sciendo

Original reviews • DOI: https://doi.org/10.25143/socr.31.2025.1.08-15 • 2025 • 31(1) • 8-15

Socrates

Legal framework for debt restructuring in Latvia: from rehabilitation to legal protection process

Jana Dzene*

Juridiskā koledža, Riga, Latvia; 0009-0008-8985-1827

Abstract

The aim of this study is to explore the significance and effectiveness of debt restructuring in the private sector, considering global economic trends and challenges. The research analyzes the objectives of the restructuring process as they evolve with changes in the regulatory framework, examining their application and adaptation to prevent insolvency and enhance financial stability. The study employs analytical, inductive, and deductive research methods. The historical research method is applied to uncover the development and legal transformation of corporate debt restructuring, as well as to outline future trends. Additionally, the logical-constructive research method is utilised. The key findings reveal that effective cooperation between creditors and debtors, along with transparent communication, is crucial for successful debt restructuring.

Keywords

Debt restructuring • corporate debt • economic sustainability • financial stability • insolvency prevention

INTRODUCTION

Debt restructuring is a crucial legal instrument primarily aimed at providing debtors in financial distress the opportunity to stabilise their solvency while preserving the possibility of fulfilling obligations. This process not only helps debtors avoid insolvency but also ensures a fair and balanced approach, enabling creditors to receive their due payments. The importance of debt restructuring is particularly pronounced in situations where legal solutions can restore the debtor's solvency and maintain economic relationships.

In 2019, the International Monetary Fund's evaluated Latvia's insolvency framework and highlighted that corporate restructuring in cases of insolvency or financial distress is rare. In practice, most insolvency proceedings in Latvia result in asset liquidation because the Legal Protection Proceedings and Extrajudicial (out-of-court) legal protection proceedings do not effectively function as mechanisms for restoring the financial condition of struggling companies. (Garrido et al., 2019).

Statistics confirm this trend. Between 2008 and November 2024, 1,915 Legal Protection Proceedings applications were submitted, with 92% of them initiated by courts. Of the initiated Legal Protection Proceedings cases, only 25% were declared, and merely 6% of the total initiated cases were successfully completed. Compared to declared cases, 22% were successfully completed (Lursoft, 2024).

The author points out that the fact that only 6% of Legal Protection Proceedings have been successfully completed out of the total number reflects a lack of systemic efficiency or highlights the difficulties that companies face in successfully carrying out Legal Protection Proceedings procedures. This low success rate may be attributed to various factors, including insufficient financial management capabilities within companies, resistance from creditors, or limitations inherent in the legal framework.

Out of all initiated Legal Protection Proceedings, only 22% have been successfully completed, indicating that commencement of the process increases the likelihood of a successful implementation. However, this percentage remains low, highlighting the need to strengthen monitoring and support mechanisms to ensure more effective assistance to companies during Legal Protection Proceedings.

Is the Legal Protection Proceedings in Latvia an effective tool for achieving its primary goal—restoring the solvency of companies? If the success rates are so low, it is evident that regulatory or support mechanism improvements are necessary.

The goal of the Legal Protection Process aligns with the purpose of the Insolvency Law—to promote the restoration of

*Corresponding author: jana.dzene@gmail.com

solvency and protect the interests of creditors as a collective. However, creditor interests are not absolute. The legislator aims to balance the interests of debtors and creditors, as evident in the legal protection process through the debtor's right to use legal protection methods (one or more) provided by the Insolvency Law (Bērziņš, 2008). Balancing the interests of debtors and creditors in the debt restructuring process is complex, as their goals often conflict. Debtors aim to reduce payment burdens by extending repayment terms or lowering debt amounts to avoid insolvency and stabilise their financial situation. Creditors, on the other hand, seek to recover the maximum loaned capital and achieve the highest possible return without risking additional losses.

The purpose of the law reflects the legislator's intent and applies to all its provisions (Meļķis, 2006). Every legal regulation is aimed at achieving a specific goal (Bērziņš, 2009). Legal frameworks are designed to satisfy societal needs, ensure compliance with norms, and balance the interests of various parties.

The purpose of a law is one of the essential elements of its content.Every law is drafted and adopted in order to achieve a specific objective. The purpose of the law plays a crucial role in its application. Legal norms are typically formulated in general terms, and applying them to specific cases may prove challenging. Therefore, in each individual case, legal provisions must be applied in light of the purpose of the law (Krūmiņa and Skujiņa, 2002). The purpose of a law is an essential component of the legal system, guiding the expected outcomes of implementing a particular legal regulation. It serves as a foundation for applying and interpreting the law, particularly when provisions are general or ambiguities arise.

In the interpretation of legal norms, the principle of purpose helps resolve uncertainties and achieve justice in specific cases (Hart, 1994: 50–55).

The purpose of Latvia's Insolvency Law is to promote the restoration of solvency, protect creditor interests, and ensure a fair and transparent process. This goal assists courts and administrators in resolving disputes, such as assessing the validity of agreements between debtors and creditors or determining the justification for initiating insolvency procedures.

According to the Guidelines for the Development of Insolvency Policy 2016–2020, the sub-goal of the Legal protection proceedings policy is to promote the return of viable companies to economic circulation, thereby ensuring creditor protection and, in the long term, achieving greater recovery compared to insolvency proceedings. (Maksātnespējas politikas attīstības pamatnostādnes 2016. - 2020. gadam).

Debt restructuring is a legal process aimed at enabling debtors in financial distress to restore solvency while maintaining the possibility of fulfilling obligations. This process involves revising the volume or terms of obligations to reduce the financial burden, considering the debtor's actual solvency capabilities. Debt restructuring seeks to balance the debtor's right to restore solvency with the creditors' right to receive due payments. Its essence lies in finding a solution that avoids insolvency proceedings, which are often lengthy, costly, and economically inefficient for both debtors and creditors.

American economist Edward I. Altman, renowned for his work in corporate insolvency and financial risk analysis, emphasises financial distress as a situation where cash flow is insufficient to cover short-term obligations. Altman defines short-term obligations as liabilities that must be fulfilled within a relatively short timeframe, typically 1 year. These include debts to suppliers, obligations to employees such as wages and other employment-related payments, financial commitments such as interest payments or principal repayment under loan agreements, and potential or actual litigation losses (Altman, 1999: 246–247).

Altman's focus on short-term obligations is justified by their critical role in maintaining a company's liquidity and solvency. In Latvia, as elsewhere, short-term obligations are a central aspect affecting corporate solvency.

The study aims to analyse the development of Latvia's legal framework in the field of debt restructuring, with particular attention to changes in legislation, their effectiveness, and their impact on the interests of debtors and creditors. The study also evaluates the practical aspects of implementing legal regulations, identifies strengths and weaknesses, and examines Latvia's regulatory framework for compliance with international practices and European Union (EU) legal norms. It should be noted that the comparison in this article is limited to the review of legal norms related to the restructuring of corporate debt.

RESEARCH RESULTS AND DISCUSSION

From 1992 to 1 January 2008

The necessity for regulatory frameworks addressing corporate insolvency and bankruptcy in Latvia is closely tied to the country's economic and legal situation in the 1990s, following the restoration of independence. During this period, it was essential to establish legal regulations capable of addressing challenges associated with the introduction of a market economy, particularly concerning corporate insolvency and the fulfilment of obligations.

On 3 December 1991, the Law on Insolvency and Bankruptcy of Enterprises and Companies was adopted, providing a simple and concise approach to insolvency regulation, with only 30 articles. While the law did not explicitly define its purpose, an examination reveals that one of its implicit goals was to facilitate the restructuring of enterprises or, if this was not feasible, to enable liquidation, thereby removing inefficient entities from the economy.

Enterprise restructuring was to be carried out through rehabilitation, defined as measures to prevent the potential bankruptcy of an insolvent enterprise, such as reorganisation, changes in production structure or profile, provision of loans, guarantees, and other actions taken by owners or third parties (Par uzņēmumu un uzņēmējsabiedrību maksātnespēju un bankrotu, 1992). Rehabilitation was considered an option within insolvency proceedings, primarily framed as an interim measure before initiating bankruptcy procedures. It lacked the structure and detail later incorporated into subsequent regulations.

In <5 years, a new law was enacted to regulate corporate solvency. The 1996 Law on Insolvency of Enterprises and Companies did not explicitly define its purpose. However, the explanatory note to the draft 'Insolvency Law' stated that its primary aim was the maximum protection of creditor interests. Consequently, in most insolvency cases, bankruptcy procedures were initiated as the primary resolution, leaving financially distressed companies with little opportunity to restore solvency (Likumprojekta „Maksātnespējas likums" anotācija, 2006). While creditor protection was indeed a core focus, it represented only part of the broader objective: to manage and organise insolvency proceedings while respecting the rights and interests of both creditors and debtors.

The 1996 Insolvency Law also introduced the concept of rehabilitation, defined as a solvency restoration measure involving planned actions to prevent bankruptcy, restore solvency, and satisfy creditor claims (Likums „Par uzņēmumu un uzņēmējsabiedrību maksātnespēju" 1996). Rehabilitation was intended as an opportunity for companies to regain solvency and continue their operations.

The law emphasized debt restructuring, creditor involvement, and the restoration of financial stability. However, its practical implementation yielded limited success. According to data from Lursoft, out of 8,437 insolvency proceedings registered between January 1, 1991, and August 31, 2005, only 10 rehabilitation procedures were successfully completed (Likumprojekta „Maksātnespējas likums" anotācija, 2006).

The low success rate highlights significant shortcomings in the practical implementation of rehabilitation. Internationally, for example, the United States Chapter 11 process demonstrates a more structured approach to corporate recovery, focusing on debtor-friendly regulations and fostering trust among creditors (Eidenmüller, 2021). The U.S. Supreme Court underscored this rehabilitative purpose in the case Local Loan Co. v. Hunt (292 U.S. 234, 244 (1934)): 'It gives the honest but unfortunate debtor… a new opportunity in life and a clear field for future effort, unhampered by the pressure and discouragement of preexisting debt'.

The Latvian insolvency regulation of the time lacked a clearly defined rehabilitation goal, mechanisms and uniform guidelines that would facilitate the possibility of restoring solvency. Rehabilitation often served as a transitional stage before bankruptcy, rather than as an effective means of recovery.

The 1996 Law placed significant emphasis on creditor protection, which was crucial in the context of a developing market economy. However, this focus created a balance issue. The prioritisation of creditor interests often excluded opportunities for debtors to successfully implement rehabilitation plans, reflecting a systemic imbalance between the interests of creditors and debtors. This approach frequently led to situations where creditors preferred immediate satisfaction of claims over the long-term restoration of solvency, as evidenced by the low number of successful rehabilitation cases.

These challenges highlight the need for future regulatory frameworks to strengthen mechanisms promoting creditor involvement and cooperation with debtors during recovery processes. Enhanced support for rehabilitation could improve the efficiency and effectiveness of insolvency procedures, fostering a more balanced approach to resolving financial distress.

From 1 January 2008, to 1 November 2010

The explanatory note to the 2006 draft 'Insolvency Law' stated:

> 'A commercial law reform has been implemented in Latvia. As part of this reform, the legal system has undergone significant changes, and new legal institutions have been introduced. Consequently, the provisions of the "Law on Insolvency of Enterprises and Companies" are incompatible with the legal system and contradict the newly introduced legal institutions. This promotes inconsistent interpretations of legal norms, often resulting in varying court decisions in similar cases, thereby failing to ensure adherence to the principle of legal certainty' (Likumprojekta „Maksātnespējas likums" anotācija, 2006).

The analysis provided in the explanatory note highlights the necessity for a new regulatory framework for insolvency to adapt to changes in the legal system and the commercial environment.

Following Latvia's accession to the EU, the Law on Insolvency of Enterprises and Companies was considered excessively outdated, necessitating updates and improvements. To fulfil obligations towards the EU, it was essential to ensure that national regulations conformed to EU directives.

In line with EU directives and best practices, the insolvency framework was developed with the objective of harmonising national regulations with EU requirements. Special emphasis was placed on early intervention mechanisms, enabling debtors to address financial difficulties promptly and develop debt restructuring plans (Directive (EU) 2001/17).

When considering the purpose of the Insolvency Law, its objective was to promote the restoration of the solvency of insolvency subjects and protect the collective interests of creditors in cases of limited solvency or insolvency (Insolvency Law, 2008). This purpose was crucial as it reflected a balance between protecting creditor interests and ensuring the debtor's right to continue economic activity. This balance is essential for economic stability and business competitiveness (Civilprocesa likuma komentāri, II daļa, 2012).

This version of the law emphasised its applicability to two situations:

Limited solvency—A condition where the debtor is unable to fully fulfil their obligations but is not yet insolvent.

Insolvency — A state in which the debtor is objectively unable to meet their financial obligations, thereby giving rise to insolvency proceedings.

The regulatory framework introduced the Legal Protection Proceedings, which is defined as a set of legal measures aimed at protecting the interests of a company in cases of limited solvency, to fully restore its solvency (Maksātnespējas likums, 2008).

Limited solvency was explained as a condition where a company temporarily lacked sufficient funds to fulfil obligations that were due or would become due in the near future (Maksātnespējas likums, 2008).

As noted by Gaidis Bērziņš, introducing the Legal Protection Proceedings provided a humane and economically efficient solution, as opposed to the prevailing practice at the time—the destruction of the debtor's business operations (Bērziņš, 2008).

The legal protection process in Latvia was introduced not only to restore the solvency of debtors but also to reduce the dominance of liquidation procedures in insolvency cases. Similar procedures in international practice have proven effective, offering creditors better opportunities to recover claims and supporting the long-term viability of debtor companies (Bērziņš, 2008; Directive (EU) 2019/1023).

It should be noted that all previously established solutions—conciliation, settlement, and rehabilitation—had the same goal: to facilitate the restoration of solvency for businesses in distress.

The provisions of the law allowed businesses to fully restore their solvency, continuing their economic activities and settling obligations with creditors within the scope of their operations. At the same time, in insolvency proceedings, the restoration of economic activities was also possible through rehabilitation or settlement. Thus, the legal protection process was distinct from insolvency proceedings, offering the debtor the opportunity to restore solvency through the legal protection process before declaring insolvency. After an insolvency declaration, solvency restoration was possible through rehabilitation or settlement agreements (Civilprocesa likuma komentāri. II daļa, 2012).

The expansion of the law's scope to include situations of limited solvency aimed to promote early rehabilitation or debt restructuring. This approach gave debtors the opportunity to adapt to financial difficulties and develop solutions beneficial to both debtors and creditors.

The purpose of early intervention mechanisms was to allow debtors to identify financial problems in a timely manner and seek solutions to avoid insolvency. This also included the obligation of creditors to collaborate to achieve the optimal outcome for the interests of both parties. Such an approach aligns with EU standards for legal protection practices, which emphasise creditor-debtor collaboration in resolving crisis situations (Directive (EU) 2019/1023).

This type of support for addressing limited solvency situations created opportunities for both debtors and creditors. Debtors were able to avoid insolvency and continue their business operations, while creditors had a greater chance of recovering a larger portion of their debts compared to full insolvency proceedings.

Such an approach aligns with international standards, prioritising business viability and economic efficiency. Instead of liquidating companies, mechanisms were created to encourage sustainable financial restructuring and help preserve jobs (Eidenmüller, 2021).

In conclusion, the 2008 version of the Insolvency Law introduced significant changes to Latvia's insolvency regulations, expanding the law's scope to include limited solvency situations and implementing early intervention mechanisms. The introduction of the legal protection process fostered a more humane and economically efficient approach to insolvency resolution compared to the previously dominant liquidation procedures.

This approach not only allowed debtors to respond to financial difficulties more promptly but also provided creditors with greater chances of recovering their claims. However, while the legal protection process improved the regulatory framework, its effectiveness depended on the collaboration of the involved parties and the practical implementation of the mechanisms.

From 1 November 2010

On 1 November 2010, the current version of the Insolvency Law came into force, with its purpose defined as follows:

> 'The purpose of the law is to promote the fulfilment of obligations by a debtor in financial difficulties and, where possible, the restoration of solvency by applying the principles and legal solutions provided in the law' (Maksātnespējas likums, 2010).

While the new version clarified the law's purpose, its focus on insolvency procedures and restoring solvency in cases of complete insolvency limits the potential for preventive restructuring. This creates a risk that companies with limited solvency, which could potentially be restored through early intervention, might end up in insolvency proceedings where assets are often lost (Likumprojekta „Maksātnespējas likums" anotācija, 2010).

A significant change is that situations of limited solvency are no longer part of the law's purpose definition. This indicates that the new version focuses solely on insolvency procedures, thereby more clearly defining the scope and purpose of the law.

The author notes that fulfilling the law's stated purpose requires the debtor's will and the necessary preconditions for restoring solvency. The absence of the debtor's will makes the goal set by the law unattainable.

In conclusion, the 2010 Insolvency Law significantly shifted the focus of Latvia's insolvency framework, emphasising insolvency procedures and restoring debtor solvency. However, it excluded situations of limited solvency from its purpose definition, thereby limiting early intervention opportunities to prevent full insolvency. While the Legal Protection Proceedings was designed to help debtors maintain business operations, its effectiveness depends significantly on the debtor's initiative and ability to cooperate with creditors.

With the Insolvency Law of 26 July 2010, rehabilitation and settlement procedures were removed from insolvency proceedings, establishing the Legal Protection Proceedings as the sole procedure for restoring a debtor's solvency.

At the same time, excluding rehabilitation and settlement options from insolvency proceedings made bankruptcy the primary solution for legal entity insolvency cases. This legislative action marked a departure from the so-called unitary insolvency process in Latvia and established a strict separation between liquidation processes and those aimed at restoring solvency (Torgāns, 2012).

Although the Legal Protection Proceedings in Latvia has been separated from insolvency proceedings, both processes fall within the scope of the insolvency framework, as their purpose is to provide solutions in cases where the debtor cannot fully meet their obligations (Flinters, 2012).

The foundation of any insolvency procedure and regulation lies in the effective utilisation of a distressed company's resources and the redirection of potential costs. However, this is hindered by the inherent challenge that the purpose of the Insolvency Law is to balance two inherently conflicting interest groups: the legal protection of debtor and creditor rights (Meļķis, 2006).

Compared to the 2007 Insolvency Law, which provided detailed requirements for submitting an application for the Legal Protection Proceedings, the 2010 version of the Insolvency Law regulates the application process under the Civil Procedure Law.

The 2007 regulation required the debtor to provide the court with comprehensive initial information, including details about obligations, creditors, and assets. This approach allowed the court to quickly assess the validity and potential effectiveness of the application.

In contrast, under the current Insolvency Law, the initial requirements for applications are less detailed, and the criteria for initiating the Legal Protection Proceedings case have been simplified, relying on the Civil Procedure Law. While this approach is more flexible and facilitates greater access to the Legal Protection Proceedings, it may lead to situations where the court and creditors lack sufficient initial information about the debtor's financial condition, making objective evaluation more challenging.

In the author's view, on the one hand, the 2007 law's requirements for providing detailed information at the application stage allowed the court to manage the process more effectively and reduced the risk of abusive use of the Legal Protection Proceedings. On the other hand, such requirements could impose an additional burden on debtors already in a difficult financial situation.

As an optimal solution, the author suggests combining the advantages of both regulations by establishing a flexible application procedure that allows for the request of additional documents at an early stage. This would enable the court and creditors to conduct a thorough analysis of the debtor's situation. Such an approach would enhance transparency while also easing debtor access to the Legal Protection Proceedings.

International experience highlights that active debtor involvement is critically important for successful restructuring procedures. For instance, the European Union Directive 2019/1023 emphasises the debtor's responsibility to prepare and implement a restructuring plan, incorporating a realistic approach to reducing obligations and stabilising business operations (Directive (EU) 2019/1023).

Moreover, international practice indicates that debtors often lack the resources or knowledge to develop an effective restructuring plan. Therefore, mechanisms should be considered to ensure access to restructuring consultants or specific state support programs that provide guidance during the debt restructuring process (European Commission Staff Working Document on Restructuring and Insolvency, 2016).

In the author's view, restoring solvency is a crucial objective to maintain business viability, employment, and economic stability. If the law focuses solely on insolvency cases, it deprives businesses of tools to address early financial problems. Early intervention, when a company has limited but not yet lost solvency, can prevent full insolvency and reduce creditor losses.

The explanatory note to the draft law stated that the regulation was necessary because, on 27 July 2009, the Government of the Republic of Latvia and the International Monetary Fund signed a Memorandum of Understanding, which indicated that the legal framework would be improved to address widespread debt problems in the business and household sectors, as well as to comply with the World Bank loan program (Likumprojekta „Maksātnespējas likums" anotācija, 2009).

The Constitutional Court, when evaluating insolvency-related processes, recognised that: 'The purpose of the Insolvency Law is to promote the restoration of the debtor's solvency and the protection of creditor interests in cases of limited solvency or insolvency, balancing the interests of a financially distressed entrepreneur and creditors' (Satversmes tiesas 2016. gada 28.septembra spriedums lietā Nr.2016-01-01).

This interpretation by the court aligns with the requirements of European legal acts, which emphasise the necessity of balancing the interests of debtors and creditors. Within the framework of the Legal Protection Proceedings, this means active participation from both parties to find viable solutions that promote economic stability and ensure business continuity.

International practice increasingly highlights the importance of restructuring and rehabilitation approaches, as exemplified by the European Union Directive of 2019 (2019/1023), which identifies the promotion of early restructuring as one of its primary objectives.

With the European Union Directive 2019/1023, member states are introducing restructuring procedures for legal entities under the control of debtors, including some mandatory and some optional provisions. Latvia's legal framework largely aligns with international standards; however, to meet mandatory requirements and ensure full compliance, some protective measures will need to be introduced. The optional provisions offer Latvia an opportunity to further enhance preventive restructuring as a viable and desirable alternative to insolvency. However, regulatory measures alone will not guarantee the effectiveness of the procedure (Galveno reformējamo jomu analīze esošajā Latvijas parādu pārstrukturēšanas ietvarā, 2020).

Currently, Latvia has a formal restructuring process aimed at providing a viable and desirable alternative to the liquidation of businesses in insolvency proceedings. In this respect, it aligns with the goals of preventive restructuring. However, formal restructuring often fails to achieve its objectives. There have been instances where the suspension of enforcement actions during the process has been misused to conceal the debtor's assets from creditors, transferring them to a new company and leaving the insolvent entity as an 'empty shell' for liquidation (Galveno reformējamo jomu analīze esošajā Latvijas parādu pārstrukturēšanas ietvarā, 2020).

Formal restructuring should be understood as a formal process under court supervision, such as the Legal Protection Proceedings or Extrajudicial (out-of-court) legal protection proceedings, which allows businesses facing financial difficulties to reduce their debts, for example, by reaching agreements with creditors, thereby restoring solvency and successfully continuing their economic activities.

The analysis of key areas for reform also highlighted that formal mechanisms, such as the Legal Protection Proceedings and Extrajudicial (out-of-court) legal protection proceedings, are often used ineffectively, and there is a risk that some businesses misuse these processes. Therefore, it is necessary to introduce additional control mechanisms and ensure that creditor protection is not compromised (Galveno reformējamo jomu analīze esošajā Latvijas parādu pārstrukturēšanas ietvarā, 2020).

The Insolvency Law stipulates that the Legal Protection Proceedings can only be initiated at the debtor's own initiative, and the debtor (or their representative) continues to manage their assets and business operations during the Legal Protection Proceedings process (Maksātnespējas likums, 2010).

Thus, during this period, the debtor must actively engage, including negotiating with creditors, holding discussions with business partners, and implementing a comprehensive plan to lead the company out of its financial difficulties and restore solvency.

The effectiveness of the Legal Protection Proceedings largely depends on how well-designed and realistic the debtor's restructuring plan is. In this context, international practices, such as restructuring models in the United Kingdom and Germany, demonstrate that successful plan implementation requires the involvement of professionals, such as restructuring specialists, and active participation from creditors (Eidenmüller, 2021).

The 2010 version of the Insolvency Law significantly shifted the regulatory focus, emphasising insolvency procedures and the restoration of debtor solvency as its primary objectives. However, the law excluded situations of limited solvency from its purpose definition, which limits the possibilities for early intervention to prevent full insolvency. The Legal Protection Proceedings was designed to help debtors maintain their business operations, but its effectiveness largely depends on the debtor's initiative and ability to cooperate with creditors.

Latvia's legal system includes mechanisms that facilitate restructuring and solvency restoration. However, practice shows that formal restructuring often fails to deliver the expected results, and in some cases, the process is misused. While the regulatory framework has been improved and aligns with international standards, critical factors such as effective oversight, creditor involvement, and debtor accountability are essential to making restructuring a viable alternative to insolvency.
Distinguishing viable debtors from non-viable ones is a central issue in corporate law. Developing systems that promote the restructuring of only viable debtors while successfully directing non-viable ones towards liquidation has always been a significant challenge for legislators. In this context, the concept of viability is critically important. In Europe, where the harmonised restructuring framework is still in its early stages, it is essential to carefully consider the notion of viability to establish a genuine European restructuring culture on solid foundations (Viability assessment in corporate debt restructuring: Optimising the filtration effect of the European directive on restructuring and insolvency).
To address regulatory shortcomings, future efforts should focus on enhancing the effectiveness of preventive measures, encouraging early intervention, and ensuring the active involvement of all relevant stakeholders. Such an approach would help reduce the number of business liquidations and foster greater economic stability.

CONCLUSIONS

In Latvia, four different laws have been adopted to regulate corporate insolvency and bankruptcy, including provisions to restore a company's solvency if it encounters financial difficulties.
It is important to note that returning a debtor to the commercial environment is not only significant for the debtor but also for the state as a whole. Companies are the backbone of the economy, providing employment, tax revenue, and local market dynamics.
Additionally, reintegrating debtors into the commercial environment contributes to overall business stability and reliability. Regulations promoting restructuring and solvency restoration are essential tools for preventing economic chain reactions triggered by widespread corporate liquidations (UNCITRAL Legislative Guide on Insolvency Law, 2005).
When a debtor is reintegrated into the commercial environment, jobs that would otherwise be lost due to insolvency are preserved.
Debtor reintegration is not only an individual solution but also a key aspect of societal and national economic welfare.
This issue is particularly relevant in today's globalised economy, where the interconnectedness of businesses and supply chains means that the liquidation of a single company can have broader negative impacts on regional or even national economies. Reorganisation procedures allow these companies to maintain their market presence and prevent unnecessary disruptions (Directive (EU) 2019/1023).
Promoting such processes helps preserve jobs, secure tax revenues, reduce social consequences, and create a stable and reliable business environment essential for sustainable national development. Therefore, regulations facilitating solvency restoration should be considered a strategic priority in national policy.
Modern economic realities increasingly favour the reorganisation of financially distressed businesses over liquidation. The ability to preserve or enhance the value of a debtor's assets through liquidation and the simple sale of corporate property has significantly diminished in contemporary economies. This is due to the growing importance of factors such as technological advancement, innovation, and intangible assets-including a skilled workforce—in determining a company's value rather than physical assets (Ostrovska, 2018).
In today's business environment, protecting human resources and maintaining business relationships are crucial determinants of a company's value. These elements cannot be preserved if a distressed company is forced into bankruptcy and liquidation. Moreover, long-term economic benefits are more likely to be achieved through reorganisation procedures, as they typically encourage debtors to act before financial difficulties become critical. Accordingly, the socio-political considerations enabled by reorganisation procedures, such as protecting employees of the debtor, become vital (UNCITRAL Legislative Guide on Insolvency Law, 2005).
These socio-political considerations are also a strategic aspect of national policy, as they promote economic resilience and adaptability to global market challenges. Successful reorganisation procedures ensure that companies not only restore their solvency but also continue to play their role in national economic development and societal welfare (Galveno reformējamo jomu analīze esošajā Latvijas parādu pārstrukturēšanas ietvarā, 2020).

REFERENCES

Altman, E.I. (1999). *Bankruptcy & Distressed Restructurings*, Washington DC: Beard Books.
Autoru kolektīvs prof K. Torgāna zinātniskajā redakcijā. (2012). *Civilprocesa likuma komentāri II daļa (29.-60.1 nodaļa)*, Rīga: Tiesu Namu aģentūra.

Bērziņš, G. (2008). Tiesiskās aizsardzības procesa mērķi. *Jurista Vārds*, 41 (546). https://m.juristavards.lv/doc/182792-tiesiskas-aizsardzibas-procesa-merki/

Bērziņš, G. (2009). Sanācijas iespējas tiesiskais regulējums. *Jurista Vārds*, 4 (547). https://m.juristavards.lv/doc/186812-sanacijas-iespejas-tiesiskais-regulejums/

Civilprocesa likums: Latvijas Republikas likums. 14.10.1998. Latvijas Vēstnesis 326/330, 20.06.2024. https://likumi.lv/ta/id/50500-civilprocesa-likums

DIRECTIVE (EU) 2019/1023 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 June 2019 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending Directive (EU) 2017/1132 (Directive on restructuring and insolvency). *Official Journal of the European Union*, L, 172. https://eur-lex.europa.eu/eli/dir/2019/1023/oj/?locale=LV NODOI [Accessed 3 April 2025]

DIRECTIVE 2001/17/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 19 March 2001 on the reorganisation and winding-up of insurance undertakings. *Official Journal of the European Union,* L, 110. https://eur-lex.europa.eu/eli/dir/2001/17/oj/?locale=LV NODOI[Accessed 3 April 2025]

Flinters, G. (2012). *Civilprocesa likuma komentāri. II daļa. Civilprocesa likuma komentāri. II daļa*. Sagatavojis autoru kolektīvs prof. K.Torgāna zinātniskajā redakcijā. (2012). Tiesu namu aģentūra.

Garrido, J.M., Rasekh, A., Rouillon, A. (2019). Republic of Latvia evaluation of the insolvency framework. https://www.tm.gov.lv/sites/tm/files/latvia20-20ta20report20on20evaluation20of20the20insolvency20framework1.pdf [Accessed 3 April 2025]

Eidenmüller, H. (2021). Restructuring Law in Germany: The StaRUG. *European Company and Financial Law Review*, 18 (1). https://onlinelibrary.wiley.com/doi/full/10.1002/iir.1432 [Accessed 3 April 2025]

Hart, H.L.A. (1994). *The Concept of Law (Clarendon Law Series)*, London, 2nd Edn., Oxford University Press, ISBN 978-0198761228.

Krūmiņa, V., Skujiņa, V. (2002). *Normatīvo aktu izstrādes rokasgrāmata*. https://ppdb.mk.gov.lv/wp-content/uploads/2023/09/na_izstr_rokasgramata.pdf [Accessed 3 April 2025]

Likumprojekta "Maksātnespējas process" anotācija. (2006). https://titania.saeima.lv/LIVS/SaeimaLIVS.nsf/0/3DA20AD7479A7451C2257682003F4E4F?OpenDocument#a [Accessed 3 April 2025]

Lursoft. (2024). Kopējais ierosināto TAP lietu skaits sadalījumā pēc darbības formas. https://www.lursoft.lv/exec?act=MNR_LSTAT&stat_id=535 [Accessed 3 April 2025]

Maksātnespējas likums. Latvijas Vēstnesis Nr. 188, 22.11.2007., 01.11.2007. (Zaudējis spēju). https://likumi.lv/ta/id/166663-maksatnespejas-likums

Maksātnespējas likums: Latvijas Republikas likums. Latvijas Vēstnesis, Nr.124, 20.06.2024. https://likumi.lv/ta/id/214590-maksatnespejas-likums

Meļķis, I. (2006). Parādnieka tiesiskās aizsardzības procesa mērķis. *Jurista Vārds*, 18 (421). https://m.juristavards.lv/doc/134431-paradnieka-tiesiskas-aizsardzibas-procesa-merkis/

Ministru kabineta 21.09.2016. rīkojums Nr. 527 "Par Maksātnespējas politikas attīstības pamatnostādnēm 2016.–2020. gadam un to īstenošanas plānu", Latvijas Vēstnesis Nr. 186, 26.09.2016. https://likumi.lv/ta/id/284925-par-maksatnespejas-politikas-attistibas-pamatnostadnem-2016-2020-gadam-un-to-istenosanas-planu

Ostrovska, V. (2018). Tiesiskās aizsardzības procesi 2015–2017: Problēmas un iespējamie risinājumi. *Jurista Vārds*, 25 (1031). https://m.juristavards.lv/doc/272941-tiesiskas-aizsardzibas-procesi-20152017-problemas-un-iespejamie-risinajumi/

Par uzņēmumu un uzņēmējsabiedrību maksātnespēju un bankrotu. 03.12.1991. Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs, 2/3, 16.01.1992.; Diena, 249, 24.12.1991. (Zaudējis spēku).

Par uzņēmumu un uzņēmējsabiedrību maksātnespēju. 12.09.1996. Latvijas Vēstnesis, 165, 02.10.1996.; Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs, 20, 24.10.1996. (Zaudējis spēku).

Satversmes tiesas spriedums lietā Nr.2016-01-01 (28 September 2016). chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.satv.tiesa.gov.lv/wp-content/uploads/2016/01/2016-01-01_Spriedums.pdf [Accessed 3 April 2025]

United Nations Commission on International Trade Law (UNCITRAL) Legislative Guide on Insolvency Law, United Nations, New York (2005). Preface. https://uncitral.un.org/sites/uncitral.un.org/files/media-documents/uncitral/en/05-80722_ebook.pdf [Accessed 3 April 2025]

United States Supreme Court Local Loan Co. v. Hunt, 292 U.S. (1934) 234, 244.