

BULGARIA

Insolvency & Debt Resolution: Lessons from the WBG ICR ROSC 2016

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I. The World Bank Principles for Effective Insolvency and Creditor/ Debtor Regimes

- Broad-spectrum assessment tool:
 - ✓ supporting countries to evaluate their commercial law systems
 - ✓ assisting and proving commerce and economic growth
 - ✓ sufficiently flexible to apply as a benchmark to all country systems
- The Principles comprise four major elements:
 - A/ Credit Environment
 - B/ Risk Management and Informal Workout Systems
 - C/ Insolvency Law Systems
 - D/ Implementation - Institutional and Regulatory Frameworks

[*http://pubdocs.worldbank.org/en/919511468425523509/ICR-Principles-Insolvency-Creditor-Debtor-Regimes-2016.pdf](http://pubdocs.worldbank.org/en/919511468425523509/ICR-Principles-Insolvency-Creditor-Debtor-Regimes-2016.pdf)

II. Report on the observance of standards and codes insolvency and credit/debtor regimes - Bulgaria, 2016

1. Key findings of the WBG

A/ Credit Environment

- designed at facilitating broad access to credit at affordable rates through the widest possible range of credit products (secured and unsecured)
- the legal framework for security rights over immovable assets (mortgages) and movable assets is modern and quite comprehensive
- the enforcement of unpaid claims is highly inefficient and is the weakest link of the credit legal system in Bulgaria – generally considered as too complex, ineffective and slow

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B/ Risk Management And Corporate Workouts

- not in compliance with a modern regime of directors' obligations in the period approaching insolvency
- a culture of out-of-court collective negotiation and agreements (workouts) to restore an enterprise financial viability is insufficiently developed in Bulgaria

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C/ Insolvency Law Systems

- rather comprehensive but not working effectively in practice
- creditors do not regard insolvency as effective universal collection mechanisms
- often invoked at a late stage, perceived as a piece-meal liquidation of completely “dead” businesses, rather than method for rescue and recovery
- no balance between liquidation and reorganization in practice
- do not provide access to post-commencement finance

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D/ Institutional & Regulatory Frameworks

Integrity of participants in bankruptcy proceedings is a matter of concern to:

- The Court
- The Creditors
- The Debtor
- The Insolvency representatives

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2. Key Policy Recommendations

- Time is of the essence in insolvency proceedings: if business recovery is envisaged, prompt filing and quick commencement of the process is critical
- Establishing alternative dispute resolution systems to deal with the inter-creditor conflicts that may arise in the context of a restructuring negotiation;
- Establishing an expedited reorganization procedure for processing and approving “prepackaged plans”
- Out-of-court-workouts
- Less formal than judicial reorganization, non-judicial, private, contractual arrangements between the debtor and its creditors

III. Changes in the legislation after the Report

- The Registered Pledge Act
- The Commercial act regarding the insolvency proceedings

A step forward but still need improvement to be in compliance with the national needs and problems for an effective and working creditor/debtors regime and insolvency system.

Thank you for your attention!