



European
Commission

Early restructuring and a second chance for entrepreneurs

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Bulgaria Country fact sheet

Every year in the EU, 200 000 firms go bankrupt, resulting in over 1.7 million people losing their jobs.

A well-functioning insolvency framework is essential to support growth and business creation. That is why the European Commission is putting forward modern and streamlined insolvency rules that will facilitate restructuring, give businesses a second chance and improve the efficiency of restructuring, insolvency and debt discharge procedures.

The proposed approach is expected to:

- ✓ Cut down the number of jobs lost due to bankruptcy;
- ✓ Bring more legal certainty for cross-border investors;
- ✓ Turn bad debt into performing credit to facilitate lending;
- ✓ Allow entrepreneurs to restart business activities, to keep innovation going and create an additional three million jobs across the EU.

What is the situation currently in Bulgaria? ⁽¹⁾

Effectiveness of insolvency proceedings

21

Bulgaria ranks 21st among EU Member States when it comes to the effectiveness of its insolvency proceedings.

Average length of insolvency proceedings (years)

BG

3.3

EU

2.0

Recovery rate for secured creditors following insolvency proceedings

BG

34.9%

EU

65.0%

► The most likely outcome for debtors in financial difficulty in Bulgaria is **liquidation**.

⁽¹⁾ All figures are according to the World Bank report, *Doing Business 2017: Equal Opportunity for All*: <http://www.doingbusiness.org/%7E/media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf>.

What will the new rules improve?

The situation today in Bulgaria ^(?)	With the new rules
<p>Insolvency proceedings are in general lengthy and there is still room to improve their efficiency.</p>	<p>✓ Specialised judges as well as the use of electronic means of communication can improve the efficiency of insolvency procedures and reduce their cost and length.</p>
<p>There is no procedure that enables early restructuring of a business in financial difficulties.</p>	<p>✓ Viable enterprises in financial difficulties can have access to early restructuring in order to prevent their insolvency.</p> <p>✓ A debtor will remain in principle in control of his business and an insolvency practitioner will be appointed in certain cases.</p> <p>✓ The debtor can have access to a time-limited breathing space from enforcement actions.</p> <p>✓ Dissenting minorities of creditors will not unfairly obstruct the restructuring plan.</p>
<p>There is no second chance available for honest entrepreneurs.</p>	<p>✓ Honest over-indebted entrepreneurs can have access to a full discharge of their debt after a maximum period of 3 years. There will be adequate safeguards to prevent abuse.</p>

(?) Information on current framework according to the Member States' responses on the implementation of the 2014 Commission Recommendation, an INSOL Europe Study of January 2014 and a comparative legal study carried out by the University of Leeds of January 2016.