

ASSESSMENT OF THE ADMINISTRATIVE BURDENS FOR BUSINESSES IN BULGARIA ACCORDING TO THE NATIONAL LEGISLATION RELATED TO THE EUROPEAN UNION INTERNAL MARKET

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ABSTRACT

The key objective of the paper is to identify and assess the administrative burdens for businesses in Bulgaria according to the selected national laws related to the EU Internal Market. The study relies on objective data and analytical frameworks with a view to identify and assess the information obligations stemming from selected laws and regulations, including national rules implementing or transposing European legislation. This is an important step in strengthening Bulgaria's national policy on better regulation for businesses. Information obligations are those arising from regulation to provide information and data to the public sector or third parties. Administrative burdens represent the "extra" administrative costs linked to collecting and providing information that businesses would not normally have to do in the absence of a legal obligation. While regulation is important and necessary, these additional costs represent a burden for businesses. It is a burden for business both in

terms of money and time, which diverts resources from productive investments and generally discourages entrepreneurship.

The methodology used in the paper is based on the Standard Cost Model for Estimating Administrative Costs established for assessing administrative costs imposed by the EU legislation. The paper is developed taking into account the findings of the OECD and the European Commission. The study outlines the results of the administrative costs and administrative burdens for businesses in Bulgaria of totally measured 742 information obligations (IOs) in 16 national laws and regulations to them in 9 selected priority areas during 2013. Even though the study is limited to specific legal acts and to an assessment of costs to business, the results are helpful in understanding the mechanisms by which the administrative costs and administrative burdens accrue. All IOs identified and verified in the paper, related both to national rules implementing or transposing European legislation, are distinguished by specific

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laws and by specific priority areas. The data collection methods include interviews with business entities (field work) and expert assessments.

The results obtained from the study show that more than half of all IOs examined in the paper are concentrated in three selected national laws – the Medicinal Products in Human Medicine Act, the Law on Statistics and the Law on Technical Requirements for Products and Conformity Assessment. More than half of all IOs are associated with implementation of national requirements related to the EU Internal Market. As concerns the value of the administrative burden, the highest share of administrative burden of all identified

1. INTRODUCTION

Reducing administrative burdens so as to improve the business environment in the European Union (EU) has been a high priority for the European Commission in recent years. As Dr. Edmund Stoiber (2012), High Level Group (HLG) Chair, argues: “*One of the easiest and most immediate ways to boost the competitiveness of European enterprises is by reducing administrative burdens for businesses, and this in turn entails substantial cost savings for businesses*” (European Commission, 2012:1). The current study relies on objective data and analytical frameworks with a view to identify and assess the administrative burdens for businesses in the Republic of Bulgaria imposed by the national legislation related to the EU Internal Market. The study covers national legislation implementing and transposing EU law. A statistical analysis is made on Bulgaria’s administrative costs and administrative burdens for businesses. The study helps to address various challenges for businesses across different sectors in the Bulgarian economy.

The current paper presents the results from a project entitled “Evaluation of the mechanism for coordination of the policy for reducing the administrative burdens and

and evaluated IOs is observed under the Excise Duties and Tax Warehouses Act and the Law on Support for Farmers. The lowest share of the administrative burden of all IOs is found under those laws where the identified and assessed IOs are only a few (the Law on Social Assistance, the Bulgarian Chamber of Builders Act, the Independent Assessors Act and the Cadastre and Land Registry Act).

Keywords: Administrative costs, Administrative burdens for businesses, Standard Cost Model, Information obligations for businesses, Bulgarian laws related to the EU internal market

suggestions for improving their efficiency. Measurement of the existing administrative burdens of national legislation relating to the EU internal market and proposals for their reduction”. This project was commissioned by the Ministry of Economy of the Republic of Bulgaria and executed during 2014 by a Consortium called “E-Research”. This project examined 16 national laws and regulations to them. The overall objective of the project was the improvement of the national policy on better regulation in its part to reduce the administrative burdens for businesses in Bulgaria. Its specific aims were the following: (1) Increasing the effectiveness of mechanisms for coordination, consultation and monitoring the implementation of the policy on better regulation in its part to reduce the administrative burdens for businesses; (2) Creating opportunities for improving legislation on the internal market by measuring the administrative burdens in selected laws from the field and making proposals for its reduction. It was also aimed to increase the efficiency of the inter-institutional coordination to reduce the administrative burdens in Bulgaria.

The overall objective of the paper is to analyze and assess administrative burdens for businesses in Bulgaria according to the

selected national laws related to the EU Internal Single Market. This objective is divided into the following four tasks: (1) Identification of the specific approach for measuring administrative costs and administrative burdens for businesses in Bulgaria stemming from the national legislation related to the EU Internal Market; (2) Estimation of the administrative burdens for businesses in Bulgaria through the International Standard Cost Model; (3) Description of the specific procedures and approaches undertaken to measure administrative costs and administrative burdens for businesses in Bulgaria; (4) Analysis of the results obtained from the assessment of administrative burdens for businesses in Bulgaria according to selected national laws related to the EU Internal Market.

The structure of the study is organized as follows. First, the paper focuses on Bulgaria's government policy for reducing administrative burdens for businesses. A brief overview of the Operational Programme "Administrative Capacity" in Bulgaria and the three consecutive Action Plans are presented. Second, a brief literature review is given. Third, the methodological approaches for studying the administrative burdens are analyzed. Fourth, the specific approaches and procedures for measuring administrative costs and determining the administrative burdens for businesses in Bulgaria are identified and explained. Fifth, a comprehensive analysis of the results obtained from the assessment of administrative burdens in Bulgaria under the selected national laws related to the EU Internal Market is made. The paper concludes with a summary of the study results.

2. BULGARIA'S GOVERNMENT POLICY FOR REDUCING ADMINISTRATIVE BURDENS FOR BUSINESSES

The reduction of the administrative burdens for businesses is an important objective of government policy. Reduction of the current administrative burdens for businesses according to the national legislation related to the EU internal forms a significant part of the strategic objective of the Operational Programmes "Administrative Capacity" and "Good Governance" in the Republic of Bulgaria. As a result of its full membership in the EU since 1 January 2007, Bulgaria participated in the Cohesion Policy of the Community for the first time during the 2007-2013 period. This policy is aimed to support the economic, social and territorial cohesion by reducing the difference in the development of regions and member states. The financial instruments for realizing this goal are the **European Social Fund (ESF)**, the **European Regional Development Fund (ERDF)**, and the **Cohesion Fund (CF)**. In order to utilize these funds, Bulgaria approved its main **program documents**: the **National Strategic Reference Framework** and seven operational programmes, one of which is the **OPAC, signed on October 3, 2007**.

The **strategic objective** of the Operational Programme "Administrative Capacity" (OPAC), implemented during the first programming period 2007-2013, **is to improve the performance of public administration in order to implement effective policies, provide quality services to citizens and businesses and create conditions for a sustainable economic growth and employment.**¹ OPAC is co-financed from the ESF, and from the state budget. **For the period 2007-2013**

¹ Operational Programme "Administrative Capacity" (OPAC) of the Republic of Bulgaria, http://www.opac.government.bg/en/about_opac/programme

the total value of OPAC is **EUR 180 789 087**, of which EUR 153 670 724 (85%) - provided by the ESF, and EUR 27 118 363 (15%) – national co-financing. For the second programming period 2014-2020, the ESF is focused on enhancing institutional capacity and establishing an efficient public administration as one of the four thematic objectives of the EU cohesion policy. During the second period the “Good Governance” Operational Programme (OPGG) is implemented. Its thematic priorities are modernizing state administration and achieving equity and quality of justice. As leading factors for competitiveness and growth are determined e-governance, open governance and optimized and competent public administration. The total budget of the OPGG during the period 2014-2020 is EUR 335 919 605, of which EUR 285 531 663 (85%) provided by the ESF and EUR 50 387 942 (15%) – national counterpart.

As concerns the Bulgarian government policy for reduction of administrative burdens for businesses, three Action Plans have been adopted by the Council of Ministers. The first two Action Plans have already been fully accomplished and reported.

- **First Bulgaria’s Action Plan (2010-2012) for achieving the national target for reducing administrative burdens for businesses in Bulgaria by 20%.** Its aim is to measure costs imposed by information obligations on businesses and to eliminate any unnecessary administrative burdens in several selected priority areas by 2012. This plan is in line with the Action Programme for Reducing Administrative Burdens in the EU (ABR Action Programme), agreed in early 2007.² The

latter is aimed to reduce administrative burdens arising from the existing regulation in the EU, including national rules implementing or transposing this legislation, by a fixed target of 25% by 2012. The EU member states are also invited to streamline their purely domestic legislation in 13 priority areas by setting “national targets of comparable ambition” (European Commission, 2010:3), so the reduction target is set to be achieved jointly by the EU and the member states.³ By end of the ABR Programme, the European Commission reached its target of cutting by 25% the administrative burdens (estimated annual savings EUR 30.8 billion). (European Commission, 2012:3) The HLG of Independent Stakeholders on Administrative Burdens was set up during the same year to advise the European Commission on the implementation the ABR Programme. The first stage in Bulgaria was completed with the implementation of the First Action Plan to achieve the national target of reducing the administrative burden by 20% by the end of 2012.

- **Second Bulgaria’s Action Plan (2012-2014) for reducing by 20% the administrative burdens** arising from the existing legislation, including national rules implementing or transposing European legislation. The results achieved from this plan are presented in six final reports, approved by the Council of Ministers and published respectively in April and September of the following three years – 2013, 2014 and 2015. So that the second stage was completed with the implementation of the second Action Plan to reduce the administrative burden by 20% of the existing legislation, including national

² The previous two EU programmes were: the EU Better Regulation initiative, started in 2002, and the Simplification Rolling Programme, started in 2005.

³ Tool #53: The Standard Cost Model for Estimating Administrative Costs, http://ec.europa.eu/smart-regulation/guidelines/tool_53_en.htm#dfootnote460sym

rules implementing or transposing European legislation for the period 2012-2014. According to the “2014 European Commission’s Annual Growth Survey”, the EU Member States should follow five priorities in order to achieve renewed growth. In particular, the fifth priority concerns modernizing public administration through: (a) further deployment of e-government services and enhancing the use of ICT by public administrations, including for tax collection systems and single points of contact under the Service Directive; (b) simplifying the business environment and reducing red tape through facilitating procedures and simplifying regulatory regimes.

- **Third Bulgaria’s Action Plan (2015-2017) for reducing by 30% the administrative burdens** arising from the existing legislation, including national rules implementing or transposing European legislation. Until now, the results achieved from this Action Plan are presented in two final reports – in June and December 2015. In 2015, the European Commission published a study (ABRplus) which examines how 12 measures from the ABR Action Programme have been applied in the EU countries and to what extent the promised benefits have been achieved. Moreover, during the same year the Commission set up the Regulatory Fitness and Performance (REFIT) Programme in order to ensure that EU legislation delivers results for citizens and businesses effectively, efficiently and at minimum cost. REFIT aims to keep EU law simple, remove unnecessary burdens and adapt existing legislation without compromising on policy objectives. REFIT pays particular attention to small businesses, which

can be disproportionately affected by the burden of implementing EU rules. Small and medium-sized enterprises represent 99% of all businesses in the EU.

The current paper presents the results from the final third stage according to the Third Bulgaria’s Action Plan (2015-2017) for reducing by 30% the administrative burdens for businesses arising from selected laws and regulations, including national rules implementing or transposing European legislation. The results presented in the paper are based on a project entitled “*Evaluation of the mechanism for coordination of the policy for reducing the administrative burdens and suggestions for improving its efficiency. Measurement of the existing administrative burdens of national legislation relating to the EU internal market and proposals for its reduction*”. This project is commissioned by the Ministry of Economy of the Republic of Bulgaria and executed during 2014 by a Consortium called “E-Research”. It examined overall 16 national laws and bylaws to them in selected priority areas. Even though the project was limited to specific legal acts and to assessment of costs to businesses, the results are helpful in understanding the mechanisms by which the administrative costs accrue. The Third Bulgaria’s Action Plan is currently being implemented on the basis of the study of the administrative burdens of business and the recommendations for its reduction that the authors have made.⁴ As a result of the project, an Internet portal was developed which serves as a tool for inter-institutional coordination on the reduction of administrative burdens for businesses in Bulgaria.⁵

⁴ For more information: Council of Ministers of the Republic of Bulgaria, Portal for Public Communications <http://www.strategy.bg/StrategicDocuments/View.aspx?lang=bg-BG&Id=960> (In Bulgarian)

⁵ For more information: Ministry of Economy of the Republic of Bulgaria, Reduction of Administrative Burdens for businesses in Bulgaria, <http://abrio.mec.government.bg/>

3. BRIEF Literature review

Over the past years, many EU member states have launched broad policy initiatives aimed at measuring and reducing administrative burdens imposed by national and international legislation. Chittenden et al. (2002) conducted a sound literature review on the impact of government regulations on small firms in the USA, the UK, the EU, Australia and New Zealand. Some other authors focusing their research on the regulatory and compliance costs for businesses (mainly for small businesses) are: Anderson & Co. (1979), Berney (1980), Kenneth and Weidenbaum (1982), Berney and Swanson (1982), Gray (1987), Bannock and Peacock (1989), Guasch and Hahn (1997), Hahn (1998), Hahn (1999), Evans and Walpole (2000), Hahn and Litan (2000), Sterzel (2001), Chittenden, Kausser and Poutziouris (2002), Munnich (2004), Chittenden, Kausser and Poutziouris (2005), Hampton (2005), and so on.

A vast majority of the existing literature focuses on case studies, best practices and empirical analyses to assess regulatory and administrative burdens for businesses in the EU member states and the rest of the world. Best practices examples (with the overall number 74) were published by the European Commission in 2012, thus offering some “shortcuts” to national implementation of the EU legislation that help to reduce administrative burdens for businesses (European Commission, 2012). An added value is that they may simplify the life of public authorities. Best practices examples are found in the United Kingdom, Germany, the Netherlands, Estonia, Denmark, Portugal, Spain, Belgium, Finland, Ireland, and other countries. The European Commission’s study on the cost of compliance with the EU law for SMEs (2015) examined nine EU member states and five economic sectors (European Commission, 2015). The member states are Estonia,

Germany, Ireland, Italy, Poland, Slovakia, Slovenia, Spain, and Sweden. The sectors are bakeries (food manufacture), construction (residential and non-residential), electrical equipment, information and communication technology (ICT) services, and retail (of bakery products)

As concerns the experience in the United States, recently a study was undertaken (2017) by the US Congress, US Senate and the Committee on Small Business and Entrepreneurship, to assess the regulatory and administrative burdens for America’s small businesses (United States Congress, 2017). Boeheim et al. (2006) present the findings of four case studies carried out in four EU member states – the Netherlands, Denmark, the UK, and the Czech Republic, which assessed the administrative burdens for businesses and citizen by using the Standard Cost Model developed in the Netherlands.

Specific industry studies are carried out to assess administrative burdens for businesses such as the project undertaken by the Ministry of Environment and Food of Denmark to assess the administrative burdens for companies with a reporting obligation to the Danish Nanoproductregister (Ministry of Environment and Food of Denmark, 2015). The results of this project have been taken into account for the EU Impact Assessment of the EU nanomaterial registry. Another example is the Dutch study (2017) on administrative formalities and costs that EU companies face when undertaking certain important administrative procedures, contributing to the impact assessment of the EU “Digital Gateway” initiative – part of the Single Market Strategy (Ecorys Netherlands, Mazars, 2017). Arendsen et al. (2014) put focus on assessing the reduction in administrative burdens for businesses by introducing e-government in the Netherlands.

As concerns the analyses of administrative burdens for businesses in Bulgaria, there are no studies in the literature. The current paper is an innovative research focused on the assessment of administrative burdens for businesses in Bulgaria, stemming from selected laws and regulations, including national rules implementing or transposing European legislation.

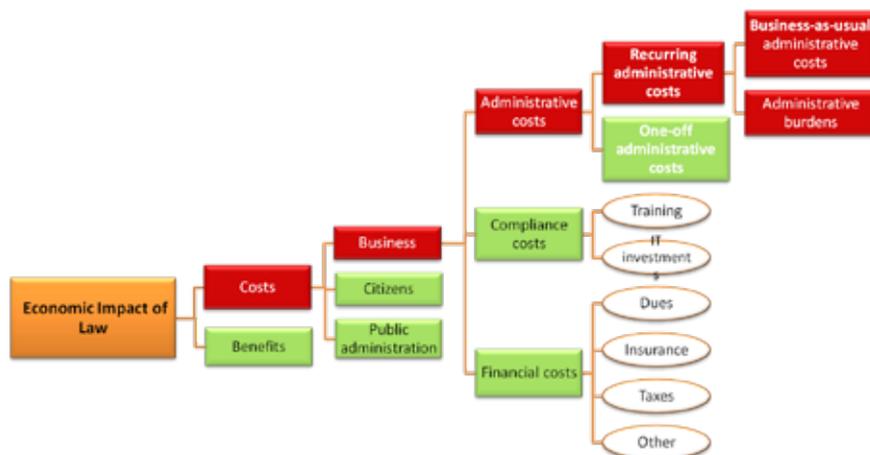
4. METHODOLOGY FOR STUDYING THE ADMINISTRATIVE BURDENS FOR BUSINESSES

To assess administrative burdens for businesses in Bulgaria, the “**Standard Cost Model (SGM) for Estimating Administra-**

tive Costs”⁶ is used in the current study. The SCM is established to assess administrative costs imposed by the EU legislation.⁷ It measures the “**net cost of information obligations**” imposed by the EU legislation (net costs = costs introduced by a proposal if adopted, minus the costs it would eliminate at EU and/or national level). Services are also invited to apply the model on a tentative basis to assess costs imposed on citizens.⁸

The structure of the SGM is illustrated in in Figure 1. It shows the basic elements and concepts related to the overall concept for measuring administrative costs and determining the administrative burdens for businesses. The European Commission argues that the SCM provides the most reliable results (European Commission, 2015).

Figure 1. Cost Model for Estimating Administrative Costs and Administrative Burdens for Businesses



Source: International Standard Cost Model Manual – OECD 2004

⁶ Tool #53: The Standard Cost Model for Estimating Administrative Costs, http://ec.europa.eu/smart-regulation/guidelines/tool_53_en.htm#sdfootnote460sym

⁷ Many EU member states have adopted the Dutch model or developed their own national variant of the SGM. (Boenheim, M., Renda, A., Lo, H., Weijen, T., Unterlass, F., Coletti, P., & Schratzenstaller, M. (2006), Pilot Project on Administrative Burdens, Prepared by WiFo and CEPS for the European Commission, DG Enterprise under Contract Nr. B2/ENTR/05/091-FC, Final Report, Vienna/Brussels, December, p. i.)

⁸ The REFIT platform allows national authorities, citizens and other stakeholders to get involved in improving EU legislation. They can make suggestions on how to reduce the regulatory and administrative burdens of EU laws, which are then analyzed by the REFIT platform and the Commission. The REFIT scoreboard tracks the progress of each individual initiative and the changes introduced by the European Parliament and the European Council during the legislative procedure.

Information obligation (IO) is an obligation arising from regulation to provide information and data to the public sector or third parties (OECD, 2004). In this context the term “information” is seen in a broader sense, thus including costs of labeling, reporting, registration, monitoring and assessment needed to provide the information and the respective registration. The IO is linked both to the mandatory provision of information to public authorities or to individuals, and also to the duty to have information available for inspection or supply upon request. A regulation may contain many IOs. Some examples of IOs are the following: information labeling to third parties (e.g. energy labeling of domestic appliances; price labeling); non-labeling information to third parties (e.g. financial prospectus; disclosure obligation of employers towards employees); application for individual authorization or exemption, i.e. obligation that must be fulfilled each time a particular task has to be carried out (e.g. building permits); application for general authorization or exemption (e.g. license granting permission to engage in an activity as banking); registration (e.g. entry in a business register or a professional list), and so on.⁹

Implementation of the legislation involves costs and benefits resulting from the regulation of the corresponding social relations in the country. As a rule, the benefits determine the need to regulate public relations. At the same time, the costs associated with the implementation of the legislation should be in accordance with natural principles of efficiency and effectiveness in the implementation of regulated relations. These

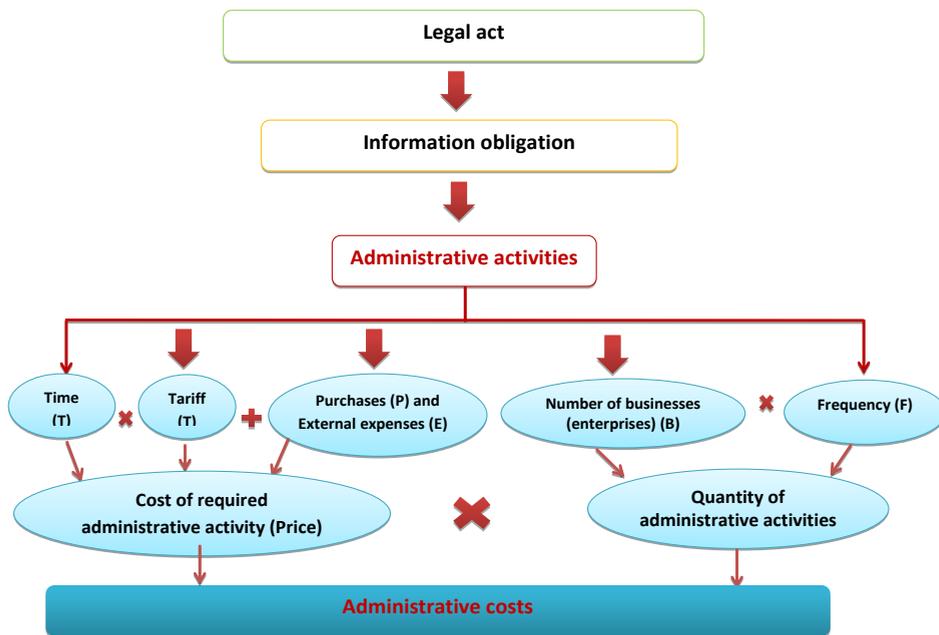
costs arise not only for businesses, but also for citizens and the public sector. With a view to assess the administrative burdens for businesses in Bulgaria imposed by the national legislation related to the EU Internal Market, the study focuses only on the **costs incurred by enterprises**. These costs are divided into three main categories: administrative costs, compliance costs and financial costs (OECD, 2004:6). In order to estimate the administrative burdens for businesses, the key attention in the paper is drawn to the **administrative costs** incurred by enterprises in meeting legal obligations to provide information on their action or production, either to public authorities or to private parties. In practice, such information must be available for inspection or supplied on request. Administrative costs include two types of costs:

1. Recurring (permanent) administrative costs. They are significant for assessing the administrative burdens for businesses. They form the total value of the information obligation in the following manner (European Commission, 2015:3):

- (a) Business-as-usual administrative costs** ○ they correspond to the costs resulting from collecting and processing information which would be done by an entity even in the absence of the legislation;
- (b) Administrative burdens** – they are the part of administrative costs that businesses sustain simply because it is a regulatory (legislative) requirement. Otherwise, the information would not be collected by the entities concerned. The administrative burdens are thus a subset of the administrative costs in that the administrative costs also encompass the

⁹ Tool #53: The Standard Cost Model for Estimating Administrative Costs, http://ec.europa.eu/smart-regulation/guidelines/tool_53_en.htm#sdfootnote460sym

Figure 2. Assessment of Administrative Costs



Source: *International Standard Cost Model Manual – OECD 2004*

administrative activities that the businesses will continue to conduct if the regulations were removed.

2. One-off administrative costs. One-off administrative costs are those incurred by businesses only once, such as for example the introduction of a new legal regulation.

According to the SCM, the “**administrative burden**” is part of administrative costs which is incurred by businesses only on the basis of existing regulatory requirement and is not related to the line of economic business of entities (OECD, 2004:7). On the other hand, the information obligation is aimed to ensure effective implementation of the main objectives of the legislation and prescribed level of protection defined by law. When such goals are defined, a part of the administrative burden can actually be

really needed. There are, however, many cases where the administrative burden can be simplified and appropriately reduced.

5. APPROACH AND PROCEDURES FOR MEASURING ADMINISTRATIVE COSTS AND DETERMINING ADMINISTRATIVE BURDENS FOR BUSINESSES IN BULGARIA

The approach for measuring administrative costs related to the examined IOs include the following key components: (1) Prioritization of IOs; (2) Estimation of the number of entities (enterprises) performing those priority IOs; (3) Determination of frequency of a specific IO or how many times per year an action is required; (4) Calculation of a unit cost (unit price) of an

IO; (5) Collection of data on hours required for implementing a specific action and whether it would continue to be performed if the law does not require its implementation (activity related to the specific line of business process). According to the SCM, the relevant cost parameters for measuring administrative burdens for businesses include the components, presented at Figure 2.

5.1. Procedure for measuring administrative costs

The procedure for measuring administrative costs incurred by businesses in meeting legal obligations to provide information on their action or production includes 8 steps.

Step 1. Analytical review of each of the surveyed laws. At this stage the relevant national laws and bylaws to them are identified and the relevant European legislation transposed to Bulgaria. All relevant texts containing information obligations are outlined. Summaries for each of the 16 reviewed laws and bylaws to them are drafted.

Step 2. Description of information obligations (IOs) – all identified and verified IOs related to the studied laws and regulations thereto are described in detail in a structured table format MS EXCEL (*.xls).

Step 3. Identification of the types of administrative activities (according to the standard classification of activities specified in the SCM) related to the implementation of the identified and verified IOs.

Step 4. Clarification of the information needed for estimating the cost (value) of an IO (price of the required administrative activity on an IO):

1. **Time (T)** – the number of hours each need to perform the required actions for implementing an IO. In other words, this is the amount of time required to

complete the administrative activity. It is determined in the following way: **(a) For priority information obligations** – by conducting interviews of business entities (field work). As a result, the number of hours each needs to perform the required actions is based on the results of interviews of enterprises. With regard to the implementation of field work, an interview guideline is prepared and a representative sample of entities (enterprises) is selected. During the interviewing process, the activities (actions) for performing a specific IO are specified according to the European classification of activities, and the type (or types) of employed persons who are required to perform certain actions for the implementation of IOs. Moreover, during this process the time for one-off performance for each activity on a certain IO and for any type of employed persons is estimated according to the National Classification of Occupation and Duties-2011. **(b) For non-priority information obligations** – by expert assessment. The method of expert assessment is used for assessing the administrative costs and determining the administrative burdens of non-priority information obligations for businesses.

2. **Tariff (T)** – it includes internal and external tariffs for implementing an information obligation. According to the SCM it is assumed that the main costs induced by information obligations are labor costs. The Tariff (T) includes: **(a) External Tariff** - the number of hours spent by an external service provider performing a required action on a specific IO, multiplied by the hourly rate (hourly pay) of the same external supplier. This hourly pay should correspond to the gross salary plus prorated overhead costs (25% by de-

fault). Prorated overheads include expenses for premises, telephone, heating, electricity, IT equipment, etc. **(b) Internal Tariff** – the number of hours required for implementing a specific IO by the entity required to implement it, multiplied by the average hourly rate of the employees, engaged in its implementation in the targeted entity, including prorated overhead costs. The price of an IO is determined by using the “average labor cost per hour” (average hourly rate of employees engaged in its implementation in the targeted entity), including prorated overhead costs. Calculation is based on the standard average hourly rates depending on an employee’s position working with a contract and executing the specific IO, according to the National Statistical Institute (NSI) of the Republic of Bulgaria¹⁰ data on average salary of employees, classified by economic activities and classes, professions and positions. The cost parameters for *equipment & supplies* (i.e. acquired by the targeted entity to comply with the information obligation and solely used for that purpose) are included in the Internal Tariff.

3. **Purchases (P) and External expenses (E)** – they include all additional purchases and overhead costs spent on the implementation of activities (actions) on IOs.

Step 5. Calculation of the average cost of the required administrative activity on an IO (Price), according to the basic core equation of the SCM. The basic SCM formula (described at Figure 2) is the following:

$$\frac{[Time(T) \times Tariff(T)] + Purchases(P) + Expenses(external)(E)}$$

Step 6. Clarification of the information needed to calculate the total number of required administrative activities on an IO per year (Quantity of activities):

1. **Frequency of required actions (F)** – it indicates how many times per year an administrative activity is completed. It represents the legally determined frequency of completion of an IO within one year.
2. **Number of business entities concerned (B)** – the number of business entities (enterprises) who are required to perform an information obligation.

Due to the specific type of available statistical data obtained from relevant public authorities in Bulgaria, the exact number of entities concerned cannot always be determined. By contrast, national databases provide statistical information on the number of performances of an IO (called population of IOs), which indicates how often the relevant business entity performs an IO during the surveyed period. In order to ensure comparability of estimates made by different government structures and ensure compatibility with estimates conducted by different EU member states, the assessment of administrative costs is based on an assumption of full compliance by all entities concerned.

Step 7. Calculation of the total number (TN) of required administrative activities on IOs (Quantity of activities) per year. The following methodology is used: Number of business entities concerned (B) required to perform an IO, multiplied by the Frequency (F) of required actions on this IO, during the reviewed year 2013:

$$TN = \Sigma B \times F$$

¹⁰ National Statistical Institute of the Republic of Bulgaria, <http://www.nsi.bg/en/node/13220>

Step 8. Assessment of administrative costs. Administrative costs are measured on the basis of the average cost of the required administrative activity (**Price**) multiplied by the total number of activities performed per year (**Quantity**). The SCM's methodology is an activity-based measurement of the businesses' administrative burdens making it possible to follow the development of administrative burdens. At the same time, the results from the SCM measurements are directly applicable to governments' simplification work, in that the results show the specific regulation and its details which are especially burdensome for businesses (OECD, 2004:5).

- **Total value of IOs** – the total administrative costs for an IO as measured by the SCM.
- **Business-as-usual activity (%)** (activity related to normal business process) – the ratio between business-as-usual administrative costs and total administrative costs. It indicates how much of the measured through SCM administrative costs of business entities represent business-as-usual administrative costs.
- **Administrative burden** – the total costs for businesses arising from legally determined IOs. The administrative burden is calculated by the formula:

$$\frac{\text{Total value of IOs} *}{(1 - \text{Business as usual activity} (\%))}$$

5.2. Procedure for measuring administrative burdens for businesses

The information collected for each surveyed IO within the quantitative study is the subject of standardization. Based on the preparatory analysis made, the task of the second procedure is to gather empirical data from interviews and expert assessments

selecting typical businesses affected by a given legislation. In order to keep assessment of costs at a reasonable level and ensure compatibility of the EU member states national methodologies, the SCM envisages the assessment to be based on ideal types (typical companies, typical public service, etc.). National databases do not work with ranges of estimates, but with discrete figures corresponding to standardized costs. The results for each segment are standardized in order to provide a single estimate for a normally efficient business to complete each administrative activity. In particular, the **process of standardization** includes:

1. Determination of standardized activities and costs, thus providing a single estimation for a 'normally efficient entity'.
2. Identification and removal of obvious outliers (entities whose performance is clearly eccentric, i.e. greatly below or above the other performances). In many cases, calculating the median or the average of remaining data is sufficient. The standard deviation and variance (measuring how spread validated data are) can help to decide on the most appropriate method for identifying the performance of the 'normally efficient entity'.
3. Calculation of the standard time required to perform an IO, as well as calculation of the standard costs which a particular business entity should make for performing an IO;
4. Determination of qualifications of the staff engaged in the implementation of an IO and the cost of charge.
5. Finally, the values obtained are analyzed in view of their relevance and objectivity by comparing total administrative costs in the economy and by expert assessment made by the project team.

Table 1. Average hourly salary of the employed persons by employment relationship, by economic activity and by classes of occupations and positions in 2012. (in Bulgarian levs)

Classes of Occupations and Positions / Economic Activities	Managers	Professionals	Technicians and associate professionals	Clerical support workers	Services and sales workers	Skilled agricultural, forestry and fishery workers	Craft and related trade workers	Plant and machine operators and assemblers	Elementary occupations
Total (gross average hourly salary - earnings)	14,45	7,74	6,52	4,14	3,10	3,38	4,27	4,09	2,75
Agriculture, forestry and fishing	10,37	6,15	5,16	4,11	4,23	3,63	3,96	4,45	2,59
Mining and quarrying	22,01	13,05	11,18	6,69	4,89	5,75	9,41	9,30	5,05
Manufacturing	14,24	7,87	6,21	3,97	2,70	2,78	3,79	3,72	2,72
Electricity, gas, steam and air conditioning supply	25,78	14,68	11,87	8,27	6,12	4,08	10,59	10,38	5,94
Water supply, sewerage, waste management and remediation activities	13,13	8,47	6,62	4,58	3,64	2,36	4,86	4,96	3,21
Construction	14,01	6,74	5,25	3,36	2,53	3,06	4,44	4,31	2,39
Wholesale and retail trade; repair of motor vehicles and motorcycles	15,69	9,36	6,66	4,08	3,11	2,72	3,77	3,64	2,72
Transportation and storage	11,77	10,32	9,86	4,01	3,99	3,05	4,79	4,14	4,16
Accommodation and food service activities	9,34	7,33	5,12	3,36	2,85	2,88	3,81	3,49	2,58
Information and communication	25,00	14,02	7,95	5,11	5,61	2,55	3,93	4,49	3,00
Financial and insurance activities	25,57	11,99	7,94	5,38	4,42	2,40	4,68	6,35	3,05
Real estate activities	12,39	7,53	4,95	3,29	2,93	3,23	3,60	3,38	2,76
Professional, scientific and technical activities	18,49	7,94	5,35	3,35	2,97	3,00	4,28	4,22	3,10
Administrative and support service activities	14,34	8,09	6,48	4,24	2,63	2,89	3,35	3,48	2,24
Public administration and defense; compulsory social security	9,30	7,52	5,05	4,74	3,99	3,04	4,06	4,38	3,20
Education	9,14	5,76	4,98	3,73	2,88	2,88	3,39	3,05	2,86
Human health and social work activities	10,60	6,36	4,80	3,81	2,89	3,17	3,44	3,58	2,72
Arts, entertainment and recreation	7,13	4,79	7,31	3,24	3,03	2,74	3,44	4,18	2,68
Other service activities	7,58	4,61	3,59	3,08	2,31	3,03	2,59	2,70	2,29

Source: NSI

To measure the administrative costs and administrative burdens for businesses in Bulgaria, a quantitative survey was used among **400 companies**. For the concrete measurement of the administrative burdens for businesses in Bulgaria, a stochastic (representative) sample is used, where each unit of the surveyed population is equally likely to fall into the sample. The main advantage of representative samples compared to quota sampling is that they allow the conclusions obtained from the study to be generalized for the whole population with a certain probability and with a certain stochastic accuracy (stochastic error).

In order to measure the stochastic error, it is necessary to determine the design of the sample used. In this case, a stratified random sampling is used, stratification being done at the same time on the selected two attributes:

1. **Sector of activity (economic activity);**
2. **Number of employees in the enterprise.**

A stratified sample is used because, as Kish (1965:76) points out “*stratification may be used to reduce the variation of the*

sample estimates”, and this leads to results with a lower stochastic error.

The planned and executed sample size is $N = 400$ enterprises on the territory of the country. As businesses meet several information obligations, each enterprise fills in for all the obligations it performs.

The data, provided by the NSI, for the gross average hourly salary (earnings) of the employed persons are used in the study. The gross average hourly salary is categorized by the type of employment relationship, by the type of economic activity and by the Classes of Occupations and Positions during 2012 (the data for companies of bilateral accounting are used).

The examined 16 laws and bylaws to them are the following: Accountancy Act; Bulgarian Chamber of Builders Act; Bulgarian Labor and Social Security Law; Independent Assessors Act; Cadastre and Land Registry Act; Excise Duties and Tax Warehouses Act; Law on Chambers of Architects and Engineers in Investment Design; Law on Mineral Resources; Law for Social Assistance; Law on

Table 2. Priority areas and examined national laws and bylaws to them

Area	Laws
Finance	1. Excise Duties and Tax Warehouses Act 2. Accountancy Act
Economy	3. Law on Technical Requirements for Products and Conformity Assessment 4. Independent Assessors Act 5. Subsurface Resources Act
Environment	6. Water Act
Agriculture	7. Law on Surplus Stocks of Agricultural and Sugar Products 8. Law on Support for Farmers
Transport and telecommunications	9. Road Transport Law
Regional policy	10. Bulgarian Chamber of Builders Act 11. Law on the Chambers of Architects and Engineers in Investment Design 12. Cadastre and Land Registry Act
Healthcare	13. Medicinal Products in Human Medicine Act
Labor law and social policy	14. Bulgarian Labor and Social Security Law 15. Social Assistance Act
Other	16. Law on Statistics

Source: *Econometrica Ltd., 2014*

Statistics; Law on Support for Farmers; Law on Surplus Stocks of Agricultural and Sugar Products; Law on Technical Requirements for Products and Conformity Assessment; Medicinal Products in Human Medicine Act; Road Transport Law; Water Act.

The nine selected priority areas are: Finance, Economy, Environment, Agriculture, Transport and telecommunications, Regional policy, Healthcare, Labor law and social policy, and Other.

Business entities executing an IO are divided into groups according to different ways by which the legal framework specifies the satisfaction of the obligation. Businesses can perform an IO in various ways, according to the legal framework regulating the obligation. Thus form separate groups called "segments". The main distinction is based on the way of submitting information (on paper or electronically as most of the IOs can be carried both ways). The opportunity for submitting electronically (or the so-called 'e-service') is established and verified for each of the examined IOs.

6. RESULTS FROM THE ASSESSMENT OF ADMINISTRATIVE BURDENS FOR BUSINESSES IN BULGARIA ACCORDING TO SELECTED NATIONAL LAWS AND BYLAWS TO THEM RELATED TO THE EU INTERNAL MARKET

This part presents the results from the assessment of administrative costs and administrative burdens for businesses in Bulgaria of totally measured **742 information obligations in 16 laws and bylaws to them in 9 selected priority areas during 2013**. The following tables depict the results from this assessment.

6.1. Information obligations for businesses established in Bulgaria

After receiving additional information and a review of all surveyed 16 laws and bylaws to them included in the sample, a total of 742 IOs are identified and verified in the study. Due to the verification made of all identified IOs, some changes in the number of IOs are observed under three national laws:

- **Cadastre and Land Registry Act**, where 9 IOs are identified before verification, while after verifying the data only 2 IOs remain;
- **Bulgarian Labor and Social Security Law**, where during the first phase a total of 37 IOs are identified and consequently after verification their number falls to 27 IOs;
- **Law on Statistics**, where initially 136 IOs are identified, but after verification only one IO is eliminated and, therefore, the total number of verified IOs under this law is 135.

These changes in the number of IOs in the above listed laws and bylaws to them are driven by the amendments in Bulgarian legislation concerning IOs, as well as by the experienced cases of duplicated obligations of already identified IOs.

As can be seen from Table 3, more than half of all IOs, identified and verified in the examined 16 laws and related regulations to them, are concentrated in three laws as follows:

- **Medicinal Products in Human Medicine Act** – with a total 162 IOs (21,8% from all IOs);
- **Law on Statistics** – with a total 135 IOs (18,2% from all IOs);

- **Law on Technical Requirements for Products and Conformity Assessment** – with a total 129 IOs (17.4% from all IOs).

They form a total 426 IOs (or 57.4% of all identified and verified 742 IOs). It can be

noted that a relatively significant number of IOs is identified in the Water Act – a total of 68 IOs, the Road Transport Law – a total of 64 IOs and the Excise Duties and Tax Warehouses Act – a total of 53 IOs. On the opposite side are the Cadastre and Land Registry

Table 3. The number of IOs identified and verified by type – distribution by laws

Law	Type of information obligations						Total
	Related to the national requirement			Related to the transposed European requirement			
	number	% of IOs by laws	% of total number of IOs	number	% of IO by laws	% of total number of IOs	Number
Excise Duties and Tax Warehouses Act	40	75.5	5.4	13	24.5	1.8	53
Accountancy Act	0	0.0	0.0	5	100.0	0.7	5
Law on Technical Requirements for Products and Conformity Assessment	89	69.0	12.0	40	31.0	5.4	129
Independent Assessors Act	4	100.0	0.5	0	0.0	0.0	4
Subsurface Resources Act	11	84.6	1.5	2	15.4	0.3	13
Water Act	68	100.0	9.2	0	0.0	0.0	68
Law on Surplus Stocks of Agricultural and Sugar Products	2	22.2	0.3	7	77.8	0.9	9
Law on Support for Farmers	9	25.7	1.2	26	74.3	3.5	35
Road Transport Law	34	53.1	4.6	30	46.9	4.0	64
Bulgarian Chamber of Builders Act	9	100.0	1.2	0	0.0	0.0	9
Law on the Chambers of Architects and Engineers in Investment Design	5	41.7	0.7	7	58.3	0.9	12
Cadastre and Land Registry Act	2	100.0	0.3	0	0.0	0.0	2
Medicinal Products in Human Medicine Act	122	75,3	16.4	40	24.7	5.4	162
Bulgarian Labor and Social Security Law	19	70,4	2.6	8	29.6	1.1	27
Social Assistance Act	11	73,3	1.5	4	26.7	0.5	15
Law on Statistics	0	0,0	0.0	135	100.0	18.2	135
Total	425	-	57.3	317	-	42.7	742

Source: Econometrica Ltd., 2014

Act, where only 2 IOs are identified, the Independent Assessors Act – with 4 IOs identified, and the Accountancy Act – with 5 IOs identified.

Depending on the type of IOs, more than half (57.3%) of all IOs are associated with implementation of national requirements (a total of 425 IOs), while the remaining 42.7% are associated with transposing European requirements (a total of 317 IOs). In particular, under four of the studied national laws and bylaws to them, all identified IOs are connected entirely (100%) with implementation of national requirements. Such are the following legislative acts: the Independent Assessors Act; the Water Act; the Bulgarian Chamber of Builders Act; and the Cadastre and Land Registry Act.

Only in the case of two national laws and bylaws to them – particularly, the Law on Statistics and the Accountancy Act, all identified IOs are related entirely with transposing European requirements (100%).

According to the distribution by priority areas of IOs (Table 4) it can be seen that all IOs, identified and verified in the examined 16 laws and bylaws to them, are concentrated in three areas:

- **Healthcare** (which includes the Medicinal Products in Human Medicine Act) – with a total 162 IOs (21.8% from all IOs);
- **Economy** (which includes the Independent Assessors Act, the Law on Technical Requirements for Products and Conformity Assessment, and the Subsurface Resources Act) – with a total 146 IOs (19.7% from all IOs);
- **Other** (which includes the Law on Statistics) – with a total 135 IOs (18.2% from all IOs).

Depending on the type of IOs, the results show that the IOs associated with transposing European requirements occupy the largest share (100%) in the area “Other” (which includes the Law on Statistics). This means

Table 4. The number of IOs identified and verified by type – distribution by areas

Area	Type of information obligations						Total
	Related to the national requirement			Related to the transposed European requirement			
	number	% of IOs by laws	% of total number of IOs	Number	% of IOs by laws	% of total number of IOs	Number
Finance	40	69.0	5.4	18	31.0	2.4	58
Economy	104	71.2	14.0	42	28.8	5.7	146
Environment	68	100.0	9.2	0	0.0	0.0	68
Agriculture	11	25.0	1.5	33	75.0	4.4	44
Transport and telecommunications	34	53.1	4.6	30	46.9	4.0	64
Regional policy	16	69.6	2.2	7	30.4	0.9	23
Healthcare	122	75.3	16.4	40	24.7	5.4	162
Labor law and social policy	30	71.4	4.0	12	28.6	1.6	42
Other	0	0.0	0.0	135	100.0	18.2	135
Total	425	-	57.3	317	-	42.7	742

Source: Econometrica Ltd., 2014

that all identified and verified IOs in this priority area are associated with transposing European requirements. Exactly, on the opposite end is the priority area “Environment” where all identified and verified IOs are entirely related to the implementation of national requirements.

The IOs related to transposing European requirements dominate in the following priority areas: “Healthcare” (75.3%), “Labor law and social policy” (71.4%), “Economy” (71.2%), “Regional policy” (69.6%), “Finance” (69.0%) and “Transport and telecommunications” (53.1%). In fact only in the area “Agriculture” the IOs related to the implementation of national requirements has a dominant position (75.0%).

As concerns the distribution of IOs by laws (Table 5), the highest share of identified and verified IOs is observed under the

Medicinal Products in Human Medicine Act and the regulations to it – 21.8 % of the total number of IOs, followed by the Law on Statistics – 18.2% and the Law on Technical Requirements for Products and Conformity Assessment – 17.4%.

The lowest share of IOs is observed under the Cadastre and Land Registry Act and the regulations to it – 0.3%, followed by the Independent Appraisers Act – 0.5%, and the Accountancy Act – 0.7 % of the total IOs.

The largest is the share of the IOs identified and verified in the area “Healthcare” – 21.8% of the total number of IOs, followed by those in the area “Economy” – 19.7% and in the area “Other” (which include the Law on Statistics) – 18.2%. The lowest share of IOs is observed in the area “Regional policy” – 3.1% of all IOs.

Table 5. The number of identified and verified IOs – distribution by laws

Law	Number of IOs	% of total number of IOs
Medicinal Products in Human Medicine Act	162	21.8
Law on Statistics	135	18.2
Law on Technical Requirements for Products and Conformity Assessment	129	17.4
Water Act	68	9.2
Road Transport Law	64	8.6
Excise Duties and Tax Warehouses Act	53	7.1
Law on Support for Farmers	35	4.7
Bulgarian Labor and Social Security Law	27	3.6
Law for Social Assistance	15	2.0
Law on Mineral Resources	13	1.8
Law on the Chambers of Architects and Engineers in Investment Design	12	1.6
Law on Surplus Stocks of Agricultural and Sugar Products	9	1.2
Bulgarian Chamber of Builders Act	9	1.2
Accountancy Act	5	0.7
Independent Assessors Act	4	0.5
Cadastre and Land Registry Act	2	0.3
Total number of IOs	742	100.0

Source: Econometrica Ltd., 2014

Table 6. The number of identified and verified IOs – distribution by areas

Area	Number of IOs	% of total number of IOs
Healthcare	162	21.8
Economy	146	19.7
Other	135	18.2
Environment	68	9.2
Transport and telecommunications	64	8.6
Finance	58	7.8
Agriculture	44	5.9
Labor law and social policy	42	5.7
Regional policy	23	3.1
Total number of IOs	742	100.0

Source: Econometrica Ltd., 2014

6.2. Total value of the estimated administrative burdens for businesses in Bulgaria

Using the SCM for assessing the administrative burdens in Bulgaria, total businesses in Bulgaria are estimated. According to the examined 16 national laws and bylaws to them, the total businesses in Bulgaria is amounted to 685 595 405.08 Bulgarian leva (BGN) (or EUR 350 539 364.40) on an annual basis.¹¹ The distribution of administrative burdens for businesses by laws is presented in Table 7.

According to the value of the administrative burden (Table 7), the highest share of the AB of all identified, verified and evaluated IOs is observed under the Excise Duties and Tax Warehouses Act (54.1%) and the Law on Support for Farmers (14.5%):

- **Excise Duties and Tax Warehouses Act:** AB = 208 467 765.96 Bulgarian leva (or EUR 106 587 876) and 53 IOs identified and verified.

- **Law on Support for Farmers:** AB = 55 823 355.14 Bulgarian leva (or EUR 28 542 028.20) and 35 IOs identified and verified.

The lowest share of the AB of all IOs (0.0 %) is observed under the laws where the identified, verified and assessed IOs are only a few. Those laws are:

- **Law for Social Assistance:** AB = 141 607.28 Bulgarian leva (or EUR 72 402.65) and 15 IOs identified and verified.
- **Bulgarian Chamber of Builders Act:** AB = 109 755.13 Bulgarian leva (or EUR 56 116.91) and 9 IOs identified and verified.
- **Independent Assessors Act:** AB = 5 604.27 Bulgarian leva (or EUR 2 865.42) and 4 IOs identified.
- **Cadastre and Land Registry Act:** AB = 1 186.35 Bulgarian leva (or EUR 606.57) and 2 IOs identified and verified.

¹¹ Since July 1, 1997, with the introduction of the currency board arrangement in Bulgaria, the exchange rate of the Bulgarian lev (BGN) has been fixed against the Euro at $1 \text{ EUR} = 1.95583 \text{ BGN}$.

Table 7. Value of administrative burden (AB) – distribution by laws

Value of Administrative Burden (AB) – distribution by laws			
Law	Value of AB (BGN)	% of the total value of AB of all examined IOs	% of the total value of IOs by law
Excise Duties and Tax Warehouses Act	208 467 765,96	54.1	55.1
Accountancy Act	3 688 681,73	1.0	71.7
Law on Technical Requirements for Products and Conformity Assessment	18 568 370,16	4.8	68.5
Independent Assessors Act	5 604,27	0.0	37.3
Law on Mineral Resources	504 370,07	0.1	48.6
Water Act	36 091 736,88	9.4	79.9
Law on Surplus Stocks of Agricultural and Sugar Products	68 985,60	0.0	100.0
Law on Support for Farmers	55 823 355,14	14.5	49.1
Road Transport Law	21 438 108,80	5.6	70.7
Bulgarian Chamber of Builders Act	109 755,13	0.0	56.3
Law on the Chambers of Architects and Engineers in Investment Design	1 256 070,99	0.3	100.0
Cadastre and Land Registry Act	1 186,35	0.0	63.5
Medicinal Products in Human Medicine Act	2 795 627,88	0.7	10.4
Bulgarian Labor and Social Security Law	9 343 641,89	2.4	75.4
Law for Social Assistance	141 607,28	0.0	14.8
Law on Statistics	26 878 526,14	7.0	62.7
Total value of AB	385 183 394,27	100.0	-

Source: *Econometrica Ltd., 2014*

The distribution of administrative burdens by ministries/agencies in Bulgaria is presented in Table 8.

Table 8 shows that the total value of the AB of all examined IOs (numbered at 742 as a total) has the highest share in the spring of the following Bulgarian authorities:

- **Ministry of Finance and the Customs Agency:** AB = 212 156 447.69 Bulgarian levs (or EUR 108 473 869) and 58 IOs identified and verified.
- **Ministry of Agriculture and Food and the State Fund “Agriculture”:** AB = 55 892 340.74 Bulgarian levs (or EUR

Table 8. Value of Administrative Burdens (AB) – distribution by ministries/agencies

Value of Administrative Burdens (AB) – distribution by ministries/agencies			
Ministry/ Agency	Value of AB (BGN)	% of the total value of AB for all examined IOs	% the total value of IOs by Ministry/Agency
Ministry of Finance; Customs Agency	212 156 447.69	55.1	55.3
Ministry of Economy and Energy; State Agency for Metrological and Technical Surveillance	19 078 344.50	5.0	67.7
Ministry of the Environment; Ministry of Regional Development	36 091 736.88	9.4	79.9
Ministry of Agriculture and Food; State Fund "Agriculture"	55 892 340.74	14.5	49.2
Executive Agency "Automobile Administration"; Agency "Road infrastructure"	21 438 108.80	5.6	70.7
Ministry of Investment Design	1 365 826.12	0.4	94.1
Agency of Geodesy, Cartography and Cadastre	1 186.35	0.0	63.5
Ministry of Health; Drug Agency	2 795 627.88	0.7	10.4
Ministry of Labor and Social Policy; Employment Agency	9 485 249.17	2.5	71.1
National Statistical Institute	26 878 526.14	7.0	62.7
Total value of AB	385 183 394.27	100.0	-

Source: Econometrica Ltd., 2014

28 577 300.00) and 44 IOs identified and verified.

- **Ministry of the Environment and Ministry of Regional Development:** AB = 36 091 736.88 Bulgarian levs (or EUR 18 453 412.00) and 68 IOs identified and verified.

By contrast, the examined IOs having the lowest total value of AB are those within the competence of the following ministries/agencies in Bulgaria:

- **Agency of Geodesy, Cartography and Cadastre:** AB = 1 186.35 Bulgarian levs (or EUR 606.57) and 2 IOs identified and verified.
- **Ministry of Investment Design:** AB = 1 365 826.12 Bulgarian levs (or EUR

698 335.81) and 21 IOs identified and verified.

- **Ministry of Health and Drug Agency:** AB = 2 795 627.88 Bulgarian levs (or EUR 1 429 381.84) and 162 IOs identified and verified.

6.3. Implications of the study and recommendations for reducing administrative burdens in Bulgaria

In formulating proposals to reduce administrative costs, the **five-component simplified administrative burden model** developed by The International Standard Cost Model Network is used. This five-component model has the following structure:

1. **Elimination, reduction, merger and improvement of regulations**, including: a) Elimination of regulations or information obligations; b) Reducing the volume of information requirements to the minimum levels needed to achieve the objectives of the legislation, including reducing the frequency of information provided; c) Simplification of terminology to reduce the complexity of regulations; d) Removing IOs related to provisions that are revoked or amended after the IO has been introduced.
2. **Simplification of the enforcement process**, including: a) Remove unnecessary forms, checks, and data requests; b) Reduce the time for filling in the forms by making them clearer and more comfortable to fill; c) Using a risk-based approach - fewer checks for those who have a “pure dossier”; d) Harmonizing requests for submission of information with the other information obligations.
3. **Data sharing**, including: a) Collecting data from other government authorities instead of businesses; b) Using “one-stop shop”; c) Development of standard definitions in the legislation.
4. **Development of information and communication solutions and services**, including: a) Electronic and network reporting, where paper information is currently required, using intelligent portals (where possible); b) Electronic submission of reporting information - reports, reports, notifications; c) “Intelligent forms” that do not contain unnecessary information.
5. **Providing information and instructions**, including: a) Development of better and more easily accessible instructions; b) Increasing transparency.

After assessing the existing possibilities and adapting the methodology when formulating proposals for reducing administrative costs, the proposals for the reduction of AB for businesses in Bulgaria are classified into **8 specific types specifying the five-component model** as follows:

1. Comprehensive measure;
2. Introduction of a statutory deadline;
3. Electronic submission of reporting information;
4. Reducing the volume of information requirements to the minimum levels needed to achieve the objectives of the legislation, including reducing the frequency of information provided;
5. Decrease the duration of the service;
6. Electronic and network reporting where paper information is currently required, using intelligent portals (where possible);
7. Remove unnecessary data requests;
8. Elimination of regulations or information obligations;
9. Development of information and communication solutions and services, including electronic and network reporting, where paper information is currently required, using intelligent portals (where possible) and electronic submission of reporting information;
10. Development of better and more easily accessible instructions;
11. Development of standard definitions in the legislation;
12. Collecting data from other government authorities instead of businesses.

Where it is possible to make more than one proposal to reduce the administrative

Table 9. Proposals made for reducing the total value of AB

Type of proposal for reducing AB	Value of AB (before recommendations) for IOs with this proposal (BGN)	Value of the reduction in AB (BGN)	% of the total AB
Development of better and more easily accessible instructions	207 408 328.24	103 715 927.14	26.9
Comprehensive measure	22 300 111.73	17 991 739.35	4.7
Elimination of regulations or information obligations	16 085 565.32	16 085 562.70	4.2
Electronic and network reporting where paper information is currently required, using intelligent portals (where possible)	1 247 802.76	873 299.34	0.2
Collecting data from other government authorities instead of businesses	919 871.68	830 988.21	0.2
Electronic submission of reporting information	350 880.00	245 616.00	0.1
Decrease the duration of the service	320 346.79	198 698.80	0.1
Remove unnecessary data requests	1 120 367.58	31 123.83	0.0
Introduction of a statutory deadline	13 041.05	6 522.35	0.0
Reducing the volume of information requirements to the minimum levels needed to achieve the objectives of the legislation, including reducing the frequency of information provided	11 498.65	2 877.01	0.0
Development of information and communication solutions and services	2 685.20	1 879.93	0.0
Development of standard definitions in the legislation	2 988.13	598.35	0.0
Total value of the reduction in AB	249 783 487.13	139 984 833.02	-

Source: *Econometrica Ltd., 2014*

burdens for an Information Obligation, a “Comprehensive measure” is proposed which contains a combination of possible proposals with a total reduction amount corresponding to the impact of the proposals included.

An assessment of the possible reduction of the administrative burdens for businesses

in Bulgaria has been made. To this end, **totally 425 proposals** have been made which represent recommendations for reducing AB for businesses. These proposals concern **279 IOs out of a total of 742 identified information obligations or 37.6% of all assessed IOs** (there may be several recommendations under one disclosure ob-

ligation). These proposals would lead to a **total reduction of the administrative burdens** by BGN 139 984 833 (or EUR 71 573 108.60) or by **36.3% of the total value of AB** on an annual basis.

The main part of the reduction in the total value of administrative burdens is due to the proposals made for reducing the AB of the information obligations under the **Excise Duties and Tax Warehouses Act** – by 27% reduction of the total assessed AB.

Proposals that would lead to the greatest reduction in the total value of AB for businesses in Bulgaria are “Development of better and easier accessible instructions”, “Comprehensive Measure” that affects various aspects and “Electronic and network reporting where paper information is currently required, using intelligent portals (where possible) and electronic submission of reporting information”, representing 76.7% of all the proposals made.

7. CONCLUSION

This paper presents the analytical frameworks and empirical results from measuring administrative costs and administrative burdens for businesses in Bulgaria stemming from the national legislation related to the EU Internal Market. In the study, a total of 742 IOs are identified and verified under 16 selected national laws and related bylaws to them. As a result of the important amendments made in three national laws (the Cadastre and Land Registry Act, the Bulgarian Labor and Social Security Law and the Law on Statistics), the number of identified IOs decreased after their verification.

The results from the statistical analysis made demonstrate that more than half of all examined IOs are concentrated under 3

national laws, such as: the Medicinal Products in Human Medicine Act (162 IOs), the Law on Statistics (135 IOs), and the Law on Technical Requirements for Products and Conformity Assessment (129 IOs). Depending on the type of IOs, more than half (57.3%) of all IOs are associated with implementation of national requirements, while the remaining 42.7% are related to transposing European requirements. In four of the studied laws, the identified and verified IOs are connected entirely with implementation of national requirements (including the Independent Assessors Act, the Water Act, the Bulgarian Chamber of Builders Act, and the Cadastre and Land Registry Act).

As concerns the distribution of IOs by laws, the highest share of identified and verified IOs is observed under the Medicinal Products in Human Medicine Act and the regulations to it (21.8%), followed by the Law on Statistics (18.2%) and the Law on Technical Requirements for Products and Conformity Assessment (17.4%). The lowest share of IOs is found under the Cadastre and Land Registry Act and the regulations to it (0.3%), followed by the Independent Appraisers Act (0.5%), and the Accountancy Act (0.7%). As concerns the distribution by areas, the largest share of identified and verified IOs is observed in the area of Healthcare (21.8%), followed by those in the area of Economy (19.7%) and in the area “Other” (which includes the Law on Statistics) (18.2%). The lowest share of IOs is registered in the area of Regional policy (3.1%).

As concerns the assessment of administrative burdens for businesses in Bulgaria, the results show that the total business in the country amounts to EUR 350 539 364.40 on an annual basis. The highest share of the administrative burden of all identified, verified and assessed IOs is observed under the

Excise Duties and Tax Warehouses Act (54.1%) and under the Law on Support for Farmers (14.5%). By contrast, the lowest share of the administrative burden of all IOs (0.0%) is observed under the Law on Social Assistance, the Bulgarian Chamber of Builders Act, the Independent Assessors Act and the Cadastre and Land Registry Act. The IOs having the highest total value of administrative burden are those within the competence of the following ministries/agencies in Bulgaria: Ministry of Finance and the Customs Agency (58 IOs identified), Ministry of Agriculture and Food and the State Fund "Agriculture" (44 IOs identified), and Ministry of the Environment and Ministry of Regional Development (68 IOs identified).

As a result of the assessment and analysis made, multiple important proposals are formulated for reducing administrative burdens for businesses in Bulgaria, classified into 8 types according to the International Standard Cost Model Network. In total, the

authors made 425 proposals for reducing administrative burdens for businesses in Bulgaria. These proposals concern 279 IOs out of a total of 742 identified information obligations or 37.6% of all assessed IOs. These proposals would lead to a total reduction of the administrative burdens by around EUR 71.6 million or by 36.3% of the total value of administrative burdens on an annual basis. This reduction in the total value of administrative burdens is mainly due to the proposals made for reducing the administrative burdens of the information obligations under the Excise Duties and Tax Warehouses Act in Bulgaria.

As can be seen, the business entities in Bulgaria continue to experience regulatory burdens as one of the main obstacles to growth. Bulgaria's government should further strengthen its efforts to achieve the national target for reducing administrative burdens by 30% by the end of 2017.

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PROCJENA ADMINISTRATIVNOG OPTEREĆENJA BUGARSKIH PODUZEĆA NACIONALNIM ZAKONODAVSTVOM KOJI REGULIRAJU ZAJEDNIČKO TRŽIŠTE EUROPSKE UNIJE

Sažetak

Ključni cilj rada je identificirati i procijeniti administrativno opterećenje bugarskih poduzeća, u skladu s izabranim nacionalnim zakonima, koji se odnose na zajedničko europsko tržište. Rad se oslanja na podatke i analitičke okvire, kako bi utvrdio obveze informiranja, koje proizlaze iz nacionalnih zakona i regulativnih akata, uključivši nacionalna pravila za implementaciju europske legislative. On se može smatrati značajnim korakom u jačanju bugarske nacionalne politike unapređenja regulacije za poduzeća. Administrativno opterećenje predstavlja dodatne administrativne troškove povezane s prikupljanjem i pružanjem informacije, koja poduzeća ne bi imala da nisu definirana posebnim zakonskim obvezama. Dok se regulacija može smatrati normalnom i potrebnom, ovi dodatni troškovi predstavljaju opterećenje za poduzeća, kako u smislu troškova, tako i vremena, čime se smanjuje količina resursa koji su na raspolaganju za produktivne investicije i općenito obeshrabruju poduzetništvo.

Metodologija korištena u ovom radu temelji se na standardnom troškovnom modelu za procjenu administrativnih troškova utvrđenom za potrebu procjene administrativnih troškova europske legislative. U radu se koriste i rezultati istraživanja OECD-a i Europske komisije. Pritom se mjere administrativni troškovi i opterećenje za 742 obveze, koje proizlaze iz 16 nacionalnih zakona i regulatornih okvira, razvrstanih u 9 izabranih prioritetnih područja u 2013. godini. Iako se rad ograničava na specifične prave okvire i procjenu

troškova poslovanja, rezultati pomažu razumjeti mehanizme pomoću kojih se akumuliraju administrativni troškovi i obveze. Sve informacijske obveze utvrđene u istraživanju proizlaze iz nacionalnih pravila, kojima se implementira ili u zakonodavstvo prenosi europska legislativa. U radu se obveze razvrstavaju s obzirom na specifične zakone i prioritetna područja. Za prikupljanje podataka se koriste intervjui u poduzećima i procjene stručnjaka.

Dobiveni rezultati ukazuju da se više od polovice informacijskih zahtjeva odnosi na tri nacionalna zakona – Zakon o medicinskim proizvodima, Zakon o statistici te Zakon o tehničkim zahtjevima za procjenu prilagođenosti proizvoda. Više od polovice informacijskih zahtjeva povezano je s implementacijom nacionalnih zahtjeva, koji se odnose na zajedničko tržište EU-a. Najveći troškovi se odnose na primjenu Zakona o carinskim i poreznim skladištima te na Zakon o potpori seoskim gospodarstvima. Najmanji udjel u informacijskim zahtjevima odnosi se na Zakon o socijalnoj pomoći, Zakon o bugarskoj građevinskoj komori, Zakon o neovisnim procjeniteljima te Zakon o katastru i zemljišnim knjigama.

Ključne riječi: *administrativni troškovi, administrativne zapreke za poduzeća, model standardnih troškova, obveze izvještavanja za poduzeća, bugarski zakoni o zajedničkom tržištu EU-a*