

SUBNATIONAL DOING BUSINESS

Doing Business in the European Union 2017: **Romania**



Doing Business in the European Union 2017: Bulgaria, Hungary and Romania is the latest in a series to expand the benchmarking exercise beyond the largest business city in one or more EU member states, so as to give a more complete representation of the business and regulatory environment. This edition covers 22 cities from Bulgaria, Hungary and Romania. Regulations relevant to five stages in the life of a small to medium-size domestic firm are measured: starting a business, dealing with construction permits, getting electricity, registering property, and enforcing contracts. In each of these areas, the report highlights good practices that can be leveraged to empower local entrepreneurs and firms.

DOING BUSINESS IN ROMANIA

Doing Business in the European Union 2017: Bulgaria, Hungary and Romania goes beyond the capital cities—measured by *Doing Business*—to identify good regulatory practices, uncover administrative bottlenecks and recommend reforms based on examples from each country and 187 other economies measured by *Doing Business*.

In Romania, the report assesses the business regulatory environment and its impact on local entrepreneurs in **9 cities**: Brasov, Bucuresti, Cluj-Napoca, Constanta, Craiova, Iasi, Oradea, Ploiesti, and Timisoara.



The report was prepared by the World Bank Group and funded by the European Commission, Directorate General for Regional and Urban Policy.

MAIN FINDINGS

- **Romanian entrepreneurs face different regulatory hurdles depending on where they establish their businesses.** Implementation of business regulations as well as efficiency of public agencies vary within the country. Largest differences can be seen in contract enforcement, getting electricity and dealing with construction permits. For example, dealing with construction permits takes 156 days in Oradea—half the time it takes in Constanta and Timisoara. But Oradea also has the most expensive process: at 7.6% of the warehouse value, the cost is 4 times that in Cluj, Craiova or Iasi. Establishing a new electricity connection takes less than 6 months in Bucharest, Craiova and Iasi and almost 8 months in Timisoara. Trial time at the court in Timisoara is less than 10 months, three months faster than in Brasov and Ploiesti—perhaps predictably, given the respective caseloads. But the same takes 12 months in Bucharest, despite having the highest caseload per judge in the country.
- **Most cities—except Brasov and Ploiesti—outperform the European Union average in contract enforcement, and Oradea also does so in registering property.** However, there is still room to improve in dealing with construction permits and getting electricity. Construction permitting is

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considerably more burdensome than in most other EU member states, largely because of the number of approvals builders are required to obtain before applying for a building permit. Meanwhile getting electricity takes 3 months longer than the EU average even in the fastest city benchmarked, Iasi.

▪ **No single city excels in all five areas measured.**

It is easier for Romanian entrepreneurs to start a business in Bucharest, Oradea, Ploiesti and Timisoara—where VAT registration takes one week, compared to two weeks in Constanta and almost three weeks in Craiova. Dealing with construction permits is more efficient in Craiova due to a streamlined process for obtaining pre-construction clearances. Iasi leads in the area of getting electricity, while Oradea stands out for its greater quality of land administration and Timisoara for its performance in contract enforcement.

▪ **There are opportunities to make tangible improvements by replicating good practices found in the cities measured.**

In Timisoara—where judges leverage the electronic case management system to ease administrative burdens—resolving a commercial dispute is nearly eight months faster than in Brasov, which lacks this element and where vacancies in judges' positions make it more difficult to deal with caseloads. Oradea can share its experience in issuing building permits, which takes 12 days, compared to 30 to 45 days in other cities. Increasing take-up of the online business registration system can be achieved by learning from Constanta, where nearly one-quarter of companies are registered online, compared to less than one percent in most other cities.

▪ **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. Compare this with Budapest and Sofia, which both lag behind most of the smaller cities in their countries due, in part, to higher transaction volumes.

▪ **Despite a number of good practices documented in the report, challenges remain.**

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 by, for example, offering online registration at substantially lower fees than paper-based registration—as was done in Bulgaria, where almost three-quarters of new companies register electronically. In dealing with construction permits, Romanian cities should focus on streamlining preconstruction clearances and centralize all

preapprovals at a single window—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. 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. And introducing a geographic information system (GIS) would eliminate the need for site visits by distribution utilities. To make registering property easier and more secure, efforts should continue to digitize both land registry and cadastre records and to register all properties—today less than a quarter of properties in Romania are registered. On contract enforcement, courts in Romania can look to Timisoara and Cluj-Napoca to learn how to improve litigants' access to case documents by using the “Infodosar” software.

ABOUT SUBNATIONAL DOING BUSINESS

Subnational Doing Business studies capture differences in business regulations and their enforcement across locations in a single country. The reports provide data on the ease of doing business in selected areas, rank each location, and recommend reforms to improve performance at the local level.

▪ **Offers a new diagnostic tool.** Applying the methodology used in the cross-country global Doing Business report in a number of locations in the same country or region, the projects create micro-level data on various areas of business regulation. This allows the participating locations to compare their business regulations among themselves and with 188 economies worldwide.

▪ **Motivates regulatory improvements.** The studies uncover bottlenecks, provide policy recommendations and identify local good practices that can easily be replicated without changing the country's legal and regulatory framework. The studies motivate regulatory improvements, mainly through peer-to-peer learning.

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