

Regulatory Efficiency and Regional Competitiveness in Bulgaria – Governance Distortions and the Need for Transformation

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Abstract: This report focuses on the challenges of regional competitiveness, which are not solely explained by the availability of resources or infrastructure, but also by the extent to which institutions provide businesses with fast, transparent, predictable and accessible services. This study examines the impact of regulatory efficiency and business services on regional competitiveness in Bulgaria by synthesising existing theoretical and empirical research. The research objectives involve identifying governance failures and justifying the need for governance reform in the regulatory environment.

Keywords: regulatory efficiency, regional competitiveness, business environment, governance distortions, public administration

JEL: H83, H70, R11, R58, K20

I. INTRODUCTION

In today's world, regions compete for investment, a skilled workforce, entrepreneurial activity, innovation, European funding and a higher quality of life. In this context, competitiveness should be viewed through the lens of sustainability, since adapting management strategies to changing socio-economic and environmental conditions is a prerequisite for gaining a competitive advantage (Bankova, 2025, p. 47). The regulatory environment plays a direct role in this process, determining the conditions under which businesses obtain permits, use infrastructure, resolve disputes and restructure their operations.

This issue is relevant because regional disparities in Bulgaria remain significant. Institutional and administrative capacity are among the factors influencing individual regions' ability to attract investment and create favourable living and business environments. The topic's importance is further emphasised by the fact that, although the national regulatory framework is largely the same for all cities and regions, its practical application can vary significantly. It is precisely these differences in terms of time, cost, access to information, digitisation, coordination among institutions and judicial efficiency that can create competitive advantages for some regions and constraints for others.

The subject of this report is the regulatory environment for business in Bulgarian regional centers, examined as part of the conditions for fostering regional competitiveness. The study examines the relationship between regulatory effectiveness, distortions in business services, and the need

for governance reform in the context of regional development in Bulgaria. The primary empirical focus is on the cities of Burgas, Pleven, Plovdiv, Ruse, Sofia, and Varna. These cities were selected based on their role as regional centers in the six NUTS 2 regions. This choice is also supported by the understanding that the country's future development is linked to these major urban centers and their spheres of socio-economic influence, which necessitates a rethinking of the administrative-territorial structure based on the new realities (Velikova, 2025, p. 56). These cities serve as administrative, economic, transportation, university, industrial, and investment hubs, which defines them as engines of regional development. Data from the Institute for Market Economics also confirm the strong role of large urban centers in the country's economic dynamics (Institute for Market Economics, 2024).

The main thesis of the report is that regulatory efficiency is a key factor in regional competitiveness, as it affects administrative costs, investment predictability, trust in institutions, and the ability of businesses to operate in a stable and supportive environment. The aim of this report is to analyze the impact of regulatory efficiency and business services on regional competitiveness in Bulgaria, by identifying specific administrative inefficiencies and arguing for the need for administrative reform of the regulatory environment.

The research methodology includes a review and synthesis of the scientific literature and empirical sources, a comparative analysis of data for the six cities, a problem-oriented analysis of regulatory distortions, and an interpretation of the results through the lens of regional competitiveness.

II. THEORETICAL FRAME OF REGULATORY EFFICIENCY AND REGIONAL COMPETITIVENESS

Competitiveness is a multifaceted concept. In classical economic and management theories, it is associated with the ability of firms, sectors or regions to gain a sustainable competitive advantage, increase productivity and adapt to a changing environment. Porter (1980) examines competitiveness in terms of market position, competition, barriers to entry, and the ability of economic actors to gain a competitive edge. In regional development, however, competitiveness cannot be reduced solely to firm strategy. Rather, it depends on infrastructure, institutions, public services, regulations, human capital, and the innovation environment. In the context of pan-European development, the concept is viewed as a region's ability to offer an attractive environment for businesses and residents. The EU Regional Competitiveness Index 2.0 uses indicators related

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to institutions, infrastructure, health, education, the labour market, technological readiness, the business environment and innovation to measure competitiveness (European Commission, 2023). From this perspective, regulatory efficiency forms part of the institutional foundation of competitiveness. Regulatory governance involves the manner in which national and local authorities develop, implement, monitor and evaluate regulations. According to the OECD, effective regulatory policy requires evidence-based regulations, impact assessments, stakeholder engagement and ex-post evaluation of regulations (OECD, 2022). Therefore, good regulation is not just about having laws, but also about the quality of the entire regulatory cycle – from formulating rules to their practical implementation.

The link between institutional quality and regional development is also confirmed by current empirical studies. Mendez and Bachtler (2024) prove that the quality of governance affects the administrative implementation of cohesion policy in 173 European regions. Flip and Setzer (2025) establish a positive correlation between regional institutional quality and medium-term economic growth in approximately 200 European regions from 2010 to 2021. These results support the idea that regulatory effectiveness is not a secondary administrative issue, but a factor in growth, sustainability, and regional convergence.

Based on this, deviations from the principles of good regulatory governance can be defined as governance distortions. These include bureaucracy, fragmentation, uneven enforcement of rules, poor coordination, limited digitization, corruption risks, a lack of transparency, and judicial inefficiency. Meanwhile, the shift toward e-services, integrated administrative processes, transparent timelines, institutional coordination, and a business-oriented approach outlines possible ways to enhance regulatory effectiveness and transform it into competitiveness.

III. EMPIRICAL ANALYSIS OF REGIONAL DEMENTIONS OF BUSINESS REGULATION IN BULGARIA

The empirical analysis is based on the World Bank's study, Subnational Business Readiness in Bulgaria (2024a), which assesses the business environment across five stages of a firm's life cycle: starting a business, business location, utilities, dispute resolution and insolvency. Each area is evaluated based on three pillars: regulatory framework, public services, and operational efficiency (World Bank, 2024a). This study's methodological advantage is that it enables an evaluation of how regulations and public services function at the regional level within the context of the national regulatory framework.

The best result among the six Bulgarian cities is achieved in the area of starting a business. All cities scored 92.8 out of 100, indicating a high degree of uniformity in the process. Registering a limited liability company takes 12 days, and 83% of new companies in Bulgaria were registered online in 2023. This can be attributed to several characteristics of the process, including centralised registration via the Commercial Register, an electronic procedure, data exchange between institutions, and relatively clear

administrative steps. Local administrative capacity is consequently less significant in this area because the procedure is largely centralised, standardised and digitised, and regional differences are smaller.

Table 1. Overall Assessment of the Business Environment by Sector in Bulgaria's Regional Centers

Area of assessment	Burgas	Pleven	Plovdiv	Ruse	Sofia	Varna	Range
Starting a Business	92.8	92.8	92.8	92.8	92.8	92.8	0.0
Business location	76.2	76.3	76.3	76.5	77.7	76.3	1.5
Public Utilities	77.1	76.6	78.1	78.9	79.0	78.6	2.4
Dispute Resolution	71.2	68.9	72.8	70.7	72.1	72.4	3.9
Commercial Insolvency	73.4	72.0	76.4	75.4	70.7	69.4	7.0

Source: Author's calculations based on data from Subnational Business Ready in Bulgaria 2024 (World Bank, 2024a). The maximum score is 100 points. The range represents the difference between the highest and lowest scores.

The business location area is more problematic, as it includes building and environmental permits, as well as property transfers. Overall, the scores for the different cities are relatively close, ranging from 76.2 points in Burgas to 77.7 points in Sofia. While the range appears small at first glance, the internal structure of the score reveals a more significant problem. Performance in the 'public services' category is significantly weaker (50 out of 100 points) than in the 'regulatory framework' and 'operational efficiency' categories. This suggests that the issue lies not only in the regulations themselves, but also in how businesses access services, information and institutional support. According to the World Bank, the time required to obtain a building permit ranges from 92 days in Plovdiv to 103 days in Sofia, while the cost of building permits ranges from 32% of per capita income in Pleven to 141% in Sofia (World Bank, 2024b).

The issue of spatial data is particularly telling. Sofia is the only one of the six cities where spatial plans and zoning information can be accessed via a geographic information system (GIS) or another spatial platform. This is important for investors because it reduces uncertainty when selecting a location, planning construction and assessing restrictions (World Bank, 2024a).

These findings are supported by research on e-government services at the local level. Bozhikov (2023) shows that the digitisation of local government varies in degree of development and has regional dimensions, while Berberova-Valcheva (2024) argues that e-government services are a tool for modernising local self-government and facilitating communication between citizens, businesses and the administration. However, their use is limited by mistrust, insufficient skills and the varying development of local systems. In this sense, digitisation should not merely be understood as the technical implementation of electronic

forms, but rather as the comprehensive transformation of managerial processes.

Public utilities are the second-best-performing sector after starting a business. Pleven has the lowest score – 76.6 points – while Sofia has the highest – 79.0 points. The differences are not very large, but they reveal variations in the speed, cost, and organization of connecting to electricity, water, and the internet. The time required to connect to electricity ranges from 229 days in Pleven to 270 days in Plovdiv, and for water supply – from 121 days in Sofia to 150 days in Varna. (World Bank, 2024b). These data indicate that the problem with public utilities is not only infrastructural but also organizational. Connection requires coordination among municipalities, network operators, water and sewerage companies, suppliers, and regulators.

The lowest average score across the six cities is in the area of dispute resolution, at 71.3 out of 100 points. Pleven has the lowest score, at 68.9 points, while Plovdiv has the highest, at 72.8 points. While the differences between the cities are smaller than in the case of insolvency proceedings, the low average score indicates that judicial efficiency remains a weak component of the business environment (World Bank, 2024a). A more in-depth analysis reveals that these differences are due to both the 'public services' and 'operational efficiency' pillars. In terms of public services, Plovdiv and Sofia have higher scores than Burgas and Pleven, which is linked to better organisational conditions. At the same time, the duration of commercial cases varies significantly – Ruse and Pleven resolve cases in about ten months, whereas in Sofia it takes over two years. Consequently, judicial efficiency cannot be presented as a single-component measure of the business environment, and results in this area should be interpreted carefully as they are influenced by specialisation, digitisation, caseload and speed of execution.

Data from the Enterprise Surveys support these findings by analyzing business perceptions. The study notes that a significant proportion of firms do not perceive the courts as fully independent and impartial, with the most unfavorable perceptions found in the Northwest region, including in the city of Pleven (World Bank, 2024a; World Bank, 2024ab).

Commercial insolvency shows the greatest variation across cities. While the average score is 72.9, results range from 69.4 in Varna to 76.4 in Plovdiv. The fact that the range is 7 points indicates that insolvency proceedings operate differently in individual cities. Plovdiv stands out for its efficient court proceedings, with liquidation taking 24 months – 18 months less than in Varna – and reorganization taking six months, half the time taken in most other cities. This demonstrates that local judicial practice and organisation can significantly impact the speed and efficiency of proceedings within the same regulatory framework. Insolvency is important for regional competitiveness as it affects risk, access to credit, creditor protection and the ability to allocate resources to more efficient activities. A competitive business environment involves not only straightforward company registration, but also effective mechanisms for restructuring and exiting the market.

IV. GOVERNANCE DISTORTIONS AND TRANSFORMATION NEEDS – RESULTS, CONCLUSIONS AND RECOMMENDATIONS

The empirical results confirm the main thesis of the report. Regulatory efficiency is a key factor in regional competitiveness as it affects the conditions under which businesses can start up, invest, obtain permits, use infrastructure, resolve disputes and restructure their operations.

The data clearly show that when processes are standardised, digitised and institutionally integrated — as is the case with the conditions for starting a business — the results are effective and regional disparities are smaller. However, when processes depend on multiple institutions, local implementation, judicial organisation and varying degrees of digitisation — for example, in licensing regimes, public utility provision and insolvency procedures — regional disparities increase and opportunities to generate competitive advantages are limited. Therefore, the quality of the regulatory environment depends not only on laws, but also on public services, institutional coordination, digital tools, the judicial system and businesses' actual experience. Transforming the regulatory environment into an effective driver of regional competitiveness requires efforts to overcome specific governance distortions with distinct regional dimensions that affect transaction costs and investment predictability for businesses.

The analysis results identify areas of governance distortion and suggest ways to transform policies. These interpretations are consistent with the view that public sector organisational change involves fundamental changes to processes, people, technologies and systems, with the aim of improving both employee and user satisfaction (Yamukova and Radev, 2024, p. 255).

Firstly, there is the issue of the uneven application of a formally uniform regulatory framework. The national regulatory framework does not automatically result in consistent outcomes in different cities. This is particularly evident in dispute resolution and commercial insolvency proceedings. When processes depend on local implementation, judicial organisation and institutional coordination, differences in effectiveness arise. It is therefore necessary to introduce uniform service standards and ensure transparency regarding procedures, deadlines and outcomes. This does not mean eliminating local specificities, but rather ensuring a minimum level of service quality in individual regional centres.

Secondly, public services are not good enough compared to formal rules. The problem often lies not in the regulatory framework itself, but in the public services through which businesses must comply with requirements and achieve optimal results. The most striking example of this is in the area of 'business location'.

The discrepancy between existing formal rules and actual access to administrative services requires transformation in the following areas: the development of integrated e-services for building permits, environmental procedures, cadastral and property information, electronic payments and automated data exchange between institutions. The model

for electronic business registration can serve as a benchmark for modernising other regulatory regimes.

Thirdly, there is a fragmented institutional structure. Building permits, environmental procedures and utility services (such as electricity and water connections) require the involvement of various institutions. Without coordination, businesses face delays, inconsistent requirements, resubmission of information and uncertainty. Transforming these realities into effective management practices involves introducing a 'one-stop shop' to serve investor and business interests effectively, as well as inter-institutional platforms for data exchange, shared registries, standardised procedures and clear rules of accountability among municipalities, government agencies, service providers and regulators.

Fourthly, there is an insufficient level of digitisation of complex administrative processes. Varying degrees of digitisation in administrative services for businesses create inconsistencies – a business can quickly register a company online, for example, but then encounter significant difficulties (such as delays and costs) in less digitised procedures that are necessary for the start of operations or investment. The necessary governance transformations involve shifting from partial to full digitisation of processes. This means not only electronic forms, but also full electronic traceability of the procedure, automatic data exchange, electronic notifications and public information on deadlines and stages.

Fifthly, there is limited spatial and public information. The lack of GIS platforms and integrated spatial data in most regions limits transparency for investors. When information on land use opportunities and restrictions – including zoning, property and infrastructure – is not readily available, businesses incur higher due diligence costs as well as higher regulatory risks. Opportunities for governance transformation are primarily linked to the development of GIS platforms in all regional centres, the integration of the cadastre, property registry, zoning plans and infrastructure networks, and the provision of open data to investors, designers and citizens.

Sixthly, there is judicial and institutional asymmetry. The way in which disputes are resolved and insolvency proceedings are handled demonstrates that judicial efficiency is an integral part of the regional business environment. Regional differences cannot be explained by imperfections in legislation alone. These differences are linked to caseload, specialisation, organisation, the use of digital tools and the actual duration of proceedings. Governance reforms should aim to minimise business risk and increase trust in institutions by taking specific measures such as developing specialisation in commercial cases, improving case management efficiency, introducing e-justice, setting up expedited procedures for small claims, holding electronic auctions and making insolvency proceedings more transparent.

These findings are supported by broader international studies of the Bulgarian business environment, which indicate that businesses continue to experience issues such as bureaucracy, frequent regulatory changes, corruption and bias in public procurement. While these factors cannot be

fully measured by a single administrative procedure, they do influence the overall perception of the business environment and willingness to invest (European Commission, 2025a; World Bank, 2024b; OECD, 2022). To comprehensively improve the regulatory cycle in Bulgaria, governance reforms should entail better regulatory planning, regulatory impact assessments, meaningful consultations with stakeholders, and greater transparency in public decision-making.

Regional competitiveness in Bulgaria cannot be improved solely through infrastructure investment or legislative change. Regardless of the observed regional disparities, the regulatory environment must be transformed to become more digitalised, coordinated, transparent, and efficient in terms of service quality and the judiciary. Only under these conditions can regional centres fulfil their potential as engines of regional development rather than territories limited by administrative fragmentation and institutional disparities.

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