

# 20 and more years of impact analyses in the light of Bulgaria experience

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# The tradition before 1989

## Prior to 1948

- Best continental standard of Company Law, Civic Procedure Code (CPC), contract law
  - Small government
  - Largest army in the World
  - Relatively high government debt
  - One of the oldest Central banks in EU, moderately sound monetary policies

## Prior 1989

- All these rules abolished in 1948
- But property and contract laws restored in 1951; and CPC in 1957
- High government debt
- 1971 compulsory IA introduced, for the needs of central planning, law on normative acts (LNA)



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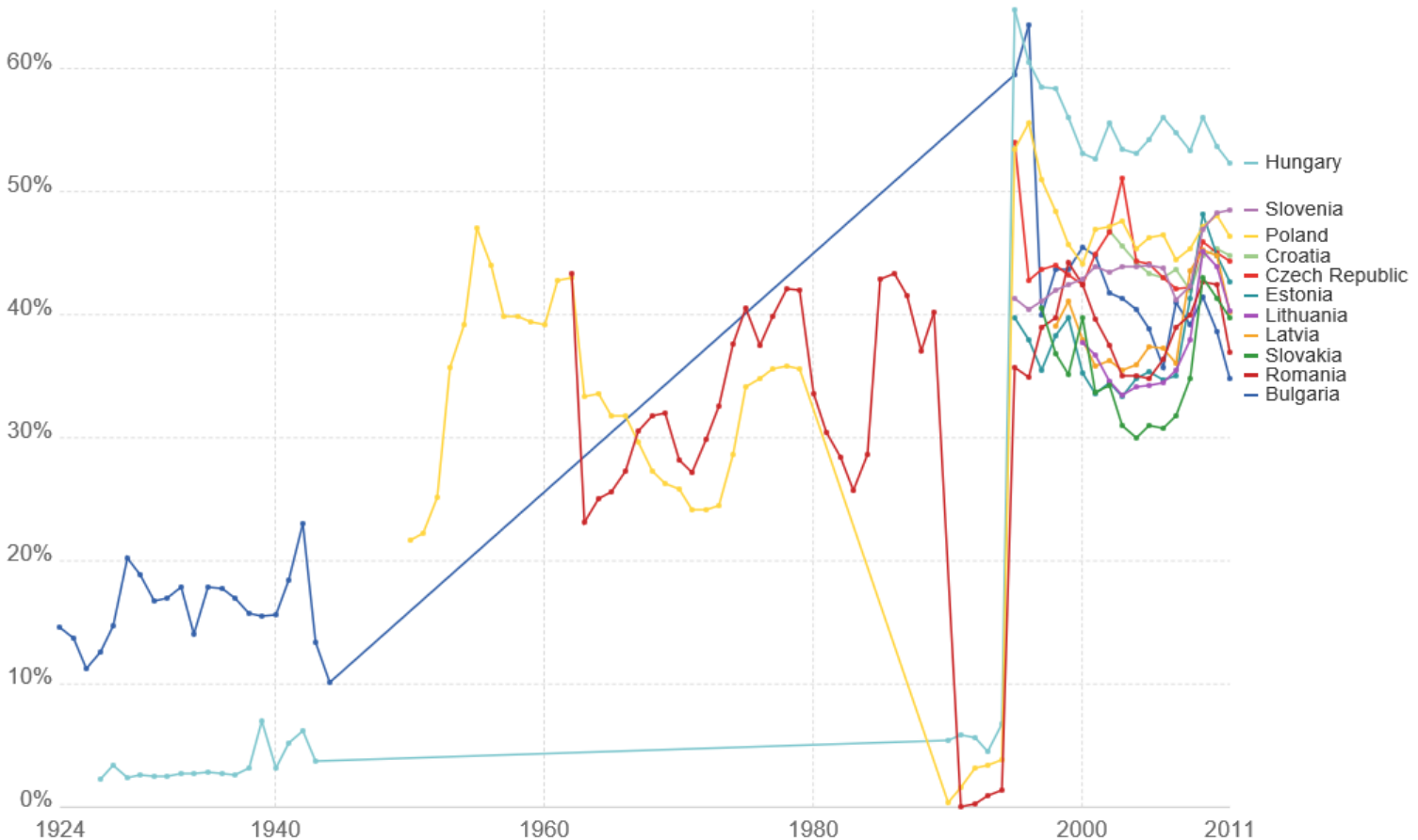
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## Government spending (% GDP)

Total government spending, including interest government expenditures, as share of national GDP



Source: IMF Fiscal Affairs Departmental Data, based on Mauro et al. (2015)

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# Tradition after 1989

- First comprehensive proposal to introduce IA - 1998
- No new IA requirement, until 2007 (LNA), new LNA drafted in 2004
- Training of the central administration – 2003-2008, with IPA
- Best practice, borrowed from: Karen Hill (BRE of UK), late Graham Bannock, Artur Nowicki, Mirek Zielinski and DFID, plus Scott Jacobs ([www.regulatoryreform.org](http://www.regulatoryreform.org)) and OECD (since 1997) and IRBD.
- 1990 – 1993: IA analysis performed by the legislature
- Government think tank tasked with IA of major Agency for Economic Development and Coordination, since 1991
- 1993 – involvement of private think tanks: CSD and IME, and chambers of commerce, since - 1995

# Significant deficiencies in regulatory framework and practicalities

- Bankruptcy – Not regulated till 1994, applied de facto since 1995
  - Fiscal accountability – after 1998 (2000)
  - Concessions – 1998
  - Public procurement – 1998 (exceptions of state owned companies – till 2004)
  - Access to public information – 2000
  - Administrative barriers (quasi-taxes) - 2003
- Most important omissions from IA, in the area of large investment projects:**
- Water power station Tzankov Kamakp 2004-2009: 2.5 times above planned costs (1% of 2009 GDP)
  - Nuclear Power Station “Belene”: 4-6 times above planned costs (12% of 2018 GDP), direct fiscal losses: 1.2% of 2017 GDP
  - Delayed liberalization of electricity distribution – 2007, potential fiscal direct losses 1.5% of 2018 GDP
  - Ban of shale gas exploration (2012) – direct loss: 0.8% of 2012 GDP

## Fast and Slow Track Reforms

- **Business registration** – from courts into admin procedure (1996 – 2006)
- From **progressive** (with four rates, 40% highest) **to flat income tax** (1998 – 2008)
- **Private Bailiffs** (2004-2006)
- **Regulatory Guillotine** – 800 permits to 40 (2002-2003)
- **Creditor's rights** - Civic Procedure Code – CPC (1994 – 2007, 1997)
- **Contract enforcement**, CPC (1957 – 2006)
- **“Silence is consent”** – 1998 - ?

## Reforms' outcome (combined with other factors)

- **Business registration** – courts focused of bankruptcy and dispute resolution
- **Flat tax** – Laffer Curve, income growth, capital flight from neighboring jurisdictions
- **Private Bailiffs** – reduction of outstanding receivables, equal to ~2% of GDP for 2007-2014)
- **Regulatory Guillotine** – stopped in 2004, Admin Barriers Reduction Act of 2005
- **Creditor's rights** – improved, no bank crisis during recession (2009-2010)
- **Contract enforcement**, improved but CPC reform challenged in 2012 in the Constitutional Court (in 2012, retained)
- **“Silence is consent”** – not implemented, key factor of restoration of discretionary permits and admin procedures

## Current developments, based on little to unsatisfactory impact assessment

- **Business registration** – unchanged but challenged
- **Flat tax** – unchanged but challenged, see: Flat Tax in Bulgaria: History, Introduction, Results, Sofia, IME, 2016 (<http://ime.bg/var//The-Flat-Tax-in-Bulgaria.pdf>)
- **Private Bailiffs** – challenged, pictured as Public Enemy No1
- **Regulatory Guillotine** – talked about but never tried again
- **Creditor's rights – challenged** by repeated attempts to amend CPC, protecting debtors
- **Contract enforcement challenged** by repeated attempts to amend CPC, protecting debtors, to restrict private bailiffs and to bypass the Constitutional Court decision of 2012
- **“Silence is consent”** – not even tried yet, irrespectively the sound legal foundations of the Admin Barriers Reduction Act of 2005



# Recent (unexpected) developments

- LNA of 2016 – ex-ante IA, brief and extended
- Since 2005: new actor with a legislative initiative, the Ombudsman (Article 150.3 of the Constitution and Article 19.1.7 of the Ombudsman Act)
- Practically no IA on drafts proposed by individual MPs
- Low quality of IAs
- Tradition of no IAs, for large public investment project
- Twisted publicity: “diluted” public hearings, limited feedback, delayed-to-no publicity in the legislature



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Thank you!  
Welcome to Bulgaria



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