



## PROJECT PROFILE

### Commercial Law Reform Project

**USAID advocates for modern legislation and good public policy dialogue necessary to improve the business environment and investment climate in Bulgaria**



*Study tours to the Netherlands and Poland under the USAID Commercial Law Reform Project promoted an understanding of modern European judgment enforcement systems and resulted in the adoption of significant reform legislation.*

#### **DEVELOPMENT CHALLENGES**

Bulgaria has made impressive progress in commercial and financial law reforms. After recovering from a financial crisis in 1996-97, the investment climate has steadily improved with substantial USAID assistance. Investor confidence is on the rise and prospective membership in the European Union is around the corner. Several legal obstacles to continued economic growth remain, however. Enforceability of court decisions is low, judicial capacity to handle an increasing load of commercial disputes is under question, and an opaque business registration process taxes both the court system and the owner-investor market. These inefficiencies contribute to a prevailing public perception that the court system is ineffective in protecting and enforcing commercial rights. As Bulgaria moves towards EU-accession, second-generation reforms, largely related to implementation and enforcement problems, must be carried out for the economy to compete in European and global markets.

#### **USAID INVOLVEMENT**

USAID's efforts to improve the Bulgarian business environment are based on a commercial law assessment conducted by USAID and external experts. This study found that while the substantive commercial law framework was generally adequate, implementation and enforcement processes were weak, particularly in handling commercial disputes. USAID's Commercial Law Reform Project (CLRP) was launched in 2003 to alleviate these deficiencies through promoting reforms, providing implementation training, raising public awareness, and integrating stakeholder institutions in reforms.

**GOAL** . CLRP's overarching goal is to establish a more stable and predictable business environment through:

- Enhancing enforcement of contracts and other legal rights in the court system.
- Promoting alternative dispute resolution in commercial matters.
- Streamlining business registration.
- Providing commercial law training to judges and lawyers.

#### **PROJECT DESCRIPTION**

CLRP activities include assessments, recommendations, policy reform, legislative drafting, professional training, and public information campaigns.

- *CLRP helped draft legislation to dramatically reform the enforcement system. The draft was passed by Parliament in 2005.*
- *CLRP helped draft legislation to greatly improve the business registration system. This legislation is pending in Parliament.*
- *CLRP helped set up four commercial mediation centers in Sofia, Stara Zagora and Veliko Turnovo.*
- *CLRP developed and delivered commercial law training courses for judges, lawyers and businesses using "train the trainer" methodology. These courses will be integrated into the permanent training programs of the National Institute of Justice and the Attorneys Training Center of the Supreme Bar Council.*

- **Enhanced Judgment Enforcement:** To improve the efficiency of judgment enforcement, CLRP helped draft legislation creating a private enforcement system. The legislation was passed in May 2005. CLRP also helped draft key implementation regulations and now works with the Ministry of Justice and the newly-formed Chamber of Private Enforcement Agents to develop effective supervision practices, provide training programs, and promote the sustainability of the Chamber.
- **Alternative Dispute Resolution in Commercial Matters:** CLRP introduces commercial mediation through training and awareness building. The activity has helped establish four commercial mediation centers – two in Sofia, one in Stara Zagora, and one in Veliko Turnovo. Currently, CLRP is developing a fully self-sustaining course on commercial mediation. Training and popularization efforts are aided by a 40-minute film, portraying a complete commercial mediation scenario. The program builds upon successful efforts of USAID's Attorneys Professional Development Initiative in developing mediation in non-commercial cases and in helping the passage of a Law on Mediation.
- **Commercial Law Training:** CLRP works with local experts to design and deliver commercial law courses for judges through the National Institute of Justice (NIJ) in cooperation with USAID's Judicial Strengthening Initiative. The trainings cover company law, collateral law, corporate governance and alternative dispute resolution. They are also delivered to lawyers through the Attorney Training Center (ATC) of the Supreme Bar Council, established with the assistance of USAID's Attorneys Professional Development Initiative. The courses will be integrated into the NIJ and ATC curriculums.
- **Business Registration Reform:** Together with the business sector, CLRP is helping the Ministry of Justice reform Bulgaria's outdated business registration system. This reform will remove registration from the court system and set up a simplified and speedy registration procedure under the executive branch of government.

#### PROJECT QUICK FACTS

**Title:** Commercial Law Reform Project

**Implementer:** Bearing Point, USA

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**SUCCESS STORY** Following a 2004 study tour to Western Europe for key Members of Parliament organized jointly by CLRP and World Learning Bulgaria, CLRP helped law makers draft legislation creating a private judgement enforcement system. This legislation was passed in mid-2005 with significant advocacy efforts by CLRP. After passage of the law, CLRP worked intensively with the Ministry of Justice to draft and promulgate implementation regulations. CLRP helped set up a Chamber of Private Enforcement Agents which, together with the Ministry of Justice, will supervise the new profession. The activity now focusses on organizational development of the Chamber and promoting transparency and accountability of the new profession.