

From the Insolvency of the Enterprises towards the Insolvency of the Municipality: New Legislative Challenges in Romanian Space

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Abstract

This paper is intended to be as a blueprint for the state of regulation on insolvency proceedings in Romania regarding the entities' activities and the overall impact on the economic environment. From the highlighted statistical analysis regarding the number of insolvencies registered in Romania but also in the European countries, there are drawn comparative conclusions which are meant to highlight the strengths and especially the weaknesses that still exist in the legal system regarding the entities' insolvency in Romania.

Although the reform of the insolvency in the legal system has been initiated since 2006, it is still in the process to harmonize with the European practices. One of the most recent areas constrained to harmonize and to reform is the administrative sector, the issue of creating the legal framework for the insolvency of the municipalities being discussed only in mid 2013.

The paper also aims to highlight the similarities and differences between insolvency procedure applicable to the enterprises since 2006 and the insolvency procedure recently applicable to the municipalities in Romania. Regardless of the specifics of each procedure but both groups have a common goal, those to purify the Romanian economic and administrative environment.

Keywords: Insolvency, Municipality, Enterprise, Regulatory, Romania, Eu

Jel classification: K23, G33, G38

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Introduction

The process of globalization of markets culminating in the financial crisis has laid an emphasis on the internal and international business competition, submitted the business world to harsh trials which culminated in many cases with the impossibility to continue the business and with the bankruptcy of the enterprise.

The process according to which a business goes bankrupt is established by the laws of each country, the decisions being made in terms of who, when and how the insolvency is applied, which are the right reorganization measures, who leads the whole procedure of insolvency, which is the order of creditors' coverage etc .

At the European level, the legal framework for insolvency and bankruptcy consist in the European Insolvency Regulation, which is applicable to all EU countries from May 31, 2002. The regulation is subject to revision in 2012 as a result of the proposed revision INSOL launched by the EU Commission in Brussels. INSOL Europe has a significant contribution to the work of international organizations European insolvency, bankruptcy and business recovery by creating appropriate legal framework insolvency. INSOL Europe is an organization founded in 1981 and registered in France, which has over 1,150 members in 48 countries, professionals specializing in insolvency, bankruptcy and business recovery: lawyers, accountants, judges, regulators, academics and bankers.

In Romania, the law according to which a company is declared bankrupt has been revised several times, the most substantial change was made in 2006, bz Law no. 85, the law on insolvency proceedings, in the context of European legislation harmonizing Romanian legislation, led to the accession process to the European Union. Although the number of enterprises has exploded, a corresponding economic expansion didn't occur. Thus, the insolvency law marked a new reform, it received a positive feedback to the requirements' phase: facilitating the entry on the market get the reply of simplifying the exit from the market of the underperforming entities (Turcu, 2006).

The difficult state of an enterprise is an alarm signal to managers and requires the adoption and implementation of determined and effective measures in order to achieve a fast revive of activity (Onofrei & Lupu, 2012). When a company becomes insolvent, not only the course of its activities is affected, but also the other parties with an interest in this company, such as creditors, suppliers, employees, the society and also the state that is suppose to receive tax revenues are affected. On the other hand the globalization process, the differentiated growth and market instability, the fiscal crisis caused by the increase in public expenditure are elements aimed at an uncertain future for local communities (Bacliija, 2012).

Thus, at present, the insolvency of the municipalities is a highly discussed subject, fact which attracts the terms „insolvency of the cities " or "insolvency of the villages " and even "insolvency of the governments", that become unable to manage the financial problems which they are facing .

Although the regulation of the municipalities' insolvency procedures is adopted by various countries in the European Union, in Romania, it was for the first time legislated only in 2013 by Romanian Government Emergency Ordinance no. 46/2013 concerning the financial crisis and the insolvency of the municipalities. This regulation comes to establish the legal framework including the collective procedures meant to cover the liabilities of the municipalities affected by the financial crisis or insolvency.

2. The regulation of the economic entities' insolvency in Romania

Although it is an economic issue, bankruptcy has strong legal implications. Given the conditions of risk and uncertainty in which businesses operate, the inability to pay the debts may emerge. The creditors claim their debts and so the insolvency resolves the problems that appear in the process of creditor's payment, aiming, on the one hand to maximize the value of the assets so the debt payment can be done as soon as possible. On the other hand, the law of insolvency permits the identification of the viable businesses, the possibility to avoid their liquidation being taken into consideration.

Also, in order to reduce the deployment period and to reduce the costs that bankruptcy entails, the bankruptcy proceedings are tended to be simplified.

In this context, the year 2006 marks the beginning of the reform concerning the regulation of insolvency. The beginning of the reform was due on the one hand to the need to harmonize the insolvency legislation with social legislation in the light of European integration and on the other hand it was necessary in order to "align" the Romanian economy with the economy of the EU states and not only. To be able to carry through with these changes, during July 2004 and April 2006 it was conducted an extensive project which aimed the improvement of the financial Romanian disciplines by improving the legal and institutional framework of commercial insolvency. The aims of this project were (Radu, 2006):

1. Achieving consistency with existing EU rules ;
2. Efficient Economy ;
3. Efficient applicability of the insolvency law ;
4. Drafting the Manual of Good Practice ;
5. The development of an electronic program through which it is possible the management of the insolvency files and their usage by both court and other users , such as creditors , insolvency practitioners , etc. and
6. Putting on a good basis in the knowledge and skills of those participating in the insolvency proceedings for efficiency in practice.

The obtained results were legally consolidated in the Law 85/2006, a law concerning legal reorganization and bankruptcy, known as the *Insolvency Law*. The *Insolvency Law* replaces the Law 64/1995, the *Bankruptcy Law*. Until 2006 the amendments to the legislation on insolvency and bankruptcy in force were significant and concerned the following aspects: the difference between insolvency and bankruptcy, reducing the procedural terms, protecting the rights of the creditors and so on (Achim & Borlea, 2012).

According to Law 85/2006 the insolvency is the state of the debtor's assets that is characterized by "lack of funds available for the payment of certain, liquid and due". This law applies to companies, cooperative companies, cooperative organizations, agricultural companies, economic interest groups or to another private legal person who carries out economic activities. Law 85/2006 is suitable to creditors, protecting them in their collaboration with the debtors. If according to the old Law 64/1995 the main aim was to assist debtors in order to pay off debts or to liquidate their patrimony, Law 85/2006 has as main objective the establishment of a collective procedure to cover the liabilities of the insolvent debtor. The new insolvency law adopted in 2006 provides the creditors the possibility to interfere in the insolvency procedure and also to control the procedural phases. Thus, in the new context, the rights of the creditors are priority protected and not those of the debtors.

Another major change brought by Law 85/2006 to the insolvency and bankruptcy law is the arrangement of *the alternative of simplified insolvency procedure* for certain categories of debtors (which do not hold any goods in their patrimony, for which the constitutive

documents or accounting documents cannot be found, the administrator cannot be found, or those whose headquarters no longer exist or the address does not match to the one in the Register of Commerce). The simplified procedure no longer allows the debtor enter in reorganization procedure it directly begins the bankruptcy procedures, either at the time of opening the insolvency proceedings or after an observation period of maximum 50 days, during which the state of the company is analyzed.

Law 85/2006 and then Romanian Government Emergency Ordinance no. 86/2006 adds another new stipulation in what insolvency is regarded by introducing in Romania a new liberal profession which is the *insolvency practitioner*. Thus, both the legal administrator and the legal liquidator are specialists which apply the insolvency procedure, being generically called "insolvency practitioners". The insolvency practitioner profession is a regulated profession, its exercise being supervised by the National Union of Insolvency Practitioners in Romania a union which has among others the following tasks:

1. It regulates, controls and supervises the work of insolvency practitioners;
2. Defends the prestige and the professional independence of its members; and
3. Ensures transparency and market information on insolvency proceedings.

The legal administrator is the compatible person or entity, an insolvency practitioner authorized by law, appointed to exercise the duties required by the law, during the observation period and also during the reorganization procedure.

The legal liquidator is the person or entity, an insolvency practitioner authorized by law appointed to lead the activity of the debtor and to exercise the duties involved in the bankruptcy proceedings, both for the general and the simplified procedure.

Thus, the new law on insolvency diminishes the number of attributions of the bankruptcy judge and empowers the insolvency practitioner with major responsibilities becoming „the body that applies the procedure". He will decide on the measures taken in the insolvency proceedings, the bankruptcy judge can only check them about the legal forms. This will bring to the practitioner a tremendous responsibility because his decisions can not be appealed in terms of opportunity against the bankruptcy judge (Stănescu, 2006).

An important change in the regulation of the insolvency procedure was made in 2008, because by adopting Romanian Government Emergency Ordinance no. 173/2008, the electing of bankruptcy judge by the creditors who own the most claims, was realized. Also, the procedures for assessment and recovery of assets were clarified and perhaps the most important change, the change in insolvency regulation make it possible to guide the debtor to reorganizing and saving the economic activity from liquidation.

The number of bankruptcies in Romania has drastically risen in 2008, especially after the economic crisis occurred, many creditors have abused this procedure of insolvency, which in terms of 2008 legislation could have been relatively easy approached because at that time the admissibility conditions to access the insolvency procedure were the following: failure to pay one or more debts due after more than 30 days, the existence of a 10,000 lei claim; the presumption of insolvency is *obvious* if the debtor has not paid his debt to one or more creditors within the determined period and quantum. Or within the known economic situation of economic lock-up many enterprises failed down into the insolvency state.

Subsequently, these conditions of admissibility have become more restrictive, as follows: the number of the overdue payment days is extended, insolvency procedure may be required only after 90 days; the creditors will be able to open the procedure only for claims exceeding 45.000 lei, the threshold is initially increased to 30,000 lei and then to 45,000 lei; the creditor entitled to request the opening of insolvency proceedings is the creditor whose claim against

the debtor's assets is *certain, liquid and due*. Thus, the debts must be not only *due* (at maturity) but also "*clear and liquid*". A clear debt is that whose existence is undoubted over which there is no litigation. The liquid claim is that whose quantum is precisely determined. Those claims, such as compensations, whose quantum must be determined in court, are not liquid.

3. The regulation of municipalities' insolvency in Romania

In 2013 new amendments, this time targeting the regulation of *insolvency proceedings of the municipalities* were made in what insolvency procedures in Romania are concerned. A similar law is adopted in many European countries (Great Britain, Germany, Hungary, Poland).

Of course, between the two categories of entities subjected to the insolvency procedure (the insolvency of economic entities and the insolvency of the municipalities) there is a very close connection because on the business prosperity taking place in different territorial areas depend the tax revenues brought to the local budget but also the expenses incurred to support the programs. The economic entities operating on the market with the overall aim to gain profit without prejudice the interests of participants in economic life, including the community. Similarly, the administrative and territorial units have, as a main concern, a proper management of the public expenditure (...) and it is focused on the efficient use of public resources in order to achieve a high economic performance (Matei, 2008). If the municipalities cannot cover the debts from their own revenues, they can be appeal to court (within the insolvency proceed) by creditor (or by the principal), the procedure being similar to that of the economic entities.

Romanian Government Emergency Ordinance no. 46/2013 regarding the financial crisis and the insolvency of the municipalities adopted in May 2013 establishes the legal framework and the collective procedures to cover those municipalities' liabilities which encounter financial crisis or insolvency. The regulation was necessary at least for the following needs:

1. The large volume of arrears recorded by the municipalities towards the suppliers of goods and services;
2. The need for discharging the activity of the suppliers of goods, services and works that must recover sums representing arrears from local authorities;
3. The Stand-By Agreement between Romania and the International Monetary Fund on reducing arrears of the municipalities;
4. The need to regulate the procedure concerning the financial crisis and the insolvency of the municipalities; and
5. Last but not the least the regulation is imposed by the provisions of article 85 of Law 273/2006 on local public finances, as amended and supplemented, under which, within 6 months after its entry into force, the Ministry of Internal Affairs and the Ministry of Public Finance were required to develop a special bill on financial crisis and insolvency of the municipalities.

Romanian Government Emergency Ordinance no. 46/2013 will allow the creditors of the municipalities to recover the claims due to the debtors within the insolvency proceedings. The law now implies that a supplier that hasn't received back his money should auction and sell the private property of the municipality to recover the claims.

The ordinance come to supplements the existing articles in the Local Public Finance Law passed in 2006, creating a legislative framework which allows the town halls and other administrative units to continually restructure the activity, without this ending.

The insolvency procedure of the municipalities is similar to that applied to economic entities with only a few significant differences. One of these is that the municipalities cannot go bankrupt and they can not be removed. The insolvency of the municipalities requires a period of special administration within three years involving a financial recovery plan and a debt repayment plan.

The financial crisis is defined by the regulations in force (Law 273/2006 on local public finance with subsequent amendments, article 74) as “the status of the municipalities’ patrimony that are experiencing through the lack of available funds, financial difficulties, fact which leads to non-payment of liabilities over a period of time”. It is about unpaid liabilities older than 90 days and which exceed 15 % of the municipality’s budget but also the non-payment of the salaries for a longer period than 90 days since the due date. The failure to declare a state of financial crisis by the principal, if the conditions for it exist, is considered an offense and a fine of 10,000 to 50,000 lei is given.

The regulation also establishes the situations according to which the financial crisis has ended, namely if the conditions that led to the acknowledgement of the financial crisis have not been revealed for 180 calendar days and if the insolvency criteria are met, and in this case the municipality is subject to insolvency proceedings .

The insolvency is defined by the same legal norm (Law 273/2006, article 75) as being the status of the municipality’s patrimony characterized by financial difficulties and lack of liquidities, which leads to the non-payment of liabilities for a certain period of time as well as the non-payment of the salaries expected in the budgets, for a period exceeding 120 days from the due date.

Any creditor or group of creditors who has one or more *certain, liquid and due* claims against the municipality with a totalized value exceeding 50 % of its budget over a period of 120 consecutive days, may petition the district of the court to which the headquarters of the municipality is assigned a request to open insolvency proceedings. The request can be also submitted by the principal.

The mayors of municipalities should analyze its financial state and if they mark the insolvency indicators they must request opening the proceeding insolvency. During the period under the special administration, the mayors no longer allow to make new hiring, investments and setting new contracts. The special administrator can even cancel the old contract. At the same time, the suppliers of goods and services, such as electricity, water, gases, which have to recover theirs debts, must not interrupt the provision of these services to the local community. The financial recovery plan also includes measures to improve the financial management, to increase the revenues collection and to generate of additional revenues or measures to reduce the public expenditures.

Another aspect that differentiates from the insolvency procedures applied to the enterprises consist in the *approval of the rehabilitation plan* which is a more complicated process in what municipalities are regarded is, comparing to the case of enterprises. The legal administrator together with the principal elaborates the rehabilitation plan that will include the methods and deadlines for clearing every creditor’s debt. This plan is submitted to approval by the General Directorate of Public Finance and then by the local or county council. The next step after approval is the implementation, which may not exceed three years. According to the representatives of Transylvania Insolvency House, the rehabilitation plan must be thoroughly revised, and if it lacks an approval, in the absence of explicit sanctions, it must be modified until it fulfils the conditions imposed by the forum whose opinion or approval is required. Theoretically, this recovery could last forever, which represents a risk

that the division's insolvency can not be passed and finally this law might not be a genuine remedy for the arrears (Transylvania Insolvency House cited by Daily Business, May 29, 2013).

Within the insolvency proceedings of the municipalities, the principal, the local or county council, the courts, the bankruptcy judge, the creditors, the creditors' committee and the legal administrator are involved. Compared to insolvency in enterprises, in case of municipalities' insolvency, the legal liquidator no more interferes, as a insolvency practitioner, but only the legal administrator participates.

4. Comparative studies regarding insolvencies on a national and international level

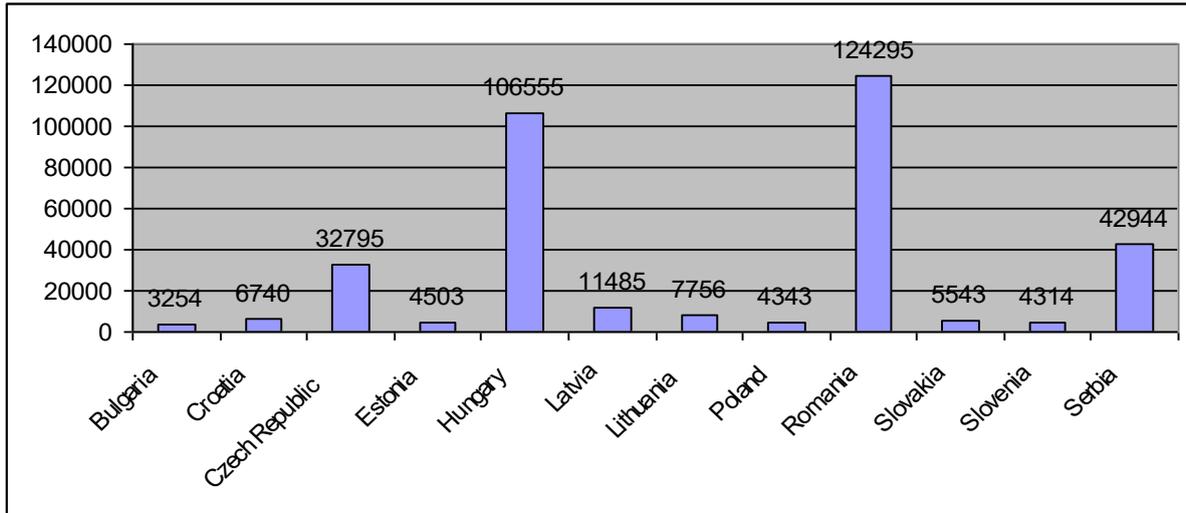
The 2006-2012 period reflects an alarming increase in the number of insolvencies for the most countries in Central and Eastern Europe (see graph 1 and 2). An exception to this systematically rate of growth was recorded in Estonia, Latvia, Slovakia and Serbia, countries that are affected by the financial crisis, especially in 2009-2010 period, after which, throughout the next period the number of insolvencies recorded a systematic decrease.

Among the countries in Central and Eastern Europe, Romania is by far the leading country at the number of insolvencies recorded both for each analyzed year and the total 2006-2012 period, with a total number of 42,944 insolvencies.

The year 2012 highlights the depth of the financial crisis for the most Central and Eastern European countries (Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia). Bulgaria and Croatia record a dramatic increase in the number of insolvencies compared with 2011 (the number of insolvencies is approximately three times higher). In terms of insolvent companies, Estonia and Latvia were the only positive developments in 2012, although the region has been characterized by an upward tendency in recent years. In 2012 Romania holds the top spot in the number of insolvencies recorded among Central and Eastern European countries (with 23,665 insolvencies). The financial crisis combined with the poor access to finance due to higher constraints required by banks generated an increasingly high degree of vulnerability to external pressures, conducting to the inability to pay debts by the companies and finally, the insolvency state. The most affected sector in 2012 was the construction sector, followed by manufacturing, retail, wholesale trade and distribution while telecommunications, education and health were the least affected sectors, recording the lowest rate of insolvencies.

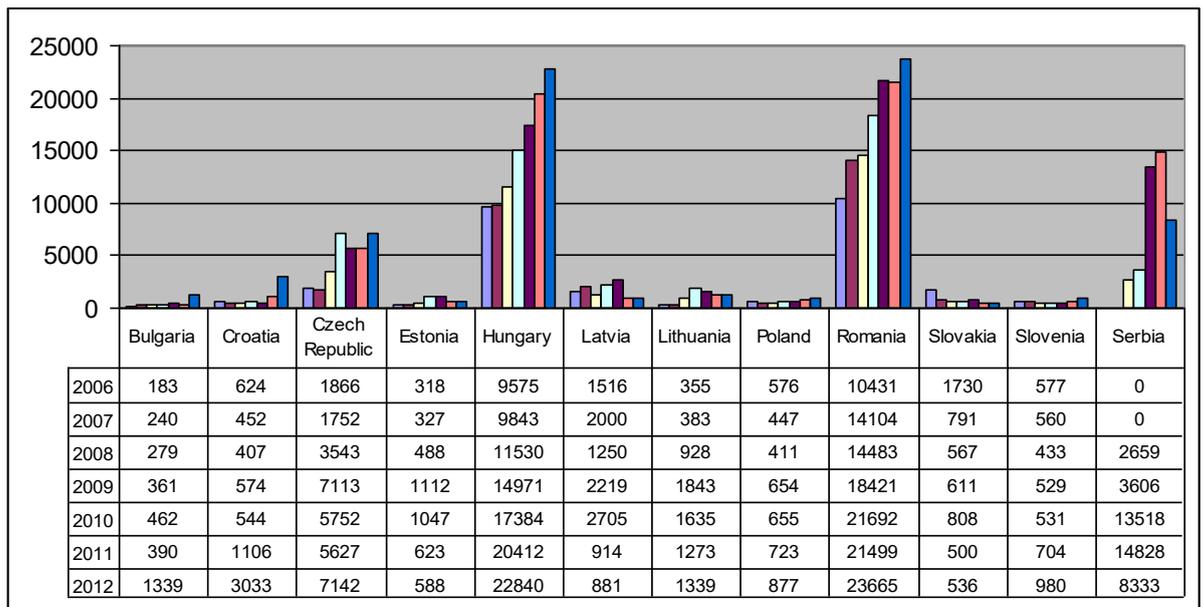
In the top of insolvencies in 2012 Romania is followed by Hungary (with 22,840 insolvencies) and then at a great distance, by Serbia (with a total of 8,333 insolvencies) .

The number of insolvencies in the countries from Central and Eastern Europe depends on the laws of each country which are more or less harmonized with the European standards. According to the Coface experts, some countries such as Bulgaria and Ukraine still need reforms in this area while the Baltic states (Estonia, Latvia and Lithuania) have already an insolvency law similar to the European standards.



Graph 1: Evolution of the number of insolvencies in countries from Central and Eastern Europe during the 2006-2012 period

Source: own processing based on data provided by Coface, www.centraleurope.com



Graph 2: Evolution of the number of insolvencies in countries from Central and Eastern Europe, split by years, during 2006-2012

Source: own processing based on data provided by Coface, www.centraleurope.com

For the 2013-2014 period, Coface expects a worse financial state and hence an increase in insolvencies in the most countries from Central and Eastern Europe.

As for solving the problem of insolvencies for the European Union countries, it is clear from the table 1 that Romania is not very well situated. In our country the necessary time to solve insolvencies is 3.3 years, an average above the one determined for Central and Eastern Europe (2.4 years). Also, the necessary time to solve insolvencies in Romania exceeds the time need in the Czech Republic (3.2 years), Croatia (3.1 years) and Poland (3 years) need. At the

opposite pole are situated Great Britain, Austria, Germany and France with a necessary time of solving insolvencies of about 1 year.

The costs of 11% insolvency proceedings in Romania (measured as percentage level in the total estate) are still below the average level determined for Central and Central Asia (13%) but the level is higher than in Austria (10%), Bulgaria and France (9%).

The rate of insolvency recovery reflected in the number of cents reported to \$ 1 claimed by creditors participating in the insolvency procedure is another indicator that shows the effectiveness of the insolvency procedure. The higher the recovery rate, the highest the efficiency of the insolvency proceedings is and the creditors are able to recover a much more part from their claims on the insolvent company. Romania and Serbia record the minimum levels of recovery rate of insolvencies (slightly over 29) while the average in the Central Europe and Central Asia is 36.9. At the opposite pole, with the highest recovery rate of insolvencies, United Kingdom (88.6), Austria (83.3) and Germany (78.1) are situated.

Table 1: Resolving insolvencies in EU countries:

Country	Cost (% in total estate)	Time(years)	Recovery rate (cents reported to \$1)
Austria	10	1,1	83,3
Bulgaria	9	3,3	31,7
Czech Republic	17	3,2	56,3
Croatia	15	3,1	30,1
France	9	1,9	48,4
Germany	8	1,2	78,1
Hungary	15	2	38,8
Italy	22	1,8	63,4
Latvia	13	3,0	59,8
Lithuania	7	1,5	51,0
Poland	15	3	54,5
Romania	11	3,3	29,2
Slovenia	4	2,0	49,8
Serbia	20	2,0	29,1
Slovak Republic	18	4,0	53,6
United Kingdom	6	1,0	88,6
Average Eastern Europe & Central Asia	13	2,4	36,9
OECD	9	1,7	70,6

Source: own processing based on the data provided by the World Bank Group, Doing Business Economy Rankings, 2013

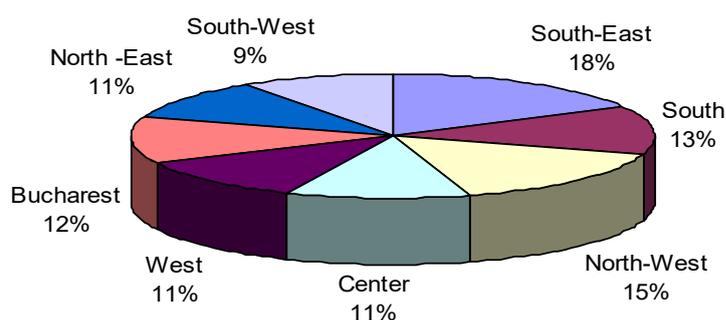
In what the geographical distribution of insolvencies is concerned in Romania, we reflect below its structure over the period 2006-2012:

Table 2: Geographical distribution of Romania's insolvency cases in the 2009-2012 period

Geographical zones	2006	2007	2008	2009	2010	2011	2012	Total
South-East	1478	2696	2823	3193	3208	3346	3931	20675

South	1260	1508	1364	2070	2468	3228	3877	15775
North-West	1224	1470	1865	3516	3491	3524	3858	18948
Center	1217	1432	1613	2069	2289	2305	2813	13738
West	914	1532	2016	2280	2127	2265	2486	13620
Bucharest	1931	2313	1719	2109	2006	2543	2303	14924
North -East	1256	1877	1500	1660	2221	2473	2202	13189
South-West	1151	1276	1583	1524	1840	1815	2195	11384
Total	10431	14104	14483	18421	19650	21499	23665	12253

Source: own processing based on data provided by Coface Romania, www.coface.ro



■ South-East ■ South ■ North-West ■ Center ■ West ■ Bucharest ■ North -East ■ South-West

Graph 3: Geographical distribution of Romania's insolvency over the period 2009-2012

Source: own processing based on data provided by Coface Romania, www.coface.ro

As it can be seen in the graphs above and data series provided by Coface Romania, the most affected three regions in terms of the number of insolvencies in 2012 were South-East, North-West and South, representing about half of the total number of insolvencies recorded in the entire country. Also, in all three regions the number of insolvencies has recorded a significant increase throughout the whole analyzed period (2006-2012). In contrast, the South-West and North-East have recorded the lowest level of insolvencies in 2012 both in relative sizes (both regions with minimum of insolvencies, of 9 %) and in absolute values (the South West has recorded the lowest number of insolvencies in 2012 that is 2195 followed closely by the North- East with 2202 insolvencies)

In the breakdown by region of the total number of insolvencies in the entire analysis period that is 2006-2012, the three regions South- East, North -West and South are also situated at the top. The South-East region is the first, with a total number of 20,675 insolvencies, representing 18 % of the total recorded in the 2006-2012 period. The North-West is the second with a total of 18,948 insolvencies, representing 15 % of the total. On the third place we find the Southern region of Romania, with a total number of 15,775 insolvencies representing 13 % of the total.

The hierarchy on the whole analyzed period is the same, the less insolvent regions being the South -West and North-East, where the total number of insolvencies is the lowest compared to other regions. In the South West, for example, the total number of insolvencies is almost half of the leader's, the South East in the 2006-2012 period.

The time passed since adopting the OUG 46/24.05.2013 on the financial crisis and the insolvency of municipalities does not allow us to carry out exhaustive similar to the above studies regarding the insolvency of the municipality.

However, according to the Public Policy Institute of Bucharest (2013), there are at least 90 localities (cities, towns and villages) that cannot cover from their own revenues even a quarter of the administrative expenditure (see Annex 1). Over half of these localities are located in the North East (Bacău, Iasi, Neamt, Vaslui, Botoşani counties) and although they fail to cover even 25% of the administrative costs, they have very high expenses uncovered by own revenues but covered by making pressures on the County Councils and on the Government to get money from various sources. According to the same source, just last year, the Government has transferred to these poor localities over the 65 million from the state budget. Bucharest Public Policy Institute shows that only 10 % of the 3200 localities in Romania fully cover their operating expenses from their own revenues, the value of administrative expenses that are worth an average of approximately 1 mil / year to a community.

This is why such a regulation has become as a necessity for good governance in the administration field and will lead, as the regulations applied to economic entities, to an environmental purification of the administration area by merging municipalities that have not adopt an efficient policy of resource management.

5. Conclusions

The insolvency reform started in Romania in 2006 and culminating with the 2013 regulations concerning the municipalities was necessary because of the need of harmonizing the Romanian legislation with the EU insolvency law.

Although the legislative regulations have triggered compared to the European space a record number of insolvencies in Romania, we consider that the adoption of the reform led to a purification of the economic environment, only the truly viable businesses remaining on the market. The year 2006 marked the new legislation background that it continues today (by legislative amendments have succeeded over the period 2006-2013) but only partially succeeds to harmonize with the EU legislation on insolvency. As we noted in the completed studies, the necessary time to solve insolvencies in Romania is still a fairly long one (over three years) compared with countries like Austria or Germany. Also the costs involved are very high (of approximately 11 %) compared with those from UK (6 %), Germany (8 %) and France (9 %).

In terms of regulations of insolvency proceedings, along with the specific insolvency regulations concerning the municipalities, the 2006-2013 period is far from being completed. Various inconsistencies and irregularities of insolvency proceedings which can create the artificial insolvencies of entities only for the reason of no longer pay their debts, have been reported so far to the Romanian Ministry of Justice. Thus, it is now about to be enacted the so-called "Insolvency Code" which promises to be a new challenge in the regulatory system of insolvency proceedings in Romania.

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Annex 1**List of Romanian municipalities with a high risk of insolvency (municipalities which cannot cover from their own revenues even a quarter of operating expenditures)**

No.	County	Locality	Type	The share of own revenues in total expenditures
1	Bacău	Vultureni	Village	12 %
2.	Neamț	Alexandru cel bun	Village	15 %
3.	Argeș	Babana	Village	15 %
4.	Harghita	Dârjiu	Village	15 %
5.	Arad	Vinga	Village	16 %
6.	Vaslui	Alexandru Vlahuță	Village	17 %
7.	Vaslui	Osești	Village	18 %
8.	Suceava	Valea Moldovei	Village	18 %
9.	Vaslui	Garceni	Village	18 %
10.	Botoșani	Cosula	Village	18 %
11.	Bacău	Bogdănești	Village	18 %
12.	Vaslui	Delești	Village	18 %
13.	Bacău	Colonești	Village	19 %
14.	Vaslui	Puiești	Village	19 %
15.	Vaslui	Voinești	Village	19 %
16.	Vaslui	Coroiești	Village	19 %
17.	Olt	Milcov	Village	20 %
18.	Suceava	Ulma	Village	20 %
19.	Argeș	Căldăraru	Village	20 %
20	Harghita	Odorheiu Secuiesc	Municipality	20 %
21.	Maramureș	Petrova	Village	20 %
22.	Botoșani	Vorona	Village	21 %
23.	Argeș	Poienarii de Argeș	Village	21 %
24.	Suceava	Vulturești	Village	21 %
25.	Vaslui	Oraș Negrești	City	21 %
26.	Botoșani	Șendriceni	Village	21 %
27.	Olt	Voineasa	Village	22 %
28.	Dâmbovița	Răcari	City	22 %
29.	Vrancea	Mera	Village	22 %
30.	Vrancea	Dumitrești	Village	22 %
31.	Vaslui	Ivănești	Village	22 %
32.	Olt	Topana	Village	22 %
33.	Vaslui	Iana	Village	22 %
34.	Vaslui	Todirești	Village	22 %
35.	Bacău	Agas	Village	22 %
36.	Vaslui	Rafaila	Village	22 %
37.	Bacău	Berzunți	Village	22 %
38.	Bacău	Bârsănești	Village	22 %
39.	Maramureș	Repedea	Village	23 %
40.	Botoșani	Corni	Village	23 %

41.	Iași	Târgu frumos	City	23 %
42.	Suceava	Râșca	Village	23 %
43.	Buzău	Bozioru	Village	23 %
44.	Botoșani	Hilise-Horia	Village	23 %
45.	Maramureș	Poienile de sub munte	Village	23 %
46.	Botoșani	Suharu	Village	23 %
47.	Vaslui	Solești	Village	23 %
48.	Bihor	Boianu Mare	Village	23 %
49.	Maramureș	Bicaz	Village	23 %
50.	Vaslui	Codăiești	Village	23 %
51.	Buzău	Odăile	Village	23 %
52.	Sălaj	Șamșud	Village	23 %
53.	Vaslui	Gherghești	Village	23 %
54.	Olt	Vitomirești	Village	23 %
55.	Neamț	Boghicea	Village	23 %
56.	Vaslui	Ibănești	Village	23 %
57.	Vaslui	Ștefan cel Mare	Village	24 %
58.	Vaslui	Pungești	Village	24 %
59.	Vaslui	Frunțișeni	Village	24 %
60.	Botoșani	Dimacheni	Village	24 %
61.	Dâmbovița	Nucet	Village	24 %
62.	Vaslui	Dănești	Village	24 %
63.	Buzău	Viperești	Village	24 %
64.	Mehedinți	Bala	Village	24 %
65.	Vrancea	Nereju	Village	24 %
66.	Botoșani	Cristești	Village	24 %
67.	Buzău	Mânzălești	Village	24 %
68.	Vaslui	Dragomirești	Village	24 %
69.	Vaslui	Cozmești	Village	24 %
70.	Suceava	Dolhasca	City	25 %
71.	Buzău	Cătina	Village	25 %
72.	Vaslui	Băcești	Village	25 %
73.	Argeș	Recea	Village	25 %
74.	Iași	Tibanești	Village	25 %
75.	Botoșani	Tudora	Village	25 %
76.	Harghita	Dealul	Village	25 %
77.	Iași	Bârnova	Village	25 %
78.	Botoșani	Stăuceni	Village	25 %
79.	Arad	Archiș	Village	25 %
80.	Dâmbovița	Ciocănești	Village	25 %
81.	Mehedinți	Tamna	Village	25 %
82.	Bacău	Mărgineni	Village	25 %
83.	Teleorman	Didești	Village	25 %
84.	Olt	Oboga	Village	25 %

85.	Vaslui	Dumești	Village	25 %
86.	Bacău	Ardeoani	Village	25 %
87.	Maramureș	Leordina	Village	25 %
88.	Olt	Ipotești	Village	25 %
89.	Vaslui	Zapodeni	Village	25 %
90.	Maramureș	Bârsana	Village	25 %

Source : Public Policy Institute Report Bucharest, 2013