted as separate procedures. Each electronic procedure is counted as a separate procedure. Obtaining approval from a spouse to own a business or leave the home is considered a procedure if it is required by law or if by failing to do so an individual will suffer consequences under the law, such as the loss of rights to financial maintenance. Documents or permissions required for only one gender for registering and operating a company, opening a bank account or obtaining a national identification card are considered additional procedure.

Both pre- and postincorporation procedures that are officially required or commonly done in practice for an entrepreneur to formally operate a business are recorded (table 9.1). Any interaction with an external party within three months of registration is considered a procedure,

FIGURE 9.2 Starting a business: getting a local limited liability company up and running

Rankings are based on distance to frontier scores for four indicators

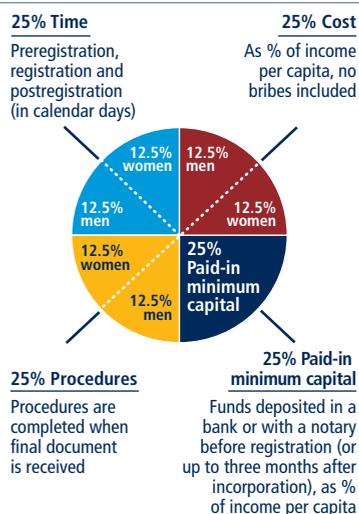


TABLE 9.1 What do the starting a business indicators measure?**Procedures to legally start and formally operate a company (number)**

Preregistration (for example, name verification or reservation, notarization)

Registration in the selected city

Postregistration (for example, social security registration, company seal)

Obtaining approval from spouse to start a business, to leave the home to register the company, or to open a bank account

Obtaining any gender-specific document for company registration and operation, national identification card or opening a bank account

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day (two procedures cannot start on the same day)—though procedures that can be fully completed online are an exception to this rule

Registration process considered completed once final incorporation document is received or company can officially start operating

No prior contact with officials takes place

Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

No professional fees unless services required by law or commonly used in practice

Paid-in minimum capital (% of income per capita)

Funds deposited in a bank or with a notary before registration (or up to three months after incorporation)

except value added tax or goods and services tax registration which is counted whenever the assumed turnover exceeds the determined threshold.

Procedures required for official correspondence or transactions with public agencies are also included. For example, if a company seal or stamp is required on official documents, such as tax declarations, obtaining the seal or stamp is counted. Similarly, if a company must open a bank account in order to complete any subsequent procedure—such as registering for value added tax or showing proof of minimum capital deposit—this transaction is included as a procedure. Shortcuts are counted only if they fulfill

four criteria: they are legal, they are available to the general public, they are used by the majority of companies, and avoiding them causes delays.

Only procedures required of all businesses are covered. Industry-specific procedures are excluded. For example, procedures to comply with environmental regulations are included only when they apply to all businesses conducting general commercial or industrial activities. Procedures that the company undergoes to connect to electricity, water, gas and waste disposal services are not included in the starting a business indicators.

Time

Time is recorded in calendar days. The measure captures the median duration that incorporation lawyers or notaries indicate is necessary in practice to complete a procedure with minimum follow-up with government agencies and no unofficial payments. It is assumed that the minimum time required for each procedure is one day, except for procedures that can be fully completed online, for which the time required is recorded as half a day. Although procedures may take place simultaneously, they cannot start on the same day (that is, simultaneous procedures start on consecutive days), again with the exception of procedures that can be fully completed online. A registration process is considered completed once the company has received the final incorporation document or can officially commence business operations. If a procedure can be accelerated legally for an additional cost, the fastest procedure is chosen if that option is more beneficial to the province's ranking. For obtaining a spouse's approval, it is assumed that permission is granted at no additional cost unless the permission needs to be notarized. It is assumed that the entrepreneur does not waste time and commits to completing each remaining procedure without delay. The time that the entrepreneur spends on gathering information is ignored. It is assumed

that the entrepreneur is aware of all entry requirements and their sequence from the beginning but has had no prior contact with any of the officials involved.

Cost

Cost is recorded as a percentage of the economy's income per capita. It includes all official fees and fees for legal or professional services if such services are required by law or commonly used in practice. Fees for purchasing and legalizing company books are included if these transactions are required by law. Although value added tax registration can be counted as a separate procedure, value added tax is not part of the incorporation cost. The company law, the commercial code, and specific regulations and fee schedules are used as sources for calculating costs. In the absence of fee schedules, a government officer's estimate is taken as an official source. In the absence of a government officer's estimate, estimates by incorporation lawyers are used. If several incorporation lawyers provide different estimates, the median reported value is applied. In all cases the cost excludes bribes.

Paid-in minimum capital

The paid-in minimum capital requirement reflects the amount that the entrepreneur needs to deposit in a bank or with a notary before registration or up to three months after incorporation and is recorded as a percentage of the economy's income per capita. The amount is typically specified in the commercial code or the company law. Many economies require minimum capital but allow businesses to pay only a part of it before registration, with the rest to be paid after the first year of operation. In Turkey in June 2015, for example, the minimum capital requirement was 10,000 Turkish liras, of which one-fourth needed to be paid before registration. The paid-in minimum capital recorded for Turkey is therefore 2,500 Turkish liras, or 10.2% of income per capita.

The data details on starting a business can be found at <http://www.doingbusiness>

.org. This methodology was developed by Simeon Djankov, Rafael La Porta, Florencio López-de-Silanes and Andrei Shleifer ("The Regulation of Entry," Quarterly Journal of Economics 117, no. 1 [2002]: 1-37) and is adopted here with minor changes.

DEALING WITH CONSTRUCTION PERMITS

Doing Business records all procedures required for a business in the construction industry to build a warehouse along with the time and cost to complete each procedure. In addition, *Doing Business* measures the building quality control index, evaluating the quality of building regulations, the strength of quality control and safety mechanisms, liability and insurance regimes, and professional certification requirements. Information is collected through a questionnaire administered to experts in construction licensing, including architects, civil engineers, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations, including approvals, permit issuance and inspections.

The ranking of locations on the ease of dealing with construction permits is determined by sorting their distance to frontier scores for dealing with construction permits. These scores are the simple average of the distance to frontier scores for each of the component indicators (figure 9.3).

EFFICIENCY OF CONSTRUCTION PERMITTING

Doing Business divides the process of building a warehouse into distinct procedures in the questionnaire and solicits data for calculating the time and cost to complete each procedure (figure 9.4). These procedures include but are not limited to:

- Obtaining and submitting all relevant project-specific documents (for

example, building plans, site maps and certificates of urbanism) to the authorities.

- Hiring external third-party supervisors, engineers or inspectors (if necessary).
- Obtaining all necessary clearances, licenses, permits and certificates.
- Submitting all required notifications.
- Requesting and receiving all necessary inspections (unless completed by a private, third-party inspector).

Doing Business also records procedures for obtaining connections for water and sewerage. Procedures necessary to register the warehouse so that it can be used as collateral or transferred to another entity are also counted.

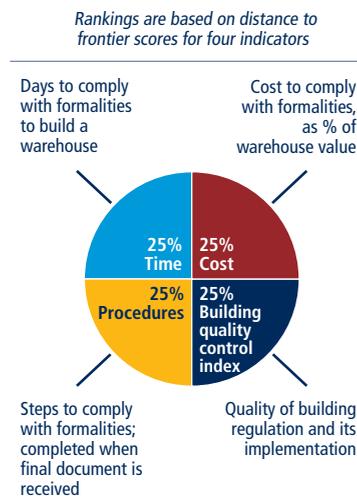
To make the data comparable across locations, several assumptions about the construction company, the warehouse project and the utility connections are used.

Assumptions about the construction company

The construction company (BuildCo):

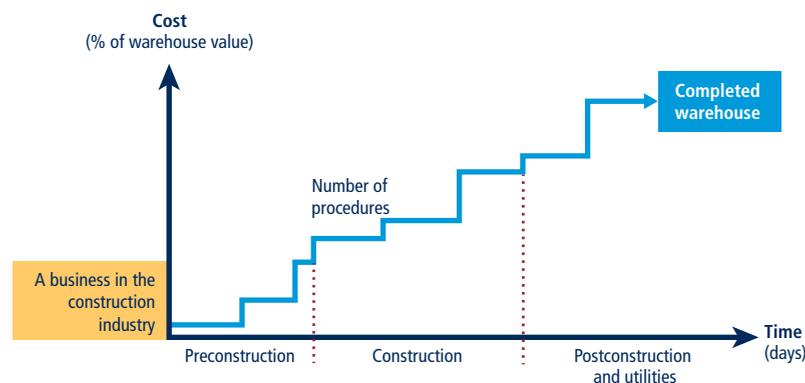
- Is a limited liability company (or its legal equivalent).
- Operates in the selected city.
- Is 100% domestically and privately owned.
- Has five owners, none of whom is a legal entity.

FIGURE 9.3 Dealing with construction permits: efficiency and quality of building regulation



- Is fully licensed and insured to carry out construction projects, such as building warehouses.
- Has 60 builders and other employees, all of them nationals with the technical expertise and professional experience necessary to obtain construction permits and approvals.
- Has a licensed architect and a licensed engineer both registered with the local association of architects or engineers. BuildCo is not assumed to have any other employees who are technical or licensed experts, such as geological or topographical experts.

FIGURE 9.4 What are the time, cost and number of procedures to comply with formalities to build a warehouse?



- Has paid all taxes and taken out all necessary insurance applicable to its general business activity (for example, accidental insurance for construction workers and third-person liability).
- Owns the land on which the warehouse will be built and will sell the warehouse upon its completion.

Assumptions about the warehouse

The warehouse:

- Will be used for general storage activities, such as storage of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Will have two stories, both above ground, with a total constructed area of approximately 1,300.6 square meters (14,000 square feet). Each floor will be 3 meters (9 feet, 10 inches) high.
- Will have road access and be located in the periurban area of the selected city (that is, on the fringes of the city but still within its official limits).
- Will not be located in a special economic or industrial zone.
- Will be located on a land plot of approximately 929 square meters (10,000 square feet) that is 100% owned by BuildCo and is accurately registered in the cadastre and land registry.
- Is valued at 50 times income per capita.
- Will be a new construction (there was no previous construction on the land), with no trees, natural water sources, natural reserves or historical monuments of any kind on the plot.
- Will have complete architectural and technical plans prepared by a licensed architect. If preparation of the plans requires such steps as obtaining further documentation or getting prior approvals from external agencies, these are counted as procedures.
- Will include all technical equipment required to be fully operational.

- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

Assumptions about the utility connections

The water and sewerage connections:

- Will be 150 meters (492 feet) from the existing water source and sewer tap. If there is no water delivery infrastructure in the location, a borehole will be dug. If there is no sewerage infrastructure, a septic tank in the smallest size available will be installed or built.
- Will not require water for fire protection reasons; a fire extinguishing system (dry system) will be used instead. If a wet fire protection system is required by law, it is assumed that the water demand specified below also covers the water needed for fire protection.
- Will have an average water use of 662 liters (175 gallons) a day and an average wastewater flow of 568 liters (150 gallons) a day. Will have a peak water use of 1,325 liters (350 gallons) a day and a peak wastewater flow of 1,136 liters (300 gallons) a day.
- Will have a constant level of water demand and wastewater flow throughout the year.
- Will be 1 inch in diameter for the water connection and 4 inches in diameter for the sewerage connection.

Procedures

A procedure is any interaction of the company's employees or managers, or any party acting on behalf of the company, with external parties, including government agencies, notaries, the land registry, the cadastre, utility companies and public inspectors—and the hiring of external private inspectors and technical experts where needed. Interactions between company employees, such as development of the warehouse plans and inspections conducted by employees, are not counted as procedures. However, interactions with external parties that are required for the architect to prepare

the plans and drawings (such as obtaining topographic or geological surveys), or to have such documents approved or stamped by external parties, are counted as procedures. Procedures that the company undergoes to connect the warehouse to water and sewerage are included. All procedures that are legally required, or that are done in practice by the majority of companies, to build a warehouse are counted, even if they may be avoided in exceptional cases. This includes obtaining technical conditions for electricity or clearance of the electrical plans only if they are required to obtain a building permit (table 9.2).

Time

Time is recorded in calendar days. The measure captures the median duration that local experts indicate is necessary to complete a procedure in practice. It is assumed that the minimum time required for each procedure is one day, except for procedures that can be fully completed online, for which the time required is

TABLE 9.2 What do the indicators on the efficiency of construction permitting measure?

Procedures to legally build a warehouse (number)

Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates

Submitting all required notifications and receiving all necessary inspections

Obtaining utility connections for water and sewerage

Registering the warehouse after its completion (if required for use as collateral or for transfer of the warehouse)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day—though procedures that can be fully completed online are an exception to this rule

Procedure considered completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of warehouse value)

Official costs only, no bribes

recorded as half a day. Although procedures may take place simultaneously, they cannot start on the same day (that is, simultaneous procedures start on consecutive days), again with the exception of procedures that can be fully completed online. If a procedure can be accelerated legally for an additional cost and the accelerated procedure is used by the majority of companies, the fastest procedure is chosen. It is assumed that BuildCo does not waste time and commits to completing each remaining procedure without delay. The time that BuildCo spends on gathering information is not taken into account. It is assumed that BuildCo is aware of all building requirements and their sequence from the beginning.

Cost

Cost is recorded as a percentage of the warehouse value (assumed to be 50 times income per capita). Only official costs are recorded. All the fees associated with completing the procedures to legally build a warehouse are recorded, including those associated with obtaining land use approvals and preconstruction design clearances; receiving inspections before, during and after construction; obtaining utility connections; and registering the warehouse property. Nonrecurring taxes required for the completion of the warehouse project are also recorded. Sales taxes (such as value added tax) or capital gains taxes are not recorded. Nor are deposits that must be paid up front and are later refunded. The building code, information from local experts, and specific regulations and fee schedules are used as sources for costs. If several local partners provide different estimates, the median reported value is used.

BUILDING QUALITY CONTROL

The building quality control index is based on six other indices—the quality of building regulations, quality control before construction, quality control during construction, quality control after

construction, liability and insurance regimes, and professional certifications indices (table 9.3). The indicator is based on the same case study assumptions as the measures of efficiency.

Quality of building regulations index

The quality of building regulations index has two components:

- Whether building regulations are easily accessible. A score of 1 is assigned if any building regulations (including the building code) or any regulations dealing with construction permits are available on a website that is updated as soon as the regulations change; 0.5 if the building regulations are available free of charge (or for a nominal fee) at the relevant permit-issuing authority; 0 if the building regulations are distributed to building professionals through an official gazette free of charge (or for a nominal fee), if they must be purchased or if they are not made easily accessible anywhere.
- Whether the requirements for obtaining a building permit are clearly specified. A score of 1 is assigned if the building regulations (including the building code) or any accessible website, brochure or pamphlet clearly specifies the list of required documents to submit, the fees to be paid and all required preapprovals of the drawings or plans by the relevant agencies; 0 if none of these sources specify any of these requirements or if these sources specify fewer than the three requirements.

The index ranges from 0 to 2, with higher values indicating clearer and more transparent building regulations. In the United Kingdom, for example, all relevant legislation can be found on an official government website (a score of 1). The legislation specifies the list of required documents to submit, the fees to be paid and all required preapprovals of the drawings or plans by the relevant agencies (a score of 1). Adding these numbers gives the United Kingdom

TABLE 9.3 What do the indicators on building quality control measure?

| |
|--|
| Quality of building regulations index (0–2) |
| Accessibility of building regulations |
| Clarity of requirements for obtaining a building permit |
| Quality control before construction index (0–1) |
| Whether licensed or technical experts approve building plans |
| Quality control during construction index (0–3) |
| Types of inspections legally mandated during construction |
| Implementation of legally mandated inspections in practice |
| Quality control after construction index (0–3) |
| Final inspection legally mandated after construction |
| Implementation of legally mandated final inspection in practice |
| Liability and insurance regimes index (0–2) |
| Parties held legally liable for structural flaws after building occupancy |
| Parties legally mandated to obtain insurance to cover structural flaws after building occupancy or insurance commonly obtained in practice |
| Professional certifications index (0–4) |
| Qualification requirements for individual who approves building plans |
| Qualification requirements for individual who supervises construction or conducts inspections |
| Building quality control index (0–15) |
| Sum of the quality of building regulations, quality control before construction, quality control during construction, quality control after construction, liability and insurance regimes, and professional certifications indices |

a score of 2 on the quality of building regulations index.

Quality control before construction index

The quality control before construction index has one component:

- Whether by law a licensed architect or licensed engineer is part of the committee or team that reviews and approves building permit applications and whether that person has the authority to refuse an application. A score of 1 is assigned if the national association of architects or engineers

(or its equivalent) must review the building plans, if an independent firm or expert who is a licensed architect or engineer must review the plans, if the architect or engineer who prepared the plans must submit an attestation to the permit-issuing authority stating that the plans are in compliance with the building regulations or if a licensed architect or engineer is part of the committee or team that approves the plans at the relevant permit-issuing authority; 0 if no licensed architect or engineer is involved in the review of the plans to ensure their compliance with building regulations.

The index ranges from 0 to 1, with higher values indicating better quality control in the review of the building plans. In Rwanda, for example, the City Hall in Kigali must review the building permit application, including the plans and drawings, and both a licensed architect and a licensed engineer are part of the team that reviews the plans and drawings. Rwanda therefore receives a score of 1 on the quality control before construction index.

Quality control during construction index

The quality control during construction index has two components:

- Whether inspections are mandated by law during the construction process. A score of 2 is assigned if an in-house supervising engineer (for example, an employee of the building company), an external supervising engineer or a government agency is legally mandated to conduct risk-based inspections. A score of 1 is assigned if an in-house supervising engineer (that is, an employee of the building company), an external supervising engineer or an external inspections firm is legally mandated to conduct technical inspections at different stages during the construction of the building or if a government agency is legally mandated to conduct only technical inspections at different stages during the construction. A

score of 0 is assigned if a government agency is legally mandated to conduct unscheduled inspections, or if no technical inspections are mandated by law.

- Whether inspections during construction are implemented in practice. A score of 1 is assigned if the legally mandated inspections during construction always occur in practice; 0 if the legally mandated inspections do not occur in practice, if the inspections occur most of the time but not always or if inspections are not mandated by law regardless of whether or not they commonly occur in practice.

The index ranges from 0 to 3, with higher values indicating better quality control during the construction process. In Antigua and Barbuda, for example, the Development Control Authority is legally mandated to conduct phased inspections under the Physical Planning Act of 2003 (a score of 1). However, the Development Control Authority rarely conducts these inspections in practice (a score of 0). Adding these numbers gives Antigua and Barbuda a score of 1 on the quality control during construction index.

Quality control after construction index

The quality control after construction index has two components:

- Whether a final inspection is mandated by law in order to verify that the building was built in accordance with the approved plans and existing building regulations. A score of 2 is assigned if an in-house supervising engineer (that is, an employee of the building company), an external supervising engineer or an external inspections firm is legally mandated to verify that the building has been built in accordance with the approved plans and existing building regulations or if a government agency is legally mandated to conduct a final inspection upon completion of the building; 0 if no final inspection is mandated by law after construction and no third party is required to verify that the

building has been built in accordance with the approved plans and existing building regulations.

- Whether the final inspection is implemented in practice. A score of 1 is assigned if the legally mandated final inspection after construction always occurs in practice or if a supervising engineer or firm attests that the building has been built in accordance with the approved plans and existing building regulations; 0 if the legally mandated final inspection does not occur in practice, if the legally mandated final inspection occurs most of the time but not always or if a final inspection is not mandated by law regardless of whether or not it commonly occurs in practice.

The index ranges from 0 to 3, with higher values indicating better quality control after the construction process. In Haiti, for example, the Municipality of Port-au-Prince is legally mandated to conduct a final inspection under the national Building Code of 2012 (a score of 2). However, most of the time the final inspection does not occur in practice (a score of 0). Adding these numbers gives Haiti a score of 2 on the quality control after construction index.

Liability and insurance regimes index

The liability and insurance regimes index has two components:

- Whether any parties involved in the construction process are held legally liable for latent defects such as structural flaws or problems in the building once it is in use. A score of 1 is assigned if at least two of the following parties are held legally liable for structural flaws or problems in the building once it is in use: the architect or engineer who designed the plans for the building, the professional in charge of supervising the construction, the professional or agency that conducted the inspections or the construction company; 0.5 if one of the parties is held legally liable for

structural flaws or problems in the building once it is occupied; 0 if no party is held legally liable for structural flaws or problems in the building once it is in use, if the project owner or investor is the only party held liable, if liability is determined in the court or if liability is stipulated in a contract.

- Whether any parties involved in the construction process is legally required to obtain a latent defect liability—or decennial (10-year) liability—insurance policy to cover possible structural flaws or problems in the building once it is in use. A score of 1 is assigned if the architect or engineer who designed the plans for the building, the professional or agency that conducted the technical inspections, the construction company, or the project owner or investor is required by law to obtain either a decennial liability insurance or a latent defect liability insurance policy to cover possible structural flaws or problems in the building once it is in use or if a decennial liability insurance or latent defect liability insurance policy is commonly obtained in practice by the majority of any of these parties even if not required by law; a score of 0 is assigned if no party is required by law to obtain either a decennial liability insurance or a latent defect liability insurance and such insurance is not commonly obtained in practice by any party, if the requirement to obtain an insurance policy is stipulated in a contract, if any party must obtain a professional insurance policy to cover the safety of workers or any other defects during construction but not a decennial liability insurance or latent defect liability insurance policy that would cover defects after the building is in use, or if any party is required to pay for any damages caused on their own without having to obtain an insurance policy.

The index ranges from 0 to 2, with higher values indicating more stringent latent defect liability and insurance regimes. In Madagascar, for example, under

article 1792 of the Civil Code both the architect who designed the plans and the construction company are held legally liable for latent defects for a period of 10 years after the completion of the building (a score of 1). However, there is no legal requirement for any party to obtain a decennial liability insurance policy to cover structural defects, nor do most parties obtain such insurance in practice (a score of 0). Adding these numbers gives Madagascar a score of 1 on the liability and insurance regimes index.

Professional certifications index

The professional certifications index has two components:

- The qualification requirements for the professional responsible for verifying that the architectural plans or drawings are in compliance with the building regulations. A score of 2 is assigned if this professional must have a minimum number of years of practical experience, must have a university degree (a minimum of a bachelor's) in architecture or engineering and must also either be a registered member of the national order (association) of architects or engineers or pass a qualification exam. A score of 1 is assigned if the professional must have a university degree (a minimum of a bachelor's) in architecture or engineering and must also *either* have a minimum number of years of practical experience *or* be a registered member of the national order (association) of architects or engineers or pass a qualification exam. A score of 0 is assigned if the professional must meet only one of the requirements, if the professional must meet two of the requirements but neither of the two is to have a university degree, or if the professional is subject to no qualification requirements.
- The qualification requirements for the professional who conducts the technical inspections during construction. A score of 2 is assigned if this professional must have a minimum number of years of practical experience, must

have a university degree (a minimum of a bachelor's) in architecture or engineering and must also either be a registered member of the national order of engineers or pass a qualification exam. A score of 1 is assigned if the professional must have a university degree (a minimum of a bachelor's) in architecture or engineering and must also *either* have a minimum number of years of practical experience *or* be a registered member of the national order (association) of engineers or pass a qualification exam. A score of 0 is assigned if the professional must meet only one of the requirements, if the professional must meet two of the requirements but neither of the two is to have a university degree, or if the professional is subject to no qualification requirements.

The index ranges from 0 to 4, with higher values indicating greater professional certification requirements. In Cambodia, for example, the professional responsible for verifying that the architectural plans or drawings are in compliance with the building regulations must have a relevant university degree and must pass a qualification exam (a score of 1). However, the professional supervising construction must only have a university degree (a score of 0). Adding these numbers gives Cambodia a score of 1 on the professional certifications index.

Building quality control index

The building quality control index is the sum of the scores on the quality of building regulations, quality control before construction, quality control during construction, quality control after construction, liability and insurance regimes, and professional certifications indices. The index ranges from 0 to 15, with higher values indicating better quality control and safety mechanisms in the construction regulatory system.

The data details on dealing with construction permits can be found at <http://www.doingbusiness.org>.

GETTING ELECTRICITY

Doing Business records all procedures required for a business to obtain a permanent electricity connection and supply for a standardized warehouse (figure 9.5). These procedures include applications and contracts with electricity utilities, all necessary inspections and clearances from the distribution utility and other agencies, and the external and final connection works. The questionnaire divides the process of getting an electricity connection into distinct procedures and solicits data for calculating the time and cost to complete each procedure.

In addition, *Doing Business* measures the reliability of supply and transparency of tariffs index (included in the aggregate distance to frontier score and ranking on the ease of doing business) and the price of electricity (omitted from these aggregate measures). The reliability of supply and transparency of tariffs index encompasses quantitative data on the duration and frequency of power outages as well as qualitative information on the mechanisms put in place by the utility for monitoring power outages and restoring power supply, the reporting relationship between the utility and the regulator for power outages, the transparency and accessibility of tariffs

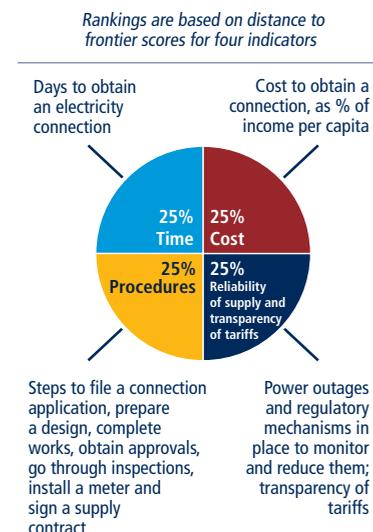
and whether the utility faces a financial deterrent aimed at limiting outages (such as a requirement to compensate customers or pay fines when outages exceed a certain cap).

The ranking of locations on the ease of getting electricity is determined by sorting their distance to frontier scores for getting electricity. These scores are the simple average of the distance to frontier scores for all the component indicators except the price of electricity (figure 9.6).

Data on reliability of supply are collected from the electricity distribution utilities or regulators, depending on the specific technical nature of the data. The rest of the data, including data on the transparency of tariffs and the procedures for obtaining an electricity connection, are collected from all market players—the electricity distribution utility, electricity regulatory agencies and independent professionals such as electrical engineers, electrical contractors and construction companies. The electricity distribution utility consulted is the one serving the area (or areas) where warehouses are located. If there is a choice of distribution utilities, the one serving the largest number of customers is selected.

To make the data comparable across locations, several assumptions about

FIGURE 9.6 Getting electricity: efficiency, reliability and transparency



Note: The price of electricity is measured but does not count for the rankings.

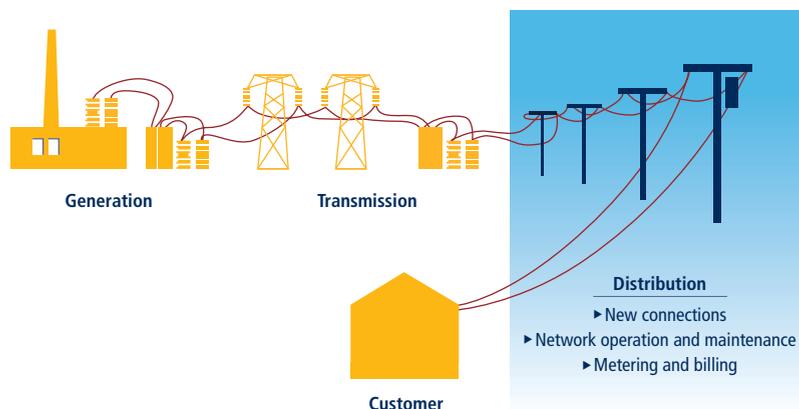
the warehouse, the electricity connection and the monthly consumption are used.

Assumptions about the warehouse

The warehouse:

- Is owned by a local entrepreneur.
- Is located in the selected city.
- Is located in an area where similar warehouses are typically located. In this area a new electricity connection is not eligible for a special investment promotion regime (offering special subsidization or faster service, for example).
- Is located in an area with no physical constraints. For example, the property is not near a railway.
- Is a new construction and is being connected to electricity for the first time.
- Has two stories, both above ground, with a total surface area of approximately 1,300.6 square meters (14,000 square feet). The plot of land on which it is built is 929 square meters (10,000 square feet).
- Is used for storage of goods.

FIGURE 9.5 *Doing Business* measures the connection process at the level of distribution utilities



Assumptions about the electricity connection

The electricity connection:

- Is a permanent one.
- Is a three-phase, four-wire Y connection with a subscribed capacity of 140 kilovolt-amperes (kVA) with a power factor of 1, when 1 kVA = 1 kilowatt (kW).
- Has a length of 150 meters. The connection is to either the low- or medium-voltage distribution network and is either overhead or underground, whichever is more common in the area where the warehouse is located.
- Requires works that involve the crossing of a 10-meter-wide road (by excavation or overhead lines) but are all carried out on public land. There is no crossing of other owners' private property because the warehouse has access to a road.
- Includes only negligible length in the customer's private domain.
- Does not require work to install the internal wiring of the warehouse. This has already been completed up to and including the customer's service panel or switchboard and the meter base.

Assumptions about the monthly consumption for March

- It is assumed that the warehouse operates 30 days a month from 9:00 a.m. to 5:00 p.m. (8 hours a day), with equipment utilized at 80% of capacity on average, and that there are no electricity cuts (assumed for simplicity reasons).
- The monthly energy consumption is 26,880 kilowatt-hours (kWh); hourly consumption is 112 kWh.
- If multiple electricity suppliers exist, the warehouse is served by the cheapest supplier.
- Tariffs effective in March of the current year are used for calculation of the price of electricity for the warehouse. Although March has 31 days, for calculation purposes only 30 days are used.

Procedures

A procedure is defined as any interaction of the company's employees or its main electrician or electrical engineer (that is, the one who may have done the internal wiring) with external parties, such as the electricity distribution utility, electricity supply utilities, government agencies, electrical contractors and electrical firms. Interactions between company employees and steps related to the internal electrical wiring, such as the design and execution of the internal electrical installation plans, are not counted as procedures. Procedures that must be completed with the same utility but with different departments are counted as separate procedures (table 9.4).

The company's employees are assumed to complete all procedures themselves unless the use of a third party is mandated (for example, if only an electrician registered with the utility is allowed to submit an application). If the company can, but is not required to, request the services of professionals (such as a private firm rather than the utility for the external works), these procedures are recorded if they are commonly done. For all procedures, only the most likely cases (for example, more than 50% of the time the utility has the material) and those followed in practice for connecting a warehouse to electricity are counted.

Time

Time is recorded in calendar days. The measure captures the median duration that the electricity utility and experts indicate is necessary in practice, rather than required by law, to complete a procedure with minimum follow-up and no extra payments. It is assumed that the minimum time required for each procedure is one day. Although procedures may take place simultaneously, they cannot start on the same day (that is, simultaneous procedures start on consecutive days). It is assumed that the company does not waste time and commits to completing each remaining procedure without delay. The time that the company spends on

TABLE 9.4 What do the getting electricity indicators measure?

Procedures to obtain an electricity connection (number)

Submitting all relevant documents and obtaining all necessary clearances and permits

Completing all required notifications and receiving all necessary inspections

Obtaining external installation works and possibly purchasing material for these works

Concluding any necessary supply contract and obtaining final supply

Time required to complete each procedure (calendar days)

Is at least one calendar day

Each procedure starts on a separate day

Does not include time spent gathering information

Reflects the time spent in practice, with little follow-up and no prior contact with officials

Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

Value added tax excluded

Reliability of supply and transparency of tariffs index (0–8)

Duration and frequency of power outages

Tools to monitor power outages

Tools to restore power supply

Regulatory monitoring of utilities' performance

Financial deterrents aimed at limiting outages

Transparency and accessibility of tariffs

Price of electricity (cents per kilowatt-hour)

Price based on monthly bill for commercial warehouse in case study

Note: While *Doing Business* measures the price of electricity, it does not include these data when calculating the distance to frontier score for getting electricity or the ranking on the ease of getting electricity.

gathering information is not taken into account. It is assumed that the company is aware of all electricity connection requirements and their sequence from the beginning.

Cost

Cost is recorded as a percentage of the economy's income per capita. Costs are recorded exclusive of value added tax. All the fees and costs associated with completing the procedures to connect a warehouse to electricity are recorded,

including those related to obtaining clearances from government agencies, applying for the connection, receiving inspections of both the site and the internal wiring, purchasing material, getting the actual connection works and paying a security deposit. Information from local experts and specific regulations and fee schedules are used as sources for costs. If several local partners provide different estimates, the median reported value is used. In all cases the cost excludes bribes.

Security deposit

Utilities may require security deposits as a guarantee against the possible failure of customers to pay their consumption bills. For this reason, the security deposit for a new customer is most often calculated as a function of the customer's estimated consumption.

Doing Business does not record the full amount of the security deposit. If the deposit is based on the customer's actual consumption, this basis is the one assumed in the case study. Rather than the full amount of the security deposit, *Doing Business* records the present value of the losses in interest earnings experienced by the customer because the utility holds the security deposit over a prolonged period, in most cases until the end of the contract (assumed to be after five years). In cases where the security deposit is used to cover the first monthly consumption bills, it is not recorded. To calculate the present value of the lost interest earnings, the end-2015 lending rates from the International Monetary Fund's International Financial Statistics are used. In cases where the security deposit is returned with interest, the difference between the lending rate and the interest paid by the utility is used to calculate the present value.

In some economies the security deposit can be put up in the form of a bond: the company can obtain from a bank or an insurance company a guarantee issued on the assets it holds with that financial institution. In contrast to the scenario

in which the customer pays the deposit in cash to the utility, in this scenario the company does not lose ownership control over the full amount and can continue using it. In return the company will pay the bank a commission for obtaining the bond. The commission charged may vary depending on the credit standing of the company. The best possible credit standing and thus the lowest possible commission are assumed. Where a bond can be put up, the value recorded for the deposit is the annual commission times the five years assumed to be the length of the contract. If both options exist, the cheaper alternative is recorded.

In Honduras in June 2015 a customer requesting a 140-kVA electricity connection would have had to put up a security deposit of 126,894 Honduran lempiras (US\$5,616) in cash or check, and the deposit would have been returned only at the end of the contract. The customer could instead have invested this money at the prevailing lending rate of 20.66%. Over the five years of the contract this would imply a present value of lost interest earnings of 77,272.68 lempiras (US\$3,420). In contrast, if the customer chose to settle the deposit with a bank guarantee at an annual rate of 2.5%, the amount lost over the five years would be just 15,861.75 lempiras (US\$702).

Reliability of supply and transparency of tariffs index

Doing Business uses the system average interruption duration index (SAIDI) and the system average interruption frequency index (SAIFI) to measure the duration and frequency of power outages in each of the selected locations. SAIDI is the average total duration of outages over the course of a year for each customer served, while SAIFI is the average number of service interruptions experienced by a customer in a year. Annual data (covering the calendar year) are collected from distribution utility companies and national regulators on SAIDI and SAIFI. Both SAIDI and SAIFI estimates include load shedding.

A location is eligible to obtain a score on the reliability of supply and transparency of tariffs index if the utility collects data on electricity outages (measuring the average total duration of outages per customer and the average number of outages per customer) and the SAIDI value is below a threshold of 100 hours and the SAIFI value below a threshold of 100 outages.

Because the focus is on measuring the reliability of the electricity supply, a location is not eligible to obtain a score if outages are too frequent or long-lasting for the electricity supply to be considered reliable—that is, if the SAIDI value exceeds the threshold of 100 hours or the SAIFI value exceeds the threshold of 100 outages.² A location is also not eligible to obtain a score on the index if data on power outages are not collected.

For all locations that meet the criteria as determined by *Doing Business*, a score on the reliability of supply and transparency of tariffs index is calculated on the basis of the following six components:

- What the SAIDI and SAIFI values are. If SAIDI and SAIFI are 12 (equivalent to an outage of one hour each month) or below, a score of 1 is assigned. If SAIDI and SAIFI are 4 (equivalent to an outage of one hour each quarter) or below, 1 additional point is assigned. Finally, if SAIDI and SAIFI are 1 (equivalent to an outage of one hour per year) or below, 1 more point is assigned.
- What tools are used by the distribution utility to monitor power outages. A score of 1 is assigned if the utility uses automated tools, such as the supervisory control and data acquisition (SCADA) system; 0 if it relies solely on calls from customers and records and monitors outages manually.
- What tools are used by the distribution utility to restore power supply. A score of 1 is assigned if the utility uses automated tools, such as the SCADA system; 0 if it relies solely on manual resources for service restoration,

such as field crews or maintenance personnel.

- Whether a regulator—that is, an entity separate from the utility—monitors the utility’s performance on reliability of supply. A score of 1 is assigned if the regulator performs periodic or real-time reviews; 0 if it does not monitor power outages and does not require the utility to report on reliability of supply.
- Whether financial deterrents exist to limit outages. A score of 1 is assigned if the utility compensates customers when outages exceed a certain cap, if the utility is fined by the regulator when outages exceed a certain cap or if both these conditions are met; 0 if no compensation mechanism of any kind is available.
- Whether electricity tariffs are transparent and easily available. A score of 1 is assigned if effective tariffs are available online and customers are notified of a change in tariff a full billing cycle (that is, one month) ahead of time; 0 if not.

The index ranges from 0 to 8, with higher values indicating greater reliability of electricity supply and greater transparency of tariffs. In the Czech Republic, for example, the distribution utility company PREdistribuce uses SAIDI and SAIFI metrics to monitor and collect data on power outages. In 2015 the average total duration of power outages in Prague was 0.49 hours per customer and the average number of outages experienced by a customer was 0.33. Both SAIDI and SAIFI are below the threshold and indicate that there was less than one outage a year per customer, for a total duration of less than one hour. So Czech Republic not only meets the eligibility criteria for obtaining a score on the index, it also receives a score of 3 on the first component of the index. The utility uses an automated system (SCADA) to identify faults in the network (a score of 1) and restore electricity service (a score of 1). The national regulator actively reviews the utility’s performance in providing reliable electricity service

(a score of 1) and requires the utility to compensate customers if outages last longer than a maximum period defined by the regulator (a score of 1). Customers are notified of a change in tariffs ahead of the next billing cycle and can easily check effective tariffs online (a score of 1). Adding these numbers gives the Czech Republic a score of 8 on the reliability of supply and transparency of tariffs index.

On the other hand, several economies receive a score of 0 on the reliability of supply and transparency of tariffs index. The reason may be that outages occur more than once a month and none of the mechanisms and tools measured by the index are in place. An economy may also receive a score of 0 if either the SAIDI or SAIFI value (or both) exceeds the threshold of 100. For Papua New Guinea, for example, the SAIDI value (211) exceeds the threshold. Based on the criteria established, Papua New Guinea cannot receive a score on the index even though the country has regulatory monitoring of outages and there is a compensation mechanism for customers.

If an economy issued no electricity connections between June 2015 and June 2016, or if electricity is not provided during that period, the economy receives a “no practice” mark on the procedures, time and cost indicators. In addition, a “no practice” economy receives a score of 0 on the reliability of supply and transparency of tariff index even if the utility has in place automated systems for monitoring and restoring outages, there is regulatory oversight of utilities on power interruptions, and tariffs are publicly available.

Price of electricity

Doing Business measures the price of electricity but does not include these data when calculating the distance to frontier score for getting electricity or the ranking on the ease of getting electricity. (The data are available on the *Doing Business* website, at <http://www.doingbusiness.org>.) The data on electricity prices are based on standardized assumptions to

ensure comparability across locations and economies.

The price of electricity is measured in US\$ cents per kilowatt-hour. On the basis of the assumptions about monthly consumption, a monthly bill for a commercial warehouse in each of the selected locations is computed for the month of March. As noted, the warehouse uses electricity 30 days a month, from 9:00 a.m. to 5:00 p.m., so different tariff schedules may apply if a time-of-use tariff is available.

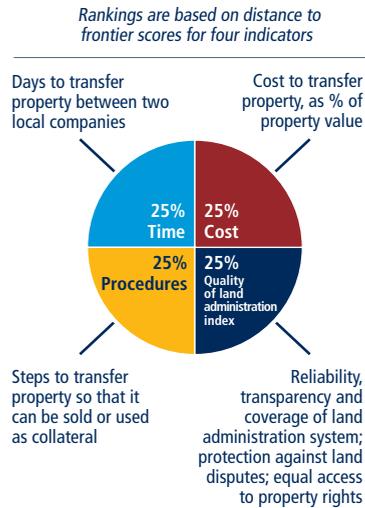
The data details on getting electricity can be found at <http://www.doingbusiness.org>. The initial methodology was developed by Carolin Geginat and Rita Ramalho (“Electricity Connections and Firm Performance in 183 Countries,” Global Indicators Group, World Bank Group, Washington, DC, 2015) and is adopted here with minor changes.

REGISTERING PROPERTY

Doing Business records the full sequence of procedures necessary for a business (the buyer) to purchase a property from another business (the seller) and to transfer the property title to the buyer’s name so that the buyer can use the property for expanding its business, use the property as collateral in taking new loans or, if necessary, sell the property to another business. It also measures the time and cost to complete each of these procedures. In addition, *Doing Business* measures the quality of the land administration system in each economy. The quality of land administration index has five dimensions: reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution and equal access to property rights.

The ranking of locations on the ease of registering property is determined by sorting their distance to frontier scores for registering property. These scores are the simple average of the distance to frontier scores for each of the component indicators (figure 9.7).

FIGURE 9.7 Registering property: efficiency and quality of land administration system



EFFICIENCY OF TRANSFERRING PROPERTY

As recorded by *Doing Business*, the process of transferring property starts with obtaining the necessary documents, such as a copy of the seller’s title if necessary, and conducting due diligence if required. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it (figure 9.8). Every procedure required by law or necessary in practice is included, whether it is the responsibility of the seller or the buyer or must be completed by a

third party on their behalf. Local property lawyers, notaries and property registries provide information on procedures as well as the time and cost to complete each of them.

Assumptions about the parties

The parties (buyer and seller):

- Are limited liability companies (or the legal equivalent).
- Are located in the periurban area of the selected city.
- Are 100% domestically and privately owned.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

Assumptions about the property

The property:

- Has a value of 50 times income per capita. The sale price equals the value.
- Is fully owned by the seller.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of land and a building. The land area is 557.4 square meters (6,000 square feet). A two-story warehouse of 929 square meters (10,000 square feet) is located on the land. The warehouse is 10 years old, is in good condition and complies with

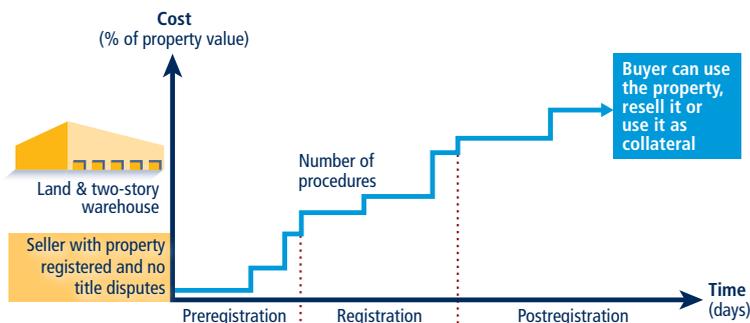
all safety standards, building codes and other legal requirements. It has no heating system. The property of land and building will be transferred in its entirety.

- Will not be subject to renovations or additional building following the purchase.
- Has no trees, natural water sources, natural reserves or historical monuments of any kind.
- Will not be used for special purposes, and no special permits, such as for residential use, industrial plants, waste storage or certain types of agricultural activities, are required.
- Has no occupants, and no other party holds a legal interest in it.

Procedures

A procedure is defined as any interaction of the buyer or the seller, their agents (if an agent is legally or in practice required) or the property with external parties, including government agencies, inspectors, notaries and lawyers. Interactions between company officers and employees are not considered. All procedures that are legally or in practice required for registering property are recorded, even if they may be avoided in exceptional cases (table 9.5). It is assumed that the buyer follows the fastest legal option available and used by the majority of property owners. Although the buyer may use lawyers or other professionals where necessary in the registration process, it is assumed that the buyer does not employ an outside facilitator in the registration process unless legally or in practice required to do so.

FIGURE 9.8 What are the time, cost and number of procedures required to transfer property between two local companies?



Time

Time is recorded in calendar days. The measure captures the median duration that property lawyers, notaries or registry officials indicate is necessary to complete a procedure. It is assumed that the minimum time required for each procedure is one day, except for procedures that can be fully completed online, for which the time required is recorded as half a day. Although procedures may take place

TABLE 9.5 What do the indicators on the efficiency of transferring property measure?

Procedures to legally transfer title on immovable property (number)

Preregistration procedures (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)

Registration procedures in the selected city

Postregistration procedures (for example, filing title with municipality)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day—though procedures that can be fully completed online are an exception to this rule

Procedure considered completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of property value)

Official costs only, no bribes

No value added or capital gains taxes included

simultaneously, they cannot start on the same day, again with the exception of procedures that can be fully completed online. It is assumed that the buyer does not waste time and commits to completing each remaining procedure without delay. If a procedure can be accelerated for an additional cost, the fastest legal procedure available and used by the majority of property owners is chosen. If procedures can be undertaken simultaneously, it is assumed that they are. It is assumed that the parties involved are aware of all requirements and their sequence from the beginning. Time spent on gathering information is not considered.

Cost

Cost is recorded as a percentage of the property value, assumed to be equivalent to 50 times income per capita. Only official costs required by law are recorded, including fees, transfer taxes, stamp duties and any other payment to the property registry, notaries, public agencies or lawyers. Other taxes, such as capital gains tax or value added tax, are excluded from the cost measure. Both

costs borne by the buyer and those borne by the seller are included. If cost estimates differ among sources, the median reported value is used.

QUALITY OF LAND ADMINISTRATION

The quality of land administration index is composed of five other indices: the reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution and equal access to property rights indices (table 9.6). Data are collected for each of the selected locations.

Reliability of infrastructure index

The reliability of infrastructure index has six components:

- How land titles are kept at the registry of the selected location. A score of 2 is assigned if the majority of land titles

are fully digital; 1 if the majority are scanned; 0 if the majority are kept in paper format.

- Whether there is an electronic database for checking for encumbrances. A score of 1 is assigned if yes; 0 if no.
- How maps of land plots are kept at the mapping agency of the selected location. A score of 2 is assigned if the majority of maps are fully digital; 1 if the majority are scanned; 0 if the majority are kept in paper format.
- Whether there is a geographic information system—an electronic database for recording boundaries, checking plans and providing cadastral information. A score of 1 is assigned if yes; 0 if no.
- How the land ownership registry and mapping agency are linked. A score of 1 is assigned if information about land ownership and maps are kept in a single database or in linked

TABLE 9.6 What do the indicators on the quality of land administration measure?

Reliability of infrastructure index (0–8)

Type of system for archiving information on land ownership

Availability of electronic database to check for encumbrances

Type of system for archiving maps

Availability of geographic information system

Link between property ownership registry and mapping system

Transparency of information index (0–6)

Accessibility of information on land ownership

Accessibility of maps of land plots

Publication of fee schedules, lists of registration documents, service standards

Availability of a specific and separate mechanism for complaints

Publication of statistics about the number of property transactions

Geographic coverage index (0–8)

Coverage of land registry at the level of the selected city and the economy

Coverage of mapping agency at the level of the selected city and the economy

Land dispute resolution index (0–8)

Legal framework for immovable property registration

Mechanisms to prevent and resolve land disputes

Equal access to property rights index (-2–0)

Unequal ownership rights to property between unmarried men and women

Unequal ownership rights to property between married men and women

Quality of land administration index (0–30)

Sum of the reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution and equal access to property rights indices

databases; 0 if there is no connection between the different databases.

- How immovable property is identified. A score of 1 is assigned if there is a unique number to identify properties for the majority of land plots; 0 if there are multiple identifiers.

The index ranges from 0 to 8, with higher values indicating a higher quality of infrastructure for ensuring the reliability of information on property titles and boundaries. In Turkey, for example, the land registry offices in Istanbul maintain titles in a fully digital format (a score of 2) and have a fully electronic database to check for encumbrances (a score of 1). The Cadastral Directorate offices in Istanbul have digital maps (a score of 2), and the Geographical Information Directorate has a public portal allowing users to check the plans and cadastral information on parcels along with satellite images (a score of 1). Databases about land ownership and maps are linked to each other through the TAKBIS system, an integrated information system for the land registry offices and cadastral offices (a score of 1). Finally, there is a unique identifying number for properties (a score of 1). Adding these numbers gives Turkey a score of 8 on the reliability of infrastructure index.

Transparency of information index

The transparency of information index has 10 components:

- Whether information on land ownership is made publicly available. A score of 1 is assigned if information on land ownership is accessible by anyone; 0 if access is restricted.
- Whether the list of documents required for completing any type of property transaction is made publicly available. A score of 0.5 is assigned if the list of documents is accessible online or on a public board; 0 if it is not made available to the public or if it can be obtained only in person.
- Whether the fee schedule for completing any type of property

transaction is made publicly available. A score of 0.5 is assigned if the fee schedule is accessible online or on a public board or is free of charge; 0 if it is not made available to the public or if it can be obtained only in person.

- Whether the agency in charge of immovable property registration commits to delivering a legally binding document that proves property ownership within a specific time frame. A score of 0.5 is assigned if the service standard is accessible online or on a public board; 0 if it is not made available to the public or if it can be obtained only in person.
- Whether there is a specific and separate mechanism for filing complaints about a problem that occurred at the agency in charge of immovable property registration. A score of 1 is assigned if there is a specific and separate mechanism for filing a complaint; 0 if there is only a general mechanism or no mechanism.
- Whether there are publicly available official statistics tracking the number of transactions at the immovable property registration agency. A score of 0.5 is assigned if statistics are published about property transfers in the selected location in the past calendar year; 0 if no such statistics are made publicly available.
- Whether maps of land plots are made publicly available. A score of 0.5 is assigned if maps are accessible by anyone; 0 if access is restricted.
- Whether the fee schedule for accessing maps is made publicly available. A score of 0.5 is assigned if the fee schedule is accessible online or on a public board or free of charge; 0 if it is not made available to the public or if it can be obtained only in person.
- Whether the mapping agency commits to delivering an updated map within a specific time frame. A score of 0.5 is assigned if the service standard is accessible online or on a public board; 0 if it is not made available to the public or if it can be obtained only in person.

- Whether there is a specific and separate mechanism for filing complaints about a problem that occurred at the mapping agency. A score of 0.5 is assigned if there is a specific and separate mechanism for filing a complaint; 0 if there is only a general mechanism or no mechanism.

The index ranges from 0 to 6, with higher values indicating greater transparency in the land administration system. In the Netherlands, for example, anyone who pays a fee can consult the land ownership database (a score of 1). Information can be obtained at the office, by mail or online using the Kadaster website (<http://www.kadaster.nl>). Anyone can also get information online about the list of documents to submit for property registration (a score of 0.5), the fee schedule for registration (a score of 0.5) and the service standards (a score of 0.5). And anyone facing a problem at the land registry can file a complaint or report an error by filling in a specific form online (a score of 1). In addition, the Kadaster makes statistics about land transactions available to the public, reporting a total of 178,293 property transfers in Amsterdam in 2015 (a score of 0.5). Moreover, anyone who pays a fee can consult online cadastral maps (a score of 0.5). It is also possible to get public access to the fee schedule for map consultation (a score of 0.5), the service standards for delivery of an updated plan (a score of 0.5) and a specific mechanism for filing a complaint about a map (a score of 0.5). Adding these numbers gives the Netherlands a score of 6 on the transparency of information index.

Geographic coverage index

The geographic coverage index has four components:

- How complete the coverage of the land registry is at the level of the selected location. A score of 2 is assigned if all privately held land plots in the location are formally registered at the land registry; 0 if not.
- How complete the coverage of the land registry is at the level of the

economy. A score of 2 is assigned if all privately held land plots in the economy are formally registered at the land registry; 0 if not.

- How complete the coverage of the mapping agency is at the level of the selected location. A score of 2 is assigned if all privately held land plots in the location are mapped; 0 if not.
- How complete the coverage of the mapping agency is at the level of the economy. A score of 2 is assigned if all privately held land plots in the economy are mapped; 0 if not.

The index ranges from 0 to 8, with higher values indicating greater geographic coverage in land ownership registration and cadastral mapping. In the Republic of Korea, for example, all privately held land plots are formally registered at the land registry in Seoul (a score of 2) and in the economy as a whole (a score of 2). In addition, all privately held land plots are mapped in Seoul (a score of 2) and in the economy as a whole (a score of 2). Adding these numbers gives Korea a score of 8 on the geographic coverage index.

Land dispute resolution index

The land dispute resolution index assesses the legal framework for immovable property registration and the accessibility of dispute resolution mechanisms. The index has eight components:

- Whether the law requires that all property sale transactions be registered at the immovable property registry to make them opposable to third parties. A score of 1.5 is assigned if yes; 0 if no.
- Whether the formal system of immovable property registration is subject to a guarantee. A score of 0.5 is assigned if either a state or private guarantee over immovable property registration is required by law; 0 if no such guarantee is required.
- Whether there is a specific compensation mechanism to cover for losses incurred by parties who engaged in good faith in a property transaction based on erroneous information

certified by the immovable property registry. A score of 0.5 is assigned if yes; 0 if no.

- Whether the legal system requires verification of the legal validity of the documents necessary for a property transaction. A score of 0.5 is assigned if there is a review of legal validity, either by the registrar or by a professional (such as a notary or lawyer); 0 if there is no review.
- Whether the legal system requires verification of the identity of the parties to a property transaction. A score of 0.5 is assigned if there is verification of identity, either by the registrar or by a professional (such as a notary or lawyer); 0 if there is no verification.
- Whether there is a national database to verify the accuracy of identity documents. A score of 1 is assigned if such a national database is available; 0 if not.
- How much time it takes to obtain a decision from a court of first instance (without appeal) in a standard land dispute between two local businesses over tenure rights worth 50 times income per capita and located in the selected location. A score of 3 is assigned if it takes less than one year; 2 if it takes between one and two years; 1 if it takes between two and three years; 0 if it takes more than three years.
- Whether there are publicly available statistics on the number of land disputes in the first instance. A score of 0.5 is assigned if statistics are published about land disputes in the economy in the past calendar year; 0 if no such statistics are made publicly available.

The index ranges from 0 to 8, with higher values indicating greater protection against land disputes. In Lithuania, for example, according to the Civil Code and the Law on the Real Property Register, property transactions must be registered at the land registry to make them opposable to third parties (a score of 1.5). The property transfer system is guaranteed by the state (a score of 0.5) and has a

compensation mechanism to cover for losses incurred by parties who engaged in good faith in a property transaction based on an error by the registry (a score of 0.5). A notary verifies the legal validity of the documents in a property transaction (a score of 0.5) and the identity of the parties (a score of 0.5), in accordance with the Law on the Notary Office (Law I-2882). Lithuania has a national database to verify the accuracy of identity documents (a score of 1). In a land dispute between two Lithuanian companies over the tenure rights of a property worth US\$745,000, the Vilnius District Court gives a decision in less than one year (a score of 3). Finally, statistics about land disputes are collected and published; there were a total of seven land disputes in the country in 2015 (a score of 0.5). Adding these numbers gives Lithuania a score of 8 on the land dispute resolution index.

Equal access to property rights index

The equal access to property rights index has two components:

- Whether unmarried men and unmarried women have equal ownership rights to property. A score of -1 is assigned if there are unequal ownership rights to property; 0 if there is equality.
- Whether married men and married women have equal ownership rights to property. A score of -1 is assigned if there are unequal ownership rights to property; 0 if there is equality.

Ownership rights cover the ability to manage, control, administer, access, encumber, receive, dispose of and transfer property. Each restriction is considered if there is a differential treatment for men and women in the law considering the default marital property regime. For customary land systems, equality is assumed unless there is a general legal provision stating a differential treatment.

The index ranges from -2 to 0, with higher values indicating greater inclusiveness of property rights. In Mali, for

example, unmarried men and unmarried women have equal ownership rights to property (a score of 0). The same applies to married men and married women who can use their property in the same way (a score of 0). Adding these numbers gives Mali a score of 0 on the equal access to property rights index—which indicates equal property rights between men and women. In contrast, in Swaziland unmarried men and unmarried women do not have equal ownership rights to property according to the Deeds Registry Act of 1968, article 16 (a score of -1). The same applies to married men and married women who are not permitted to use their property in the same way according to the Deeds Registry Act of 1968, articles 16 and 45 (a score of -1). Adding these numbers gives Swaziland a score of -2 on the equal access to property rights index—which indicates unequal property rights between men and women.

Quality of land administration index

The quality of land administration index is the sum of the scores on the reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution and equal access to property rights indices. The index ranges from 0 to 30, with higher values indicating better quality of the land administration system.

The data details on registering property can be found at <http://www.doingbusiness.org>.

ENFORCING CONTRACTS

Doing Business measures the time and cost for resolving a commercial dispute through a local first-instance court (table 9.7) and the quality of judicial processes index, evaluating whether each economy has adopted a series of good practices that promote quality and efficiency in the court system. The data are collected through study of the codes of civil procedure and other court regulations as well as questionnaires completed by local litigation lawyers and judges. The ranking

of economies on the ease of enforcing contracts is determined by sorting their distance to frontier scores for enforcing contracts. These scores are the simple average of the distance to frontier scores for each of the component indicators (figure 9.9).

EFFICIENCY OF RESOLVING A COMMERCIAL DISPUTE

The data on time and cost are built by following the step-by-step evolution of a commercial sale dispute (figure 9.10). The data are collected for a specific court for each location covered, under the assumptions about the case described below. The court is the one with jurisdiction over disputes worth 200% of income per capita or \$5,000, whichever is greater. The name of the relevant court in each economy is published on the *Doing Business* website at <http://doingbusiness.org/data/exploretopics/enforcing-contracts>.

Assumptions about the case

- The value of the claim is equal to 200% of the economy’s income per capita or \$5,000, whichever is greater.
- The dispute concerns a lawful transaction between two businesses (Seller and Buyer), both located in the selected city. Pursuant to a contract between the businesses, Seller sells some custom-made furniture to Buyer worth 200% of the economy’s income per capita or \$5,000, whichever is greater. After Seller delivers the goods to Buyer, Buyer refuses to pay the contract price, alleging that the goods are not of adequate quality. Because they were custom-made, Seller is unable to sell them to anyone else.
- Seller (the plaintiff) sues Buyer (the defendant) to recover the amount under the sales agreement. The dispute is brought before the court located in the selected locations with jurisdiction over commercial cases worth 200% of income per capita or \$5,000, whichever is greater.

FIGURE 9.9 Enforcing contracts: efficiency and quality of commercial dispute resolution

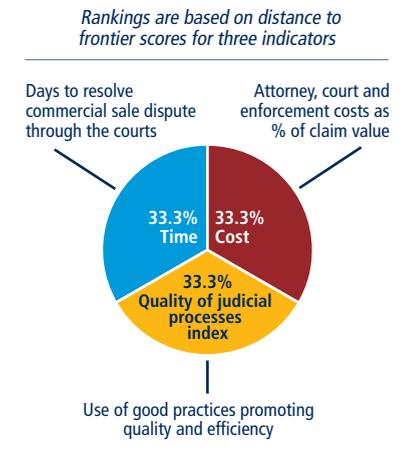


FIGURE 9.10 What are the time and cost to resolve a commercial dispute through the courts?

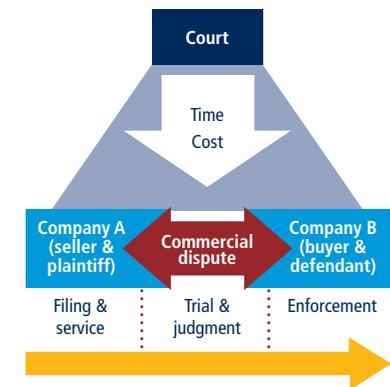


TABLE 9.7 What do the indicators on the efficiency of resolving a commercial dispute measure?

| |
|---|
| Time required to enforce a contract through the courts (calendar days) |
| Time to file and serve the case |
| Time for trial and to obtain the judgment |
| Time to enforce the judgment |
| Cost required to enforce a contract through the courts (% of claim) |
| Average attorney fees |
| Court costs |
| Enforcement costs |

- At the outset of the dispute, Seller decides to attach Buyer's movable assets (for example, office equipment and vehicles) because Seller fears that Buyer may hide its assets or otherwise become insolvent.
- The claim is disputed on the merits because of Buyer's allegation that the quality of the goods was not adequate. Because the court cannot decide the case on the basis of documentary evidence or legal title alone, an expert opinion is given on the quality of the goods. If it is standard practice in the economy for each party to call its own expert witness, the parties each call one expert witness. If it is standard practice for the judge to appoint an independent expert, the judge does so. In this case the judge does not allow opposing expert testimony.
- Following the expert opinion, the judge decides that the goods delivered by Seller were of adequate quality and that Buyer must pay the contract price. The judge thus renders a final judgment that is 100% in favor of Seller.
- Buyer does not appeal the judgment. Seller decides to start enforcing the judgment as soon as the time allocated by law for appeal lapses.
- Seller takes all required steps for prompt enforcement of the judgment. The money is successfully collected through a public sale of Buyer's movable assets (for example, office equipment and vehicles).

Time

Time is recorded in calendar days, counted from the moment the plaintiff decides to file the lawsuit in court until payment. This includes both the days when actions take place and the waiting periods in between. The average duration of three different stages of dispute resolution is recorded: the completion of service of process (time to file and serve the case), the issuance of judgment (time for trial and to obtain the judgment) and the recovery of the claim value through a public sale (time for enforcement of the judgment).

Cost

Cost is recorded as a percentage of the claim, assumed to be equivalent to 200% of income per capita or \$5,000, whichever is greater. Three types of costs are recorded: court costs, enforcement costs and average attorney fees.

Court costs include all costs that Seller (plaintiff) must advance to the court, regardless of the final cost borne by Seller. Court costs include the fees that must be paid to obtain an expert opinion. Enforcement costs are all costs that Seller (plaintiff) must advance to enforce the judgment through a public sale of Buyer's movable assets, regardless of the final cost borne by Seller. Average attorney fees are the fees that Seller (plaintiff) must advance to a local attorney to represent Seller in the standardized case. Bribes are not taken into account.

QUALITY OF JUDICIAL PROCESSES

The quality of judicial processes index measures whether each location has adopted a series of good practices in its court system in four areas: court structure and proceedings, case management, court automation and alternative dispute resolution (table 9.8).

Court structure and proceedings index

The court structure and proceedings index has five components:

- Whether a specialized commercial court or a section dedicated solely to hearing commercial cases is in place. A score of 1.5 is assigned if yes; 0 if no.
- Whether a small claims court or a fast-track procedure for small claims is in place. A score of 1 is assigned if

TABLE 9.8 What do the indicators on the quality of judicial processes measure?

Court structure and proceedings index (0–5)

Availability of specialized commercial court, division or section

Availability of small claims court and/or simplified procedure for small claims

Availability of pretrial attachment

Criteria used to assign cases to judges

Evidentiary weight of woman's testimony

Case management index (0–6)

Regulations setting time standards for key court events

Regulations on adjournments and continuances

Availability of performance measurement mechanisms

Availability of pretrial conference

Availability of electronic case management system for judges

Availability of electronic case management system for lawyers

Court automation index (0–4)

Ability to file initial complaint electronically

Ability to serve initial complaint electronically

Ability to pay court fees electronically

Publication of judgments

Alternative dispute resolution index (0–3)

Arbitration

Voluntary mediation and/or conciliation

Quality of judicial processes index (0–18)

Sum of the court structure and proceedings, case management, court automation and alternative dispute resolution indices

such a court or procedure is in place, it is applicable to all civil cases and the law sets a cap on the value of cases that can be handled through this court or procedure. If small claims are handled by a stand-alone court, the point is assigned only if this court applies a simplified procedure. An additional score of 0.5 is assigned if parties can represent themselves before this court or during this procedure. If no small claims court or simplified procedure is in place, a score of 0 is assigned.

- Whether plaintiffs can obtain pretrial attachment of the defendant's movable assets if they fear the assets may be moved out of the jurisdiction or otherwise dissipated. A score of 1 is assigned if yes; 0 if no.
- Whether cases are assigned randomly and automatically to judges throughout the competent court. A score of 1 is assigned if the assignment of cases is random and automated; 0.5 if it is random but not automated; 0 if it is neither random nor automated.
- Whether a woman's testimony carries the same evidentiary weight in court as a man's. A score of -1 is assigned if the law differentiates between the evidentiary value of a woman's testimony and that of a man; 0 if it does not.

The index ranges from 0 to 5, with higher values indicating a more sophisticated and streamlined court structure. In Bosnia and Herzegovina, for example, a specialized commercial court is in place (a score of 1.5), and small claims can be resolved through a dedicated court in which self-representation is allowed (a score of 1.5). Plaintiffs can obtain pretrial attachment of the defendant's movable assets if they fear dissipation during trial (a score of 1). Cases are assigned randomly through an electronic case management system (a score of 1). Adding these numbers gives Bosnia and Herzegovina a score of 5 on the court structure and proceedings index.

Case management index

The case management index has six components:

- Whether any of the applicable laws or regulations on civil procedure contain time standards for at least three of the following key court events: (i) service of process; (ii) first hearing; (iii) filing of the statement of defense; (iv) completion of the evidence period; (v) filing of testimony by expert; and (vi) submission of the final judgment. A score of 1 is assigned if such time standards are available and respected in more than 50% of cases; 0.5 if they are available but not respected in more than 50% of cases; 0 if there are time standards for less than three of these key court events.
- Whether there are any laws regulating the maximum number of adjournments or continuances that can be granted, whether adjournments are limited by law to unforeseen and exceptional circumstances and whether these rules are respected in more than 50% of cases. A score of 1 is assigned if all three conditions are met; 0.5 if only two of the three conditions are met; 0 if only one of the conditions is met or if none are.
- Whether there are any performance measurement reports that can be generated about the competent court to monitor the court's performance, to monitor the progress of cases through the court and to ensure compliance with established time standards. A score of 1 is assigned if at least two of the following four reports are made publicly available: (i) time to disposition report; (ii) clearance rate report; (iii) age of pending cases report; and (iv) single case progress report. A score of 0 is assigned if only one of these reports is available or if none are.
- Whether a pretrial conference is among the case management techniques used before the competent court and at least three of the following issues are discussed during the

pretrial conference: (i) scheduling (including the time frame for filing motions and other documents with the court); (ii) case complexity and projected length of trial; (iii) possibility of settlement or alternative dispute resolution; (iv) exchange of witness lists; (v) evidence; (vi) jurisdiction and other procedural issues; and (vii) the narrowing down of contentious issues. A score of 1 is assigned if a pretrial conference in which at least three of these events are discussed is held within the competent court; 0 if not.

- Whether judges within the competent court can use an electronic case management system for at least four of the following purposes: (i) to access laws, regulations and case law; (ii) to automatically generate a hearing schedule for all cases on their docket; (iii) to send notifications (for example, e-mails) to lawyers; (iv) to track the status of a case on their docket; (v) to view and manage case documents (briefs, motions); (vi) to assist in writing judgments; (vii) to semiautomatically generate court orders; and (viii) to view court orders and judgments in a particular case. A score of 1 is assigned if an electronic case management system is available that judges can use for at least four of these purposes; 0 if not.
- Whether lawyers can use an electronic case management system for at least four of the following purposes: (i) to access laws, regulations and case law; (ii) to access forms to be submitted to the court; (iii) to receive notifications (for example, e-mails); (iv) to track the status of a case; (v) to view and manage case documents (briefs, motions); (vi) to file briefs and documents with the court; and (vii) to view court orders and decisions in a particular case. A score of 1 is assigned if an electronic case management system is available that lawyers can use for at least four of these purposes; 0 if not.

The index ranges from 0 to 6, with higher values indicating a more qualitative and efficient case management system. In Croatia, for example, time standards for at least three key court events are contained in applicable civil procedure instruments and are respected in more than 50% of cases (a score of 1). The law stipulates that adjournments can be granted only for unforeseen and exceptional circumstances and this rule is respected in more than 50% of cases (a score of 0.5). A time to disposition report and a clearance rate report can be generated about the competent court (a score of 1). A pretrial conference is among the case management techniques used before the Zagreb Commercial Court (a score of 1). An electronic case management system satisfying the criteria outlined above is available to judges (a score of 1) and to lawyers (a score of 1). Adding these numbers gives Croatia a score of 5.5 on the case management index, the highest score attained by any economy on this index.

Court automation index

The court automation index has four components:

- Whether the initial complaint can be filed electronically through a dedicated platform (not e-mail or fax) within the relevant court. A score of 1 is assigned if yes; 0 if no.
- Whether the initial complaint can be served on the defendant electronically, through a dedicated system or by e-mail, fax or SMS (short message service). A score of 1 is assigned if yes; 0 if no.
- Whether court fees can be paid electronically, either through a dedicated platform or through online banking. A score of 1 is assigned if yes; 0 if no.
- Whether judgments rendered by local courts are made available to the general public through publication in official gazettes, in newspapers or on the internet. A score of 1 is assigned if judgments rendered in commercial cases at all levels are made available

to the general public; 0.5 if only judgments rendered at the appeal and supreme court level are made available to the general public; 0 in all other instances.

The index ranges from 0 to 4, with higher values indicating a more automated, efficient and transparent court system. In Korea, for example, the initial summons can be filed online (a score of 1), it can be served on the defendant electronically (a score of 1), and court fees can be paid electronically as well (a score of 1). In addition, judgments in commercial cases at all levels are made publicly available through the internet (a score of 1). Adding these numbers gives Korea a score of 4 on the court automation index.

Alternative dispute resolution index

The alternative dispute resolution index has six components:

- Whether domestic commercial arbitration is governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all its aspects. A score of 0.5 is assigned if yes; 0 if no.
- Whether commercial disputes of all kinds—aside from those dealing with public order, public policy, bankruptcy, consumer rights, employment issues or intellectual property—can be submitted to arbitration. A score of 0.5 is assigned if yes; 0 if no.
- Whether valid arbitration clauses or agreements are enforced by local courts in more than 50% of cases. A score of 0.5 is assigned if yes; 0 if no.
- Whether voluntary mediation, conciliation or both are a recognized way of resolving commercial disputes. A score of 0.5 is assigned if yes; 0 if no.
- Whether voluntary mediation, conciliation or both are governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing

substantially all their aspects. A score of 0.5 is assigned if yes; 0 if no.

- Whether there are any financial incentives for parties to attempt mediation or conciliation (for example, if mediation or conciliation is successful, a refund of court filing fees, an income tax credit or the like). A score of 0.5 is assigned if yes; 0 if no.

The index ranges from 0 to 3, with higher values associated with greater availability of mechanisms of alternative dispute resolution. In Israel, for example, arbitration is regulated through a dedicated statute (a score of 0.5), all relevant commercial disputes can be submitted to arbitration (a score of 0.5), and valid arbitration clauses are usually enforced by the courts (a score of 0.5). Voluntary mediation is a recognized way of resolving commercial disputes (a score of 0.5), it is regulated through a dedicated statute (a score of 0.5), and part of the filing fees is reimbursed if the process is successful (a score of 0.5). Adding these numbers gives Israel a score of 3 on the alternative dispute resolution index.

Quality of judicial processes index

The quality of judicial processes index is the sum of the scores on the court structure and proceedings, case management, court automation and alternative dispute resolution indices. The index ranges from 0 to 18, with higher values indicating better and more efficient judicial processes.

The data details on enforcing contracts can be found for each economy at <http://www.doingbusiness.org>. This methodology was initially developed by Simeon Djankov, Rafael La Porta, Florencio López-de-Silanes and Andrei Shleifer ("Courts," Quarterly Journal of Economics 118, no. 2 [2003]: 453-517) and is adopted here with several changes. The quality of judicial processes index was introduced in Doing Business 2016. The good practices tested in this index were developed on the basis of internationally recognized good practices promoting judicial efficiency.

NOTES

1. For more information, see the data notes in the *Doing Business 2017* report.
2. According to a study based on evidence from India between 1994 and 2005, a higher-quality electricity supply, with no more than two outages a week (or no more than about 100 a year), leads to higher nonagricultural incomes. Ujjayant Chakravorty, Martino Pelli and Beyza P. Ural Marchand, "Does the Quality of Electricity Matter? Evidence from Rural India," FEEM Working Paper 11.2014 (Fondazione Eni Enrico Mattei, Milan, 2014).

City Snapshots

BULGARIA

BURGAS (Bulgaria)

| Starting a business (rank) | 3 | Dealing with construction permits (rank) | 11 |
|---|-------|---|-------|
| Distance to frontier score (0–100) | 90.05 | Distance to frontier score (0–100) | 69.23 |
| Procedures (number) | 5 | Procedures (number) | 19 |
| Time (days) | 16 | Time (days) | 133 |
| Cost (% of income per capita) | 1.3 | Cost (% of warehouse value) | 4.6 |
| Paid-in minimum capital (% of income per capita) | 0.0 | Building quality control index (0–15) | 13 |
| Getting electricity (rank) | 3 | Registering property (rank) | 18 |
| Distance to frontier score (0–100) | 65.49 | Distance to frontier score (0–100) | 70.67 |
| Procedures (number) | 5 | Procedures (number) | 8 |
| Time (days) | 227 | Time (days) | 14 |
| Cost (% of income per capita) | 107.1 | Cost (% of property value) | 2.9 |
| Reliability of supply and transparency of tariffs index (0–8) | 7 | Quality of land administration index (0–30) | 20 |

| Enforcing contracts (rank) | 15 |
|--|-------|
| Distance to frontier score (0–100) | 72.68 |
| Time (days) | 361 |
| Cost (% of claim) | 15.9 |
| Quality of judicial processes index (0–18) | 10 |

PLEVEN (Bulgaria)

| Starting a business (rank) | 2 | Dealing with construction permits (rank) | 8 |
|---|-------|---|-------|
| Distance to frontier score (0–100) | 90.50 | Distance to frontier score (0–100) | 71.92 |
| Procedures (number) | 5 | Procedures (number) | 18 |
| Time (days) | 14 | Time (days) | 152 |
| Cost (% of income per capita) | 1.8 | Cost (% of warehouse value) | 2.1 |
| Paid-in minimum capital (% of income per capita) | 0.0 | Building quality control index (0–15) | 13 |
| Getting electricity (rank) | 13 | Registering property (rank) | 19 |
| Distance to frontier score (0–100) | 54.66 | Distance to frontier score (0–100) | 70.44 |
| Procedures (number) | 6 | Procedures (number) | 8 |
| Time (days) | 258 | Time (days) | 11 |
| Cost (% of income per capita) | 516.3 | Cost (% of property value) | 3.3 |
| Reliability of supply and transparency of tariffs index (0–8) | 6 | Quality of land administration index (0–30) | 20 |
| Enforcing contracts (rank) | 12 | | |
| Distance to frontier score (0–100) | 73.63 | | |
| Time (days) | 289 | | |
| Cost (% of claim) | 18.6 | | |
| Quality of judicial processes index (0–18) | 10 | | |

| PLOVDIV (Bulgaria) | | | |
|---|-----------|---|-----------|
| Starting a business (rank) | 3 | Dealing with construction permits (rank) | 12 |
| Distance to frontier score (0–100) | 90.05 | Distance to frontier score (0–100) | 68.30 |
| Procedures (number) | 5 | Procedures (number) | 20 |
| Time (days) | 16 | Time (days) | 162 |
| Cost (% of income per capita) | 1.3 | Cost (% of warehouse value) | 2.9 |
| Paid-in minimum capital (% of income per capita) | 0.0 | Building quality control index (0–15) | 13 |
| Getting electricity (rank) | 5 | Registering property (rank) | 21 |
| Distance to frontier score (0–100) | 65.06 | Distance to frontier score (0–100) | 69.59 |
| Procedures (number) | 5 | Procedures (number) | 8 |
| Time (days) | 231 | Time (days) | 16 |
| Cost (% of income per capita) | 107.1 | Cost (% of property value) | 2.9 |
| Reliability of supply and transparency of tariffs index (0–8) | 7 | Quality of land administration index (0–30) | 19 |
| Enforcing contracts (rank) | 17 | | |
| Distance to frontier score (0–100) | 72.36 | | |
| Time (days) | 440 | | |
| Cost (% of claim) | 18.4 | | |
| Quality of judicial processes index (0–18) | 11.5 | | |
| RUSE (Bulgaria) | | | |
| Starting a business (rank) | 11 | Dealing with construction permits (rank) | 9 |
| Distance to frontier score (0–100) | 88.33 | Distance to frontier score (0–100) | 71.34 |
| Procedures (number) | 6 | Procedures (number) | 18 |
| Time (days) | 17 | Time (days) | 165 |
| Cost (% of income per capita) | 1.3 | Cost (% of warehouse value) | 1.9 |
| Paid-in minimum capital (% of income per capita) | 0.0 | Building quality control index (0–15) | 13 |
| Getting electricity (rank) | 12 | Registering property (rank) | 17 |
| Distance to frontier score (0–100) | 54.71 | Distance to frontier score (0–100) | 71.53 |
| Procedures (number) | 5 | Procedures (number) | 8 |
| Time (days) | 240 | Time (days) | 11 |
| Cost (% of income per capita) | 107.1 | Cost (% of property value) | 2.6 |
| Reliability of supply and transparency of tariffs index (0–8) | 4 | Quality of land administration index (0–30) | 20 |
| Enforcing contracts (rank) | 7 | | |
| Distance to frontier score (0–100) | 75.38 | | |
| Time (days) | 321 | | |
| Cost (% of claim) | 19.0 | | |
| Quality of judicial processes index (0–18) | 11.5 | | |

| SOFIA (Bulgaria) | | | |
|---|-----------|---|-----------|
| Starting a business (rank) | 21 | Dealing with construction permits (rank) | 6 |
| Distance to frontier score (0–100) | 86.82 | Distance to frontier score (0–100) | 72.75 |
| Procedures (number) | 6 | Procedures (number) | 18 |
| Time (days) | 23 | Time (days) | 97 |
| Cost (% of income per capita) | 1.3 | Cost (% of warehouse value) | 4.6 |
| Paid-in minimum capital (% of income per capita) | 0.0 | Building quality control index (0–15) | 13 |
| Getting electricity (rank) | 14 | Registering property (rank) | 22 |
| Distance to frontier score (0–100) | 54.64 | Distance to frontier score (0–100) | 69.23 |
| Procedures (number) | 6 | Procedures (number) | 8 |
| Time (days) | 262 | Time (days) | 19 |
| Cost (% of income per capita) | 523.0 | Cost (% of property value) | 2.9 |
| Reliability of supply and transparency of tariffs index (0–8) | 6 | Quality of land administration index (0–30) | 19 |
| Enforcing contracts (rank) | 20 | | |
| Distance to frontier score (0–100) | 67.04 | | |
| Time (days) | 564 | | |
| Cost (% of claim) | 18.6 | | |
| Quality of judicial processes index (0–18) | 10.5 | | |
| VARNA (Bulgaria) | | | |
| Starting a business (rank) | 1 | Dealing with construction permits (rank) | 10 |
| Distance to frontier score (0–100) | 90.56 | Distance to frontier score (0–100) | 70.53 |
| Procedures (number) | 5 | Procedures (number) | 19 |
| Time (days) | 14 | Time (days) | 135 |
| Cost (% of income per capita) | 1.3 | Cost (% of warehouse value) | 3.4 |
| Paid-in minimum capital (% of income per capita) | 0.0 | Building quality control index (0–15) | 13 |
| Getting electricity (rank) | 10 | Registering property (rank) | 20 |
| Distance to frontier score (0–100) | 59.05 | Distance to frontier score (0–100) | 70.19 |
| Procedures (number) | 5 | Procedures (number) | 8 |
| Time (days) | 200 | Time (days) | 11 |
| Cost (% of income per capita) | 107.1 | Cost (% of property value) | 3.4 |
| Reliability of supply and transparency of tariffs index (0–8) | 4 | Quality of land administration index (0–30) | 20 |
| Enforcing contracts (rank) | 9 | | |
| Distance to frontier score (0–100) | 74.23 | | |
| Time (days) | 395 | | |
| Cost (% of claim) | 16.7 | | |
| Quality of judicial processes index (0–18) | 11.5 | | |

HUNGARY**BUDAPEST (Hungary)**

| | | | |
|--|-----------|---|-----------|
| Starting a business (rank) | 20 | Dealing with construction permits (rank) | 13 |
| Distance to frontier score (0–100) | 87.28 | Distance to frontier score (0–100) | 67.89 |
| Procedures (number) | 6 | Procedures (number) | 20 |
| Time (days) | 7 | Time (days) | 205.5 |
| Cost (% of income per capita) | 7.1 | Cost (% of warehouse value) | 0.7 |
| Paid-in minimum capital (% of income per capita) | 45.5 | Building quality control index (0–15) | 13 |

| | | | |
|---|----------|---|----------|
| Getting electricity (rank) | 7 | Registering property (rank) | 6 |
| Distance to frontier score (0–100) | 63.25 | Distance to frontier score (0–100) | 80.08 |
| Procedures (number) | 5 | Procedures (number) | 4 |
| Time (days) | 257 | Time (days) | 17.5 |
| Cost (% of income per capita) | 93.9 | Cost (% of property value) | 5.0 |
| Reliability of supply and transparency of tariffs index (0–8) | 7 | Quality of land administration index (0–30) | 26 |

| | |
|--|-----------|
| Enforcing contracts (rank) | 11 |
| Distance to frontier score (0–100) | 73.75 |
| Time (days) | 605 |
| Cost (% of claim) | 15.0 |
| Quality of judicial processes index (0–18) | 14 |

DEBRECEN (Hungary)

| | | | |
|--|-----------|---|----------|
| Starting a business (rank) | 13 | Dealing with construction permits (rank) | 7 |
| Distance to frontier score (0–100) | 87.61 | Distance to frontier score (0–100) | 72.71 |
| Procedures (number) | 6 | Procedures (number) | 18 |
| Time (days) | 6 | Time (days) | 171.5 |
| Cost (% of income per capita) | 6.5 | Cost (% of warehouse value) | 0.4 |
| Paid-in minimum capital (% of income per capita) | 45.5 | Building quality control index (0–15) | 13 |

| | | | |
|---|----------|---|----------|
| Getting electricity (rank) | 6 | Registering property (rank) | 1 |
| Distance to frontier score (0–100) | 63.36 | Distance to frontier score (0–100) | 81.16 |
| Procedures (number) | 5 | Procedures (number) | 4 |
| Time (days) | 247 | Time (days) | 8.5 |
| Cost (% of income per capita) | 93.9 | Cost (% of property value) | 5.0 |
| Reliability of supply and transparency of tariffs index (0–8) | 7 | Quality of land administration index (0–30) | 26 |

| | |
|--|----------|
| Enforcing contracts (rank) | 1 |
| Distance to frontier score (0–100) | 81.72 |
| Time (days) | 330 |
| Cost (% of claim) | 13.8 |
| Quality of judicial processes index (0–18) | 14 |

| GYOR (Hungary) | | | |
|---|-----------|---|----------|
| Starting a business (rank) | 18 | Dealing with construction permits (rank) | 5 |
| Distance to frontier score (0–100) | 87.32 | Distance to frontier score (0–100) | 73.35 |
| Procedures (number) | 6 | Procedures (number) | 18 |
| Time (days) | 7 | Time (days) | 161.5 |
| Cost (% of income per capita) | 6.8 | Cost (% of warehouse value) | 0.4 |
| Paid-in minimum capital (% of income per capita) | 45.5 | Building quality control index (0–15) | 13 |
| Getting electricity (rank) | 7 | Registering property (rank) | 4 |
| Distance to frontier score (0–100) | 63.25 | Distance to frontier score (0–100) | 80.80 |
| Procedures (number) | 5 | Procedures (number) | 4 |
| Time (days) | 277 | Time (days) | 11.5 |
| Cost (% of income per capita) | 93.9 | Cost (% of property value) | 5.0 |
| Reliability of supply and transparency of tariffs index (0–8) | 7 | Quality of land administration index (0–30) | 26 |
| Enforcing contracts (rank) | 10 | | |
| Distance to frontier score (0–100) | 74.20 | | |
| Time (days) | 605 | | |
| Cost (% of claim) | 13.8 | | |
| Quality of judicial processes index (0–18) | 14 | | |
| MISKOLC (Hungary) | | | |
| Starting a business (rank) | 13 | Dealing with construction permits (rank) | 4 |
| Distance to frontier score (0–100) | 87.61 | Distance to frontier score (0–100) | 73.47 |
| Procedures (number) | 6 | Procedures (number) | 18 |
| Time (days) | 6 | Time (days) | 158.5 |
| Cost (% of income per capita) | 6.5 | Cost (% of warehouse value) | 0.5 |
| Paid-in minimum capital (% of income per capita) | 45.5 | Building quality control index (0–15) | 13 |
| Getting electricity (rank) | 9 | Registering property (rank) | 2 |
| Distance to frontier score (0–100) | 61.76 | Distance to frontier score (0–100) | 80.92 |
| Procedures (number) | 5 | Procedures (number) | 4 |
| Time (days) | 233 | Time (days) | 10.5 |
| Cost (% of income per capita) | 93.9 | Cost (% of property value) | 5.0 |
| Reliability of supply and transparency of tariffs index (0–8) | 6 | Quality of land administration index (0–30) | 26 |
| Enforcing contracts (rank) | 2 | | |
| Distance to frontier score (0–100) | 79.53 | | |
| Time (days) | 410 | | |
| Cost (% of claim) | 13.8 | | |
| Quality of judicial processes index (0–18) | 14 | | |

| PECS (Hungary) | | | |
|---|-----------|---|----------|
| Starting a business (rank) | 13 | Dealing with construction permits (rank) | 1 |
| Distance to frontier score (0–100) | 87.61 | Distance to frontier score (0–100) | 75.58 |
| Procedures (number) | 6 | Procedures (number) | 17 |
| Time (days) | 6 | Time (days) | 144.5 |
| Cost (% of income per capita) | 6.5 | Cost (% of warehouse value) | 0.4 |
| Paid-in minimum capital (% of income per capita) | 45.5 | Building quality control index (0–15) | 13 |
| Getting electricity (rank) | 4 | Registering property (rank) | 7 |
| Distance to frontier score (0–100) | 65.21 | Distance to frontier score (0–100) | 79.96 |
| Procedures (number) | 5 | Procedures (number) | 4 |
| Time (days) | 230 | Time (days) | 18.5 |
| Cost (% of income per capita) | 93.9 | Cost (% of property value) | 5.0 |
| Reliability of supply and transparency of tariffs index (0–8) | 7 | Quality of land administration index (0–30) | 26 |
| Enforcing contracts (rank) | 4 | | |
| Distance to frontier score (0–100) | 77.07 | | |
| Time (days) | 500 | | |
| Cost (% of claim) | 13.8 | | |
| Quality of judicial processes index (0–18) | 14 | | |
| SZEGED (Hungary) | | | |
| Starting a business (rank) | 16 | Dealing with construction permits (rank) | 2 |
| Distance to frontier score (0–100) | 87.57 | Distance to frontier score (0–100) | 74.38 |
| Procedures (number) | 6 | Procedures (number) | 18 |
| Time (days) | 6 | Time (days) | 147.5 |
| Cost (% of income per capita) | 6.8 | Cost (% of warehouse value) | 0.4 |
| Paid-in minimum capital (% of income per capita) | 45.5 | Building quality control index (0–15) | 13 |
| Getting electricity (rank) | 1 | Registering property (rank) | 4 |
| Distance to frontier score (0–100) | 67.46 | Distance to frontier score (0–100) | 80.80 |
| Procedures (number) | 5 | Procedures (number) | 4 |
| Time (days) | 238 | Time (days) | 11.5 |
| Cost (% of income per capita) | 93.9 | Cost (% of property value) | 5.0 |
| Reliability of supply and transparency of tariffs index (0–8) | 8 | Quality of land administration index (0–30) | 26 |
| Enforcing contracts (rank) | 6 | | |
| Distance to frontier score (0–100) | 75.98 | | |
| Time (days) | 540 | | |
| Cost (% of claim) | 13.8 | | |
| Quality of judicial processes index (0–18) | 14 | | |

SZEKESFEHERVAR (Hungary)

| | |
|--|-----------|
| Starting a business (rank) | 18 |
| Distance to frontier score (0–100) | 87.32 |
| Procedures (number) | 6 |
| Time (days) | 7 |
| Cost (% of income per capita) | 6.8 |
| Paid-in minimum capital (% of income per capita) | 45.5 |

| | |
|---|----------|
| Dealing with construction permits (rank) | 3 |
| Distance to frontier score (0–100) | 73.70 |
| Procedures (number) | 18 |
| Time (days) | 155.5 |
| Cost (% of warehouse value) | 0.5 |
| Building quality control index (0–15) | 13 |

| | |
|---|----------|
| Getting electricity (rank) | 2 |
| Distance to frontier score (0–100) | 65.53 |
| Procedures (number) | 5 |
| Time (days) | 227 |
| Cost (% of income per capita) | 93.9 |
| Reliability of supply and transparency of tariffs index (0–8) | 7 |

| | |
|---|----------|
| Registering property (rank) | 2 |
| Distance to frontier score (0–100) | 80.92 |
| Procedures (number) | 4 |
| Time (days) | 10.5 |
| Cost (% of property value) | 5.0 |
| Quality of land administration index (0–30) | 26 |

| | |
|--|----------|
| Enforcing contracts (rank) | 3 |
| Distance to frontier score (0–100) | 79.12 |
| Time (days) | 425 |
| Cost (% of claim) | 13.8 |
| Quality of judicial processes index (0–18) | 14 |

ROMANIA**BRASOV (Romania)**

| | |
|--|----------|
| Starting a business (rank) | 9 |
| Distance to frontier score (0–100) | 88.78 |
| Procedures (number) | 6 |
| Time (days) | 15 |
| Cost (% of income per capita) | 1.5 |
| Paid-in minimum capital (% of income per capita) | 0.6 |

| | |
|---|-----------|
| Dealing with construction permits (rank) | 17 |
| Distance to frontier score (0–100) | 56.28 |
| Procedures (number) | 26 |
| Time (days) | 247 |
| Cost (% of warehouse value) | 2.8 |
| Building quality control index (0–15) | 13 |

| | |
|---|-----------|
| Getting electricity (rank) | 19 |
| Distance to frontier score (0–100) | 49.56 |
| Procedures (number) | 9 |
| Time (days) | 181 |
| Cost (% of income per capita) | 476.9 |
| Reliability of supply and transparency of tariffs index (0–8) | 6 |

| | |
|---|----------|
| Registering property (rank) | 9 |
| Distance to frontier score (0–100) | 74.65 |
| Procedures (number) | 6 |
| Time (days) | 16 |
| Cost (% of property value) | 1.4 |
| Quality of land administration index (0–30) | 17 |

| | |
|--|-----------|
| Enforcing contracts (rank) | 22 |
| Distance to frontier score (0–100) | 64.24 |
| Time (days) | 689 |
| Cost (% of claim) | 21.9 |
| Quality of judicial processes index (0–18) | 11.5 |

| BUCHAREST (Romania) | | | |
|---|-----------|---|-----------|
| Starting a business (rank) | 5 | Dealing with construction permits (rank) | 15 |
| Distance to frontier score (0–100) | 89.53 | Distance to frontier score (0–100) | 58.09 |
| Procedures (number) | 6 | Procedures (number) | 24 |
| Time (days) | 12 | Time (days) | 260 |
| Cost (% of income per capita) | 1.5 | Cost (% of warehouse value) | 2.2 |
| Paid-in minimum capital (% of income per capita) | 0.6 | Building quality control index (0–15) | 13 |
| Getting electricity (rank) | 15 | Registering property (rank) | 9 |
| Distance to frontier score (0–100) | 53.23 | Distance to frontier score (0–100) | 74.65 |
| Procedures (number) | 9 | Procedures (number) | 6 |
| Time (days) | 174 | Time (days) | 16 |
| Cost (% of income per capita) | 546.5 | Cost (% of property value) | 1.4 |
| Reliability of supply and transparency of tariffs index (0–8) | 7 | Quality of land administration index (0–30) | 17 |
| Enforcing contracts (rank) | 18 | | |
| Distance to frontier score (0–100) | 72.25 | | |
| Time (days) | 512 | | |
| Cost (% of claim) | 25.8 | | |
| Quality of judicial processes index (0–18) | 14 | | |
| CLUJ-NAPOCA (Romania) | | | |
| Starting a business (rank) | 9 | Dealing with construction permits (rank) | 20 |
| Distance to frontier score (0–100) | 88.78 | Distance to frontier score (0–100) | 54.32 |
| Procedures (number) | 6 | Procedures (number) | 27 |
| Time (days) | 15 | Time (days) | 275 |
| Cost (% of income per capita) | 1.5 | Cost (% of warehouse value) | 1.9 |
| Paid-in minimum capital (% of income per capita) | 0.6 | Building quality control index (0–15) | 13 |
| Getting electricity (rank) | 18 | Registering property (rank) | 16 |
| Distance to frontier score (0–100) | 50.41 | Distance to frontier score (0–100) | 73.81 |
| Procedures (number) | 9 | Procedures (number) | 6 |
| Time (days) | 202 | Time (days) | 16 |
| Cost (% of income per capita) | 473.8 | Cost (% of property value) | 1.4 |
| Reliability of supply and transparency of tariffs index (0–8) | 7 | Quality of land administration index (0–30) | 16 |
| Enforcing contracts (rank) | 14 | | |
| Distance to frontier score (0–100) | 73.34 | | |
| Time (days) | 527 | | |
| Cost (% of claim) | 21.8 | | |
| Quality of judicial processes index (0–18) | 14 | | |

CONSTANTA (Romania)

| | |
|--|-----------|
| Starting a business (rank) | 17 |
| Distance to frontier score (0–100) | 87.52 |
| Procedures (number) | 6 |
| Time (days) | 20 |
| Cost (% of income per capita) | 1.5 |
| Paid-in minimum capital (% of income per capita) | 0.6 |

| | |
|---|-----------|
| Dealing with construction permits (rank) | 21 |
| Distance to frontier score (0–100) | 49.26 |
| Procedures (number) | 25 |
| Time (days) | 307 |
| Cost (% of warehouse value) | 5.7 |
| Building quality control index (0–15) | 13 |

| | |
|---|-----------|
| Getting electricity (rank) | 20 |
| Distance to frontier score (0–100) | 49.06 |
| Procedures (number) | 9 |
| Time (days) | 209 |
| Cost (% of income per capita) | 666.3 |
| Reliability of supply and transparency of tariffs index (0–8) | 7 |

| | |
|---|----------|
| Registering property (rank) | 9 |
| Distance to frontier score (0–100) | 74.65 |
| Procedures (number) | 6 |
| Time (days) | 16 |
| Cost (% of property value) | 1.4 |
| Quality of land administration index (0–30) | 17 |

| | |
|--|----------|
| Enforcing contracts (rank) | 8 |
| Distance to frontier score (0–100) | 75.04 |
| Time (days) | 495 |
| Cost (% of claim) | 19.6 |
| Quality of judicial processes index (0–18) | 14 |

CRAIOVA (Romania)

| | |
|--|-----------|
| Starting a business (rank) | 22 |
| Distance to frontier score (0–100) | 86.27 |
| Procedures (number) | 6 |
| Time (days) | 25 |
| Cost (% of income per capita) | 1.5 |
| Paid-in minimum capital (% of income per capita) | 0.6 |

| | |
|---|-----------|
| Dealing with construction permits (rank) | 14 |
| Distance to frontier score (0–100) | 61.31 |
| Procedures (number) | 25 |
| Time (days) | 206 |
| Cost (% of warehouse value) | 1.9 |
| Building quality control index (0–15) | 13 |

| | |
|---|-----------|
| Getting electricity (rank) | 16 |
| Distance to frontier score (0–100) | 53.01 |
| Procedures (number) | 9 |
| Time (days) | 177 |
| Cost (% of income per capita) | 511.1 |
| Reliability of supply and transparency of tariffs index (0–8) | 7 |

| | |
|---|----------|
| Registering property (rank) | 9 |
| Distance to frontier score (0–100) | 74.65 |
| Procedures (number) | 6 |
| Time (days) | 16 |
| Cost (% of property value) | 1.4 |
| Quality of land administration index (0–30) | 17 |

| | |
|--|-----------|
| Enforcing contracts (rank) | 13 |
| Distance to frontier score (0–100) | 73.37 |
| Time (days) | 491 |
| Cost (% of claim) | 19.4 |
| Quality of judicial processes index (0–18) | 13 |

| IASI (Romania) | | | |
|---|-----------|---|-----------|
| Starting a business (rank) | 12 | Dealing with construction permits (rank) | 18 |
| Distance to frontier score (0–100) | 88.28 | Distance to frontier score (0–100) | 56.01 |
| Procedures (number) | 6 | Procedures (number) | 26 |
| Time (days) | 17 | Time (days) | 266 |
| Cost (% of income per capita) | 1.5 | Cost (% of warehouse value) | 1.9 |
| Paid-in minimum capital (% of income per capita) | 0.6 | Building quality control index (0–15) | 13 |
| Getting electricity (rank) | 11 | Registering property (rank) | 9 |
| Distance to frontier score (0–100) | 57.76 | Distance to frontier score (0–100) | 74.65 |
| Procedures (number) | 8 | Procedures (number) | 6 |
| Time (days) | 173 | Time (days) | 16 |
| Cost (% of income per capita) | 463.9 | Cost (% of property value) | 1.4 |
| Reliability of supply and transparency of tariffs index (0–8) | 7 | Quality of land administration index (0–30) | 17 |
| Enforcing contracts (rank) | 16 | | |
| Distance to frontier score (0–100) | 72.64 | | |
| Time (days) | 522 | | |
| Cost (% of claim) | 16.6 | | |
| Quality of judicial processes index (0–18) | 12.5 | | |
| ORADEA (Romania) | | | |
| Starting a business (rank) | 5 | Dealing with construction permits (rank) | 16 |
| Distance to frontier score (0–100) | 89.53 | Distance to frontier score (0–100) | 57.84 |
| Procedures (number) | 6 | Procedures (number) | 25 |
| Time (days) | 12 | Time (days) | 156 |
| Cost (% of income per capita) | 1.5 | Cost (% of warehouse value) | 7.6 |
| Paid-in minimum capital (% of income per capita) | 0.6 | Building quality control index (0–15) | 13 |
| Getting electricity (rank) | 17 | Registering property (rank) | 8 |
| Distance to frontier score (0–100) | 50.80 | Distance to frontier score (0–100) | 75.48 |
| Procedures (number) | 9 | Procedures (number) | 6 |
| Time (days) | 199 | Time (days) | 16 |
| Cost (% of income per capita) | 454.8 | Cost (% of property value) | 1.4 |
| Reliability of supply and transparency of tariffs index (0–8) | 7 | Quality of land administration index (0–30) | 18 |
| Enforcing contracts (rank) | 19 | | |
| Distance to frontier score (0–100) | 72.01 | | |
| Time (days) | 549 | | |
| Cost (% of claim) | 18.8 | | |
| Quality of judicial processes index (0–18) | 13 | | |

PLOIESTI (Romania)

| | |
|--|----------|
| Starting a business (rank) | 5 |
| Distance to frontier score (0–100) | 89.53 |
| Procedures (number) | 6 |
| Time (days) | 12 |
| Cost (% of income per capita) | 1.5 |
| Paid-in minimum capital (% of income per capita) | 0.6 |

| | |
|---|-----------|
| Dealing with construction permits (rank) | 19 |
| Distance to frontier score (0–100) | 54.40 |
| Procedures (number) | 27 |
| Time (days) | 268 |
| Cost (% of warehouse value) | 2.3 |
| Building quality control index (0–15) | 13 |

| | |
|---|-----------|
| Getting electricity (rank) | 21 |
| Distance to frontier score (0–100) | 47.22 |
| Procedures (number) | 9 |
| Time (days) | 204 |
| Cost (% of income per capita) | 423.7 |
| Reliability of supply and transparency of tariffs index (0–8) | 6 |

| | |
|---|-----------|
| Registering property (rank) | 15 |
| Distance to frontier score (0–100) | 74.64 |
| Procedures (number) | 6 |
| Time (days) | 16 |
| Cost (% of property value) | 1.4 |
| Quality of land administration index (0–30) | 17 |

| | |
|--|-----------|
| Enforcing contracts (rank) | 21 |
| Distance to frontier score (0–100) | 65.86 |
| Time (days) | 653 |
| Cost (% of claim) | 20.2 |
| Quality of judicial processes index (0–18) | 11.5 |

TIMISOARA (Romania)

| | |
|--|----------|
| Starting a business (rank) | 5 |
| Distance to frontier score (0–100) | 89.53 |
| Procedures (number) | 6 |
| Time (days) | 12 |
| Cost (% of income per capita) | 1.5 |
| Paid-in minimum capital (% of income per capita) | 0.6 |

| | |
|---|-----------|
| Dealing with construction permits (rank) | 22 |
| Distance to frontier score (0–100) | 48.92 |
| Procedures (number) | 27 |
| Time (days) | 315 |
| Cost (% of warehouse value) | 3.9 |
| Building quality control index (0–15) | 13 |

| | |
|---|-----------|
| Getting electricity (rank) | 22 |
| Distance to frontier score (0–100) | 43.56 |
| Procedures (number) | 9 |
| Time (days) | 234 |
| Cost (% of income per capita) | 553.1 |
| Reliability of supply and transparency of tariffs index (0–8) | 6 |

| | |
|---|----------|
| Registering property (rank) | 9 |
| Distance to frontier score (0–100) | 74.65 |
| Procedures (number) | 6 |
| Time (days) | 16 |
| Cost (% of property value) | 1.4 |
| Quality of land administration index (0–30) | 17 |

| | |
|--|----------|
| Enforcing contracts (rank) | 5 |
| Distance to frontier score (0–100) | 76.13 |
| Time (days) | 455 |
| Cost (% of claim) | 19.6 |
| Quality of judicial processes index (0–18) | 14 |

Indicator Snapshots

| City (Country) | STARTING A BUSINESS | | | | | |
|--------------------------|------------------------------------|------------------------------------|---------------------|-------------|-------------------------------|--|
| | Ease of starting a business (rank) | Distance to frontier score (0–100) | Procedures (number) | Time (days) | Cost (% of income per capita) | Paid-in minimum capital (% of income per capita) |
| Burgas (Bulgaria) | 3 | 90.05 | 5 | 16 | 1.3 | 0.0 |
| Pleven (Bulgaria) | 2 | 90.50 | 5 | 14 | 1.8 | 0.0 |
| Plovdiv (Bulgaria) | 3 | 90.05 | 5 | 16 | 1.3 | 0.0 |
| Ruse (Bulgaria) | 11 | 88.33 | 6 | 17 | 1.3 | 0.0 |
| Sofia (Bulgaria) | 21 | 86.82 | 6 | 23 | 1.3 | 0.0 |
| Varna (Bulgaria) | 1 | 90.56 | 5 | 14 | 1.3 | 0.0 |
| Budapest (Hungary) | 20 | 87.28 | 6 | 7 | 7.1 | 45.5 |
| Debrecen (Hungary) | 13 | 87.61 | 6 | 6 | 6.5 | 45.5 |
| Gyor (Hungary) | 18 | 87.32 | 6 | 7 | 6.8 | 45.5 |
| Miskolc (Hungary) | 13 | 87.61 | 6 | 6 | 6.5 | 45.5 |
| Pecs (Hungary) | 13 | 87.61 | 6 | 6 | 6.5 | 45.5 |
| Szeged (Hungary) | 16 | 87.57 | 6 | 6 | 6.8 | 45.5 |
| Szekesfehervar (Hungary) | 18 | 87.32 | 6 | 7 | 6.8 | 45.5 |
| Brasov (Romania) | 9 | 88.78 | 6 | 15 | 1.5 | 0.6 |
| Bucharest (Romania) | 5 | 89.53 | 6 | 12 | 1.5 | 0.6 |
| Cluj-Napoca (Romania) | 9 | 88.78 | 6 | 15 | 1.5 | 0.6 |
| Constanta (Romania) | 17 | 87.52 | 6 | 20 | 1.5 | 0.6 |
| Craiova (Romania) | 22 | 86.27 | 6 | 25 | 1.5 | 0.6 |
| Iasi (Romania) | 12 | 88.28 | 6 | 17 | 1.5 | 0.6 |
| Oradea (Romania) | 5 | 89.53 | 6 | 12 | 1.5 | 0.6 |
| Ploiesti (Romania) | 5 | 89.53 | 6 | 12 | 1.5 | 0.6 |
| Timisoara (Romania) | 5 | 89.53 | 6 | 12 | 1.5 | 0.6 |

| DEALING WITH CONSTRUCTION PERMITS | | | | | | |
|-----------------------------------|--|------------------------------------|---------------------|-------------|-----------------------------|---------------------------------------|
| City (Country) | Ease of dealing with construction permits (rank) | Distance to frontier score (0–100) | Procedures (number) | Time (days) | Cost (% of warehouse value) | Building quality control index (0–15) |
| Burgas (Bulgaria) | 11 | 69.23 | 19 | 133 | 4.6 | 13 |
| Pleven (Bulgaria) | 8 | 71.92 | 18 | 152 | 2.1 | 13 |
| Plovdiv (Bulgaria) | 12 | 68.30 | 20 | 162 | 2.9 | 13 |
| Ruse (Bulgaria) | 9 | 71.34 | 18 | 165 | 1.9 | 13 |
| Sofia (Bulgaria) | 6 | 72.75 | 18 | 97 | 4.6 | 13 |
| Varna (Bulgaria) | 10 | 70.53 | 19 | 135 | 3.4 | 13 |
| Budapest (Hungary) | 13 | 67.89 | 20 | 205.5 | 0.7 | 13 |
| Debrecen (Hungary) | 7 | 72.71 | 18 | 171.5 | 0.4 | 13 |
| Gyor (Hungary) | 5 | 73.35 | 18 | 161.5 | 0.4 | 13 |
| Miskolc (Hungary) | 4 | 73.47 | 18 | 158.5 | 0.5 | 13 |
| Pecs (Hungary) | 1 | 75.58 | 17 | 144.5 | 0.4 | 13 |
| Szeged (Hungary) | 2 | 74.38 | 18 | 147.5 | 0.4 | 13 |
| Szekesfehervar (Hungary) | 3 | 73.70 | 18 | 155.5 | 0.5 | 13 |
| Brasov (Romania) | 17 | 56.28 | 26 | 247 | 2.8 | 13 |
| Bucharest (Romania) | 15 | 58.09 | 24 | 260 | 2.2 | 13 |
| Cluj-Napoca (Romania) | 20 | 54.32 | 27 | 275 | 1.9 | 13 |
| Constanta (Romania) | 21 | 49.26 | 25 | 307 | 5.7 | 13 |
| Craiova (Romania) | 14 | 61.31 | 25 | 206 | 1.9 | 13 |
| Iasi (Romania) | 18 | 56.01 | 26 | 266 | 1.9 | 13 |
| Oradea (Romania) | 16 | 57.84 | 25 | 156 | 7.6 | 13 |
| Ploiesti (Romania) | 19 | 54.40 | 27 | 268 | 2.3 | 13 |
| Timisoara (Romania) | 22 | 48.92 | 27 | 315 | 3.9 | 13 |

| City (Country) | GETTING ELECTRICITY | | | | | |
|--------------------------|------------------------------------|------------------------------------|---------------------|-------------|-------------------------------|---|
| | Ease of getting electricity (rank) | Distance to frontier score (0–100) | Procedures (number) | Time (days) | Cost (% of income per capita) | Reliability of supply and transparency of tariffs index (0–8) |
| Burgas (Bulgaria) | 3 | 65.49 | 5 | 227 | 107.1 | 7 |
| Pleven (Bulgaria) | 13 | 54.66 | 6 | 258 | 516.3 | 6 |
| Plovdiv (Bulgaria) | 5 | 65.06 | 5 | 231 | 107.1 | 7 |
| Ruse (Bulgaria) | 12 | 54.71 | 5 | 240 | 107.1 | 4 |
| Sofia (Bulgaria) | 14 | 54.64 | 6 | 262 | 523.0 | 6 |
| Varna (Bulgaria) | 10 | 59.05 | 5 | 200 | 107.1 | 4 |
| Budapest (Hungary) | 7 | 63.25 | 5 | 257 | 93.9 | 7 |
| Debrecen (Hungary) | 6 | 63.36 | 5 | 247 | 93.9 | 7 |
| Gyor (Hungary) | 7 | 63.25 | 5 | 277 | 93.9 | 7 |
| Miskolc (Hungary) | 9 | 61.76 | 5 | 233 | 93.9 | 6 |
| Pecs (Hungary) | 4 | 65.21 | 5 | 230 | 93.9 | 7 |
| Szeged (Hungary) | 1 | 67.46 | 5 | 238 | 93.9 | 8 |
| Szekesfehervar (Hungary) | 2 | 65.53 | 5 | 227 | 93.9 | 7 |
| Brasov (Romania) | 19 | 49.56 | 9 | 181 | 476.9 | 6 |
| Bucharest (Romania) | 15 | 53.23 | 9 | 174 | 546.5 | 7 |
| Cluj-Napoca (Romania) | 18 | 50.41 | 9 | 202 | 473.8 | 7 |
| Constanta (Romania) | 20 | 49.06 | 9 | 209 | 666.3 | 7 |
| Craiova (Romania) | 16 | 53.01 | 9 | 177 | 511.1 | 7 |
| Iasi (Romania) | 11 | 57.76 | 8 | 173 | 463.9 | 7 |
| Oradea (Romania) | 17 | 50.80 | 9 | 199 | 454.8 | 7 |
| Ploiesti (Romania) | 21 | 47.22 | 9 | 204 | 423.7 | 6 |
| Timisoara (Romania) | 22 | 43.56 | 9 | 234 | 553.1 | 6 |

| City (Country) | REGISTERING PROPERTY | | | | | |
|--------------------------|-------------------------------------|------------------------------------|---------------------|-------------|----------------------------|---|
| | Ease of registering property (rank) | Distance to frontier score (0–100) | Procedures (number) | Time (days) | Cost (% of property value) | Quality of land administration index (0–30) |
| Burgas (Bulgaria) | 18 | 70.67 | 8 | 14 | 2.9 | 20 |
| Pleven (Bulgaria) | 19 | 70.44 | 8 | 11 | 3.3 | 20 |
| Plovdiv (Bulgaria) | 21 | 69.59 | 8 | 16 | 2.9 | 19 |
| Ruse (Bulgaria) | 17 | 71.53 | 8 | 11 | 2.6 | 20 |
| Sofia (Bulgaria) | 22 | 69.23 | 8 | 19 | 2.9 | 19 |
| Varna (Bulgaria) | 20 | 70.19 | 8 | 11 | 3.4 | 20 |
| Budapest (Hungary) | 6 | 80.08 | 4 | 17.5 | 5.0 | 26 |
| Debrecen (Hungary) | 1 | 81.16 | 4 | 8.5 | 5.0 | 26 |
| Gyor (Hungary) | 4 | 80.80 | 4 | 11.5 | 5.0 | 26 |
| Miskolc (Hungary) | 2 | 80.92 | 4 | 10.5 | 5.0 | 26 |
| Pecs (Hungary) | 7 | 79.96 | 4 | 18.5 | 5.0 | 26 |
| Szeged (Hungary) | 4 | 80.80 | 4 | 11.5 | 5.0 | 26 |
| Szekesfehervar (Hungary) | 2 | 80.92 | 4 | 10.5 | 5.0 | 26 |
| Brasov (Romania) | 9 | 74.65 | 6 | 16 | 1.4 | 17 |
| Bucharest (Romania) | 9 | 74.65 | 6 | 16 | 1.4 | 17 |
| Cluj-Napoca (Romania) | 16 | 73.81 | 6 | 16 | 1.4 | 16 |
| Constanta (Romania) | 9 | 74.65 | 6 | 16 | 1.4 | 17 |
| Craiova (Romania) | 9 | 74.65 | 6 | 16 | 1.4 | 17 |
| Iasi (Romania) | 9 | 74.65 | 6 | 16 | 1.4 | 17 |
| Oradea (Romania) | 8 | 75.48 | 6 | 16 | 1.4 | 18 |
| Ploiesti (Romania) | 15 | 74.64 | 6 | 16 | 1.4 | 17 |
| Timisoara (Romania) | 9 | 74.65 | 6 | 16 | 1.4 | 17 |

| City (Country) | ENFORCING CONTRACTS | | | | |
|--------------------------|------------------------------------|------------------------------------|-------------|-------------------|--|
| | Ease of enforcing contracts (rank) | Distance to frontier score (0–100) | Time (days) | Cost (% of claim) | Quality of judicial processes index (0–18) |
| Burgas (Bulgaria) | 15 | 72.68 | 361 | 15.9 | 10 |
| Pleven (Bulgaria) | 12 | 73.63 | 289 | 18.6 | 10 |
| Plovdiv (Bulgaria) | 17 | 72.36 | 440 | 18.4 | 11.5 |
| Ruse (Bulgaria) | 7 | 75.38 | 321 | 19.0 | 11.5 |
| Sofia (Bulgaria) | 20 | 67.04 | 564 | 18.6 | 10.5 |
| Varna (Bulgaria) | 9 | 74.23 | 395 | 16.7 | 11.5 |
| Budapest (Hungary) | 11 | 73.75 | 605 | 15.0 | 14 |
| Debrecen (Hungary) | 1 | 81.72 | 330 | 13.8 | 14 |
| Gyor (Hungary) | 10 | 74.20 | 605 | 13.8 | 14 |
| Miskolc (Hungary) | 2 | 79.53 | 410 | 13.8 | 14 |
| Pecs (Hungary) | 4 | 77.07 | 500 | 13.8 | 14 |
| Szeged (Hungary) | 6 | 75.98 | 540 | 13.8 | 14 |
| Szekesfehervar (Hungary) | 3 | 79.12 | 425 | 13.8 | 14 |
| Brasov (Romania) | 22 | 64.24 | 689 | 21.9 | 11.5 |
| Bucharest (Romania) | 18 | 72.25 | 512 | 25.8 | 14 |
| Cluj-Napoca (Romania) | 14 | 73.34 | 527 | 21.8 | 14 |
| Constanta (Romania) | 8 | 75.04 | 495 | 19.6 | 14 |
| Craiova (Romania) | 13 | 73.37 | 491 | 19.4 | 13 |
| Iasi (Romania) | 16 | 72.64 | 522 | 16.6 | 12.5 |
| Oradea (Romania) | 19 | 72.01 | 549 | 18.8 | 13 |
| Ploiesti (Romania) | 21 | 65.86 | 653 | 20.2 | 11.5 |
| Timisoara (Romania) | 5 | 76.13 | 455 | 19.6 | 14 |

Indicator Details

STARTING A BUSINESS IN BULGARIA - PROCEDURES REQUIRED TO START A BUSINESS, BY CITY

Standard company legal form: *Druzestvo s Ogranichena*

Otgovornost (DOO)

Minimum capital requirement: BGN 2

Data as of: December 31, 2016

| | Burgas | Pleven | Plovdiv | Ruse | Sofia | Varna | Comments |
|--|-------------|---------|---------|---------|---------|---------|---|
| 1. Execute the minutes of the constituent meeting of the shareholders in the DOO; obtain a notary certified statement of consent and signature specimen of the manager, and a certified copy of the articles of incorporation of the DOO | 1 | 1 | 1 | 1 | 1 | 1 | Under the Commercial Act, each newly appointed general manager must sign and submit several affidavits. A notary fee of BGN 5 is charged for certifying the signature specimen of the manager. |
| | Time (days) | 1 | 1 | 1 | 1 | 1 | |
| | Cost (BGN) | 5 | 5 | 5 | 5 | 5 | |
| 2. Deposit paid-up capital in a bank | 1 | 1 | 1 | 1 | 1 | 1 | The Commercial Act requires the minimum capital prescribed by law, i.e. BGN 2, to be paid-in prior to incorporation. After opening the account and depositing the funds, a certificate evidencing the deposit of the capital is issued. |
| | Time (days) | 1 | 1 | 1 | 1 | 1 | |
| | Cost (BGN) | 20 | 20 | 20 | 20 | 20 | |
| 3. Register with the Commercial Register at the Registry Agency | 2 | 2 | 2 | 2 | 2 | 2 | As per amendment of Commercial Registry Act from July 2015, the applications have to be reviewed by registry officials by the end of the next business day. Business, corporate income tax and statistics registrations can all be completed at the one-stop shop of the Registry Agency. |
| | Time (days) | 2 | 2 | 2 | 2 | 2 | |
| | Cost (BGN) | 55 | 110** | 55 | 55 | 55 | |
| 4. Register for VAT at the office of the National Revenue Agency | 12 | 10 | 12 | 12 | 12 | 10 | A company may voluntarily register for VAT purposes at any time since the threshold requirement has been abolished. A company must register for VAT purposes if its turnover for 12 consecutive months exceeds BGN 50,000. |
| | Time (days) | 12 | 10 | 12 | 12 | 10 | |
| | Cost (BGN) | no cost | |
| 5. Purchase fiscal device (cash register) and register it with the National Revenue Agency (NRA)* | 2 | 2 | 2 | 2 | 2 | 2 | At start of operations, the company purchases the fiscal device from a licensed provider. After installation, the registration of the fiscal device with NRA is performed electronically. The price of the device varies depending on the service provided, cash register model, installation fee and training fee. |
| | Time (days) | 2 | 2 | 2 | 2 | 2 | |
| | Cost (BGN) | 75 | 75 | 75 | 75 | 75 | |
| 6. Notify the municipality about commercial activity | n/a | n/a | n/a | 1 | 7 | n/a | As per local ordinance, companies need to inform the municipality about the type of activity they will perform. An application (2 copies) is submitted, along with the company certificate of good standing and a lease contract or proof of ownership of business premises. In Sofia, a municipal inspector is dispatched at the company premises. |
| | Time (days) | n/a | n/a | 1 | 7 | n/a | |
| | Cost (BGN) | n/a | n/a | no cost | no cost | n/a | |

Source: *Doing Business* database.

*takes place simultaneously with another procedure.

**Among the cities surveyed, Pleven is the only one where the majority of limited liability companies use paper-based registration, which costs BGN 110. Those using the online platform pay half that price: BGN 55.

STARTING A BUSINESS IN HUNGARY - PROCEDURES REQUIRED TO START A BUSINESS, BY CITY

Standard company legal form: Korlátolt felelősségű társaság (Kft)
 Minimum capital requirement: HUF 1,500,000
 Data as of: December 31, 2016

| | Budapest | Debrecen | Gyor | Miskolc | Pecs | Szeged | Szokesfehervar | Comments |
|--|----------|----------|---------|---------|---------|---------|----------------|---|
| 1. Hire a lawyer who will represent the company; create the company deed and prepare any other necessary legal documents | 1 | 1 | 1 | 1 | 1 | 1 | 1 | The company must be represented by a lawyer during the registration process. The lawyer's commission fee is subject to free agreement and it depends on the complexity of the case. |
| Time (days) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | |
| Cost (HUF) | 180,000 | 160,000 | 170,000 | 160,000 | 160,000 | 170,000 | 170,000 | |
| 2. Open a bank account and deposit at least 50% of subscription amount | 1 | 1 | 1 | 1 | 1 | 1 | 1 | Companies open a bank account and deposit the subscription amount according to the provisions of the Articles of Association. |
| Time (days) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | |
| Cost (HUF) | no cost | no cost | no cost | no cost | no cost | no cost | no cost | |
| 3. Apply for registration at the Court of Registration (simplified electronic registration) | 2 | 1 | 2 | 1 | 1 | 1 | 2 | The Court of Registration also registers companies with the Tax Authority (for VAT and income tax purposes) and with the Statistical Office through an online system. In the simplified electronic filing, the companies must use a standardized template for the articles of association. |
| Time (days) | 2 | 1 | 2 | 1 | 1 | 1 | 2 | |
| Cost (HUF) | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | |
| 4. Register for social security | 1 | 1 | 1 | 1 | 1 | 1 | 1 | The company needs to register with the Hungarian Social Security Office. |
| Time (days) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | |
| Cost (HUF) | no cost | no cost | no cost | no cost | no cost | no cost | no cost | |
| 5. Register with the Hungarian Chamber of Commerce and Industry* | 1 | 1 | 1 | 1 | 1 | 1 | 1 | Economic actors whose registration in the register of companies is mandatory shall within 5 days after registration apply for registration in the regional Chamber of Commerce of competence. The annual contribution is HUF 5,000. |
| Time (days) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | |
| Cost (HUF) | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | |
| 6. Registration for municipal business tax* | 1 | 1 | 1 | 1 | 1 | 1 | 1 | The law allows municipalities to charge a roster of taxes (e.g., business, land, tourism). Municipalities can choose which to apply and the rate. Companies have to register with the municipality within 15 days after incorporation. The limit set by law for the municipal business tax is 2.5% of revenue; from here downward, each municipality can decide on rebates. |
| Time (days) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | |
| Cost (HUF) | no cost | no cost | no cost | no cost | no cost | no cost | no cost | |

Source: Doing Business database.

*Takes place simultaneously with another procedure.

STARTING A BUSINESS IN ROMANIA - PROCEDURES REQUIRED TO START A BUSINESS, BY CITY

Standard company legal form: *Societate comercială cu răspundere limitată (SRL)*
Minimum capital requirement: RON 200
Data as of: December 31, 2016

| | Brasov | Bucharest | Cluj-Napoca | Constanta | Craiova | Iasi | Oradea | Ploiesti | Timisoara | Comments |
|--|-------------|-----------|-------------|-----------|---------|---------|---------|----------|-----------|--|
| 1. Obtain evidence of availability of company name and reserve name | Time (days) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | The name verification and reservation thereof can be done in person at the Trade Register Office or online using e-signatures. The name reservation is valid for a period of 3 months. |
| | Cost (RON) | 72 | 72 | 72 | 72 | 72 | 72 | 72 | 72 | |
| 2. Deposit funds in a bank and obtain a document confirming bank deposit of sufficient funds | Time (days) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | |
| | Cost (RON) | no cost | no cost | no cost | no cost | no cost | no cost | no cost | no cost | |
| 3. Register company at the Trade Register Office | Time (days) | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | Registration ensures the following: (i) company incorporation; (ii) fiscal registration; (iii) authorization, based on statements of own responsibility, in the field of food safety and sanitary, labor and environment protection; (iv) publication in the Official Gazette. |
| | Cost (RON) | 431.5 | 431.5 | 431.5 | 431.5 | 431.5 | 431.5 | 431.5 | 431.5 | |
| 4. Register for-VAT at the Regional General Directorate for Public Finances | Time (days) | 10 | 7 | 10 | 15 | 20 | 7 | 7 | 7 | If a company requests the VAT registration at the moment of incorporation, Form 098 must be submitted to the Tax Authorities, who will assess the capacity and the intention of the applicant to perform operations which are subject to VAT. |
| | Cost (RON) | no cost | no cost | no cost | no cost | no cost | no cost | no cost | no cost | |
| 5. Register the employees contracts with the Territorial Labor Inspectorate* | Time (days) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | Employers have to settle an internal general register record of all employees, which shall be transmitted to the Territorial Labour Inspectorate in the jurisdiction the employer has its registered office. |
| | Cost (RON) | no cost | no cost | no cost | no cost | no cost | no cost | no cost | no cost | |
| 6. Purchase the company's unique registry for controls from the local Administration for Public Finances** | Time (days) | 1 | 1 | 1 | 3** | 1 | 1 | 1 | 1 | The Registry is used to record inspections carried out by control bodies: financial, consumer protection, urban planning, labor, fire protection, etc. It must be purchased within 30 days after the company was registered at the Trade Registry. |
| | Cost (RON) | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | |

Source: *Doing Business* database.

*Takes place simultaneously with another procedure.

**The registry can be purchased only on Tuesdays and Thursdays from the local office of the Tax Administration, located at the Treasury in Constanta.

LIST OF PROCEDURES
DEALING WITH CONSTRUCTION
PERMITS

BULGARIA

Burgas (Bulgaria)

Warehouse value: BGN 576,682 (US\$361,000)
Data as of: December 31, 2016

Procedure 1. Obtain current cadastral extract from the Geodesy, Cartography and Cadastre Agency (GCCA) in Burgas

Agency: Geodesy, Cartography and Cadastre Agency (GCCA) in Burgas
Time: 1 day
Cost: BGN 90

Procedure 2. Apply for project visa from the Chief Architect of the Burgas Municipality

Agency: Burgas Municipality
Time: 14 days
Cost: BGN 100

Procedure 3. Obtain decision from the Regional Inspectorate of Environment and Water

Agency: Regional Inspectorate of Environment and Water - Burgas
Time: 18 days
Cost: None

Procedure 4*. Sign preliminary contract with the water company

Agency: Water Supply and Sewerage - Burgas
Time: 14 days
Cost: BGN 60

Procedure 5*. Obtain preliminary assessment of the building for its compliance with energy efficiency requirements from licensed company

Agency: Licensed company
Time: 7 days
Cost: BGN 2,450 (Price calculated per square meter and based on agreement)

Procedure 6. Sign contract with licensed supervision company and obtain evaluation of project for conformity with construction requirements

Agency: Construction supervision company
Time: 7 days
Cost: BGN 8,500 (BGN 7,000 for the supervision + BGN 1,500 for the evaluation of the plans)

Procedure 7. Obtain final building permit from the Chief Architect of the Burgas Municipality

Agency: Burgas Municipality
Time: 35 days
Cost: BGN 10,405 (BGN 8 per square meter)

Procedure 8. Obtain approval for opening a construction site and determining construction line and construction level

Agency: Burgas Municipality
Time: 4 days
Cost: BGN 150

Procedure 9. Obtain approval from Burgas Municipality on the carcass construction

Agency: Burgas Municipality
Time: 10 days
Cost: BGN 100

Procedure 10. Obtain geodetic measurements from a licensed company

Agency: Licensed company
Time: 7 days
Cost: BGN 438 (Price is based on agreement with the licensed company)

Procedure 11*. Open a water and sewerage batch

Agency: Water Supply and Sewerage - Burgas
Time: 1 day
Cost: BGN 25

Procedure 12. Map the building in the cadastral map at the Geodesy, Cartography and Cadastre Agency (GCCA) in Burgas and receive registration certificate

Agency: Geodesy, Cartography and Cadastre Agency (GCCA) in Burgas
Time: 3 days
Cost: BGN 124

Procedure 13. Obtain energy efficiency certificate

Agency: Licensed company
Time: 7 days
Cost: BGN 1,950

Procedure 14. Submit final report on completed construction to Burgas Municipality

Agency: Burgas Municipality
Time: 1 day
Cost: None

Procedure 15. Register the technical passport with the Burgas Municipality

Agency: Burgas Municipality
Time: 3 days
Cost: None

Procedure 16. File a copy of the registered technical passport at the Geodesy, Cartography and Cadastre Agency (GCCA) in Burgas

Agency: Geodesy, Cartography and Cadastre Agency (GCCA) in Burgas
Time: 1 day
Cost: None

Procedure 17. Receive final inspection by the Burgas Municipality

Agency: Burgas Municipality
Time: 1 day
Cost: None

Procedure 18. Obtain certificate for the approval of use of the building from the Burgas Municipality

Agency: Burgas Municipality
Time: 21 days
Cost: BGN 2,000

Procedure 19*. Sign final contract with the water provider

Agency: Water Supply and Sewerage - Burgas
Time: 19 days
Cost: BGN 30

DEALING WITH CONSTRUCTION PERMITS

Pleven (Bulgaria)

Warehouse value: BGN 576,682 (US\$361,000)
Data as of: December 31, 2016

Procedure 1. Obtain current cadastral extract from the Geodesy, Cartography and Cadastre Agency (GCCA) in Pleven

Agency: Geodesy, Cartography and Cadastre Agency (GCCA) in Pleven
Time: 1 day
Cost: BGN 90

Procedure 2. Apply for project visa from the Chief Architect of the Pleven Municipality

Agency: Pleven Municipality
Time: 14 days
Cost: BGN 30

*Simultaneous with previous procedure

Procedure 3. Obtain decision from the Regional Inspectorate of Environment and Water

Agency: Regional Inspectorate of Environment and Water - Pleven

Time: 18 days

Cost: None

Procedure 4*. Sign preliminary contract with the water company

Agency: Water Supply and Sewerage - Pleven

Time: 1 day

Cost: BGN 600

Procedure 5*. Obtain preliminary assessment of the building for its compliance with energy efficiency requirements from licensed company

Agency: Licensed company

Time: 7 days

Cost: BGN 2,000 (Price calculated per square meter and based on agreement)

Procedure 6. Sign contract with licensed supervision company and obtain evaluation of project for conformity with construction requirements

Agency: Construction supervision company

Time: 14 days

Cost: BGN 6,000 (BGN 4,500 for the supervision + BGN 1,500 for the evaluation of the plans)

Procedure 7. Obtain final building permit from the Chief Architect of the Pleven Municipality

Agency: Pleven Municipality

Time: 35 days

Cost: BGN 260 (BGN 0.20 per square meter)

Procedure 8. Obtain approval for opening a construction site and determining construction line and construction level

Agency: Pleven Municipality

Time: 7 days

Cost: BGN 150

Procedure 9. Obtain approval from Pleven Municipality on the carcass construction

Agency: Pleven Municipality

Time: 10 days

Cost: BGN 100

Procedure 10. Sign final contract with water provider and receive connection

Agency: Water Supply and Sewerage - Pleven

Time: 10 days

Cost: BGN 300

Procedure 11*. Obtain geodetic measurements from a licensed company

Agency: Licensed company

Time: 14 days

Cost: BGN 600 (Price is based on agreement with the licensed company)

Procedure 12. Map the building in the cadastral map at the Geodesy, Cartography and Cadastre Agency (GCCA) in Pleven and receive registration certificate

Agency: Geodesy, Cartography and Cadastre Agency (GCCA) in Pleven

Time: 3 days

Cost: BGN 124

Procedure 13. Obtain energy efficiency certificate

Agency: Licensed company

Time: 7 days

Cost: BGN 1,950

Procedure 14. Submit final report on completed construction to Pleven Municipality

Agency: Pleven Municipality

Time: 1 day

Cost: None

Procedure 15. Register the technical passport with the Pleven Municipality

Agency: Pleven Municipality

Time: 7 days

Cost: None

Procedure 16. File a copy of the registered technical passport at the Geodesy, Cartography and Cadastre Agency (GCCA) in Pleven

Agency: Geodesy, Cartography and Cadastre Agency (GCCA) in Pleven

Time: 1 day

Cost: None

Procedure 17. Receive final inspection by the Pleven Municipality

Agency: Pleven Municipality

Time: 1 day

Cost: None

Procedure 18. Obtain certificate for the approval of use of the building from the Pleven Municipality

Agency: Pleven Municipality

Time: 18 days

Cost: BGN 130

DEALING WITH CONSTRUCTION PERMITS

Plovdiv (Bulgaria)

Warehouse value: BGN 576,682 (US\$361,000)

Data as of: December 31, 2016

Procedure 1. Obtain current cadastral extract from the Geodesy, Cartography and Cadastre Agency (GCCA) in Plovdiv

Agency: Geodesy, Cartography and Cadastre Agency (GCCA) in Plovdiv

Time: 1 day

Cost: BGN 90

Procedure 2. Apply for project visa from the Chief Architect of the Plovdiv Municipality

Agency: Plovdiv Municipality

Time: 14 days

Cost: BGN 80

Procedure 3. Sign preliminary contract with the water company

Agency: Water Supply and Sewerage - Plovdiv

Time: 1 day

Cost: BGN 46

Procedure 4. Obtain decision from the Regional Inspectorate of Environment and Water

Agency: Regional Inspectorate of Environment and Water - Plovdiv

Time: 14 days

Cost: None

Procedure 5*. Sign a contract for constructing a water connection

Agency: Water Supply and Sewerage - Plovdiv

Time: 7 days

Cost: BGN 25

Procedure 6*. Obtain approval from the Regional Health Inspectorate

Agency: Regional Health Inspectorate - Plovdiv

Time: 11 days

Cost: BGN 65

Procedure 7*. Obtain preliminary assessment of the building for its compliance with energy efficiency requirements from licensed company

Agency: Licensed company

Time: 7 days

Cost: BGN 2,300 (Price calculated per square meter and based on agreement)

*Simultaneous with previous procedure

Procedure 8. Sign contract with licensed supervision company and obtain evaluation of project for conformity with construction requirements

Agency: Construction supervision company
Time: 14 days

Cost: BGN 7,875 (BGN 6,375 for the supervision + BGN 1,500 for the evaluation of the plans)

Procedure 9. Obtain investment project approval and building permit from Plovdiv Municipality

Agency: Plovdiv Municipality
Time: 30 days

Cost: BGN 2,341

Procedure 10. Obtain approval for opening a construction site and determining construction line and construction level

Agency: Plovdiv Municipality
Time: 7 days

Cost: BGN 20

Procedure 11. Obtain approval from Plovdiv Municipality on the carcass construction

Agency: Plovdiv Municipality
Time: 10 days

Cost: BGN 100

Procedure 12. Sign final contract with water provider and receive connection

Agency: Water Supply and Sewerage - Plovdiv
Time: 30 days

Cost: BGN 108

Procedure 13*. Obtain geodetic measurements from a licensed company

Agency: Licensed company
Time: 7 days

Cost: BGN 600 (Price is based on agreement with the licensed company)

Procedure 14. Map the building in the cadastral map at the Geodesy, Cartography and Cadastre Agency (GCCA) in Plovdiv and receive registration certificate

Agency: Geodesy, Cartography and Cadastre Agency (GCCA) in Plovdiv

Time: 3 days

Cost: BGN 124

Procedure 15. Obtain energy efficiency certificate

Agency: Licensed company
Time: 7 days

Cost: BGN 1,950

Procedure 16. Submit final report on completed construction to Plovdiv Municipality

Agency: Plovdiv Municipality

Time: 1 day

Cost: None

Procedure 17. Register the technical passport with the Plovdiv Municipality

Agency: Plovdiv Municipality

Time: 7 days

Cost: None

Procedure 18. File a copy of the registered technical passport at the Geodesy, Cartography and Cadastre Agency (GCCA) in Plovdiv

Agency: Geodesy, Cartography and Cadastre Agency (GCCA) in Plovdiv

Time: 1 day

Cost: None

Procedure 19. Receive final inspection by the Plovdiv Municipality

Agency: Plovdiv Municipality

Time: 1 day

Cost: None

Procedure 20. Obtain certificate for the approval of use of the building from the Plovdiv Municipality

Agency: Plovdiv Municipality

Time: 21 days

Cost: BGN 750

DEALING WITH CONSTRUCTION PERMITS
Ruse (Bulgaria)

Warehouse value: BGN 576,682 (US\$361,000)

Data as of: December 31, 2016

Procedure 1. Obtain current cadastral extract from the Geodesy, Cartography and Cadastre Agency (GCCA) in Ruse

Agency: Geodesy, Cartography and Cadastre Agency (GCCA) in Ruse

Time: 1 day

Cost: BGN 90

Procedure 2. Apply for project visa from the Chief Architect of the Ruse Municipality

Agency: Ruse Municipality

Time: 14 days

Cost: BGN 50

Procedure 3. Sign preliminary contract with the water company

Agency: Water Supply and Sewerage - Ruse

Time: 1 day

Cost: BGN 60

Procedure 4. Obtain permission to construct and use a water connection

Agency: Water Supply and Sewerage - Ruse

Time: 30 days

Cost: BGN 130

Procedure 5*. Obtain decision from the Regional Inspectorate of Environment and Water

Agency: Regional Inspectorate of Environment and Water - Ruse

Time: 14 days

Cost: None

Procedure 6*. Obtain preliminary assessment of the building for its compliance with energy efficiency requirements from licensed company

Agency: Licensed company

Time: 7 days

Cost: BGN 1,600 (Price calculated per square meter and based on agreement)

Procedure 7. Sign contract with licensed supervision company and obtain evaluation of project for conformity with construction requirements

Agency: Construction supervision company
Time: 9 days

Cost: BGN 4,750 (BGN 3,250 for the supervision + BGN 1,500 for the evaluation of the plans)

Procedure 8. Obtain final building permit from the Chief Architect of the Ruse Municipality

Agency: Ruse Municipality

Time: 21 days

Cost: BGN 670 (BGN 0.4 per square meter for investment project approval and BGN 150 for building permit)

Procedure 9. Obtain approval for opening a construction site and determining construction line and construction level

Agency: Ruse Municipality

Time: 3 days

Cost: BGN 20

*Simultaneous with previous procedure

Procedure 10. Obtain approval from Ruse Municipality on the carcass construction

Agency: Ruse Municipality
Time: 30 days
Cost: BGN 100

Procedure 11*. Obtain geodetic measurements from a licensed company

Agency: Licensed company
Time: 7 days
Cost: BGN 438 (Price is based on agreement with the licensed company)

Procedure 12. Sign final contract with water provider and receive connection

Agency: Water Supply and Sewerage - Ruse
Time: 30 days
Cost: BGN 600

Procedure 13. Map the building in the cadastral map at the Geodesy, Cartography and Cadastre Agency (GCCA) in Ruse and receive registration certificate

Agency: Geodesy, Cartography and Cadastre Agency (GCCA) in Ruse
Time: 3 days
Cost: BGN 124

Procedure 14. Obtain energy efficiency certificate

Agency: Licensed company
Time: 7 days
Cost: BGN 1,300

Procedure 15. Submit final report on completed construction to Ruse Municipality

Agency: Ruse Municipality
Time: 1 day
Cost: None

Procedure 16. Register the technical passport with the Ruse Municipality

Agency: Ruse Municipality
Time: 7 days
Cost: None

Procedure 17. File a copy of the registered technical passport at the Geodesy, Cartography and Cadastre Agency (GCCA) in Ruse

Agency: Geodesy, Cartography and Cadastre Agency (GCCA) in Ruse
Time: 1 day
Cost: None

Procedure 18. Obtain certificate for the approval of use of the building from the Ruse Municipality

Agency: Ruse Municipality
Time: 7 days
Cost: BGN 750

DEALING WITH CONSTRUCTION PERMITS

Sofia (Bulgaria)

*Warehouse value: BGN 576,682 (US\$361,000)
 Data as of: December 31, 2016*

Procedure 1. Obtain current cadastral extract from the Geodesy, Cartography and Cadastre Agency (GCCA) in Sofia

Agency: Geodesy, Cartography and Cadastre Agency (GCCA) in Sofia
Time: 1 day
Cost: BGN 90

Procedure 2. Apply for project visa from the Chief Architect of the Sofia Municipality

Agency: Sofia Municipality
Time: 3 days
Cost: BGN 80

Procedure 3. Obtain decision from the Regional Inspectorate of Environment and Water

Agency: Regional Inspectorate of Environment and Water
Time: 14 days
Cost: None

Procedure 4*. Sign preliminary contract with the water company

Agency: Sofiyska Voda
Time: 7 days
Cost: BGN 600

Procedure 5*. Obtain preliminary assessment of the building for its compliance with energy efficiency requirements from licensed company

Agency: Licensed company
Time: 5 days
Cost: BGN 2,601 (BGN 2 per square meter)

Procedure 6. Sign contract with licensed supervision company and obtain evaluation of project for conformity with construction requirements

Agency: Construction supervision company
Time: 7 days
Cost: BGN 9,150 (BGN 7,150 for the supervision + BGN 2,000 for the evaluation of the plans)

Procedure 7. Obtain investment project approval and building permit from Sofia Municipality

Agency: Sofia Municipality
Time: 35 days
Cost: BGN 10,405 (BGN 8 per square meter for building permit)

Procedure 8. Obtain approval for opening a construction site and determining construction line and construction level

Agency: Sofia Municipality
Time: 2 days
Cost: BGN 20

Procedure 9. Obtain approval from Sofia Municipality on the carcass construction

Agency: Sofia Municipality
Time: 4 days
Cost: BGN 1,500

Procedure 10. Sign final contract with water company and receive connection

Agency: Sofiyska Voda
Time: 7 days
Cost: BGN 600

Procedure 11*. Obtain geodetic measurements from a licensed company

Agency: Licensed company
Time: 7 days
Cost: BGN 350 (Price is based on agreement with the licensed company)

Procedure 12. Map the building in the cadastral map at the Geodesy, Cartography and Cadastre Agency (GCCA) in Sofia and receive registration certificate

Agency: Geodesy, Cartography and Cadastre Agency (GCCA) in Sofia
Time: 3 days
Cost: BGN 124

Procedure 13. Obtain energy efficiency certificate

Agency: Licensed company
Time: 7 days
Cost: BGN 500

Procedure 14. Submit final report on completed construction to Sofia Municipality

Agency: Sofia Municipality
Time: 1 day
Cost: None

*Simultaneous with previous procedure

Procedure 15. Register the technical passport with the Sofia Municipality**Agency:** Sofia Municipality**Time:** 3 days**Cost:** None**Procedure 16. File a copy of the registered technical passport at the Geodesy, Cartography and Cadastre Agency (GCCA) in Sofia****Agency:** Geodesy, Cartography and Cadastre Agency (GCCA) in Sofia**Time:** 1 day**Cost:** None**Procedure 17. Receive final inspection by the Sofia Municipality****Agency:** Sofia Municipality**Time:** 1 day**Cost:** None**Procedure 18. Obtain certificate for the approval of use of the building from the Sofia Municipality****Agency:** Sofia Municipality**Time:** 7 days**Cost:** BGN 750

DEALING WITH CONSTRUCTION PERMITS

Varna (Bulgaria)*Warehouse value: BGN 576,682 (US\$361,000)**Data as of: December 31, 2016***Procedure 1. Obtain current cadastral extract from the Geodesy, Cartography and Cadastre Agency (GCCA) in Varna****Agency:** Geodesy, Cartography and Cadastre Agency (GCCA) in Varna**Time:** 1 day**Cost:** BGN 90**Procedure 2. Apply for project visa from the Chief Architect of the Varna Municipality****Agency:** Varna Municipality**Time:** 14 days**Cost:** BGN 30**Procedure 3. Obtain decision from the Regional Inspectorate of Environment and Water****Agency:** Regional Inspectorate of Environment and Water - Varna**Time:** 14 days**Cost:** None**Procedure 4*. Sign preliminary contract with the water company****Agency:** Water Supply and Sewerage - Varna**Time:** 1 day**Cost:** BGN 300**Procedure 5*. Obtain preliminary assessment of the building for its compliance with energy efficiency requirements from licensed company****Agency:** Licensed company**Time:** 7 days**Cost:** BGN 2,800 (Price calculated per square meter and based on agreement)**Procedure 6*. Obtain approval from the Regional Health Inspectorate****Agency:** Regional Health Inspectorate - Varna**Time:** 11 days**Cost:** BGN 70**Procedure 7. Sign contract with licensed supervision company and obtain evaluation of project for conformity with construction requirements****Agency:** Construction supervision company**Time:** 7 days**Cost:** BGN 8,650 (BGN 7,150 for the supervision + BGN 1,500 for the evaluation of the plans)**Procedure 8. Obtain final building permit from the Chief Architect of the Varna Municipality****Agency:** Varna Municipality**Time:** 36 days**Cost:** BGN 3,612 (BGN 2.70 per square meter + BGN 100 flat fee)**Procedure 9. Obtain approval for opening a construction site and determining construction line and construction level****Agency:** Varna Municipality**Time:** 7 days**Cost:** BGN 20**Procedure 10. Obtain approval from Varna Municipality on the carcass construction****Agency:** Varna Municipality**Time:** 10 days**Cost:** BGN 100**Procedure 11. Sign final contract with water provider and receive connection****Agency:** Water Supply and Sewerage - Varna**Time:** 10 days**Cost:** BGN 300**Procedure 12*. Obtain geodetic measurements from a licensed company****Agency:** Licensed company**Time:** 7 days**Cost:** BGN 350 (Price is based on agreement with the licensed company)**Procedure 13. Map the building in the cadastral map at the Geodesy, Cartography and Cadastre Agency (GCCA) in Varna and receive registration certificate****Agency:** Geodesy, Cartography and Cadastre Agency (GCCA) in Varna**Time:** 3 days**Cost:** BGN 124**Procedure 14. Obtain energy efficiency certificate****Agency:** Licensed company**Time:** 7 days**Cost:** BGN 2,600**Procedure 15. Submit final report on completed construction to Varna Municipality****Agency:** Varna Municipality**Time:** 1 day**Cost:** None**Procedure 16. Register the technical passport with the Varna Municipality****Agency:** Varna Municipality**Time:** 3 days**Cost:** None**Procedure 17. File a copy of the registered technical passport at the Geodesy, Cartography and Cadastre Agency (GCCA) in Varna****Agency:** Geodesy, Cartography and Cadastre Agency (GCCA) in Varna**Time:** 1 day**Cost:** None**Procedure 18. Receive final inspection by the Varna Municipality****Agency:** Varna Municipality**Time:** 1 day**Cost:** None**Procedure 19. Obtain certificate for the approval of use of the building from the Varna Municipality****Agency:** Varna Municipality**Time:** 20 days**Cost:** BGN 700*Source: Doing Business database.**Note: Additional information on each procedure can be found at www.doingbusiness.org/EU1.***Simultaneous with previous procedure*

DEALING WITH CONSTRUCTION PERMITS

HUNGARY**Budapest (Hungary)**

Warehouse value: HUF 164,816,344 (US\$649,500)
Data as of: December 31, 2016

Procedure 1. Request and obtain site map and site ownership certificate from the Department of Land Administration (Foldhivatal)

Agency: Department of Land Administration (Foldhivatal)

Time: 1 day

Cost: HUF 9,250 [HUF 3,000 (site map) + HUF 6,250 (site ownership certificate)]

Procedure 2. Request and obtain urban planning approval

Agency: Unit of the Chief Architect, Mayor's Office of the District Municipality

Time: 30 days

Cost: None

Procedure 3*. Obtain geo-technical report

Agency: Licensed company

Time: 14 days

Cost: HUF 100,000

Procedure 4*. Request and obtain utility statement from Budapest Waterworks Ltd.

Agency: Budapest Waterworks Ltd.

Time: 1 day

Cost: None

Procedure 5. Request and obtain utility permission document from Budapest Waterworks Ltd.

Agency: Budapest Waterworks Ltd.

Time: 30 days

Cost: None

Procedure 6*. Request and obtain authorization on the fire protection system

Agency: Fire Protection Unit, District Disaster Management Branch, Capital City Disaster Management Directorate

Time: 30 days

Cost: HUF 3,000

Procedure 7*. Request and obtain utility permission document from Budapest Sewage Works Ltd.

Agency: Budapest Sewage Works Ltd.

Time: 15 days

Cost: None

Procedure 8. Request and obtain building permit

Agency: Building Department, Mayor's Office of the District Municipality

Time: 45 days

Cost: HUF 113,700 [HUF 100,000 (fee for construction permit over 250 sq. m.) + HUF 5,000 (standard fee) + HUF 8,700 (fee for review of documentation by Public Health Unit)]

Procedure 9. Receive on-site inspection from the Building Department

Agency: Building Department, Mayor's Office of the District Municipality

Time: 1 day

Cost: None

Procedure 10. Set up e-construction log

Agency: Lechner Nonprofit Ltd.

Time: Less than one day (online procedure)

Cost: HUF 7,000

Procedure 11. Receive unscheduled inspection from the Building and Heritage Protection Unit

Agency: Building and Heritage Protection Unit, Office of District I or V, Budapest Capital City Government Office

Time: 1 day

Cost: None

Procedure 12. Request and obtain water connection from Budapest Waterworks Ltd.

Agency: Budapest Waterworks Ltd.

Time: 10 days

Cost: HUF 361,100 [HUF 100,000 (fee for water connection) + HUF 373,000 per m³/day (fee for water utility public development contribution)]

Procedure 13. Request and obtain sewerage connection from Budapest Sewage Works Ltd.

Agency: Budapest Sewage Works Ltd.

Time: 21 days

Cost: HUF 363,659 [HUF 539,000 per m³/day (fee for sewerage utility public development contribution) + HUF 40,259 (on-site inspection on the sewerage connection)]

Procedure 14*. Close e-construction log

Agency: Building and Heritage Protection Unit, Office of District I or V, Budapest Capital City Government Office

Time: Less than one day (online procedure)

Cost: None

Procedure 15. Obtain approval on the cleanliness of water

Agency: Accredited laboratory

Time: 10 days

Cost: HUF 29,000

Procedure 16*. Submit new geodetic map

Agency: Department of Land Administration (Foldhivatal)

Time: 10 days

Cost: HUF 800

Procedure 17. Receive final inspection from Fire Protection Unit

Agency: Fire Protection Unit, District Disaster Management Branch, Capital City Disaster Management Directorate

Time: 1 day

Cost: None

Procedure 18*. Receive final inspection from the Public Health Department

Agency: Public Health Unit, District Office, Budapest Capital City Government Office

Time: 1 day

Cost: None

Procedure 19*. Receive final inspection from the Building Department

Agency: Building Department, Mayor's Office of the District Municipality

Time: 1 day

Cost: None

Procedure 20. Obtain occupancy permit and update site ownership certificate

Agency: Building Department, Mayor's Office of the District Municipality, and Department of Land Administration (Foldhivatal)

Time: 51 days

Cost: HUF 120,300 [HUF 100,000 (fee for occupancy permit over 250 sq. m.) + HUF 5,000 (standard fee) + HUF 8,700 (fee for review of documentation by Public Health Unit) + HUF 6,600 (fee for modification of the site map and the site ownership certificate by the Department of Land Administration (Foldhivatal))]

*Simultaneous with previous procedure

DEALING WITH CONSTRUCTION PERMITS

Debrecen (Hungary)

Warehouse value: HUF 164,816,344 (US\$649,500)
Data as of: December 31, 2016

Procedure 1. Request and obtain site map and site ownership certificate from the Land Administration Department (Foldhivatal)

Agency: Land Administration Department (Foldhivatal), Debrecen District Office, Csongrád County Government Office

Time: 1 day

Cost: HUF 9,250 [HUF 3,000 (site map) + HUF 6,250 (site ownership certificate)]

Procedure 2. Request and obtain urban planning approval

Agency: Unit of the Chief Architect, Mayor's Office of Debrecen

Time: 18 days

Cost: None

Procedure 3*. Obtain geo-technical report

Agency: Licensed company

Time: 14 days

Cost: HUF 120,000

Procedure 4*. Request and obtain utility statement from Debrecen Waterworks Ltd.

Agency: Debrecen Waterworks Ltd.

Time: 3 days

Cost: HUF 4,724

Procedure 5. Request and obtain utility permission document from Debrecen Waterworks Ltd.

Agency: Debrecen Waterworks Ltd.

Time: 30 days

Cost: None

Procedure 6*. Request and obtain authorization on the fire protection system

Agency: Fire Protection Unit, Debrecen Disaster Management Branch, Disaster Management Directorate of Hajdú-Bihar County

Time: 15 days

Cost: HUF 3,000

Procedure 7. Request and obtain building permit

Agency: Technical Unit, City Development Department, Mayor's Office of Debrecen

Time: 45 days

Cost: HUF 127,700 [HUF 100,000 (fee for construction permit over 250 sq. m.) + HUF 5,000 (standard fee) + HUF 8,700 (fee

for review of documentation by the Public Health Unit) + HUF 14,000 (fee for review of documentation by the Environment and Conservation Department)]

Procedure 8. Receive on-site inspection from the Technical Unit

Agency: Technical Unit, City Development Department, Mayor's Office of Debrecen

Time: 1 day

Cost: None

Procedure 9. Set up e-construction log

Agency: Lechner Nonprofit Ltd.

Time: Less than one day (online procedure)

Cost: HUF 7,000

Procedure 10. Receive unscheduled inspection from the Building and Heritage Protection Unit

Agency: Building and Heritage Protection Unit, Debrecen District Office, Hajdú-Bihar County Government Office

Time: 1 day

Cost: None

Procedure 11. Request and obtain water and sewerage connection from Debrecen Waterworks Ltd.

Agency: Debrecen Waterworks Ltd.

Time: 15 days

Cost: HUF 205,600 [HUF 142,000 (fee for water connection) + HUF 42,000 per m³/day (fee for water utility public development contribution) + HUF 57,000 per m³/day (fee for sewage utility public development contribution)]

Procedure 12*. Close e-construction log

Agency: Building and Heritage Protection Unit, Debrecen District Office, Hajdú-Bihar County Government Office

Time: Less than one day (online procedure)

Cost: None

Procedure 13. Submit new geodetic map

Agency: Land Administration Department (Foldhivatal), Debrecen District Office, Csongrád County Government Office

Time: 10 days

Cost: HUF 800

Procedure 14*. Obtain approval on the cleanliness of water

Agency: Accredited laboratory

Time: 7 days

Cost: HUF 22,000

Procedure 15. Receive final inspection from Fire Protection Unit

Agency: Fire Protection Unit, Debrecen Disaster Management Branch, Disaster Management Directorate of Hajdú-Bihar County

Time: 1 day

Cost: None

Procedure 16*. Receive final inspection from the Public Health Unit

Agency: Public Health Unit, Debrecen District Office, Hajdú-Bihar County Government Office

Time: 1 day

Cost: None

Procedure 17*. Receive final inspection from the Technical Department

Agency: Technical Unit, City Development Department, Mayor's Office of Debrecen

Time: 1 day

Cost: None

Procedure 18. Obtain occupancy permit and update site ownership certificate

Agency: Technical Unit, City Development Department, Mayor's Office of Debrecen, and Land Registry Department, Debrecen District Office, Csongrád County Government Office

Time: 47 days

Cost: HUF 120,300 [HUF 100,000 (fee for occupancy permit over 250 sq. m.) + HUF 5,000 (standard fee) + HUF 8,700 (fee for review of documentation by Public Health Unit) + HUF 6,600 (fee for modification of the site map and the site ownership certificate by the Land Registry)]

DEALING WITH CONSTRUCTION PERMITS

Győr (Hungary)

Warehouse value: HUF 164,816,344 (US\$649,500)
Data as of: December 31, 2016

Procedure 1. Request and obtain site map and site ownership certificate from the Land Administration Department (Foldhivatal)

Agency: Land Administration Department (Foldhivatal), Győr District Office, Győr-Moson-Sopron County Government Office

Time: 1 day

Cost: HUF 9,250 [HUF 3,000 (site map) + HUF 6,250 (site ownership certificate)]

Procedure 2. Obtain geo-technical report

Agency: Licensed company

Time: 18 days

Cost: HUF 102,000

*Simultaneous with previous procedure

Procedure 3*. Request and obtain urban planning approval**Agency:** Unit of the Chief Architect, Mayor's Office of Győr**Time:** 14 days**Cost:** None**Procedure 4*. Request and obtain utility statement from the Pannon-Water Ltd.****Agency:** Pannon-Water Ltd.**Time:** 1 day**Cost:** HUF 7,638**Procedure 5. Request and obtain authorization on the fire protection system****Agency:** Fire Protection Unit, Győr Disaster Management Branch, Disaster Management Directorate of Győr-Moson-Sopron County**Time:** 21 days**Cost:** HUF 3,000**Procedure 6*. Request and obtain utility permission document from Pannon-Water Ltd.****Agency:** Pannon-Water Ltd.**Time:** 20 days**Cost:** None**Procedure 7. Request and obtain building permit****Agency:** Building Unit, Mayor's Office of Győr**Time:** 45 days**Cost:** HUF 127,700 [HUF 100,000 (fee for construction permit over 250 sq. m.) + HUF 5,000 (standard fee) + HUF 8,700 (fee for review of documentation by the Public Health Unit) + HUF 14,000 (fee for review of documentation by the Environment and Conservation Unit)]**Procedure 8. Receive on-site inspection from the Building Unit****Agency:** Building Unit, Mayor's Office of Győr**Time:** 1 day**Cost:** None**Procedure 9. Set up e-construction log****Agency:** Lechner Nonprofit Ltd.**Time:** Less than one day (online procedure)**Cost:** HUF 7,000**Procedure 10. Receive unscheduled inspection from the Building and Heritage Protection Unit****Agency:** Building and Heritage Protection Unit, Győr District Office, Győr-Moson-Sopron County Government Office**Time:** 1 day**Cost:** None**Procedure 11. Request and obtain water and sewerage connection from Pannon-Water Ltd.****Agency:** Pannon-Water Ltd.**Time:** 10 days**Cost:** HUF 325,000 [HUF 100,000 (fee for water connection) + HUF 150,000 per m³/day (fee for water utility public development contribution) + HUF 200,000 per m³/day (fee for sewage utility public development contribution)]**Procedure 12*. Close e-construction log****Agency:** Building and Heritage Protection Unit, Győr District Office, Győr-Moson-Sopron County Government Office**Time:** Less than one day (online procedure)**Cost:** None**Procedure 13. Obtain approval on the cleanliness of water****Agency:** Accredited laboratory**Time:** 11 days**Cost:** HUF 21,873**Procedure 14*. Submit new geodetic map****Agency:** Land Administration Department (Foldhivatal), Győr District Office, Győr-Moson-Sopron County Government Office**Time:** 10 days**Cost:** HUF 800**Procedure 15. Receive final inspection from Fire Protection Unit****Agency:** Fire Protection Unit, Győr Disaster Management Branch, Disaster Management Directorate of Győr-Moson-Sopron County**Time:** 1 day**Cost:** None**Procedure 16*. Receive final inspection from the Public Health Unit****Agency:** Public Health Unit, Győr District Office, Győr-Moson-Sopron County Government Office**Time:** 1 day**Cost:** None**Procedure 17*. Receive final inspection from the Building Unit****Agency:** Building Unit, Mayor's Office of Győr**Time:** 1 day**Cost:** None**Procedure 18. Obtain occupancy permit and update site ownership certificate****Agency:** Building Unit, Mayor's Office of Győr, and Land Registry Department, Győr District Office, Győr-Moson-Sopron County Government Office**Time:** 50 days**Cost:** HUF 120,300 [HUF 100,000 (fee for occupancy permit over 250 sq. m.) + HUF 5,000 (standard fee) + HUF 8,700 (fee for review of documentation by Public Health Unit) + HUF 6,600 (fee for modification of the site map and the site ownership certificate by the Land Registry)]

DEALING WITH CONSTRUCTION PERMITS

Miskolc (Hungary)*Warehouse value: HUF 164,816,344 (US\$649,500)
Data as of: December 31, 2016***Procedure 1. Request and obtain site map and site ownership certificate from the Land Administration Department (Foldhivatal)****Agency:** Land Administration Department (Foldhivatal), Miskolc District Office, Borsod-Abaúj-Zemplén County Government Office**Time:** 1 day**Cost:** HUF 9,250 [HUF 3,000 (site map) + HUF 6,250 (site ownership certificate)]**Procedure 2. Request and obtain urban planning approval****Agency:** City Building Unit, Mayor's Office of Miskolc**Time:** 14 days**Cost:** None**Procedure 3*. Obtain geo-technical report****Agency:** Licensed company**Time:** 14 days**Cost:** HUF 150,000**Procedure 4*. Request and obtain utility statement from the MIVÍZ Miskolc Waterworks Ltd.****Agency:** MIVÍZ Miskolc Waterworks Ltd.**Time:** 1 day**Cost:** HUF 5,000**Procedure 5. Request and obtain utility permission document from MIVÍZ Miskolc Waterworks Ltd.****Agency:** MIVÍZ Miskolc Waterworks Ltd.**Time:** 24 days**Cost:** None

*Simultaneous with previous procedure

Procedure 6*. Request and obtain authorization on the fire protection system

Agency: Fire Protection Unit, Miskolc Disaster Management Branch, Disaster Management Directorate of Borsod-Abaúj-Zemplén County

Time: 15 days

Cost: HUF 3,000

Procedure 7. Request and obtain building permit

Agency: Building Unit, Building and Environment Protection Department, Mayor's Office of Miskolc

Time: 45 days

Cost: HUF 127,700 [HUF 100,000 (fee for construction permit over 250 sq. m.) + HUF 5,000 (standard fee) + HUF 8,700 (fee for review of documentation by the Public Health Service) + HUF 14,000 (fee for review of documentation by the Environment and Conservation Unit)]

Procedure 8. Receive on-site inspection from the Building and Environment Protection Unit

Agency: Building and Environment Protection Unit, Mayor's Office of Miskolc

Time: 1 day

Cost: None

Procedure 9. Set up e-construction log

Agency: Lechner Nonprofit Ltd.

Time: Less than one day (online procedure)

Cost: HUF 7,000

Procedure 10. Receive unscheduled inspection from the Building and Heritage Protection Unit

Agency: Building and Heritage Protection Unit, Miskolc District Office, Borsod-Abaúj-Zemplén County Government Office

Time: 1 day

Cost: None

Procedure 11. Request and obtain water and sewerage connection from MIVÍZ Miskolc Waterworks Ltd.

Agency: MIVÍZ Miskolc Waterworks Ltd.

Time: 14 days

Cost: HUF 425,000 [HUF 200,000 (fee for water connection) + HUF 150,000 per m³/day (fee for water utility public development contribution) + HUF 200,000 per m³/day (fee for sewerage utility public development contribution)]

Procedure 12*. Close e-construction log

Agency: Building and Heritage Protection Unit, Miskolc District Office, Borsod-Abaúj-Zemplén County Government Office

Time: Less than one day (online procedure)

Cost: None

Procedure 13. Submit new geodetic map

Agency: Land Administration Department (Foldhivatal), Miskolc District Office, Borsod-Abaúj-Zemplén County Government Office

Time: 10 days

Cost: HUF 800

Procedure 14*. Obtain approval on the cleanliness of water

Agency: Accredited laboratory

Time: 7 days

Cost: HUF 7,000

Procedure 15. Receive final inspection from Fire Protection Unit

Agency: Fire Protection Unit, Miskolc Disaster Management Branch, Disaster Management Directorate of Borsod-Abaúj-Zemplén County

Time: 1 day

Cost: None

Procedure 16*. Receive final inspection from the Public Health Service

Agency: Public Health Service, Miskolc District Office, Borsod-Abaúj-Zemplén County Government Office

Time: 1 day

Cost: None

Procedure 17*. Receive final inspection from the Building and Environment Protection Unit

Agency: Building Unit, Building and Environment Protection Department, Mayor's Office of Miskolc

Time: 1 day

Cost: None

Procedure 18. Obtain occupancy permit and update site ownership certificate

Agency: Building Unit, Building and Environment Protection Department, Mayor's Office of Miskolc, and Land Registry Department, Miskolc District Office, Borsod-Abaúj-Zemplén County Government Office

Time: 44 days

Cost: HUF 120,300 [HUF 100,000 (fee for occupancy permit over 250 sq. m.) + HUF 5,000 (standard fee) + HUF 8,700 (fee for review of documentation by Public Health Unit) + HUF 6,600 (fee for modification of the site map and the site ownership certificate by the Land Registry)]

DEALING WITH CONSTRUCTION PERMITS

Pécs (Hungary)

Warehouse value: HUF 164,816,344 (US\$649,500)

Data as of: December 31, 2016

Procedure 1. Request and obtain site map and site ownership certificate from the Land Administration Department (Foldhivatal)

Agency: Land Administration Department (Foldhivatal), Pécs District Office, Baranya County Government Office

Time: 1 day

Cost: HUF 9,250 [HUF 3,000 (site map) + HUF 6,250 (site ownership certificate)]

Procedure 2. Obtain geo-technical report

Agency: Licensed company

Time: 14 days

Cost: HUF 160,000

Procedure 3*. Request and obtain utility statement from the Tettey Watersource Ltd.

Agency: Tettey Watersource Ltd.

Time: 7 days

Cost: HUF 10,400

Procedure 4. Request and obtain utility statement from the Tettey Watersource Ltd.

Agency: Tettey Watersource Ltd.

Time: 30 days

Cost: None

Procedure 5*. Request and obtain authorization on the fire protection system

Agency: Fire Protection Unit, Pécs Disaster Management Branch, Disaster Management Directorate of Baranya County

Time: 14 days

Cost: HUF 3,000

Procedure 6. Request and obtain building permit

Agency: Technical Unit, Mayor's Office of Pécs

Time: 30 days

Cost: HUF 113,700 [HUF 100,000 (fee for construction permit over 250 sq. m.) + HUF 5,000 (standard fee) + HUF 8,700 (fee for review of documentation by the Public Health Unit)]

Procedure 7. Receive on-site inspection from the Technical Unit

Agency: Technical Unit, Mayor's Office of Pécs

Time: 1 day

Cost: None

*Simultaneous with previous procedure

Procedure 8. Set up e-construction log**Agency:** Lechner Nonprofit Ltd.**Time:** Less than one day (online procedure)**Cost:** HUF 7,000**Procedure 9. Receive unscheduled inspection from the Building and Heritage Protection Unit****Agency:** Building and Heritage Protection Unit, Pécs District Office, Baranya County Government Office**Time:** 1 day**Cost:** None**Procedure 10. Request and obtain water and sewerage connection from Tettye Watersource Ltd.****Agency:** Tettye Watersource Ltd.**Time:** 15 days**Cost:** HUF 282,200 [HUF 125,000 (fee for water connection) + HUF 102,000 per m³/day (fee for water utility public development contribution) + HUF 143,000 per m³/day (fee for sewerage utility public development contribution)]**Procedure 11*. Close e-construction log****Agency:** Building and Heritage Protection Unit, Pécs District Office, Baranya County Government Office**Time:** Less than one day (online procedure)**Cost:** None**Procedure 12. Obtain approval on the cleanliness of water****Agency:** Accredited laboratory**Time:** 14 days**Cost:** HUF 20,000**Procedure 13*. Submit new geodetic map****Agency:** Land Administration Department (Foldhivatal), Pécs District Office, Baranya County Government Office**Time:** 10 days**Cost:** HUF 800**Procedure 14. Receive final inspection from Fire Protection Unit****Agency:** Fire Protection Unit, Pécs Disaster Management Branch, Disaster Management Directorate of Baranya County**Time:** 1 day**Cost:** None**Procedure 15*. Receive final inspection from the Public Health Unit****Agency:** Public Health Unit, Pécs District Office, Baranya County Government Office**Time:** 1 day**Cost:** None**Procedure 16*. Receive final inspection from the Technical Unit****Agency:** Technical Unit, Mayor's Office of Pécs**Time:** 1 day**Cost:** None**Procedure 17. Obtain occupancy permit and update site ownership certificate****Agency:** Technical Unit, Mayor's Office of Pécs, and Land Registry Department, Pécs District Office, Baranya County Government Office**Time:** 35 days**Cost:** HUF 120,300 [HUF 100,000 (fee for occupancy permit over 250 sq. m.) + HUF 5,000 (standard fee) + HUF 8,700 (fee for review of documentation by Public Health Unit) + HUF 6,600 (fee for modification of the site map and the site ownership certificate by the Land Registry)]

DEALING WITH CONSTRUCTION PERMITS

Szeged (Hungary)*Warehouse value: HUF 164,816,344 (US\$649,500)**Data as of: December 31, 2016***Procedure 1. Request and obtain site map and site ownership certificate from the Land Administration Department (Foldhivatal)****Agency:** Land Administration Department (Foldhivatal), Szeged District Office, Csongrád County Government Office**Time:** 1 day**Cost:** HUF 9,250 [HUF 3,000 (site map) + HUF 6,250 (site ownership certificate)]**Procedure 2. Request and obtain urban planning approval****Agency:** City Planning/Head Architect's Unit, Development Department, Mayor's Office of Szeged**Time:** 14 days**Cost:** None**Procedure 3*. Obtain geo-technical report****Agency:** Licensed company**Time:** 14 days**Cost:** HUF 150,000**Procedure 4*. Request and obtain utility statement from the Szeged Waterworks Ltd.****Agency:** Szeged Waterworks Ltd.**Time:** 1 day**Cost:** HUF 824**Procedure 5. Request and obtain utility statement from the Szeged Waterworks Ltd.****Agency:** Szeged Waterworks Ltd.**Time:** 21 days**Cost:** None**Procedure 6*. Request and obtain authorization on the fire protection system****Agency:** Fire Protection Unit, Szeged Disaster Management Branch, Disaster Management Directorate of Csongrád County**Time:** 14 days**Cost:** HUF 3,000**Procedure 7. Request and obtain building permit****Agency:** Building Unit, Managerial and Building Department, Mayor's Office of Szeged**Time:** 38 days**Cost:** HUF 127,700 [HUF 100,000 (fee for construction permit over 250 sq. m.) + HUF 5,000 (standard fee) + HUF 8,700 (fee for review of documentation by the Public Health Unit) + HUF 14,000 (fee for review of documentation by the Environment and Conservation Unit)]**Procedure 8. Receive on-site inspection from the Building Unit****Agency:** Building Unit, Managerial and Building Department, Mayor's Office of Szeged**Time:** 1 day**Cost:** None**Procedure 9. Set up e-construction log****Agency:** Lechner Nonprofit Ltd.**Time:** Less than one day (online procedure)**Cost:** HUF 7,000**Procedure 10. Receive unscheduled inspection from the Building and Heritage Protection Unit****Agency:** Building and Heritage Protection Unit, Szeged District Office, Csongrád County Government Office**Time:** 1 day**Cost:** None**Procedure 11. Request and obtain water and sewerage connection from Szeged Waterworks Ltd.****Agency:** Szeged Waterworks Ltd.**Time:** 9 days**Cost:** HUF 268,800 [HUF 110,000 (fee for water connection) + HUF 106,000 per m³/day (fee for water utility public development contribution) + HUF 141,000 per m³/day (fee for sewerage utility public development contribution)]

*Simultaneous with previous procedure

Procedure 12*. Close e-construction log

Agency: Building and Heritage Protection Unit, Szeged District Office, Csongrád County Government Office

Time: Less than one day (online procedure)

Cost: None

Procedure 13. Obtain approval on the cleanliness of water

Agency: Accredited laboratory

Time: 12 days

Cost: HUF 15,000

Procedure 14*. Submit new geodetic map

Agency: Land Administration Department (Foldhivatal), Szeged District Office, Csongrád County Government Office

Time: 10 days

Cost: HUF 800

Procedure 15. Receive final inspection from Fire Protection Unit

Agency: Fire Protection Unit, Szeged Disaster Management Branch, Disaster Management Directorate of Csongrád County

Time: 1 day

Cost: None

Procedure 16*. Receive final inspection from the Public Health Unit

Agency: Public Health Unit, Szeged District Office, Csongrád County Government Office

Time: 1 day

Cost: None

Procedure 17*. Receive final inspection from the Building Unit

Agency: Building Unit, Managerial and Building Department, Mayor's Office of Szeged

Time: 1 day

Cost: None

Procedure 18. Obtain occupancy permit and update site ownership certificate

Agency: Building Unit, Managerial and Building Department, Mayor's Office of Szeged

Time: 46 days

Cost: HUF 120,300 [HUF 100,000 (fee for occupancy permit over 250 sq. m.) + HUF 5,000 (standard fee) + HUF 8,700 (fee for review of documentation by Public Health Unit) + HUF 6,600 (fee for modification of the site map and the site ownership certificate by the Land Registry)]

DEALING WITH CONSTRUCTION PERMITS

Szekesfehervar (Hungary)

Warehouse value: HUF 164,816,344 (US\$649,500)

Data as of: December 31, 2016

Procedure 1. Request and obtain site map and site ownership certificate from the Land Administration Department (Foldhivatal)

Agency: Land Administration Department (Foldhivatal), Székesfehérvár District Office, Fejér County Government Office

Time: 1 day

Cost: HUF 9,250 [HUF 3,000 (site map) + HUF 6,250 (site ownership certificate)]

Procedure 2. Obtain geo-technical report

Agency: Licensed company

Time: 14 days

Cost: HUF 200,000

Procedure 3*. Request and obtain urban planning approval

Agency: Unit of the Chief Architect, Mayor's Office of Székesfehérvár

Time: 8 days

Cost: None

Procedure 4*. Request and obtain utility statement from the Fejérvíz Water Ltd.

Agency: Fejérvíz Water Ltd.

Time: 1 day

Cost: None

Procedure 5. Request and obtain utility statement from the Fejérvíz Water Ltd.

Agency: Fejérvíz Water Ltd.

Time: 27 days

Cost: None

Procedure 6*. Request and obtain authorization on the fire protection system

Agency: Fire Protection Unit, Székesfehérvár Disaster Management Branch, Disaster Management Directorate of Fejér County

Time: 21 days

Cost: HUF 3,000

Procedure 7. Request and obtain building permit

Agency: Building Management Unit, Mayor's Office of Székesfehérvár

Time: 45 days

Cost: HUF 127,700 [HUF 100,000 (fee for construction permit over 250 sq. m.) + HUF 5,000 (standard fee) + HUF 8,700 (fee for review of documentation by the Public Health Unit) + HUF 14,000 (fee for review of documentation by the Environment and Conservation Unit)]

Procedure 8. Receive on-site inspection from Building Management Unit

Agency: Building Management Unit, Mayor's Office of Székesfehérvár

Time: 1 day

Cost: None

Procedure 9. Set up e-construction log

Agency: Lechner Nonprofit Ltd.

Time: Less than one day (online procedure)

Cost: HUF 7,000

Procedure 10. Receive unscheduled inspection from the Building and Heritage Protection Unit

Agency: Building and Heritage Protection Unit, Székesfehérvár District Office, Fejér County Government Office

Time: 1 day

Cost: None

Procedure 11. Request and obtain water and sewerage connection from Fejérvíz Water Ltd.

Agency: Fejérvíz Water Ltd.

Time: 10 days

Cost: HUF 364,000 [HUF 100,000 (fee for water connection) + HUF 180,000 per m³/day (fee for water utility public development contribution) + HUF 230,000 per m³/day (fee for sewage utility public development contribution)]

Procedure 12*. Close e-construction log

Agency: Building and Heritage Protection Unit, Székesfehérvár District Office, Fejér County Government Office

Time: Less than one day (online procedure)

Cost: None

Procedure 13. Submit new geodetic map

Agency: Land Administration Department (Foldhivatal), Székesfehérvár District Office, Fejér County Government Office

Time: 10 days

Cost: HUF 800

Procedure 14*. Obtain approval on the cleanliness of water

Agency: Accredited laboratory

Time: 5 days

Cost: HUF 10,000

Procedure 15. Receive final inspection from Fire Protection Unit

Agency: Fire Protection Unit, Székesfehérvár Disaster Management Branch, Disaster Management Directorate of Fejér County

Time: 1 day

Cost: None

*Simultaneous with previous procedure

Procedure 16*. Receive final inspection from the Public Health Unit

Agency: Public Health Unit, Székesfehérvár District Office, Fejér County Government Office

Time: 1 day

Cost: None

Procedure 17*. Receive final inspection from Building Management Unit

Agency: Building Management Unit, Mayor's Office of Székesfehérvár

Time: 1 day

Cost: None

Procedure 18. Obtain occupancy permit and update site ownership certificate

Agency: Building Management Unit, Mayor's Office of Székesfehérvár, and Land Registry Department, Székesfehérvár District Office, Fejér County Government Office

Time: 43 days

Cost: HUF 120,300 [HUF 100,000 (fee for occupancy permit over 250 sq. m.) + HUF 5,000 (standard fee) + HUF 8,700 (fee for review of documentation by Public Health Unit) + HUF 6,600 (fee for modification of the site map and the site ownership certificate by the Land Registry)]

Source: *Doing Business* database.

Note: Additional information on each procedure can be found at www.doingbusiness.org/EU1.

DEALING WITH CONSTRUCTION PERMITS

ROMANIA

Brasov (Romania)

Warehouse value: RON 1,755,459 (US\$475,000)
Data as of: December 31, 2016

Procedure 1. Obtain topographical documentation

Agency: Topographical engineer

Time: 14 days

Cost: RON 1,500

Procedure 2. Obtain approval of topographical documentation and land registry excerpt from National Agency for Cadastre and Land Registration (NACLAR)

Agency: Brasov County Office of National Agency for Cadastre and Land Registration (NACLAR)

Time: 21 days

Cost: RON 220 (RON 200 for the topographical study approval plus RON 20 for the land registry excerpt)

Procedure 3. Obtain urban planning certificate

Agency: Department of Urbanism of the Brasov City Hall

Time: 40 days

Cost: RON 14

Procedure 4. Obtain project clearance from Circulation Committee

Agency: City Hall

Time: 30 days

Cost: None

Procedure 5*. Obtain project clearance from water supply and sewerage authority

Agency: Brasov Water and Sewerage Company

Time: 17 days

Cost: RON 220

Procedure 6*. Obtain project clearance from electricity company

Agency: Electricity Distribution Company Transilvania South

Time: 14 days

Cost: RON 95

Procedure 7*. Obtain project clearance from Brasov Regional Environmental Protection Agency

Agency: Brasov Regional Environmental Protection Agency

Time: 21 days

Cost: RON 500 (RON 400 to the Environmental Protection Agency and RON 100 for newspaper advertisements)

Procedure 8*. Obtain project clearance from Tara Barsei Inspectorate for Emergency Situations

Agency: Tara Barsei Inspectorate for Emergency Situations

Time: 15 days

Cost: None

Procedure 9*. Obtain project clearance from Health Department

Agency: Brasov Public Health Department

Time: 7 days

Cost: RON 250 [RON 200 plus RON 50 (fast-track fee)]

Procedure 10*. Sign contract with solid waste authority (Comprest/Urban)

Agency: Comprest/Urban

Time: 1 day

Cost: RON 813

Procedure 11*. Register project with Order of Architects and pay architecture stamp duty

Agency: Order of Architects

Time: 2 days

Cost: RON 928 (RON 50 plus 0.05% of the value of construction)

Procedure 12*. Obtain updated land registry excerpt from National Agency for Cadastre and Land Registration (NACLAR)

Agency: Brasov County Office of National Agency for Cadastre and Land Registration (NACLAR)

Time: 3 days

Cost: RON 100 [RON 20 plus 4 times the standard fee (RON 20) for the fast-track procedure]

Procedure 13. Obtain building permit

Agency: Department of Urbanism of the Brasov City Hall

Time: 40 days

Cost: RON 17,555 (1% of the value of construction)

Procedure 14. Notify City Hall of commencement of construction

Agency: Department of Urbanism of the Brasov City Hall

Time: 1 day

Cost: None

Procedure 15*. Notify Brasov Construction Inspectorate of commencement of construction and submit schedule of inspections

Agency: Brasov Construction Inspectorate

Time: 1 day

Cost: RON 10,533 (0.1% plus 0.5% of the value of construction)

Procedure 16*. Notify Brasov Labor Inspectorate of commencement of construction

Agency: Brasov Labor Inspectorate

Time: 1 day

Cost: None

Procedure 17. Receive foundations work inspection

Agency: Brasov Construction Inspectorate

Time: 1 day

Cost: None

Procedure 18. Receive frame inspection

Agency: Brasov Construction Inspectorate

Time: 1 day

Cost: None

*Simultaneous with previous procedure

Procedure 19. Notify City Hall of completion of construction and request final assessment

Agency: Department of Urbanism of the Brasov City Hall

Time: 1 day

Cost: None

Procedure 20*. Notify Brasov Construction Inspectorate of completion of construction and request final assessment

Agency: Brasov Construction Inspectorate

Time: 1 day

Cost: None

Procedure 21. Receive final inspection from Acceptance Commission

Agency: Acceptance Commission

Time: 1 day

Cost: None

Procedure 22. Obtain final assessment of construction from Acceptance Commission

Agency: Acceptance Commission

Time: 18 days

Cost: None

Procedure 23. Pay tax adjustment at City Hall and Brasov Construction Inspectorate

Agency: City Hall/Brasov Construction Inspectorate

Time: 1 day

Cost: None

Procedure 24*. Obtain water and sewerage connection (Brasov Water and Sewerage Company)

Agency: Brasov Water and Sewerage Company

Time: 60 days

Cost: RON 15,000

Procedure 25*. Obtain certificate attesting existence of construction from City Hall

Agency: City Hall

Time: 1 day

Cost: None

Procedure 26. Register building with National Agency for Cadastre and Land Registration (NACLR)

Agency: Brasov County Office of National Agency for Cadastre and Land Registration (NACLR)

Time: 15 days

Cost: RON 938 (RON 60 + 0.05% of the value of construction)

DEALING WITH CONSTRUCTION PERMITS

Bucharest (Romania)

Warehouse value: RON 1,755,459 (US\$475,000)

Data as of: December 31, 2016

Procedure 1. Obtain topographical documentation

Agency: Topographical engineer

Time: 7 days

Cost: RON 2,000

Procedure 2. Obtain approval of topographical documentation and land registry excerpt from National Agency for Cadastre and Land Registration (NACLR)

Agency: Bucharest office of the National Agency for Cadastre and Land Registration

Time: 15 days

Cost: RON 220 (RON 200 for the topographical study approval plus RON 20 for the land registry excerpt)

Procedure 3. Obtain urban planning certificate

Agency: Department of Urbanism of the local City Hall

Time: 30 days

Cost: RON 14

Procedure 4. Obtain project clearance from Bucharest Regional Environmental Protection Agency

Agency: Bucharest Regional Environmental Protection Agency

Time: 21 days

Cost: RON 500 (RON 400 to the Environmental Protection Agency and RON 100 for newspaper advertisements)

Procedure 5*. Obtain project clearance from water supply and sewerage authority (Apa Nova SA Bucharest)

Agency: Apa Nova SA Bucharest

Time: 18 days

Cost: RON 72

Procedure 6*. Obtain project clearance from electricity company

Agency: e-distribution Muntenia

Time: 15 days

Cost: RON 95

Procedure 7*. Obtain project clearance from General Inspectorate for Emergency Situations

Agency: Bucuresti-Ilfov Inspectorate for Emergency Situations

Time: 15 days

Cost: None

Procedure 8*. Obtain project clearance from Health Department

Agency: Bucharest Public Health Department

Time: 7 days

Cost: RON 250 [RON 200 plus RON 50 (fast-track fee)]

Procedure 9*. Sign contract with solid waste authority (REBU SA)

Agency: REBU SA

Time: 1 day

Cost: RON 2,667 (RON 75 per cubic meter of waste + RON 42 for tax)

Procedure 10*. Obtain updated land registry excerpt from National Agency for Cadastre and Land Registration (NACLR)

Agency: Bucharest office of the National Agency for Cadastre and Land Registration

Time: 2 days

Cost: RON 20

Procedure 11*. Notarize statement about nonexistence of land disputes

Agency: Notary

Time: 1 day

Cost: RON 15

Procedure 12*. Register project with Order of Architects and pay architecture stamp duty

Agency: Order of Architects

Time: 1 day

Cost: RON 928 (RON 50 plus 0.05% of the value of construction)

Procedure 13. Obtain building permit

Agency: Department of Urbanism of the local City Hall

Time: 30 days

Cost: RON 17,555 (1% of the value of construction)

Procedure 14. Notify City Hall of commencement of construction

Agency: Department of Urbanism of the local City Hall

Time: 1 day

Cost: None

Procedure 15*. Notify Bucharest Construction Inspectorate of commencement of construction and submit schedule of inspections

Agency: Bucharest Construction Inspectorate

Time: 1 day

Cost: RON 10,533 (0.1% plus 0.5% of the value of construction)

*Simultaneous with previous procedure

Procedure 16*. Notify Bucharest Labor Inspectorate of commencement of construction**Agency:** Bucharest Labor Inspectorate**Time:** 1 day**Cost:** None**Procedure 17. Receive foundations work inspection****Agency:** Bucharest Construction Inspectorate**Time:** 1 day**Cost:** None**Procedure 18. Receive frame inspection****Agency:** Bucharest Construction Inspectorate**Time:** 1 day**Cost:** None**Procedure 19. Notify City Hall of completion of construction and request final assessment****Agency:** Department of Urbanism of the local City Hall**Time:** 1 day**Cost:** None**Procedure 20*. Notify Bucharest Construction Inspectorate of completion of construction and request final assessment****Agency:** Bucharest Construction Inspectorate**Time:** 1 day**Cost:** None**Procedure 21. Receive final inspection and obtain final assessment from Acceptance Commission****Agency:** Acceptance Commission**Time:** 15 days**Cost:** None**Procedure 22. Obtain water and sewerage connection (Apa Nova SA Bucuresti)****Agency:** Apa Nova SA Bucharest**Time:** 75 days**Cost:** RON 2,300 (RON 520 for connection fee + RON 62 for application fee + RON 1,150 connection works + RON 568.44 for meter)**Procedure 23. Obtain certificate attesting existence of construction from City Hall****Agency:** Department of Urbanism of the Bucharest City Hall**Time:** 30 days**Cost:** None**Procedure 24. Register building with National Agency for Cadastre and Land Registration (NACLR)****Agency:** Bucharest office of the National Agency for Cadastre and Land Registration**Time:** 30 days**Cost:** RON 938 (RON 60 + 0.05% of the value of construction)

DEALING WITH CONSTRUCTION PERMITS

Cluj-Napoca (Romania)*Warehouse value: RON 1,755,459 (US\$475,000)**Data as of: December 31, 2016***Procedure 1. Obtain topographical documentation****Agency:** Topographical engineer**Time:** 15 days**Cost:** RON 900**Procedure 2*. Obtain land registry excerpt and the cadastral sketch from National Agency for Cadastre and Land Registration (NACLR)****Agency:** Cluj County Office of National Agency for Cadastre and Land Registration (NACLR)**Time:** 8 days**Cost:** RON 35 (RON 20 for the land registry excerpt plus RON 15 for the cadastral sketch)**Procedure 3. Obtain topographical documentation registration from National Agency for Cadastre and Land Registration (NACLR)****Agency:** Cluj County Office of National Agency for Cadastre and Land Registration (NACLR)**Time:** 15 days**Cost:** RON 200**Procedure 4. Obtain urban planning certificate****Agency:** Department of Urbanism of the Cluj City Hall**Time:** 30 days**Cost:** RON 12**Procedure 5. Obtain project clearance from Cluj Environmental Protection Agency****Agency:** Cluj Environmental Protection Agency**Time:** 21 days**Cost:** RON 500 (RON 400 to the Environmental Protection Agency and RON 100 for newspaper advertisements)**Procedure 6. Obtain project clearance from electricity company****Agency:** Electricity Distribution Company Transilvania North**Time:** 30 days**Cost:** RON 95**Procedure 7*. Obtain project clearance from Traffic Safety Unit of City Hall****Agency:** Cluj City Hall**Time:** 15 days**Cost:** None**Procedure 8*. Obtain project clearance from water supply and sewerage authority****Agency:** Some SA Water and Sewerage Authority**Time:** 14 days**Cost:** RON 66**Procedure 9. Obtain project clearance from Cluj Inspectorate for Emergency Situations****Agency:** Cluj Inspectorate for Emergency Situations**Time:** 14 days**Cost:** None**Procedure 10*. Obtain project clearance from Health Department****Agency:** Cluj Public Health Department**Time:** 7 days**Cost:** RON 250 [RON 200 plus RON 50 (fast-track fee)]**Procedure 11*. Sign contract with solid waste authority****Agency:** Bratner/Rosal**Time:** 1 day**Cost:** RON 31**Procedure 12*. Register project with Order of Architects****Agency:** Order of Architects**Time:** 4 days**Cost:** RON 50**Procedure 13*. Obtain updated land registry excerpt from National Agency for Cadastre and Land Registration (NACLR)****Agency:** Cluj County Office of National Agency for Cadastre and Land Registration (NACLR)**Time:** 3 days**Cost:** RON 20**Procedure 14. Obtain building permit and pay architecture stamp duty****Agency:** Department of Urbanism of the Cluj City Hall**Time:** 30 days**Cost:** RON 18,432 (1% plus 0.05% of the value of construction)

*Simultaneous with previous procedure

Procedure 15. Notify City Hall of commencement of construction

Agency: Department of Urbanism of the Cluj City Hall
Time: 1 day
Cost: None

Procedure 16*. Notify Cluj Construction Inspectorate of commencement of construction and submit schedule of inspections

Agency: Cluj Construction Inspectorate
Time: 1 day
Cost: RON 10,533 (0.1% plus 0.5% of the value of construction)

Procedure 17*. Notify Cluj Labor Inspectorate of commencement of construction

Agency: Cluj Labor Inspectorate
Time: 1 day
Cost: None

Procedure 18. Receive foundations work inspection

Agency: Cluj Construction Inspectorate
Time: 1 day
Cost: None

Procedure 19. Receive frame inspection

Agency: Cluj Construction Inspectorate
Time: 1 day
Cost: None

Procedure 20. Notify City Hall of completion of construction and request final assessment

Agency: Department of Urbanism of the Cluj City Hall
Time: 3 days
Cost: None

Procedure 21. Notify Cluj Construction Inspectorate of completion of construction and request final assessment

Agency: Cluj Construction Inspectorate
Time: 1 day
Cost: None

Procedure 22*. Obtain water and sewerage connection

Agency: Somes SA Water and Sewerage Authority
Time: 75 days
Cost: RON 1,702 (RON 65.81 for plan clearance + RON 65.81 for reception clearance + RON 50 for the meter + RON 20 for special fire security + at least RON 1,500 for the execution works)

Procedure 23. Receive final inspection from Acceptance Commission

Agency: Acceptance Commission
Time: 1 day
Cost: None

Procedure 24. Obtain final assessment of construction from Acceptance Commission

Agency: Acceptance Commission
Time: 15 days
Cost: None

Procedure 25. Obtain updated land registry excerpt from National Agency for Cadastre and Land Registration (NACLR)

Agency: Cluj County Office of National Agency for Cadastre and Land Registration (NACLR)
Time: 3 days
Cost: RON 20

Procedure 26. Obtain certificate attesting existence of construction from City Hall

Agency: Department of Urbanism of the Cluj City Hall
Time: 2 days
Cost: RON 10

Procedure 27. Register building with National Agency for Cadastre and Land Registration (NACLR)

Agency: Cluj County Office of National Agency for Cadastre and Land Registration (NACLR)
Time: 15 days
Cost: RON 938 (RON 60 + 0.05% of the value of construction)

DEALING WITH CONSTRUCTION PERMITS

Constanta (Romania)

*Warehouse value: RON 1,755,459 (US\$475,000)
 Data as of: December 31, 2016*

Procedure 1. Obtain land registry excerpt and location plans from National Agency for Cadastre and Land Registration (NACLR)

Agency: Constanta County Office of National Agency for Cadastre and Land Registration (NACLR)
Time: 3 days
Cost: RON 50 (RON 20 for the land registry excerpt plus RON 30 for the certified copies of plans)

Procedure 2. Obtain urban planning certificate

Agency: Department of Urbanism of the Constanta City Hall
Time: 32 days
Cost: RON 12

Procedure 3*. Obtain topographical documentation

Agency: Topographical engineer
Time: 2 days
Cost: RON 1,200

Procedure 4. Obtain topographical documentation registration from National Agency for Cadastre and Land Registration (NACLR)

Agency: Constanta County Office of National Agency for Cadastre and Land Registration (NACLR)
Time: 25 days
Cost: RON 200

Procedure 5. Obtain project clearance from Constanta Environmental Protection Agency

Agency: Constanta Environmental Protection Agency
Time: 21 days
Cost: RON 500 (RON 400 to the Environmental Protection Agency and RON 100 for newspaper advertisements)

Procedure 6. Obtain project clearance from water supply and sewerage authority

Agency: RAJA Constanta
Time: 30 days
Cost: RON 167

Procedure 7*. Obtain project clearance from Road Police

Agency: Constanta Road Police
Time: 30 days
Cost: RON 100

Procedure 8*. Obtain project clearance from Dobrogea Inspectorate for Emergency Situations

Agency: Dobrogea Inspectorate for Emergency Situations
Time: 30 days
Cost: None

Procedure 9*. Obtain project clearance from electricity company

Agency: e-distribution Dobrogea
Time: 25 days
Cost: RON 95

*Simultaneous with previous procedure

Procedure 10*. Obtain project clearance from Health Department**Agency:** Constanta Public Health Department**Time:** 7 days**Cost:** RON 250 [RON 200 plus RON 50 (fast-track fee)]**Procedure 11*. Obtain updated land registry excerpt from National Agency for Cadastre and Land Registration (NACLAR)****Agency:** Constanta County Office of National Agency for Cadastre and Land Registration (NACLAR)**Time:** 3 days**Cost:** [RON 20 plus 4 times the standard fee (RON 20) for the fast-track procedure]**Procedure 12*. Register project with Order of Architects****Agency:** Order of Architects**Time:** 3 days**Cost:** RON 50**Procedure 13. Obtain building permit and pay architecture stamp duty****Agency:** Constanta City Hall**Time:** 45 days**Cost:** RON 18,432 (1% plus 0.05% of the value of construction)**Procedure 14. Notify City Hall of commencement of construction****Agency:** Department of Urbanism of the Constanta City Hall**Time:** 1 day**Cost:** None**Procedure 15*. Notify Constanta Construction Inspectorate of commencement of construction and submit schedule of inspections****Agency:** Constanta Construction Inspectorate**Time:** 1 day**Cost:** RON 10,533 (0.1% plus 0.5% of the value of construction)**Procedure 16*. Notify Constanta Labor Inspectorate of commencement of construction****Agency:** Constanta Labor Inspectorate**Time:** 1 day**Cost:** None**Procedure 17. Receive foundations work inspection****Agency:** Constanta Construction Inspectorate**Time:** 1 day**Cost:** None**Procedure 18. Receive frame inspection****Agency:** Constanta Construction Inspectorate**Time:** 1 day**Cost:** None**Procedure 19. Notify City Hall of completion of construction and request final assessment****Agency:** Department of Urbanism of the Constanta City Hall**Time:** 1 day**Cost:** None**Procedure 20*. Notify Constanta Construction Inspectorate of completion of construction, request final assessment and pay tax adjustment****Agency:** Constanta Construction Inspectorate**Time:** 1 day**Cost:** None**Procedure 21. Receive final inspection from Acceptance Commission****Agency:** Acceptance Commission**Time:** 1 day**Cost:** None**Procedure 22. Obtain final assessment of construction from Acceptance Commission****Agency:** Acceptance Commission**Time:** 21 days**Cost:** None**Procedure 23. Obtain certificate attesting existence of construction from City Hall****Agency:** Department of Urbanism of the Constanta City Hall**Time:** 30 days**Cost:** None**Procedure 24. Obtain water and sewerage connection (RAJA)****Agency:** RAJA Constanta**Time:** 75 days**Cost:** RON 67,950 (RON 167.36 for the initial clearance + RON 269.82 for the technical clearance from RAJA + RON 13 for the City Hall clearance + RON 225 per meter for the water connection works + RON 225 per meter for the sewerage connection works)**Procedure 25. Register building with National Agency for Cadastre and Land Registration (NACLAR)****Agency:** Constanta County Office of National Agency for Cadastre and Land Registration (NACLAR)**Time:** 15 days**Cost:** RON 938 (RON 60 + 0.05% of the value of construction)

DEALING WITH CONSTRUCTION PERMITS

Craiova (Romania)*Warehouse value: RON 1,755,459 (US\$475,000)**Data as of: December 31, 2016***Procedure 1. Obtain land registry excerpt and situation plan from National Agency for Cadastre and Land Registration (NACLAR)****Agency:** Dolj County Office of National Agency for Cadastre and Land Registration (NACLAR)**Time:** 5 days**Cost:** RON 50 (RON 20 for the land registry excerpt plus RON 30 for the certified copies of plans)**Procedure 2. Obtain copy of the general urban plan and certificate of street nomenclature****Agency:** Craiova City Hall**Time:** 10 days**Cost:** RON 18 (RON 8 for the general urban plan copy plus RON 10 for the certificate of street nomenclature)**Procedure 3. Obtain urban planning certificate****Agency:** Department of Urbanism of the Craiova City Hall**Time:** 30 days**Cost:** RON 14**Procedure 4*. Obtain project clearance from Dolj Environmental Protection Agency****Agency:** Dolj Environmental Protection Agency**Time:** 21 days**Cost:** RON 500 (RON 400 to the Environmental Protection Agency and RON 100 for newspaper advertisements)**Procedure 5. Obtain project clearance from electricity company****Agency:** Distribution Oltenia**Time:** 21 days**Cost:** RON 95**Procedure 6*. Obtain project clearance from water supply and sewerage authority****Agency:** Oltenia Water and Sewerage Authority**Time:** 18 days**Cost:** RON 111**Procedure 7*. Obtain project clearance from Dolj Inspectorate for Emergency Situations****Agency:** Dolj Inspectorate for Emergency Situations**Time:** 15 days**Cost:** None**Simultaneous with previous procedure*

Procedure 8*. Obtain project clearance from Health Department

Agency: Dolj Public Health Department
Time: 7 days
Cost: RON 250 [RON 200 plus RON 50 (fast-track fee)]

Procedure 9*. Sign contract with solid waste authority

Agency: SC Salubritate Craiova SRL
Time: 1 day
Cost: RON 37

Procedure 10*. Register project with Order of Architects and pay architecture stamp duty

Agency: Order of Architects
Time: 1 day
Cost: RON 928 (RON 50 plus 0.05% of the value of construction)

Procedure 11*. Obtain updated land registry excerpt from National Agency for Cadastre and Land Registration (NACLR)

Agency: Dolj County Office of National Agency for Cadastre and Land Registration (NACLR)
Time: 3 days
Cost: RON 20

Procedure 12. Obtain building permit

Agency: Department of Urbanism of the Craiova City Hall
Time: 30 days
Cost: RON 17,555 (1% of the value of construction)

Procedure 13. Notify Dolj Construction Inspectorate of commencement of construction and submit schedule of inspections

Agency: Dolj Construction Inspectorate
Time: 10 days
Cost: RON 10,533 (0.1% plus 0.5% of the value of construction)

Procedure 14*. Notify City Hall of commencement of construction

Agency: Department of Urbanism of the Craiova City Hall
Time: 1 day
Cost: None

Procedure 15*. Notify Dolj Labor Inspectorate of commencement of construction

Agency: Dolj Labor Inspectorate
Time: 1 day
Cost: None

Procedure 16. Receive foundations work inspection

Agency: Dolj Construction Inspectorate
Time: 1 day
Cost: None

Procedure 17. Receive frame inspection

Agency: Dolj Construction Inspectorate
Time: 1 day
Cost: None

Procedure 18. Notify City Hall of completion of construction and request final assessment

Agency: Department of Urbanism of the Craiova City Hall
Time: 1 day
Cost: None

Procedure 19*. Notify Dolj Construction Inspectorate of completion of construction and request final assessment

Agency: Dolj Construction Inspectorate
Time: 1 day
Cost: None

Procedure 20. Receive final inspection from Acceptance Commission

Agency: Acceptance Commission
Time: 1 day
Cost: None

Procedure 21. Obtain final assessment of construction from Acceptance Commission

Agency: Acceptance Commission
Time: 18 days
Cost: None

Procedure 22. Pay tax adjustment and register final assessment with the Dolj Construction Inspectorate

Agency: Dolj Construction Inspectorate
Time: 1 day
Cost: None

Procedure 23. Obtain certificate attesting existence of construction from City Hall

Agency: Department of Urbanism of the Craiova City Hall
Time: 1 day
Cost: None

Procedure 24. Obtain water and sewerage connection

Agency: Oltenia Water and Sewerage Authority
Time: 60 days
Cost: RON 2,480 (RON 140 water connection fee + RON 140 sewerage connection fee + RON 1,200 for construction + RON 1,000 for connection works)

Procedure 25. Register building with National Agency for Cadastre and Land Registration (NACLR)

Agency: Dolj County Office of National Agency for Cadastre and Land Registration (NACLR)
Time: 15 days
Cost: RON 938 (RON 60 + 0.05% of the value of construction)

DEALING WITH CONSTRUCTION PERMITS

Iasi (Romania)

*Warehouse value: RON 1,755,459 (US\$475,000)
 Data as of: December 31, 2016*

Procedure 1. Obtain land registry excerpt and updated location plans from National Agency for Cadastre and Land Registration (NACLR)

Agency: Iasi County Office of National Agency for Cadastre and Land Registration (NACLR)
Time: 5 days
Cost: RON 50 (RON 20 for the land registry excerpt plus RON 30 for the certified copies of plans)

Procedure 2. Obtain urban planning certificate

Agency: Department of Urbanism of the Iasi City Hall
Time: 30 days
Cost: RON 14

Procedure 3*. Obtain topographical documentation

Agency: Topographical engineer
Time: 3 days
Cost: RON 900

Procedure 4. Obtain topographical documentation registration from National Agency for Cadastre and Land Registration (NACLR)

Agency: Iasi County Office of National Agency for Cadastre and Land Registration (NACLR)
Time: 21 days
Cost: RON 200

Procedure 5. Obtain project clearance from electricity company

Agency: Delgaz Grid
Time: 30 days
Cost: RON 95

*Simultaneous with previous procedure

Procedure 6*. Obtain project clearance from Circulation Committee**Agency:** Iasi City Hall**Time:** 30 days**Cost:** RON 100**Procedure 7*. Obtain project clearance from water supply and sewerage authority****Agency:** Apavital SA**Time:** 15 days**Cost:** RON 81**Procedure 8*. Obtain project clearance from Slope Committee of City Hall****Agency:** Iasi City Hall**Time:** 14 days**Cost:** RON 100**Procedure 9. Obtain project clearance from Iasi Inspectorate for Emergency Situations****Agency:** Iasi Inspectorate for Emergency Situations**Time:** 15 days**Cost:** None**Procedure 10*. Obtain project clearance from Health Department****Agency:** Iasi Public Health Department**Time:** 7 days**Cost:** RON 250 [RON 200 plus RON 50 (fast-track fee)]**Procedure 11*. Sign contract with solid waste authority****Agency:** SalubrIS**Time:** 1 day**Cost:** RON 30**Procedure 12. Obtain project clearance from Iasi Environmental Protection Agency****Agency:** Iasi Environmental Protection Agency**Time:** 21 days**Cost:** RON 500 (RON 400 to the Environmental Protection Agency and RON 100 for newspaper advertisements)**Procedure 13*. Obtain updated land registry excerpt from National Agency for Cadastre and Land Registration (NACLR)****Agency:** Iasi County Office of National Agency for Cadastre and Land Registration (NACLR)**Time:** 3 days**Cost:** RON 20**Procedure 14*. Register project with Order of Architects and pay architecture stamp duty****Agency:** Order of Architects**Time:** 3 days**Cost:** RON 928 (RON 50 plus 0.05% of the value of construction)**Procedure 15. Obtain building permit****Agency:** Department of Urbanism of the Iasi City Hall**Time:** 30 days**Cost:** RON 17,555 (1% of the value of construction)**Procedure 16. Notify City Hall of commencement of construction****Agency:** Department of Urbanism of the Iasi City Hall**Time:** 1 day**Cost:** None**Procedure 17*. Notify Iasi Construction Inspectorate of commencement of construction and submit schedule of inspections****Agency:** Iasi Construction Inspectorate**Time:** 1 day**Cost:** RON 10,533 (0.1% plus 0.5% of the value of construction)**Procedure 18*. Notify Iasi Labor Inspectorate of commencement of construction****Agency:** Iasi Labor Inspectorate**Time:** 1 day**Cost:** None**Procedure 19. Receive foundations work inspection****Agency:** Iasi Construction Inspectorate**Time:** 1 day**Cost:** None**Procedure 20. Receive frame inspection****Agency:** Iasi Construction Inspectorate**Time:** 1 day**Cost:** None**Procedure 21. Notify City Hall of completion of construction and request final assessment****Agency:** Department of Urbanism of the Iasi City Hall**Time:** 1 day**Cost:** None**Procedure 22*. Notify Iasi Construction Inspectorate of completion of construction, request final assessment and pay tax adjustment****Agency:** Iasi Construction Inspectorate**Time:** 1 day**Cost:** None**Procedure 23. Receive final inspection from Acceptance Commission****Agency:** Acceptance Commission**Time:** 1 day**Cost:** None**Procedure 24. Obtain final assessment of construction from Acceptance Commission****Agency:** Acceptance Commission**Time:** 18 days**Cost:** None**Procedure 25. Obtain water and sewerage connection****Agency:** Apavital SA**Time:** 75 days**Cost:** RON 911 (RON 435.48 for drafting the plans/project + RON 475.81 for final connection clearance)**Procedure 26. Register building with National Agency for Cadastre and Land Registration (NACLR)****Agency:** Iasi County Office of National Agency for Cadastre and Land Registration (NACLR)**Time:** 12 days**Cost:** RON 938 (RON 60 + 0.05% of the value of construction)

DEALING WITH CONSTRUCTION PERMITS

Oradea (Romania)*Warehouse value: RON 1,755,459 (US\$475,000)**Data as of: December 31, 2016***Procedure 1. Obtain land registry excerpt from National Agency for Cadastre and Land Registration (NACLR)****Agency:** Bihor County Office of National Agency for Cadastre and Land Registration (NACLR)**Time:** 3 days**Cost:** RON 20**Procedure 2. Obtain urban planning certificate****Agency:** Chief Architect of the Oradea City Hall**Time:** 18 days**Cost:** RON 15

*Simultaneous with previous procedure

Procedure 3. Obtain project clearance from Bihor Environmental Protection Agency

Agency: Bihor Environmental Protection Agency

Time: 21 days

Cost: RON 750 (RON 400 to the Environmental Protection Agency and RON 350 for newspaper advertisements)

Procedure 4. Obtain project clearance from Crisana Inspectorate for Emergency Situations

Agency: Crisana Inspectorate for Emergency Situations

Time: 25 days

Cost: None

Procedure 5*. Obtain project clearance from Road Police

Agency: Oradea Road Police

Time: 19 days

Cost: RON 100

Procedure 6*. Obtain project clearance from electricity company

Agency: Electricity Distribution Company Transilvania North

Time: 18 days

Cost: RON 95

Procedure 7*. Obtain project clearance from water supply and sewerage authority

Agency: Oradea Water and Sewerage Authority SA

Time: 12 days

Cost: RON 161

Procedure 8*. Obtain project clearance from Health Department

Agency: Bihor Public Health Department

Time: 7 days

Cost: RON 250 [RON 200 plus RON 50 (fast-track fee)]

Procedure 9*. Register project with Order of Architects

Agency: Order of Architects

Time: 7 days

Cost: RON 20

Procedure 10*. Obtain updated land registry excerpt from National Agency for Cadastre and Land Registration (NACLR)

Agency: Bihor County Office of National Agency for Cadastre and Land Registration (NACLR)

Time: 3 days

Cost: RON 100 (RON 20 plus 4 times the standard fee (RON 20) for the fast-track procedure)

Procedure 11*. Sign contract with solid waste authority

Agency: SC RER Ecologic Service Oradea SA

Time: 1 day

Cost: RON 194

Procedure 12. Obtain building permit and pay architecture stamp duty

Agency: Oradea City Hall

Time: 12 days

Cost: RON 18,432 (1% plus 0.05% of the value of construction)

Procedure 13. Notify City Hall of commencement of construction

Agency: Oradea City Hall

Time: 1 day

Cost: None

Procedure 14*. Notify Bihor Construction Inspectorate of commencement of construction and submit schedule of inspections

Agency: Bihor Construction Inspectorate

Time: 1 day

Cost: RON 10,533 (0.1% plus 0.5% of the value of construction)

Procedure 15*. Notify Bihor Labor Inspectorate of commencement of construction

Agency: Bihor Labor Inspectorate

Time: 1 day

Cost: None

Procedure 16. Receive foundations work inspection

Agency: Bihor Construction Inspectorate

Time: 1 day

Cost: None

Procedure 17. Receive frame inspection

Agency: Bihor Construction Inspectorate

Time: 1 day

Cost: None

Procedure 18. Notify Bihor Construction Inspectorate of completion of construction and request final assessment

Agency: Bihor Construction Inspectorate

Time: 1 day

Cost: None

Procedure 19*. Notify City Hall of completion of construction and request final assessment

Agency: Oradea City Hall

Time: 1 day

Cost: None

Procedure 20. Receive final inspection and obtain final assessment from Acceptance Commission

Agency: Acceptance Commission

Time: 15 days

Cost: None

Procedure 21. Register final assessment with City Hall, pay tax adjustment and request operating permit

Agency: Oradea City Hall

Time: 1 day

Cost: None

Procedure 22. Obtain water and sewerage connection

Agency: Oradea Water and Sewerage Authority SA

Time: 25 days

Cost: RON 101,250 (RON 225 per meter for water plus RON 450 per meter for sewerage)

Procedure 23*. Obtain updated land registry excerpt from National Agency for Cadastre and Land Registration (NACLR)

Agency: Bihor County Office of National Agency for Cadastre and Land Registration (NACLR)

Time: 3 days

Cost: RON 20

Procedure 24. Obtain operating permit from City Hall

Agency: Oradea City Hall

Time: 5 days

Cost: None

Procedure 25. Register building with National Agency for Cadastre and Land Registration (NACLR)

Agency: Bihor County Office of National Agency for Cadastre and Land Registration (NACLR)

Time: 24 days

Cost: RON 938 (RON 60 + 0.05% of the value of construction)

*Simultaneous with previous procedure

DEALING WITH CONSTRUCTION PERMITS

Ploiesti (Romania)

Warehouse value: RON 1,755,459 (US\$475,000)

Data as of: December 31, 2016

Procedure 1. Obtain topographical documentation**Agency:** Topographical engineer**Time:** 14 days**Cost:** RON 1,000**Procedure 2. Obtain land registry excerpt and topographical documentation registration from National Agency for Cadastre and Land Registration (NACLR)****Agency:** Prahova County Office of National Agency for Cadastre and Land Registration (NACLR)**Time:** 30 days**Cost:** RON 220 (RON 20 for the land registry excerpt plus RON 200 for the topographical documentation registration)**Procedure 3. Obtain urban planning certificate****Agency:** Department of Urbanism of the Ploiesti City Hall**Time:** 30 days**Cost:** RON 14**Procedure 4. Obtain project clearance from Prahova Environmental Protection Agency****Agency:** Prahova Environmental Protection Agency**Time:** 21 days**Cost:** RON 550 (RON 400 to the Environmental Protection Agency and RON 150 for newspaper advertisements)**Procedure 5. Obtain project clearance from electricity company****Agency:** Electricity Distribution Company Muntenia North**Time:** 21 days**Cost:** RON 95**Procedure 6*. Obtain project clearance from Prahova Inspectorate for Emergency Situations****Agency:** Prahova Inspectorate for Emergency Situations**Time:** 15 days**Cost:** None**Procedure 7*. Obtain project clearance from water supply and sewerage authority****Agency:** Apa Nova SA Ploiesti**Time:** 14 days**Cost:** RON 134**Procedure 8*. Obtain project clearance from Health Department****Agency:** Prahova Public Health Department**Time:** 7 days**Cost:** RON 250 [RON 200 plus RON 50 (fast-track fee)]**Procedure 9*. Sign contract with solid waste authority****Agency:** ROSAL/VEOLIA**Time:** 1 day**Cost:** RON 200**Procedure 10. Obtain approval of solid waste removal plan from Ploiesti Public Services Company (RASP)****Agency:** RASP**Time:** 10 days**Cost:** RON 180**Procedure 11*. Obtain updated land registry excerpt from National Agency for Cadastre and Land Registration (NACLR)****Agency:** Prahova County Office of National Agency for Cadastre and Land Registration (NACLR)**Time:** 3 days**Cost:** RON 100 (RON 20 plus 4 times the standard fee (RON 20) for the fast-track procedure)**Procedure 12*. Notarize statement about Nonexistence of land disputes****Agency:** Notary**Time:** 1 day**Cost:** RON 23**Procedure 13*. Register project with Order of Architects and pay architecture stamp duty****Agency:** Order of Architects**Time:** 2 days**Cost:** RON 928 (RON 50 plus 0.05% of the value of construction)**Procedure 14. Obtain building permit****Agency:** Department of Urbanism of Ploiesti City Hall**Time:** 30 days**Cost:** RON 17,555 (1% of the value of construction)**Procedure 15. Notify City Hall of commencement of construction****Agency:** Department of Urbanism of the Ploiesti City Hall**Time:** 1 day**Cost:** None**Procedure 16*. Notify Prahova Construction Inspectorate of commencement of construction and receive approval of schedule of inspections****Agency:** Prahova Construction Inspectorate**Time:** 1 day**Cost:** RON 10,533 (0.1% plus 0.5% of the value of construction)**Procedure 17*. Notify Prahova Labor Inspectorate of commencement of construction****Agency:** Prahova Labor Inspectorate**Time:** 1 day**Cost:** None**Procedure 18. Receive foundations work inspection****Agency:** Prahova Construction Inspectorate**Time:** 1 day**Cost:** None**Procedure 19. Receive frame inspection****Agency:** Prahova Construction Inspectorate**Time:** 1 day**Cost:** None**Procedure 20. Notify City Hall of completion of construction, request final assessment and pay tax adjustment****Agency:** Department of Urbanism of Ploiesti City Hall**Time:** 1 day**Cost:** None**Procedure 21. Receive final inspection from Acceptance Commission****Agency:** Acceptance Commission**Time:** 1 day**Cost:** None**Procedure 22. Declare value of construction to City Hall and pay tax adjustment****Agency:** Ploiesti City Hall**Time:** 1 day**Cost:** None**Procedure 23. Notify Prahova Construction Inspectorate of completion of construction and pay tax adjustment****Agency:** Prahova Construction Inspectorate**Time:** 1 day**Cost:** None

*Simultaneous with previous procedure

Procedure 24. Obtain final assessment of construction from Acceptance Commission

Agency: Acceptance Commission
Time: 18 days
Cost: None

Procedure 25. Obtain water and sewerage connection

Agency: Apa Nova SA Ploiesti
Time: 60 days
Cost: RON 7,000

Procedure 26. Obtain certificate attesting existence of construction from City Hall

Agency: Ploiesti City Hall
Time: 1 day
Cost: None

Procedure 27. Register building with National Agency for Cadastre and Land Registration (NACLAR)

Agency: Prahova County Office of National Agency for Cadastre and Land Registration (NACLAR)
Time: 24 days
Cost: RON 938 (RON 60 + 0.05% of the value of construction)

DEALING WITH CONSTRUCTION PERMITS

Timisoara (Romania)

*Warehouse value: RON 1,755,459 (US\$475,000)
 Data as of: December 31, 2016*

Procedure 1. Obtain land registry excerpt from National Agency for Cadastre and Land Registration (NACLAR)

Agency: Timis County Office of National Agency for Cadastre and Land Registration (NACLAR)
Time: 3 days
Cost: RON 20

Procedure 2*. Obtain situation and location plans from City Hall

Agency: Timisoara City Hall
Time: 2 days
Cost: RON 30

Procedure 3. Obtain urban planning certificate

Agency: Department of Urbanism of the Timisoara City Hall
Time: 30 days
Cost: RON 14

Procedure 4*. Obtain topographical documentation

Agency: Topographical engineer
Time: 14 days
Cost: RON 1,000

Procedure 5. Obtain topographical documentation registration from National Agency for Cadastre and Land Registration (NACLAR)

Agency: Timis County Office of National Agency for Cadastre and Land Registration (NACLAR)
Time: 12 days
Cost: RON 200

Procedure 6. Obtain project clearance from Timis Environmental Protection Agency

Agency: Timis Environmental Protection Agency
Time: 35 days
Cost: RON 800 (RON 400 for the Environmental Protection Agency plus 400 RON for newspaper advertisements)

Procedure 7. Obtain single utility clearance from City Hall

Agency: Timisoara City Hall
Time: 30 days
Cost: RON 400

Procedure 8*. Obtain project clearance from Banat Inspectorate for Emergency Situations

Agency: Banat Inspectorate for Emergency Situations
Time: 17 days
Cost: None

Procedure 9*. Obtain project clearance from Circulation Committee

Agency: Timisoara City Hall
Time: 14 days
Cost: None

Procedure 10*. Obtain project clearance from Health Department

Agency: Timis Public Health Department
Time: 7 days
Cost: RON 250 [RON 200 plus RON 50 (fast-track fee)]

Procedure 11*. Sign contract with solid waste authority

Agency: Retim SA
Time: 1 day
Cost: None

Procedure 12. Obtain solid waste disposal clearance from Environment Division of City Hall

Agency: Environment Division of the Timisoara City Hall
Time: 14 days
Cost: RON 50

Procedure 13*. Obtain updated land registry excerpt from National Agency for Cadastre and Land Registration (NACLAR)

Agency: Timis County Office of National Agency for Cadastre and Land Registration (NACLAR)
Time: 3 days
Cost: [RON 20 plus 4 times the standard fee (RON 20) for the fast-track procedure]

Procedure 14*. Register project with Order of Architects

Agency: Order of Architects
Time: 2 days
Cost: RON 50

Procedure 15. Obtain building permit and pay architecture stamp duty

Agency: City Hall
Time: 30 days
Cost: RON 18,432 (1% plus 0.05% of the value of construction)

Procedure 16. Notify City Hall of commencement of construction

Agency: Department of Urbanism of the Timisoara City Hall
Time: 1 day
Cost: None

Procedure 17*. Notify Timis Construction Inspectorate of commencement of construction and receive approval of the schedule of inspections

Agency: Timis Construction Inspectorate
Time: 1 day
Cost: RON 10,533 (0.1% plus 0.5% of the value of construction)

Procedure 18*. Notify Timis Labor Inspectorate of commencement of construction

Agency: Timis Labor Inspectorate
Time: 1 day
Cost: None

Procedure 19. Receive foundations work inspection

Agency: Timis Construction Inspectorate
Time: 1 day
Cost: None

*Simultaneous with previous procedure

Procedure 20. Receive frame inspection

Agency: Timis Construction Inspectorate

Time: 1 day

Cost: None

Procedure 21. Notify City Hall of completion of construction, request final assessment and pay building permit tax adjustment

Agency: Department of Urbanism of the Timisoara City Hall

Time: 1 day

Cost: None

Procedure 22*. Notify Timis Construction Inspectorate of completion of construction, request final assessment and pay tax adjustment

Agency: Timis Construction Inspectorate

Time: 1 day

Cost: None

Procedure 23. Receive final inspection from Acceptance Commission

Agency: Acceptance Commission

Time: 1 day

Cost: None

Procedure 24. Obtain final assessment of construction from Acceptance Commission

Agency: Acceptance Commission

Time: 18 days

Cost: None

Procedure 25. Obtain certificate attesting existence of construction from City Hall

Agency: Department of Urbanism of the Timisoara City Hall

Time: 30 days

Cost: RON 200

Procedure 26. Obtain water and sewerage connection

Agency: Aquatim SA

Time: 90 days

Cost: RON 36,200 (RON 180 per meter for sewerage plus RON 45 per meter for water plus RON 2,000 for connection vault plus RON 450 for water meter)

Procedure 27. Register building with National Agency for Cadastre and Land Registration (NACLAR)

Agency: Timis County Office of National Agency for Cadastre and Land Registration (NACLAR)

Time: 15 days

Cost: RON 938 (RON 60 + 0.05% of the value of construction)

Source: Doing Business database.

Note: Additional information on each procedure can be found at www.doingbusiness.org/EU1.

| | | BULGARIA | | HUNGARY | | ROMANIA | |
|---|--|--|-----------|---|-----------|---|-----------|
| | | Answer | Score | Answer | Score | Answer | Score |
| Building quality control index (0–15) | | | 13 | | 13 | | 13 |
| Quality of building regulations index (0–2) | | | 2 | | 2 | | 2 |
| In what way are the building regulations (including the building code) or any regulations dealing with construction permits made available? (0–1) | | Available online; Free of charge. | 1 | Available online; Free of charge. | 1 | Available online; Free of charge. | 1 |
| Which requirements for obtaining a building permit are clearly specified by the building regulations or by any accessible website, brochure or pamphlet? (0–1) | | List of required documents; Fees to be paid; Required preapprovals. | 1 | List of required documents; Fees to be paid; Required preapprovals. | 1 | List of required documents; Fees to be paid; Required preapprovals. | 1 |
| Quality control before construction index (0–1) | | | 1 | | 1 | | 1 |
| Who is part of the committee or team that reviews and approves building permit applications in the relevant permit-issuing agency? (0–1) | | Licensed architect; Licensed engineer. | 1 | Licensed architect; Licensed engineer. | 1 | Licensed architect. | 1 |
| Quality control during construction index (0–3) | | | 2 | | 2 | | 2 |
| What types of inspections (if any) are required by law to be carried out during construction? (0–2) | | Inspections by in-house engineer; Inspections by external engineer or firm; Inspections at various phases. | 1 | Inspections by in-house engineer; Unscheduled inspections. | 1 | Inspections by in-house engineer; Inspections at various phases. | 1 |
| Do legally mandated inspections occur in practice during construction? (0–1) | | Mandatory inspections are always done in practice. | 1 | Mandatory inspections are always done in practice. | 1 | Mandatory inspections are always done in practice. | 1 |
| Quality control after construction index (0–3) | | | 3 | | 3 | | 3 |
| Is there a final inspection required by law to verify that the building was built in accordance with the approved plans and regulations? (0–2) | | Yes, final inspection is done by government agency; Yes, external engineer submits report for final inspection. | 2 | Yes, final inspection is done by government agency. | 2 | Yes, final inspection is done by government agency. | 2 |
| Do legally mandated final inspections occur in practice? (0–1) | | Final inspection always occurs in practice. | 1 | Final inspection always occurs in practice. | 1 | Final inspection always occurs in practice. | 1 |
| Liability and insurance regimes index (0–2) | | | 2 | | 1 | | 1 |
| Which parties (if any) are held liable by law for structural flaws or problems in the building once it is in use? (0–1) | | Architect or engineer; Professional in charge of the supervision; Construction company. | 1 | Architect or engineer; Construction company; Owner or investor. | 1 | Architect or engineer; Professional in charge of the supervision; Construction company; Owner or investor. | 1 |
| Which parties (if any) are required by law to obtain an insurance policy to cover possible structural flaws or problems in the building once it is in use? (0–1) | | Architect or engineer; Professional in charge of the supervision; Construction company. | 1 | No party is required by law to obtain insurance . | 0 | No party is required by law to obtain insurance . | 0 |
| Professional certifications index (0–4) | | | 3 | | 4 | | 4 |
| What are the qualification requirements for the professional responsible for verifying that the architectural plans or drawings are in compliance with existing building regulations? (0–2) | | Minimum number of years of experience; University degree in architecture or engineering; Being a registered architect or engineer. | 2 | Minimum number of years of experience; University degree in architecture or engineering; Passing a certification exam. | 2 | Minimum number of years of experience; University degree in architecture or engineering; Passing a certification exam. | 2 |
| What are the qualification requirements for the professional who supervises the construction on the ground? (0–2) | | University degree in engineering, construction or construction management; Being a registered architect or engineer. | 1 | Minimum number of years of experience; University degree in engineering, construction or construction management; Being a registered architect or engineer; Passing a certification exam. | 2 | Minimum number of years of experience; University degree in engineering, construction or construction management; Passing a certification exam. | 2 |

Source: Doing Business database.

LIST OF PROCEDURES GETTING ELECTRICITY

BULGARIA

Burgas (Bulgaria)

Name of Utility: EVN Bulgaria
Data as of: December 31, 2016

Procedure 1. Apply for and await preliminary contract

Agency: EVN Bulgaria Distribution
Time: 25 days
Cost: BGN 183

Procedure 2. Apply for and await final contract

Agency: EVN Bulgaria Distribution
Time: 30 days
Cost: BGN 12,166 [BGN 8,000 (without VAT) fixed component of the connection fee for customers with power capacity in the range of 101-200 kW (based on a connection with a length less than 25 meters) + BGN 4,166.25 (without VAT) variable component of the connection fee (for every additional meter above 25 meters, the customer pays BGN 33.33/ meter)]

Procedure 3. Await completion and approval of project design, and issuance of construction permit and other authorizations

Agency: EVN Bulgaria Distribution, Burgas Municipality
Time: 108 days
Cost: None

Procedure 4. Await completion of external works, inspections and issuance of relevant documents

Agency: EVN Bulgaria Distribution
Time: 57 days
Cost: None

Procedure 5. Conclude contract with electricity supplier and await electricity flow

Agency: EVN Bulgaria Supply, EVN Bulgaria Distribution
Time: 7 days
Cost: None

GETTING ELECTRICITY

Pleven (Bulgaria)

Name of Utility: CEZ Bulgaria
Data as of: December 31, 2016

Procedure 1. Apply for and await preliminary contract

Agency: CEZ Distribution Bulgaria
Time: 25 days
Cost: BGN 212

Procedure 2. Await completion and approval of project design

Agency: Electrical design firm, construction supervision firm
Time: 67 days
Cost: BGN 5,800 [BGN 2,400 preparation of the design + BGN 3,000 fee paid to the construction supervision company for the whole process (i.e. until issuance of the Act 16) + BGN 400 fees paid to other agencies/utilities for their approval of the design] Note: The fee paid to CEZ Distribution for the approval of the design is included in the BGN 1,150 paid as part of Procedure 3.

Procedure 3. Apply for and await final contract

Agency: CEZ Distribution Bulgaria
Time: 30 days
Cost: BGN 1,150

Procedure 4. Obtain construction permit and other authorizations

Agency: Pleven Municipality, construction supervision firm
Time: 45 days
Cost: BGN 198 [BGN 150 fee paid to Pleven municipality for the approval of the design (BGN 1/meter of cable) + BGN 47.5 fee paid to Pleven municipality for the issuance of the construction permit (BGN 40 + BGN 0.15 for each meter of cable above 100 meters)]

Procedure 5. Await completion of external works, inspections and issuance of relevant documents

Agency: Construction firm, construction supervision firm
Time: 84 days
Cost: BGN 52,185 [BGN 51,250 material and works + BGN 50 fees paid to the Geodesy, Cartography and Cadastre Agency + BGN 540 fees to agencies/utilities for their participation in the Commission for Act 16 + BGN 345 fees for the issuance of Act 16]

Procedure 6. Conclude contract with electricity supplier and await meter installation and electricity flow

Agency: CEZ Electro Bulgaria, CEZ Distribution Bulgaria
Time: 7 days
Cost: None

GETTING ELECTRICITY

Plovdiv (Bulgaria)

Name of Utility: EVN Bulgaria
Data as of: December 31, 2016

Procedure 1. Apply for and await preliminary contract

Agency: EVN Bulgaria Distribution
Time: 25 days
Cost: BGN 183

Procedure 2. Apply for and await final contract

Agency: EVN Bulgaria Distribution
Time: 30 days
Cost: BGN 12,166 [BGN 8,000 (without VAT) fixed component of the connection fee for customers with power capacity in the range of 101-200 kW (based on a connection with a length less than 25 meters) + BGN 4,166.25 (without VAT) variable component of the connection fee (for every additional meter above 25 meters, the customer pays BGN 33.33/ meter)]

Procedure 3. Await completion and approval of project design, and issuance of construction permit and other authorizations

Agency: EVN Bulgaria Distribution, Plovdiv Municipality
Time: 112 days
Cost: None

Procedure 4. Await completion of external works, inspections and issuance of relevant documents

Agency: EVN Bulgaria Distribution
Time: 57 days
Cost: None

Procedure 5. Conclude contract with electricity supplier and await electricity flow

Agency: EVN Bulgaria Supply, EVN Bulgaria Distribution
Time: 7 days
Cost: None

GETTING ELECTRICITY

Ruse (Bulgaria)

Name of Utility: Energo-Pro Bulgaria
Data as of: December 31, 2016

Procedure 1. Apply for and await preliminary contract

Agency: Energo-Pro Grid
Time: 25 days
Cost: BGN 183

Procedure 2. Apply for and await final contract**Agency:** Energo-Pro Grid**Time:** 30 days**Cost:** BGN 12,166 [BGN 8,000 (without VAT) fixed component of the connection fee for customers with power capacity in the range of 101-200 kW (based on a connection with a length less than 25 meters) + BGN 4,166.25 (without VAT) variable component of the connection fee (for every additional meter above 25 meters, the customer pays BGN 33.33/ meter)]**Procedure 3. Await completion and approval of project design, and issuance of construction permit and other authorizations****Agency:** Energo-Pro Grid, Ruse Municipality**Time:** 121 days**Cost:** None**Procedure 4. Await completion of external works, inspections and issuance of relevant documents****Agency:** Energo-Pro Grid**Time:** 57 days**Cost:** None**Procedure 5. Conclude contract with electricity supplier and await electricity flow****Agency:** Energo-Pro Sales, Energo-Pro Grid**Time:** 7 days**Cost:** None

GETTING ELECTRICITY

Sofia (Bulgaria)*Name of Utility:* CEZ Bulgaria*Data as of:* December 31, 2016**Procedure 1. Apply for and await preliminary contract****Agency:** CEZ Distribution Bulgaria**Time:** 25 days**Cost:** BGN 212**Procedure 2. Await completion and approval of project design****Agency:** Electrical design firm, construction supervision firm**Time:** 67 days**Cost:** BGN 5,800 [BGN 2,400 preparation of the design + BGN 3,000 fee paid to the construction supervision company for the whole process (i.e. until issuance of the Act 16) + BGN 400 fees paid to other agencies/utilities for their approval of the design. The fee paid to CEZ Distribution for the approval of the design is included in the BGN 1,150 paid as part of procedure 3.]**Procedure 3. Apply for and await final contract****Agency:** CEZ Distribution Bulgaria**Time:** 30 days**Cost:** BGN 1,150**Procedure 4. Sign guarantee contract for pavement recovery, obtain construction permit and other authorizations from the Municipality****Agency:** Sofia Municipality, construction supervision firm**Time:** 49 days**Cost:** BGN 972 [BGN 788 present value of lost interest earnings on the guarantee deposit for pavement recovery (BGN 2,600, 0% interests, five-year period) + BGN 30 fee paid to Sofia municipality for the approval of the design (BGN 0.1/meter of cable + BGN 15 for the substation) + BGN 153.75 fee paid to Sofia Municipality for the issuance of the construction permit (0.3% of the investment value of the project)]**Procedure 5. Await completion of external works, inspections and issuance of relevant documents****Agency:** Construction firm, construction supervision firm**Time:** 84 days**Cost:** BGN 52,185 [BGN 51,250 material and works + BGN 50 fees paid to the Geodesy, Cartography and Cadastre Agency + BGN 540 fees to agencies/utilities for their participation in the Commission for Act 16 + BGN 345 fees for the issuance of Act 16]**Procedure 6. Conclude contract with electricity supplier and await meter installation and electricity flow****Agency:** CEZ Electro Bulgaria, CEZ Distribution Bulgaria**Time:** 7 days**Cost:** None

GETTING ELECTRICITY

Varna (Bulgaria)*Name of Utility:* Energo-Pro Bulgaria*Data as of:* December 31, 2016**Procedure 1. Apply for and await preliminary contract****Agency:** Energo-Pro Grid**Time:** 25 days**Cost:** BGN 183**Procedure 2. Apply for and await final contract****Agency:** Energo-Pro Grid**Time:** 30 days**Cost:** BGN 12,166 [BGN 8,000 (without VAT) fixed component of the connection fee for

customers with power capacity in the range of 101-200 kW (based on a connection with a length less than 25 meters) + BGN 4,166.25 (without VAT) variable component of the connection fee (for every additional meter above 25 meters, the customer pays BGN 33.33/ meter)]

Procedure 3. Await completion and approval of project design, and issuance of construction permit and other authorizations**Agency:** Energo-Pro Grid, Varna Municipality**Time:** 81 days**Cost:** None**Procedure 4. Await completion of external works, inspections and issuance of relevant documents****Agency:** Energo-Pro Grid**Time:** 57 days**Cost:** None**Procedure 5. Conclude contract with electricity supplier and await electricity flow****Agency:** Energo-Pro Sales, Energo-Pro Grid**Time:** 7 days**Cost:** None*Source:* Doing Business database.*Note:* Additional information on each procedure can be found at www.doingbusiness.org/EU1.**HUNGARY****Budapest (Hungary)***Name of Utility:* ELMŰ Hálózati Kft.*Data as of:* December 31, 2016**Procedure 1. Submit application for grid connection to ELMŰ Hálózati Kft. and await estimate****Agency:** ELMŰ Hálózati Kft.**Time:** 25 days**Cost:** None**Procedure 2. Obtain external connection works by ELMŰ Hálózati Kft.****Agency:** ELMŰ Hálózati Kft.**Time:** 224 days**Cost:** HUF 3,094,800 [HUF 2,044,800 connection fee ((3-phase * 200 amperes) - (32 amperes given for free) * HUF 3,600) + HUF 1,050,000 public cable network fee ((150 meters - 25 meters given for free) * HUF 8,400)]

Procedure 3*. Request and obtain a permit to install the cables within the meter box from the utility

Agency: Measurement Technology and Meter Controlling Department, ELMŰ Hálózati Kft.

Time: 16 days

Cost: None

Procedure 4*. Request and obtain a statement on the agreement to provide electricity from a supplier

Agency: Licensed electricity supplier

Time: 3 days

Cost: None

Procedure 5. Sign contract to obtain meter installation: final connection and electricity flow

Agency: ELMŰ Hálózati Kft.

Time: 8 days

Cost: None

GETTING ELECTRICITY

Debrecen (Hungary)

Name of Utility: E.ON Tiszántúli Áramhálózati Zrt.

Data as of: December 31, 2016

Procedure 1. Submit application for grid connection to E.ON Észak-dunántúli Áramhálózati Zrt. and await estimate

Agency: E.ON Tiszántúli Áramhálózati Zrt.

Time: 15 days

Cost: None

Procedure 2. Obtain external connection works by E.ON Tiszántúli Áramhálózati Zrt.

Agency: E.ON Tiszántúli Áramhálózati Zrt.

Time: 220 days

Cost: HUF 3,094,800 [HUF 2,044,800 connection fee ((3-phase * 200 amperes) - (32 amperes given for free) * HUF 3,600) + HUF 1,050,000 public cable network fee ((150 meters - 25 meters given for free) * HUF 8,400)]

Procedure 3*. Request and obtain a permit to install the cables within the meter box from the utility

Agency: Measurement Technology and Meter Controlling Department, E.ON Tiszántúli Áramhálózati Zrt.

Time: 14 days

Cost: None

Procedure 4*. Request and obtain a statement on the agreement to provide electricity from a supplier

Agency: Licensed electricity supplier

Time: 12 days

Cost: None

Procedure 5. Sign contract to obtain meter installation: final connection and electricity flow

Agency: E.ON Tiszántúli Áramhálózati Zrt.

Time: 12 days

Cost: None

GETTING ELECTRICITY

Gyor (Hungary)

Name of Utility: E.ON Észak-dunántúli Áramhálózati Zrt.

Data as of: December 31, 2016

Procedure 1. Submit application for grid connection to E.ON Észak-dunántúli Áramhálózati Zrt. and await estimate

Agency: E.ON Észak-dunántúli Áramhálózati Zrt.

Time: 15 days

Cost: None

Procedure 2. Obtain external connection works by E.ON Észak-dunántúli Áramhálózati Zrt.

Agency: E.ON Észak-dunántúli Áramhálózati Zrt.

Time: 250 days

Cost: HUF 3,094,800 [HUF 2,044,800 connection fee ((3-phase * 200 amperes) - (32 amperes given for free) * HUF 3,600) + HUF 1,050,000 public cable network fee ((150 meters - 25 meters given for free) * HUF 8,400)]

Procedure 3*. Request and obtain a statement on the agreement to provide electricity from a supplier

Agency: Licensed electricity supplier

Time: 14 days

Cost: None

Procedure 4*. Request and obtain a permit to install the cables within the meter box from the utility

Agency: Measurement Technology and Meter Controlling Department, E.ON Észak-dunántúli Áramhálózati Zrt.

Time: 11 days

Cost: None

Procedure 5. Sign contract to obtain meter installation: final connection and electricity flow

Agency: E.ON Észak-dunántúli Áramhálózati Zrt.

Time: 12 days

Cost: None

GETTING ELECTRICITY

Miskolc (Hungary)

Name of Utility: ÉMÁSZ Áramszolgáltató Nyrt.

Data as of: December 31, 2016

Procedure 1. Submit application for grid connection to ÉMÁSZ Áramszolgáltató Nyrt. and await estimate

Agency: ÉMÁSZ Áramszolgáltató Nyrt.

Time: 15 days

Cost: None

Procedure 2. Obtain external connection works by ÉMÁSZ Áramszolgáltató Nyrt.

Agency: ÉMÁSZ Áramszolgáltató Nyrt.

Time: 210 days

Cost: HUF 3,094,800 [HUF 2,044,800 connection fee ((3-phase * 200 amperes) - (32 amperes given for free) * HUF 3,600) + HUF 1,050,000 public cable network fee ((150 meters - 25 meters given for free) * HUF 8,400)]

Procedure 3*. Request and obtain a permit to install the cables within the meter box from the utility

Agency: Measurement Technology and Meter Controlling Department, ÉMÁSZ Áramszolgáltató Nyrt.

Time: 15 days

Cost: None

Procedure 4*. Request and obtain a statement on the agreement to provide electricity from a supplier

Agency: Licensed electricity supplier

Time: 11 days

Cost: None

Procedure 5. Sign contract to obtain meter installation: final connection and electricity flow

Agency: ÉMÁSZ Áramszolgáltató Nyrt.

Time: 8 days

Cost: None

*Simultaneous with previous procedure

GETTING ELECTRICITY

Pécs (Hungary)

Name of Utility: E.ON Dél-dunántúli Áramhálózati Zrt.

Data as of: December 31, 2016

Procedure 1. Submit application for grid connection to E.ON Dél-dunántúli Áramhálózati Zrt. and await estimate

Agency: E.ON Dél-dunántúli Áramhálózati Zrt.

Time: 15 days

Cost: None

Procedure 2. Obtain external connection works by E.ON Dél-dunántúli Áramhálózati Zrt.

Agency: E.ON Dél-dunántúli Áramhálózati Zrt.

Time: 203 days

Cost: HUF 3,094,800 [HUF 2,044,800 connection fee ((3-phase * 200 amperes) - (32 amperes given for free) * HUF 3,600) + HUF 1,050,000 public cable network fee ((150 meters - 25 meters given for free) * HUF 8,400)]

Procedure 3*. Request and obtain a statement on the agreement to provide electricity from a supplier

Agency: Licensed electricity supplier

Time: 15 days

Cost: None

Procedure 4*. Request and obtain a permit to install the cables within the meter box from the utility

Agency: Measurement Technology and Meter Controlling Department, E.ON Dél-dunántúli Áramhálózati Zrt.

Time: 12 days

Cost: None

Procedure 5. Sign contract to obtain meter installation: final connection and electricity flow

Agency: E.ON Dél-dunántúli Áramhálózati Zrt.

Time: 12 days

Cost: None

GETTING ELECTRICITY

Szeged (Hungary)

Name of Utility: EDF DÉMÁSZ Hálózati Elosztó Kft.

Data as of: December 31, 2016

Procedure 1. Submit application for grid connection to EDF DÉMÁSZ Hálózati Elosztó Kft. and await estimate

Agency: EDF DÉMÁSZ Hálózati Elosztó Kft.

Time: 14 days

Cost: None

Procedure 2. Obtain external connection works by EDF DÉMÁSZ Hálózati Elosztó Kft.

Agency: EDF DÉMÁSZ Hálózati Elosztó Kft.

Time: 210 days

Cost: HUF 3,094,800 [HUF 2,044,800 connection fee ((3-phase * 200 amperes) - (32 amperes given for free) * HUF 3,600) + HUF 1,050,000 public cable network fee ((150 meters - 25 meters given for free) * HUF 8,400)]

Procedure 3*. Request and obtain a permit to install the cables within the meter box from the utility

Agency: Measurement Technology and Meter Controlling Department, EDF DÉMÁSZ Hálózati Elosztó Kft.

Time: 15 days

Cost: None

Procedure 4*. Request and obtain a statement on the agreement to provide electricity from a supplier

Agency: Licensed electricity supplier

Time: 13 days

Cost: None

Procedure 5. Sign contract to obtain meter installation: final connection and electricity flow

Agency: EDF DÉMÁSZ Hálózati Elosztó Kft.

Time: 14 days

Cost: None

GETTING ELECTRICITY

Szekesfehervar (Hungary)

Name of Utility: E.ON Észak-dunántúli Áramhálózati Zrt.

Data as of: December 31, 2016

Procedure 1. Submit application for grid connection to E.ON Észak-dunántúli Áramhálózati Zrt. and await estimate

Agency: E.ON Észak-dunántúli Áramhálózati Zrt.

Time: 15 days

Cost: None

Procedure 2. Obtain external connection works by E.ON Észak-dunántúli Áramhálózati Zrt.

Agency: E.ON Észak-dunántúli Áramhálózati Zrt.

Time: 200 days

Cost: HUF 3,094,800 [HUF 2,044,800 connection fee ((3-phase * 200 amperes) - (32 amperes given for free) * HUF 3,600) + HUF 1,050,000 public cable network fee ((150 meters - 25 meters given for free) * HUF 8,400)]

Procedure 3*. Request and obtain a permit to install the cables within the meter box from the utility

Agency: Measurement Technology and Meter Controlling Department, E.ON Észak-dunántúli Áramhálózati Zrt.

Time: 15 days

Cost: None

Procedure 4*. Request and obtain a statement on the agreement to provide electricity from a supplier

Agency: Licensed electricity supplier

Time: 8 days

Cost: None

Procedure 5. Sign contract to obtain meter installation: final connection and electricity flow

Agency: E.ON Észak-dunántúli Áramhálózati Zrt.

Time: 12 days

Cost: None

Source: *Doing Business* database.

Note: Additional information on each procedure can be found at www.doingbusiness.org/EU1.

ROMANIA**Brasov (Romania)**

Name of Utility: FDEE Transilvania Sud

Data as of: December 31, 2016

Procedure 1. Submit application with Electrica Distribuție Transilvania Sud and await for the technical connection approval

Agency: Electrica Distribuție Transilvania Sud

Time: 30 days

Cost: RON 215

Procedure 2*. Receive site inspection by utility

Agency: Electrica Distribuție Transilvania Sud

Time: 1 day

Cost: None

Procedure 3. Sign a declaration of easement in front of a notary

Agency: Notary

Time: 1 day

Cost: RON 2,140 [RON 2,000 for the easement contract + RON 120 for land registry taxes + RON 20 for a copy of the land registry]

*Simultaneous with previous procedure

Procedure 4. Sign an assignment agreement (direct entrusting request) with an electrical contractor certified by ANRE

Agency: Electrical contractor

Time: 1 day

Cost: None

Procedure 5. Submit documents for connection contract and receive contract

Agency: Electrica Distribuție Transilvania Sud

Time: 10 days

Cost: RON 165,072 [RON 7,500 for design + RON 7,000 for construction permit + RON 72 for excavation permit + RON 150,500 for connection works]

Procedure 6. Obtain construction permit for connection works

Agency: Electrical contractor/Municipality

Time: 60 days

Cost: None

Procedure 7. Conclude execution contract between Electrica Distribuție Transilvania Sud and the electrical contractor and await connection works

Agency: Electrical contractor/Municipality

Time: 60 days

Cost: None

Procedure 8. Receive final inspection by Electrica Distribuție Transilvania Sud, submit internal wiring file and receive connection certificate

Agency: Electrica Distribuție Transilvania Sud

Time: 17 days

Cost: None

Procedure 9. Sign supply contract and receive meter installation by Electrica Distribuție Transilvania Sud

Agency: Energy supplier/Electrica Distribuție Transilvania Sud

Time: 2 days

Cost: None

GETTING ELECTRICITY

Bucharest (Romania)

Name of Utility: e-distribuție Muntenia

Data as of: December 31, 2016

Procedure 1. Submit application with e-distribuție Muntenia, await a proposal study, a study solution and technical connection approval

Agency: e-distribuție Muntenia

Time: 30 days

Cost: RON 215

Procedure 2*. Receive site inspection by utility

Agency: e-distribuție Muntenia

Time: 1 day

Cost: None

Procedure 3. Sign a declaration of easement in front of a notary

Agency: Notary

Time: 1 day

Cost: RON 80

Procedure 4. Submit documents for connection contract and receive contract

Agency: e-distribuție Muntenia

Time: 10 days

Cost: RON 189,437 [RON 10,723 for design + RON 2,813 for construction permit + RON 175,902 for the connection works]

Procedure 5. Sign an easement contract in front of a notary and notify the property easement to the Cadastre and Land Registration office

Agency: Notary/Cadastre and Land Registration office

Time: 1 day

Cost: RON 2,140 [RON 2,000 for the easement contract + RON 120 for land registry taxes + RON 20 for a copy of the land registry]

Procedure 6. Obtain construction permit for connection works

Agency: Electrical contractor/Municipality

Time: 30 days

Cost: None

Procedure 7. Conclude execution contract between e-distribuție Muntenia and the electrical contractor, await connection works, and submit internal wiring file

Agency: Electrical contractor/Municipality

Time: 90 days

Cost: None

Procedure 8. Receive final inspection by e-distribuție Muntenia and receive connection certificate

Agency: e-distribuție Muntenia

Time: 10 days

Cost: None

Procedure 9. Sign supply contract and receive meter installation by e-distribuție Muntenia

Agency: e-distribuție Muntenia

Time: 2 days

Cost: None

GETTING ELECTRICITY

Cluj-Napoca (Romania)

Name of Utility: FDEE Transilvania Nord

Data as of: December 31, 2016

Procedure 1. Submit application with Electrica Distribuție Transilvania Nord and await for the technical connection approval

Agency: Electrica Distribuție Transilvania Nord

Time: 30 days

Cost: RON 215

Procedure 2*. Receive site inspection by utility

Agency: Electrica Distribuție Transilvania Nord

Time: 1 day

Cost: None

Procedure 3. Sign an easement contract in front of a notary and notify the property easement to the Cadastre and Land Registration office

Agency: Notary

Time: 1 day

Cost: RON 2,140 [RON 2,000 for the easement contract + RON 120 for land registry taxes + RON 20 for a copy of the land registry]

Procedure 4. Sign an assignment agreement (direct entrusting request) with an electrical contractor certified by ANRE

Agency: Electrical contractor

Time: 1 day

Cost: None

Procedure 5. Submit documents for connection contract and receive contract

Agency: Electrica Distribuție Transilvania Nord

Time: 25 days

Cost: RON 164,000 [RON 11,000 for design + RON 3,000 for construction permit + RON 150,000 for connection works]

Procedure 6. Obtain construction permit for connection works

Agency: Electrical contractor/Municipality

Time: 60 days

Cost: None

Procedure 7. Await connection works

Agency: Electrical contractor/Municipality

Time: 60 days

Cost: None

*Simultaneous with previous procedure

Procedure 8. Receive final inspection by Electrica Distribuție Transilvania Nord, submit internal wiring file and receive connection certificate

Agency: Electrica Distribuție Transilvania Nord
Time: 20 days
Cost: None

Procedure 9. Sign supply contract and receive meter installation by Electrica Distribuție Transilvania Nord

Agency: Energy supplier/Electrica Distribuție Transilvania Nord
Time: 5 days
Cost: None

GETTING ELECTRICITY

Constanta (Romania)

Name of Utility: e-distribuție Dobrogea
Data as of: December 31, 2016

Procedure 1. Submit application with e-distribuție Dobrogea and await for the technical connection approval

Agency: e-distribuție Dobrogea
Time: 30 days
Cost: RON 215

Procedure 2*. Receive site inspection by utility

Agency: e-distribuție Dobrogea
Time: 1 day
Cost: None

Procedure 3. Sign a declaration of easement in front of a notary

Agency: Notary
Time: 1 day
Cost: RON 80

Procedure 4. Submit documents for connection contract and receive contract

Agency: e-distribuție Dobrogea
Time: 10 days
Cost: RON 231,500 [RON 8,000 for design + RON 3,500 for construction permit + RON 220,000 for connection works]

Procedure 5. Sign an easement contract in front of a notary and notify the property easement to the Cadastre and Land Registration office

Agency: Notary/Cadastre and Land Registration office
Time: 1 day
Cost: RON 2,140 [RON 2,000 for the easement contract + RON 120 for land registry taxes + RON 20 for a copy of the land registry]

Procedure 6. Obtain construction permit for connection works

Agency: Electrical Contractor/Municipality
Time: 90 days
Cost: None

Procedure 7. Conclude execution contract between e-distribuție Dobrogea and the electrical contractor, await connection works, and submit internal wiring file

Agency: Electrical contractor
Time: 60 days
Cost: None

Procedure 8. Receive final inspection by e-distribuție Dobrogea and receive connection certificate

Agency: e-distribuție Dobrogea
Time: 15 days
Cost: None

Procedure 9. Sign supply contract and receive meter installation by e-distribuție Dobrogea

Agency: Energy supplier/e-distribuție Dobrogea
Time: 2 days
Cost: None

GETTING ELECTRICITY

Craiova (Romania)

Name of Utility: CEZ
Data as of: December 31, 2016

Procedure 1. Submit application with CEZ Distribuție and await for the technical connection approval

Agency: CEZ Distribuție
Time: 30 days
Cost: RON 215

Procedure 2*. Receive site inspection by utility

Agency: CEZ Distribuție
Time: 1 day
Cost: None

Procedure 3. Sign a negotiation minute with an electrical contractor certified by ANRE

Agency: Electrical Contractor
Time: 1 day
Cost: None

Procedure 4. Submit documents for connection contract and sign contract

Agency: CEZ Distribuție
Time: 10 days
Cost: RON 177,100 [RON 12,000 for design + RON 2,500 for construction permit + RON 600 for excavation permit + RON 162,000 for connection works]

Procedure 5. Sign an easement contract in front of a notary and notify the property easement to the Cadastre and Land Registration office

Agency: Notary
Time: 1 day
Cost: RON 2,140 [RON 2,000 for the easement contract + RON 120 for land registry taxes + RON 20 for a copy of the land registry]

Procedure 6. Obtain construction permit for connection works

Agency: Electrical Contractor/Municipality
Time: 60 days
Cost: None

Procedure 7. Conclude execution contract between CEZ Distribuție and the electrical contractor and await connection works

Agency: Electrical contractor/Municipality
Time: 60 days
Cost: None

Procedure 8. Receive final inspection by CEZ Distribuție, submit internal wiring file and receive connection certificate

Agency: CEZ Distribuție
Time: 10 days
Cost: None

Procedure 9. Sign supply contract and receive meter installation by CEZ Distribuție

Agency: Energy supplier/CEZ Distribuție
Time: 5 days
Cost: None

GETTING ELECTRICITY

Iasi (Romania)

Name of Utility: Delgaz Grid
Data as of: December 31, 2016

Procedure 1. Submit application with Delgaz Grid Distribuție and await for the technical connection approval

Agency: Delgaz Grid
Time: 30 days
Cost: RON 215

Procedure 2*. Receive site inspection by utility**Agency:** Delgaz Grid**Time:** 1 day**Cost:** None**Procedure 3. Submit documents for connection contract and receive contract****Agency:** Delgaz Grid**Time:** 10 days**Cost:** RON 160,500 [RON 8,000 for design + RON 2,500 for construction permit + RON 150,000 for connection works]**Procedure 4. Sign an easement contract in front of a notary and notify the property easement to the Cadastre and Land Registration office****Agency:** Notary**Time:** 1 day**Cost:** RON 2,140 [RON 2,000 for the easement contract + RON 120 for land registry taxes + RON 20 for a copy of the land registry]**Procedure 5. Obtain construction permit for connection works****Agency:** Electrical Contractor/Municipality**Time:** 60 days**Cost:** None**Procedure 6. Get approval for the timetable for works execution and await connection works****Agency:** Electrical Contractor/Municipality**Time:** 52 days**Cost:** None**Procedure 7. Receive final inspection by Delgaz Grid Distribuție, submit internal wiring file and receive connection certificate****Agency:** Delgaz Grid Distribuție**Time:** 10 days**Cost:** None**Procedure 8. Sign supply contract and receive meter installation by Delgaz Grid Distribuție****Agency:** Energy supplier/Delgaz Grid Distribuție**Time:** 10 days**Cost:** None

GETTING ELECTRICITY

Oradea (Romania)*Name of Utility: FDEE Transilvania Nord**Data as of: December 31, 2016***Procedure 1. Submit application with Electrica Distribuție Transilvania Nord and await for the technical connection approval****Agency:** Electrica Distribuție Transilvania Nord**Time:** 30 days**Cost:** RON 215**Procedure 2*. Receive site inspection by utility****Agency:** Electrica Distribuție Transilvania Nord**Time:** 1 day**Cost:** None**Procedure 3. Sign an easement contract in front of a notary and notify the property easement to the Cadastre and Land Registration office****Agency:** Notary**Time:** 1 day**Cost:** RON 2,140 [RON 2,000 for the easement contract + RON 120 for land registry taxes + RON 20 for a copy of the land registry]**Procedure 4. Sign an assignment agreement (direct entrusting request) with an electrical contractor certified by ANRE****Agency:** Electrical contractor**Time:** 1 day**Cost:** None**Procedure 5. Submit documents for connection contract and receive contract****Agency:** Electrica Distribuție Transilvania Nord**Time:** 25 days**Cost:** RON 157,304 [RON 5,000 for design + RON 2,200 for construction permit + RON 104 for excavation permit + RON 150,000 for connection works]**Procedure 6. Obtain construction permit for connection works****Agency:** Electrical contractor/Municipality**Time:** 60 days**Cost:** None**Procedure 7. Await connection works****Agency:** Electrical contractor/Municipality**Time:** 60 days**Cost:** None**Procedure 8. Receive final inspection by Electrica Distribuție Transilvania Nord, submit internal wiring file and receive connection certificate****Agency:** Electrica Distribuție Transilvania Nord**Time:** 20 days**Cost:** None**Procedure 9. Sign supply contract and receive meter installation by Electrica Distribuție Transilvania Nord****Agency:** Energy supplier/Electrica Distribuție Transilvania Nord**Time:** 2 days**Cost:** None

GETTING ELECTRICITY

Ploiesti (Romania)*Name of Utility: FDEE Muntenia Nord**Data as of: December 31, 2016***Procedure 1. Submit application with Electrica Distribuție Muntenia Nord and await for the technical connection approval****Agency:** Electrica Distribuție Muntenia Nord**Time:** 30 days**Cost:** RON 215**Procedure 2*. Receive site inspection by utility****Agency:** Electrica Distribuție Muntenia Nord**Time:** 1 day**Cost:** None**Procedure 3. Sign an easement contract in front of a notary and notify the property easement to the Cadastre and Land Registration office****Agency:** Notary**Time:** 1 day**Cost:** RON 2,140 [RON 2,000 for the easement contract + RON 120 for land registry taxes + RON 20 for a copy of the land registry]**Procedure 4. Sign an assignment agreement (direct entrusting request) with an electrical contractor certified by ANRE****Agency:** Electrical contractor**Time:** 1 day**Cost:** None

*Simultaneous with previous procedure

Procedure 5. Submit documents for connection contract and receive contract

Agency: Electrica Distribuție Muntenia Nord
Time: 10 days
Cost: RON 146,400 [RON 13,500 for design + RON 2,800 for construction permit + RON 100 for excavation permit + 130,000 for connection works]

Procedure 6. Obtain construction permit for connection works

Agency: Electrical Contractor/Municipality
Time: 60 days
Cost: None

Procedure 7. Conclude execution contract between Electrica Distribuție Muntenia Nord and the electrical contractor and await connection works

Agency: Electrical contractor/Municipality
Time: 90 days
Cost: None

Procedure 8. Receive final inspection by Electrica Distribuție Muntenia Nord, submit internal wiring file and receive connection certificate

Agency: Electrica Distribuție Muntenia Nord
Time: 10 days
Cost: None

Procedure 9. Sign supply contract and receive meter installation by Electrica Distribuție Muntenia Nord

Agency: Electrica Distribuție Muntenia Nord
Time: 2 days
Cost: None

GETTING ELECTRICITY

Timisoara (Romania)

Name of Utility: e-distribuție Banat
Data as of: December 31, 2016

Procedure 1. Submit application with e-distribuție Banat and await for the technical connection approval

Agency: e-distribuție Banat
Time: 30 days
Cost: RON 215

Procedure 2*. Receive site inspection by utility

Agency: e-distribuție Banat
Time: 1 day
Cost: None

Procedure 3. Sign a declaration of easement in front of a notary

Agency: Notary
Time: 1 day
Cost: RON 80

Procedure 4. Submit documents for connection contract and receive contract

Agency: e-distribuție Banat
Time: 10 days
Cost: RON 191,750 [RON 9,000 for design + RON 2,500 for construction permit + RON 250 for excavation permit + RON 180,000 for connection works]

Procedure 5. Sign an easement contract in front of a notary and notify the property easement to the Cadastre and Land Registration office

Agency: Notary/Cadastre and Land Registration office
Time: 1 day
Cost: RON 2,140 [RON 2,000 for the easement contract + RON 120 for land registry taxes + RON 20 for a copy of the land registry]

Procedure 6. Obtain construction permit for connection works

Agency: Electrical Contractor/Municipality
Time: 60 days
Cost: None

Procedure 7. Conclude execution contract between e-distribuție Banat and the electrical contractor, await connection works, and submit internal wiring file

Agency: Electrical Contractor/Municipality
Time: 120 days
Cost: None

Procedure 8. Receive final inspection by e-distribuție Banat and receive connection certificate

Agency: e-distribuție Banat
Time: 10 days
Cost: None

Procedure 9. Sign supply contract and receive meter installation by e-distribuție Banat

Agency: Energy supplier/e-distribuție Banat
Time: 2 days
Cost: None

Source: Doing Business database.

Note: Additional information on each procedure can be found at www.doingbusiness.org/EU1.

*Simultaneous with previous procedure

| GETTING ELECTRICITY - RELIABILITY OF SUPPLY AND TRANSPARENCY OF TARIFFS INDEX | | | |
|---|--|--|--|
| | BULGARIA | HUNGARY | ROMANIA |
| Reliability of supply and transparency of tariffs index (0–8) | 7 (Burgas, Plovdiv) 6 (Pleven, Sofia) 4 (Ruse, Varna) | 8 (Szeged) 7 (5 cities) 6 (Miskolc) | 7 (6 cities) 6 (Brasov, Ploiesti, Timisoara) |
| Total duration and frequency of outages per customer a year (0–3) | 2 (Burgas, Plovdiv) 1 (4 cities) | 3 (Szeged) 2 (5 cities) 1 (Miskolc) | 2 (6 cities) 1 (Brasov, Ploiesti, Timisoara) |
| System average interruption duration index (SAIDI) | 2.63 (Burgas, Plovdiv) 5.51 (Varna) 6.29 (Pleven, Sofia) 11.07 (Ruse) | 0.65 (Szeged) 1.27 (Szekesfehervar) 2.66 (Gyor) 3.12 (Budapest) 3.24 (Pecs) 3.63 (Debrecen) 5.50 (Miskolc) | 1.22 (Oradea) 1.54 (Cluj-Napoca) 3.07 (Constanta) 3.32 (Bucharest) 3.69 (Craiova) 3.73 (Iasi) 4.15 (Brasov) 4.83 (Timisoara) 8.26 (Ploiesti) |
| System average interruption frequency index (SAIFI) | 1.12 (Burgas, Plovdiv) 3.68 (Varna) 4.12 (Pleven, Sofia) 6.43 (Ruse) | 0.42 (Szeged) 0.60 (Szekesfehervar) 1.01 (Gyor) 1.03 (Debrecen) 1.43 (Budapest) 1.46 (Pecs) 2.23 (Miskolc) | 0.89 (Oradea) 0.97 (Cluj-Napoca) 2.53 (Ploiesti) 2.86 (Craiova) 3.13 (Constanta) 3.48 (Bucharest) 3.94 (Iasi) 4.22 (Brasov) 5.12 (Timisoara) |
| Mechanisms for monitoring outages (0–1) | 1 (4 cities) 0 (Ruse, Varna) | 1 | 1 |
| Does the distribution utility use automated tools to monitor outages? | Yes (4 cities) No (Ruse, Varna) | Yes | Yes |
| Mechanisms for restoring service (0–1) | 1 (4 cities) 0 (Ruse, Varna) | 1 | 1 |
| Does the distribution utility use automated tools to restore service? | Yes (4 cities) No (Ruse, Varna) | Yes | Yes |
| Regulatory monitoring (0–1) | 1 | 1 | 1 |
| Does a regulator—that is, an entity separate from the utility—monitor the utility's performance on reliability of supply? | Yes | Yes | Yes |
| Financial deterrents aimed at limiting outages (0–1) | 1 | 1 | 1 |
| Does the utility either pay compensation to customers or face fines by the regulator (or both) if outages exceed a certain cap? | Yes | Yes | Yes |
| Communication of tariffs and tariff changes (0–1) | 1 | 1 | 1 |
| Are effective tariffs available online? | Yes | Yes | Yes |
| Are customers notified of a change in tariff ahead of the billing cycle? | Yes | Yes | Yes |

Source: Doing Business database.

REGISTERING PROPERTY IN BULGARIA - PROCEDURES REQUIRED TO REGISTER A PROPERTY, BY CITY

Property value: BGN 576,682 (US\$361,000)

Data as of: December 31, 2016

| | Burgas | Pleven | Plovdiv | Ruse | Sofia | Varna | Comments |
|---|---------|---------|---------|---------|---------|---------|--|
| 1. Obtain a tax clearance certificate from the National Revenue Agency office | 7 | 7 | 7 | 7 | 7 | 7 | The tax clearance certificate, showing that no taxes are owned, is obtained from the local office of the National Revenue Agency. |
| | no cost | |
| 2. Obtain a tax valuation of the property from the municipality | 3 | 2* | 2* | 3* | 3* | 3* | All municipalities offer fast-track procedures for this service at an additional cost. |
| | 30 | 25 | 30 | 20 | 34 | 40 | |
| 3. Obtain a nonencumbrance certificate from the Property Register | 3* | 3* | 3 | 3* | 3* | 3* | The Property Register offers fast-track service for an additional cost: BGN 20 for regular service (BGN 10 for each certificate, one for land and another one for building), BGN 60 for fast service (BGN 30 for each certificate, one for land and another one for building). |
| 4. Obtain a sketch of the estate from the local office of the Geodesy, Cartography and Cadastre Agency (GCCA) | 1* | 1* | 1* | 1* | 1* | 1* | The GCCA offers fast-track and express service for an additional cost: regular procedure costs BGN 30 for land plot + BGN 10 for building; fast 24-hour procedure costs BGN 45 for land plot + BGN 15 for building; and express 4-hour procedure costs BGN 90 for land plot + BGN 30 for building. |
| 5. Obtain certificates of good standing for the seller and buyer from the Commercial Register | 0.5* | 0.5* | 0.5* | 0.5* | 0.5* | 0.5* | The certificate can be obtained online at a cost of BGN 8: BGN 2.5 for the first page and BGN 1.5 for each consequent page (2 pages for each certificate costing BGN 4 for the buyer's certificate and BGN 4 for the seller's certificate). |
| 6. Have a notary execute the transfer deed | 1 | 1 | 1 | 1 | 1 | 1 | The notary fees for properties above BGN 500,000 are BGN 1530.5+0.1% of property value above BGN 500,000 not to exceed BGN 6,000. This procedure includes the cost of property transfer tax, which is 2.2% of the property value in Ruse, 2.5% in Burgas, Plovdiv and Sofia, 2.85% in Pleven and 3% in Varna. It also includes a registration fee of 0.1% of the property value. |
| | 16,601 | 18,619 | 16,601 | 14,871 | 16,601 | 19,484 | |
| 7. Register the notarized deed with the Property Register | 1 | 2 | 4 | 2 | 10 | 2 | The notary will register the notarized deed at the Property Register office of the local court. The notary will pay the registration fees and property transfer tax collected in procedure 6. |
| | no cost | |
| 8. Register the new owner for taxes with the municipal tax department | 1 | 1 | 1 | 1 | 1 | 1 | According to Article 14 of the Law on Local Taxes and Fees, for any newly acquired property, the owner is obliged to submit a tax declaration to the municipal authorities where the property is located. The owner must attach a copy of his ownership title (notary deed) to the declaration. |
| | no cost | |

Source: Doing Business database.

*Takes place simultaneously with another procedure.

Note: The order for procedures 2, 3 and 4 is different for Burgas and Plovdiv. In Burgas one needs to obtain a sketch of the estate before obtaining tax valuation of the property, but before obtaining a nonencumbrance certificate from the local office of the Property Register.

REGISTERING PROPERTY IN HUNGARY - PROCEDURES REQUIRED TO REGISTER A PROPERTY, BY CITY

*Property value: HUF 164,816,344 (US\$ 649,500)
Data as of: December 31, 2016*

| | Budapest | Debrecen | Gyor | Miskolc | Pecs | Szeged | Szokesfehervar | Comments |
|---|-----------|-----------|-----------|-----------|-----------|-----------|----------------|---|
| 1. Obtain a certified title record from Foldhivatal (Land Registry) | | | | | | | | The certified title sheet is needed in order to check the current data of the property. The cost is HUF 6,250 for hard copy certificate, HUF 3,600 for electronic certificate, and HUF 1,000 for uncertified sheet. |
| Time (days) | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | |
| Cost (HUF) | 3,600 | 3,600 | 3,600 | 3,600 | 3,600 | 3,600 | 3,600 | |
| 2. Get the sale and purchase agreement signed by a lawyer | | | | | | | | The contract becomes valid by the countersignature of a lawyer (signature, stamp and dry stamp on each page), the use of which is mandatory. Lawyer fees are on average 1% of the property value. |
| Time (days) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | |
| Cost (HUF) | 1,648,163 | 1,648,163 | 1,648,163 | 1,648,163 | 1,648,163 | 1,648,163 | 1,648,163 | |
| 3. Obtain a copy of the buyer's certificate of incorporation from the Court of Registration | | | | | | | | An extract of the purchaser company from the commercial registry must be obtained. The extract (as well as the specimen of signature) is to be filed with regard to the seller of the property as well. |
| Time (days) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | |
| Cost (HUF) | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | |
| 4. Register the title with Foldhivatal (Land Registry) | | | | | | | | The cost for this procedure includes HUF 16,600 (registration fee of HUF 6,600 and expedited procedure fee of HUF 10,000) and 4% of property value for stamp duty. |
| Time (days) | 15 | 6 | 9 | 8 | 16 | 9 | 8 | |
| Cost (HUF) | 6,609,254 | 6,609,254 | 6,609,254 | 6,609,254 | 6,609,254 | 6,609,254 | 6,609,254 | |

Source: Doing Business database.

REGISTERING PROPERTY IN ROMANIA - PROCEDURES REQUIRED TO REGISTER A PROPERTY, BY CITY

Property value: RON 1,755,459 (US\$ 475,000)
Data as of: December 31, 2016

| | Brasov | Bucharest | Cluj-Napoca | Constanta | Craiova | Iasi | Oradea | Ploiesti | Timisoara | Comments |
|--|-----------------------|-----------|-------------|-----------|---------|---------|---------|----------|-----------|---|
| 1. Obtain cadastral information from the cadastre division of the National Agency for Cadastre and Land Registration (NACLR) | Time (days) 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | The documents to be submitted include: 1) standard application form, 2) a copy of the ownership title, and 3) a copy of the identification documents of the seller. |
| | Cost (RON) 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | 160 | |
| 2. Obtain a fiscal certificate from the municipal tax department | Time (days) 2* | 4* | 1* | 1* | 1* | 1* | 1* | 1* | 2* | The seller obtains a clearance certificate from the tax department of the municipality where the real estate is located attesting that the property is not owned by someone else and that there are no unpaid taxes. |
| | Cost (RON) no cost | no cost | 4 | 27 | no cost | 20 | 25 | 115 | no cost | |
| 3. Obtain the land book extract (nonencumbrance certificate) from the NACLR's land office division | Time (days) 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | NACLR offers an expedited procedure for this service at an additional cost. The cost for regular procedure is RON 40, while the cost for an expedited procedure is RON 200. |
| | Cost (RON) 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | |
| 4. Have a notary authenticate the transfer deed | Time (days) 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | The notary fees for transactions with values above RON 600,001 (without VAT) are RON 5,080 + 0.44% of the transaction value exceeding RON 600,001. |
| | Cost (RON) 10,164 | 10,164 | 10,164 | 10,164 | 10,164 | 10,164 | 10,164 | 10,164 | 10,164 | |
| 5. Register the title with the NACLR | Time (days) 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | NACLR offers an expedited procedure for this service. The cost for regular procedure is 0.5% of the property value. The cost for an expedited procedure is 0.5% of the property value + extra fee of 4 times 0.5% of the property value. The minimum cost is RON 60 and the extra fee paid for the expedited procedure cannot exceed RON 5,000. |
| | Cost (RON) 13,777 | 13,777 | 13,777 | 13,777 | 13,777 | 13,777 | 13,777 | 13,777 | 13,777 | |
| 6. File a fiscal declaration confirming the acquisition of the property with the municipal tax department | Time (days) 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | The fiscal declaration concerning the immovable property acquisition should be filled in by the purchaser at the local tax department within a 30 day from the notarization of the transfer deed. |
| | Cost (RON) no cost | no cost | no cost | no cost | no cost | no cost | no cost | no cost | no cost | |

Source: Doing Business database.

*Takes place simultaneously with another procedure.

| REGISTERING PROPERTY - QUALITY OF LAND ADMINISTRATION INDEX | | BULGARIA | | HUNGARY | | ROMANIA | |
|--|----------------------------------|---|----------------------------------|---------|---|--|--|
| | Answer | Score | Answer | Score | Answer | Score | |
| Quality of land administration index (0–30) | | 20 (4 cities) 19 (Plovdiv and Sofia) | | 26 | | 18 (Oradea) 17 (7 cities) 16 (Cluj-Napoca) | |
| Reliability of infrastructure index (0–8) | | 6 | | 8 | | 6 (Oradea) 5 (7 cities) 4 (Cluj-Napoca) | |
| In what format are the majority of title or deed records kept in the largest business city—in a paper format or in a computerized format (scanned or fully digital)? (0–2) | Computer/Scanned | 1 | Computer/Fully digital | 2 | Computer/Fully digital (8 cities) Paper (Cluj-Napoca) | 2 (8 cities) 0 (Cluj-Napoca) | |
| Is there an electronic database for checking for encumbrances (liens, mortgages, restrictions and the like)? (0–1) | Yes | 1 | Yes | 1 | No | 0 | |
| In what format are the majority of maps of land plots kept in the largest business city—in a paper format or in a computerized format (scanned or fully digital)? (0–2) | Computer/Scanned | 1 | Computer/Fully digital | 2 | Computer/Scanned (Cluj-Napoca and Oradea) Paper (7 cities) | 1 (Cluj-Napoca and Oradea) 0 (7 cities) | |
| Is there an electronic database for recording boundaries, checking plans and providing cadastral information (geographic information system)? (0–1) | Yes | 1 | Yes | 1 | Yes | 1 | |
| Is the information recorded by the immovable property registration agency and the cadastral or mapping agency kept in a single database, in different but linked databases or in separate databases? (0–1) | Different databases but linked | 1 | Different databases but linked | 1 | Single database | 1 | |
| Do the immovable property registration agency and cadastral or mapping agency use the same identification number for properties? (0–1) | Yes | 1 | Yes | 1 | Yes | 1 | |
| Transparency of information index (0–6) | | 4 | | 3.5 | | 6 | |
| Who is able to obtain information on land ownership at the agency in charge of immovable property registration in the largest business city? (0–1) | Anyone who pays the official fee | 1 | Anyone who pays the official fee | 1 | Anyone who pays the official fee | 1 | |
| Is the list of documents that are required to complete any type of property transaction made publicly available—and if so, how? (0–0.5) | Yes, online | 0.5 | Yes, online | 0.5 | Yes, online | 0.5 | |
| Is the applicable fee schedule for any property transaction at the agency in charge of immovable property registration in the largest business city made publicly available—and if so, how? (0–0.5) | Yes, online | 0.5 | Yes, online | 0.5 | Yes, online | 0.5 | |

| REGISTERING PROPERTY - QUALITY OF LAND ADMINISTRATION INDEX (continued) | | | | | | |
|---|----------------------------------|----------|----------------------------------|----------|----------------------------------|----------|
| | BULGARIA | | HUNGARY | | ROMANIA | |
| | Answer | Score | Answer | Score | Answer | Score |
| Does the agency in charge of immovable property registration commit to delivering a legally binding document that proves property ownership within a specific time frame—and if so, how does it communicate the service standard? (0–0.5) | Yes, online | 0.5 | Yes, online | 0.5 | Yes, online | 0.5 |
| Is there a specific and separate mechanism for filing complaints about a problem that occurred at the agency in charge of immovable property registration? (0–1) | No | 0 | No | 0 | Yes | 1 |
| Are there publicly available official statistics tracking the number of transactions at the immovable property registration agency? (0–0.5) | Yes | 0.5 | No | 0 | Yes | 0.5 |
| Who is able to consult maps of land plots in the largest business city? (0–0.5) | Anyone who pays the official fee | 0.5 | Anyone who pays the official fee | 0.5 | Anyone who pays the official fee | 0.5 |
| Is the applicable fee schedule for accessing maps of land plots made publicly available—and if so, how? (0–0.5) | Yes, online | 0.5 | Yes, online | 0.5 | Yes, online | 0.5 |
| Does the cadastral or mapping agency commit to delivering an updated map within a specific time frame—and if so, how does it communicate the service standard? (0–0.5) | No | 0 | No | 0 | Yes, online | 0.5 |
| Is there a specific and separate mechanism for filing complaints about a problem that occurred at the cadastral or mapping agency? (0–0.5) | No | 0 | No | 0 | Yes | 0.5 |
| Geographic coverage index (0–8) | | 4 | | 8 | | 0 |
| Are all privately held land plots in the economy formally registered at the immovable property registry? (0–2) | Yes | 2 | Yes | 2 | No | 0 |
| Are all privately held land plots in the business city formally registered at the immovable property registry? (0–2) | Yes | 2 | Yes | 2 | No | 0 |
| Are all privately held land plots in the economy mapped? (0–2) | No | 0 | Yes | 2 | No | 0 |
| Are all privately held land plots in the business city mapped? (0–2) | No | 0 | Yes | 2 | No | 0 |

| REGISTERING PROPERTY - QUALITY OF LAND ADMINISTRATION INDEX (continued) | | | | | | |
|---|---|---------------------------------------|-----------------------|----------|-----------------------|----------|
| | BULGARIA | | HUNGARY | | ROMANIA | |
| | Answer | Score | Answer | Score | Answer | Score |
| Land dispute resolution index (0–8) | | 6 (4 cities) 5 (Plovdiv and Sofia) | | 6.5 | | 6 |
| Does the law require that all property sale transactions be registered at the immovable property registry to make them opposable to third parties? (0–1.5) | Yes | 1.5 | Yes | 1.5 | Yes | 1.5 |
| Is the system of immovable property registration subject to a state or private guarantee? (0–0.5) | Yes | 0.5 | Yes | 0.5 | Yes | 0.5 |
| Is there a specific compensation mechanism to cover for losses incurred by parties who engaged in good faith in a property transaction based on erroneous information certified by the immovable property registry? (0–0.5) | No | 0 | Yes | 0.5 | No | 0 |
| Does the legal system require a control of legality of the documents necessary for a property transaction (e.g., checking the compliance of contracts with requirements of the law)? (0–0.5) | Yes | 0.5 | Yes | 0.5 | Yes | 0.5 |
| Does the legal system require verification of the identity of the parties to a property transaction? (0–0.5) | Yes | 0.5 | Yes | 0.5 | Yes | 0.5 |
| Is there a national database to verify the accuracy of identity documents? (0–1) | Yes | 1 | Yes | 1 | Yes | 1 |
| How long does it take on average to obtain a decision from the first-instance court for such a case (without appeal)? (0–3) | Between 1 and 2 years (4 cities) Between 2 and 3 years (Plovdiv and Sofia) | 2 (4 cities) 1 (Plovdiv and Sofia) | Between 1 and 2 years | 2 | Between 1 and 2 years | 2 |
| Are there any statistics on the number of land disputes in the first instance? (0–0.5) | No | 0 | No | 0 | No | 0 |
| Equal access to property rights index (-2–0) | | 0 | | 0 | | 0 |
| Do unmarried men and unmarried women have equal ownership rights to property? | Yes | 0 | Yes | 0 | Yes | 0 |
| Do married men and married women have equal ownership rights to property? | Yes | 0 | Yes | 0 | Yes | 0 |

Source: Doing Business database.

| ENFORCING CONTRACTS - TIME AND COST TO RESOLVE A COMMERCIAL DISPUTE, BY CITY | | | | | | | | |
|--|--------------------|--------------------|-------------------------|------------|-------------------|-------------|-------------------|------------|
| City (Country) | Time (days) | | | | Cost (% of claim) | | | |
| | Filing and service | Trial and judgment | Enforcement of judgment | Total time | Attorney fees | Court costs | Enforcement costs | Total cost |
| Burgas (Bulgaria) | 41 | 143 | 177 | 361 | 7.1 | 5.8 | 3.0 | 15.9 |
| Pleven (Bulgaria) | 43 | 124 | 122 | 289 | 10.4 | 5.2 | 3.0 | 18.6 |
| Plovdiv (Bulgaria) | 70 | 208 | 162 | 440 | 10.4 | 5.0 | 3.0 | 18.4 |
| Ruse (Bulgaria) | 54 | 127 | 140 | 321 | 10.4 | 5.6 | 3.0 | 19.0 |
| Sofia (Bulgaria) | 105 | 334 | 125 | 564 | 10.0 | 5.6 | 3.0 | 18.6 |
| Varna (Bulgaria) | 62 | 196 | 137 | 395 | 7.9 | 5.8 | 3.0 | 16.7 |
| Budapest (Hungary) | 60 | 365 | 180 | 605 | 5.0 | 8.0 | 2.0 | 15.0 |
| Debrecen (Hungary) | 40 | 200 | 90 | 330 | 5.0 | 6.8 | 2.0 | 13.8 |
| Gyor (Hungary) | 60 | 365 | 180 | 605 | 5.0 | 6.8 | 2.0 | 13.8 |
| Miskolc (Hungary) | 40 | 250 | 120 | 410 | 5.0 | 6.8 | 2.0 | 13.8 |
| Pecs (Hungary) | 45 | 365 | 90 | 500 | 5.0 | 6.8 | 2.0 | 13.8 |
| Szeged (Hungary) | 60 | 300 | 180 | 540 | 5.0 | 6.8 | 2.0 | 13.8 |
| Szekesfehervar (Hungary) | 60 | 245 | 120 | 425 | 5.0 | 6.8 | 2.0 | 13.8 |
| Brasov (Romania) | 87 | 409 | 193 | 689 | 6.0 | 8.1 | 7.8 | 21.9 |
| Bucharest (Romania) | 52 | 365 | 95 | 512 | 7.7 | 8.1 | 10.0 | 25.8 |
| Cluj-Napoca (Romania) | 43 | 314 | 170 | 527 | 7.4 | 7.1 | 7.3 | 21.8 |
| Constanta (Romania) | 36 | 319 | 140 | 495 | 5.7 | 7.3 | 6.6 | 19.6 |
| Craiova (Romania) | 49 | 296 | 146 | 491 | 6.8 | 6.8 | 5.8 | 19.4 |
| Iasi (Romania) | 62 | 307 | 153 | 522 | 5.0 | 6.7 | 4.9 | 16.6 |
| Oradea (Romania) | 35 | 375 | 139 | 549 | 9.0 | 5.9 | 3.9 | 18.8 |
| Ploiesti (Romania) | 89 | 397 | 167 | 653 | 6.2 | 7.0 | 7.0 | 20.2 |
| Timisoara (Romania) | 37 | 288 | 130 | 455 | 6.2 | 6.9 | 6.5 | 19.6 |

Source: Doing Business database.

ENFORCING CONTRACTS - QUALITY OF JUDICIAL PROCESSES INDEX

| | BULGARIA | | HUNGARY | | ROMANIA | |
|--|--|---|-----------------|-------------|--|---|
| | Answer | Score | Answer | Score | Answer | Score |
| Quality of judicial processes index (0–18) | | | | 14.0 | | 14.0 (4 cities) 13.0 (Craiova and Oradea) 12.5 (Iasi) 11.5 (Brasov and Ploiesti) |
| Court structure and proceedings (0–5) | | | | 4.5 | | 5.0 (6 cities) 3.5 (Brasov, Iasi and Ploiesti) |
| 1. Is there a court or division of a court dedicated solely to hearing commercial cases? (0–1.5) | Yes (4 cities) No (Burgas and Pleven) | 1.5 (4 cities) 0.0 (Burgas and Pleven) | Yes | 1.5 | Yes (6 cities) No (Brasov, Iasi and Ploiesti) | 1.5 (6 cities) 0.0 (Brasov, Iasi and Ploiesti) |
| 2. Small claims court (0–1.5) | | 0.0 | | 1.5 | | 1.5 |
| 2.a. Is there a small claims court or a fast-track procedure for small claims? | No | | Yes | | Yes | |
| 2.b. If yes, is self-representation allowed? | N/A | | Yes | | Yes | |
| 3. Is pretrial attachment available? (0–1) | Yes | 1.0 | Yes | 1.0 | Yes | 1.0 |
| 4. Are new cases assigned randomly to judges? (0–1) | Yes, automatically | 1.0 | Yes, but manual | 0.5 | Yes, automatically | 1.0 |
| 5. Does a woman's testimony carry the same evidentiary weight in court as a man's? (-1–0) | Yes | 0.0 | Yes | 0.0 | Yes | 0.0 |
| Case management (0–6) | | | | 4.0 | | 4.0 (5 cities) 3.0 (Brasov, Craiova, Oradea and Ploiesti) |
| 1. Time standards (0–1) | | 1.0 | | 1.0 | | 1.0 |
| 1.a. Are there laws setting overall time standards for key court events in a civil case? | Yes | | Yes | | Yes | |
| 1.b. If yes, are the time standards set for at least three court events? | Yes | | Yes | | Yes | |
| 1.c. Are these time standards respected in more than 50% of cases? | Yes | | Yes | | Yes | |
| 2. Adjudgments (0–1) | | 0.5 | | 0.0 | | 0.0 |
| 2.a. Does the law regulate the maximum number of adjournments that can be granted? | No | | No | | No | |
| 2.b. Are adjournments limited to unforeseen and exceptional circumstances? | Yes | | No | | No | |
| 2.c. If rules on adjournments exist, are they respected in more than 50% of cases? | Yes | | N/A | | N/A | |

| ENFORCING CONTRACTS - QUALITY OF JUDICIAL PROCESSES INDEX (continued) | | | | | | |
|---|------------------------------|-------------------------------|---------|-------|---|--|
| | BULGARIA | | HUNGARY | | ROMANIA | |
| | Answer | Score | Answer | Score | Answer | Score |
| 3. Can two of the following four reports be generated about the competent court: (i) time to disposition report; (ii) clearance rate report; (iii) age of pending cases report; and (iv) single case progress report? (0–1) | Yes | 1.0 | Yes | 1.0 | Yes | 1.0 |
| 4. Is a pretrial conference among the case management techniques used before the competent court? (0–1) | No | 0.0 | No | 0.0 | No | 0.0 |
| 5. Are there any electronic case management tools in place within the competent court for use by judges? (0–1) | Yes (5 cities) No (Sofia) | 1.0 (5 cities) 0.0 (Sofia) | Yes | 1.0 | Yes | 1.0 |
| 6. Are there any electronic case management tools in place within the competent court for use by lawyers? (0–1) | No | 0.0 | Yes | 1.0 | Yes (5 cities) No (Brasov, Craiova, Oradea and Ploiesti) | 1.0 (5 cities) 0.0 (Brasov, Craiova, Oradea and Ploiesti) |
| Court automation (0-4) | | | | | | |
| 1. Can the initial complaint be filed electronically through a dedicated platform within the competent court? (0–1) | No | 0.0 | Yes | 1.0 | No | 0.0 |
| 2. Is it possible to carry out service of process electronically for claims filed before the competent court? (0–1) | No | 0.0 | No | 0.0 | Yes | 1.0 |
| 3. Can court fees be paid electronically within the competent court? (0–1) | Yes | 1.0 | Yes | 1.0 | Yes | 1.0 |
| 4. Publication of judgments (0–1) | | | | | | |
| 4.a. Are judgments rendered in commercial cases at all levels made available to the general public through publication in official gazettes, in newspapers or on the internet or court website? | Yes | 1.0 | No | 0.5 | No | 0.0 |
| 4.b. Are judgments rendered in commercial cases at the appellate and supreme court level made available to the general public through publication in official gazettes, in newspapers or on the internet or court website? | Yes | | Yes | | No | |
| Alternative dispute resolution (0–3) | | | | | | |
| 1. Arbitration (0–1.5) | | | | | | |
| 1.a. Is domestic commercial arbitration governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all its aspects? | Yes | 1.0 | Yes | 1.5 | Yes | 1.5 |
| 1.b. Are there any commercial disputes—aside from those that deal with public order or public policy—that cannot be submitted to arbitration? | Yes | | No | | No | |

| ENFORCING CONTRACTS - QUALITY OF JUDICIAL PROCESSES INDEX (continued) | | | | | | |
|---|----------|-------|---------|-------|---------|-------|
| | BULGARIA | | HUNGARY | | ROMANIA | |
| | Answer | Score | Answer | Score | Answer | Score |
| 1.c. Are valid arbitration clauses or agreements usually enforced by the courts? | Yes | | Yes | | Yes | |
| 2. Mediation/Conciliation (0–1.5) | | 1.5 | | 1.5 | | 1.5 |
| 2.a. Is voluntary mediation or conciliation available? | Yes | | Yes | | Yes | |
| 2.b. Are mediation, conciliation or both governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all their aspects? | Yes | | Yes | | Yes | |
| 2.c. Are there financial incentives for parties to attempt mediation or conciliation (i.e., if mediation or conciliation is successful, a refund of court filing fees, income tax credits or the like)? | Yes | | Yes | | Yes | |

Source: Doing Business database.

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