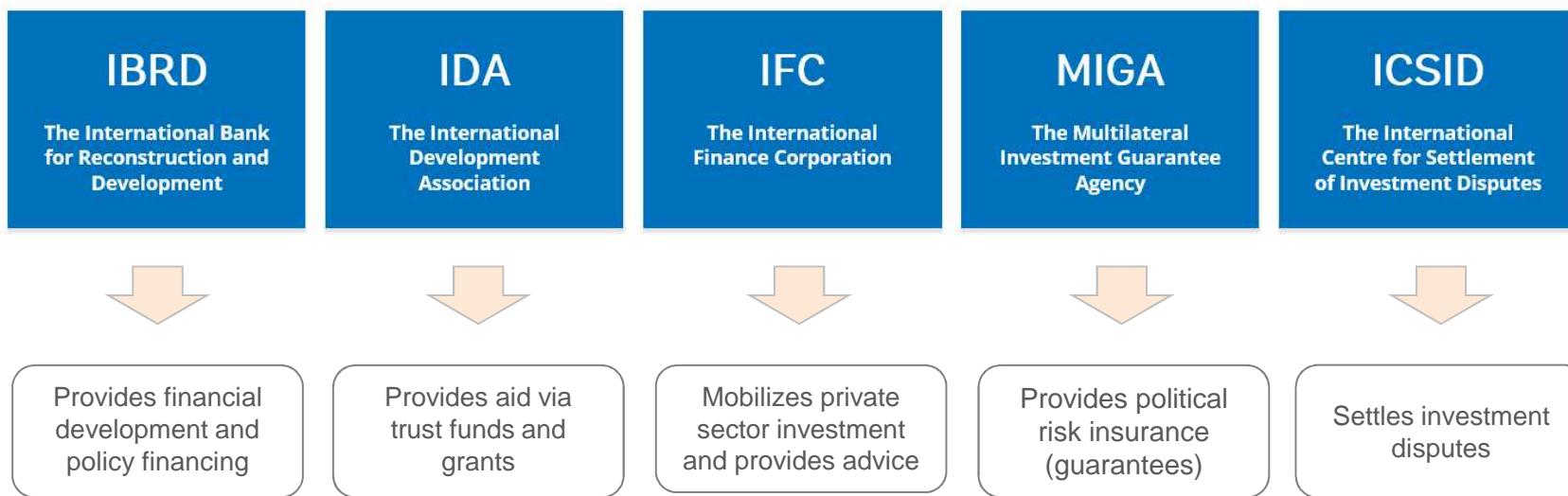


Insolvency & Debt Resolution



WORLD BANK GROUP
Finance, Competitiveness & Innovation

The World Bank Group: Structure and Functions



The World Bank Group: Mission and Goals

The World Bank has set two goals for the world to achieve by 2030:

End extreme poverty

**by decreasing the
percentage of people living
on less than \$1.90 a day to
no more than 3%**

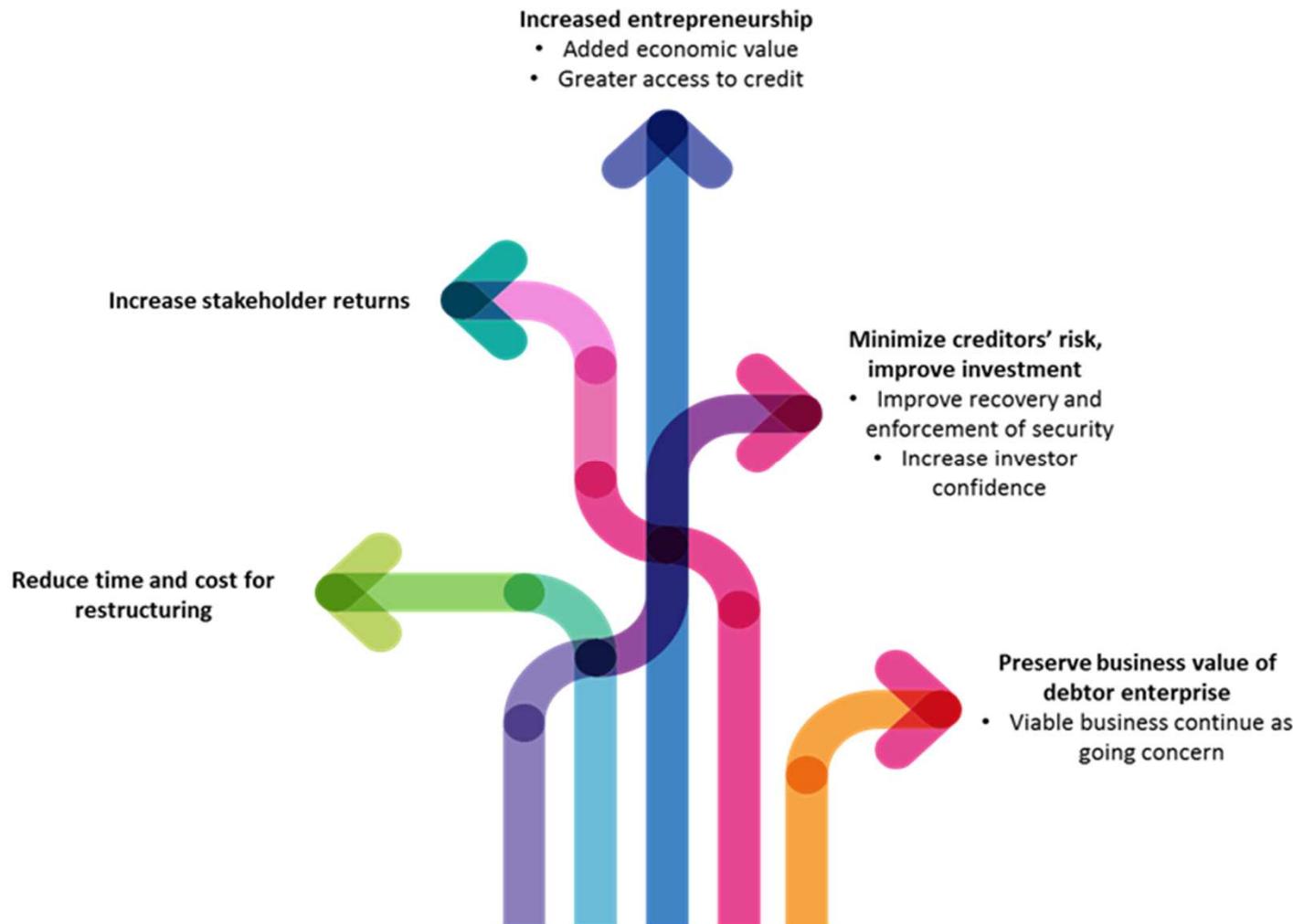
Promote shared prosperity

**by fostering the income
growth of the bottom 40%
for every country**



IMPORTANCE OF INSOLVENCY SYSTEMS

Why does insolvency reform matter?



Essential Role of Financial Sector Stability for Investors



Financial sector stability requires financial institutions to be **resistant to economic shocks** and to continue to serve its functions.

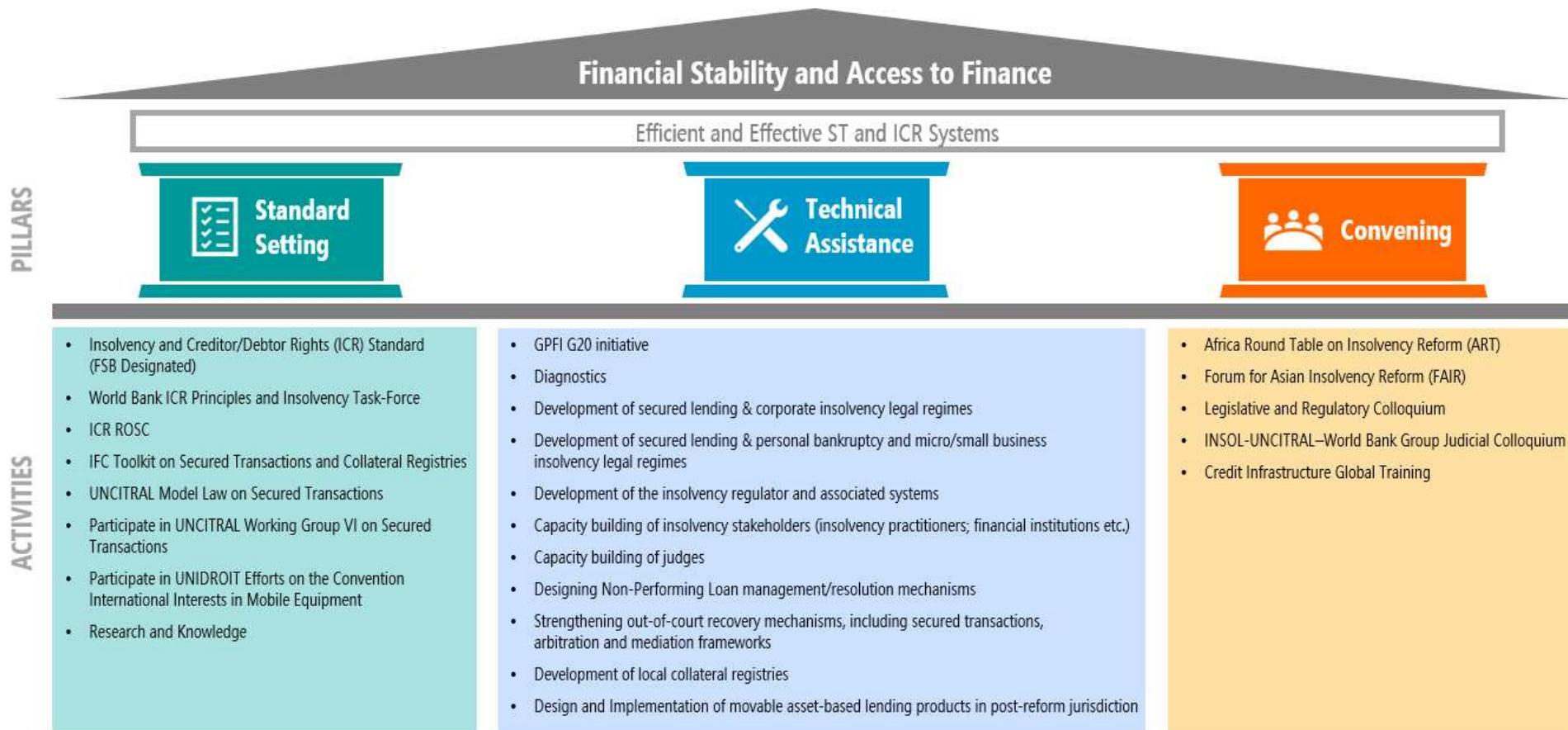


High levels of Non Performing Loans (NPL) can undermine the effectiveness of the banking sector and, in some cases, pose systemic risks.

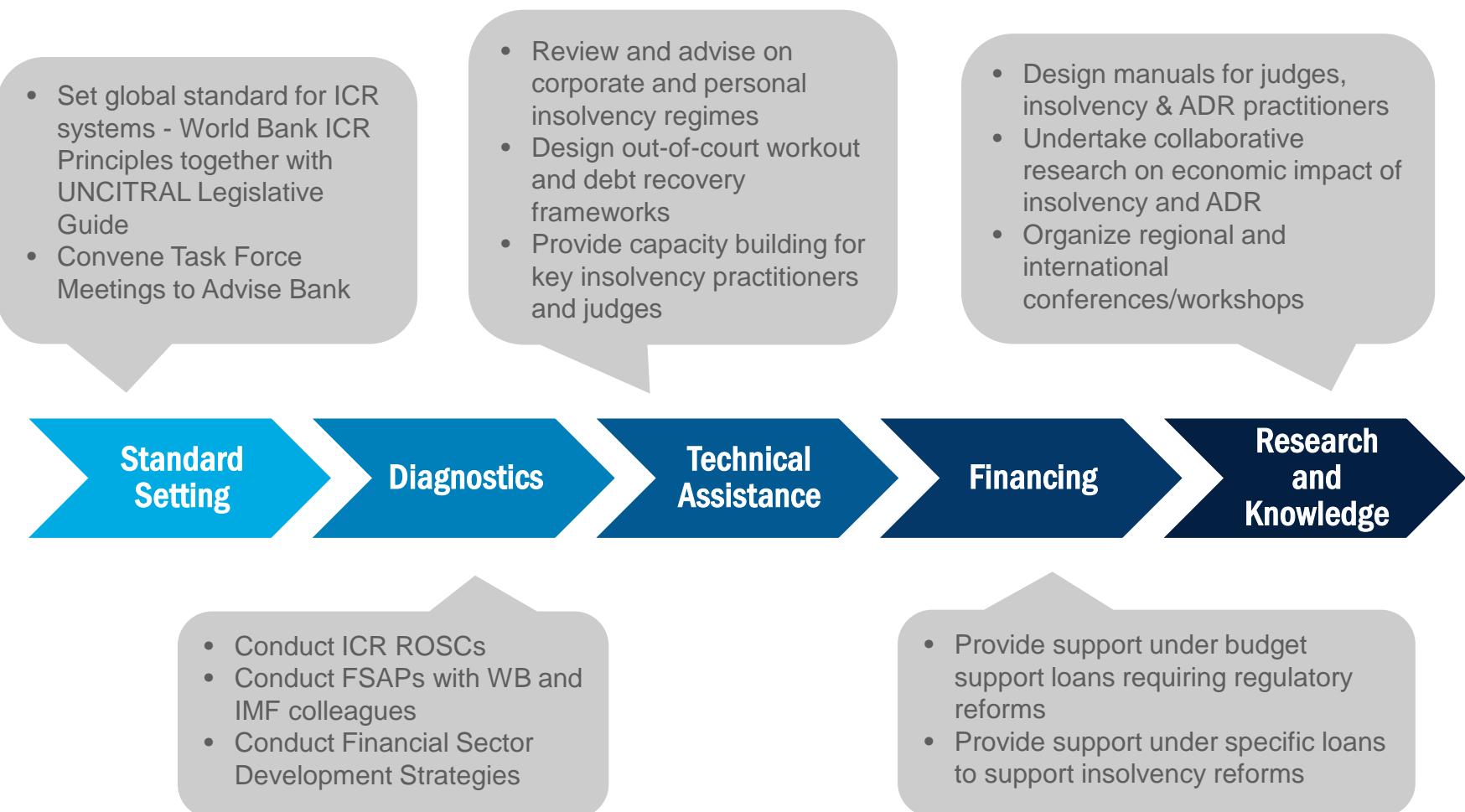


Modern day **financial crises** have stressed the importance of debt enforcement and insolvency regimes.

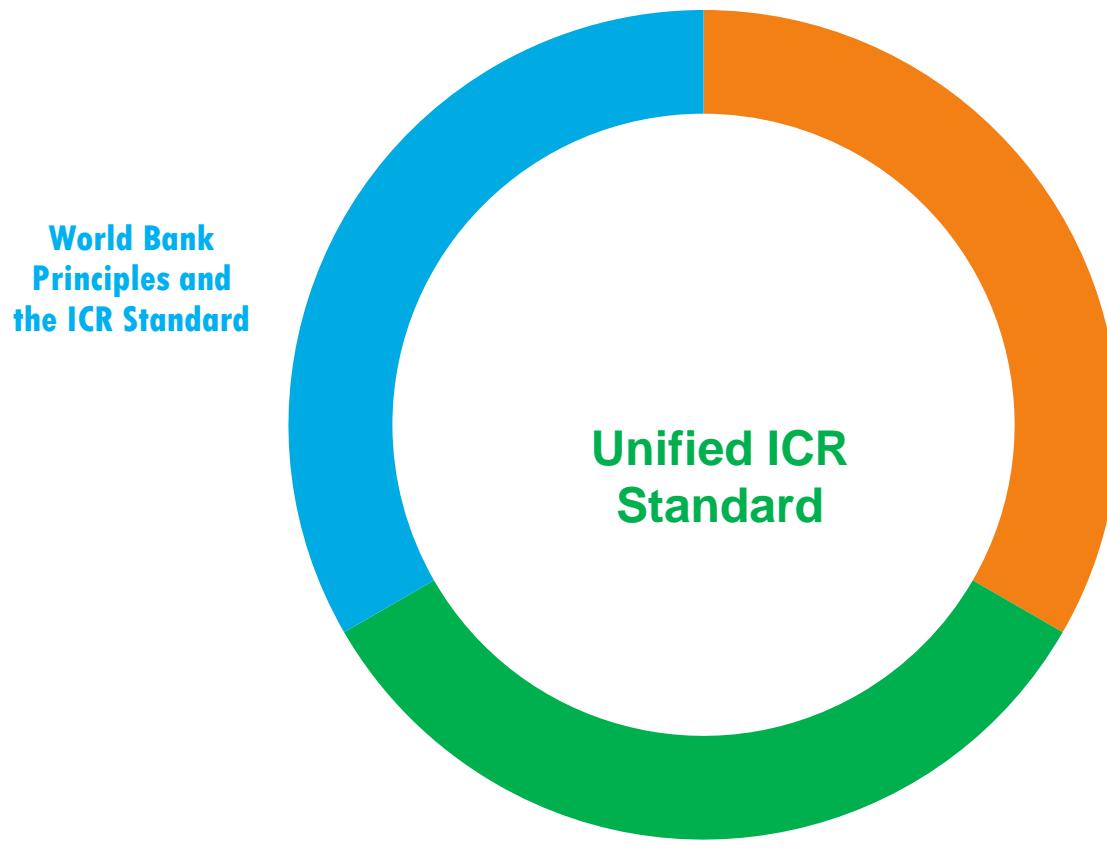
Insolvency and Secured Transactions



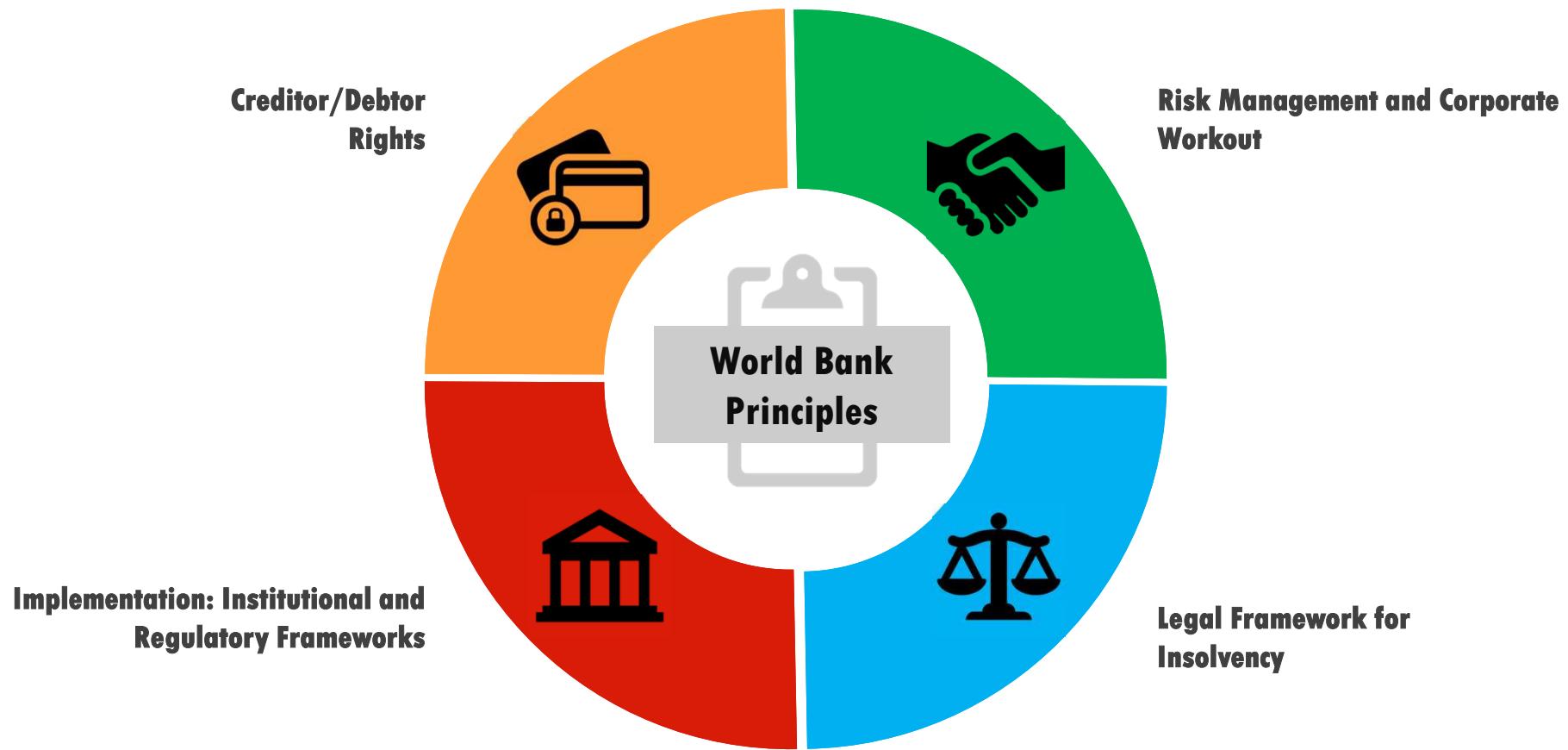
Insolvency & Restructuring Work Stream



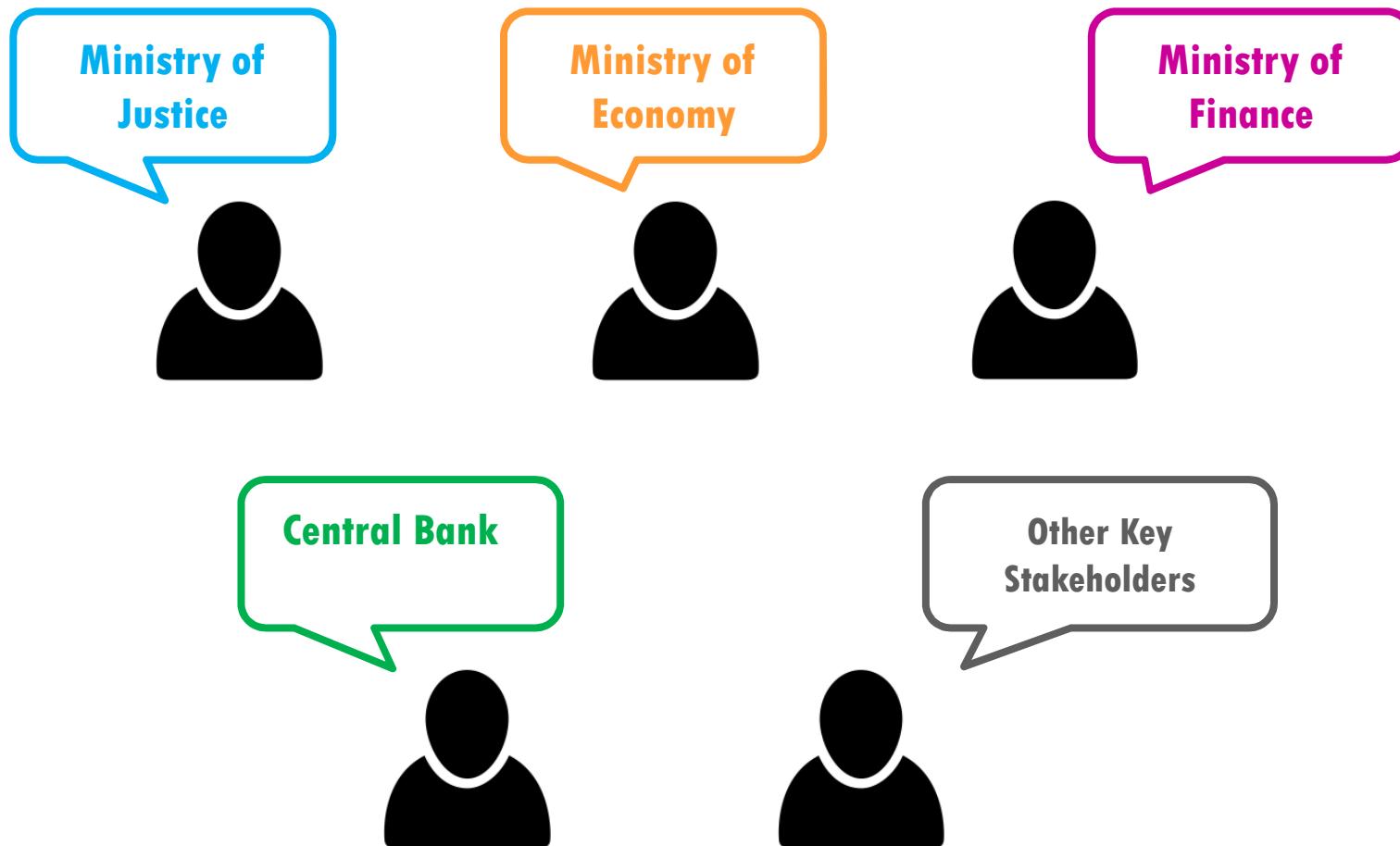
International Standard Setter



Standard Setting: The World Bank Principles for Effective Insolvency and Creditor/Debtor Regimes



Counterparts in Insolvency Reform



Partnerships

The Global Insolvency & Debt Resolution is dedicated to **generate knowledge, learning exchanges and further research** in relation to the technical areas of insolvency and debt resolution through collaboration with international standard-setting partners as well as private and public sector actors, including:



European Bank
for Reconstruction and Development



Local Bar Associations

Local Accountants' Associations

Multinational Companies

Private Law Firms



Learn More About Our Work in Insolvency Reform

Visit our website

<http://www.worldbank.org/en/topic/financialsector/brief/insolvency-and-debt-resolution>

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WHO WE ARE WHAT WE DO WHERE WE WORK

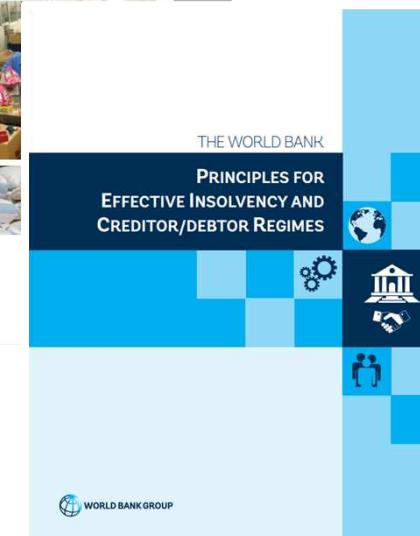
Understanding Poverty / Topics / Financial Sector

Insolvency and Debt Resolution

May 10, 2017

Efficient and predictable Insolvency and Debt Resolution frameworks are key drivers to improve financial inclusion and increase access to credit, which may lead to the reduction of the cost for obtaining credit. Increased access to finance enhances enterprise growth, which in turn leads to preserving employment, growth and the creation of new job opportunities.

and download our publications



Resources



Managing a Rising Threat to Global Recovery
A conversation with Raghuram Rajan, Carmen Reinhart and David Malpass

March 4, 2021 | 10 am ET #InsolvencySeries

WB LIVE

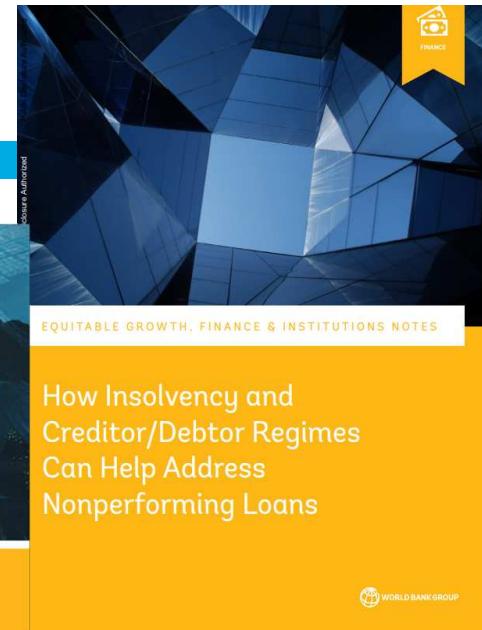
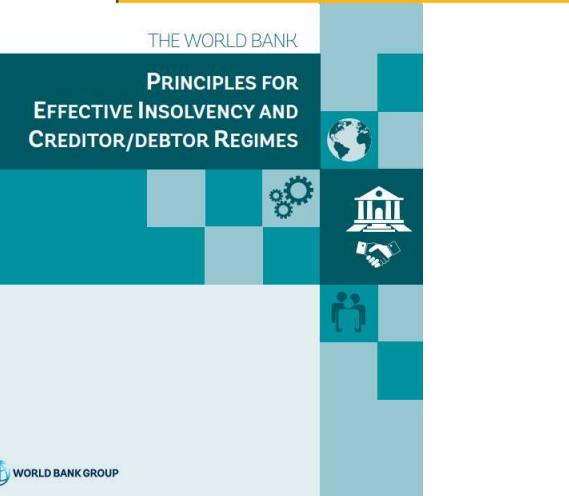
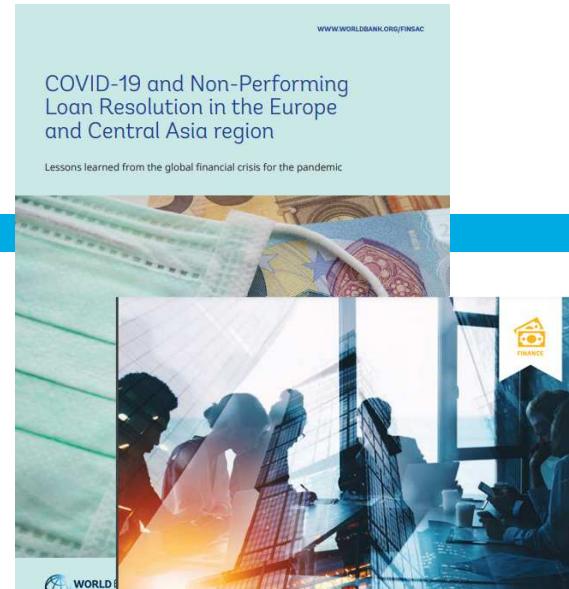
FINANCE, COMPETITIVENESS AND INNOVATION

EQUITABLE GROWTH, FINANCE & INSTITUTIONS INSIGHT

Supporting Firms in Restructuring and Recovery

March 2021

WORLD BANK GROUP



The COVID-19 pandemic brought forward an unprecedented economic contraction. Recessions, in turn, have typically been accompanied by an increase in the number of firms using the insolvency system. This note provides early evidence on business insolvency filings in the first quarter of 2020. Using data on insolvencies from a newly created dataset, compared to early expectations, most economies surveyed have experienced a decline in the number of business insolvencies relative to Q2 and Q3 of 2019. This shows that legal reforms may have played a key role in this decline as almost all economies covered introduced emergency measures making it more difficult to push a debtor into insolvency. Looking forward, the note explores evidence from previous crises together with underlying factors - such as lower sales, higher unemployment, firm liquidity challenges, and heightened corporate vulnerabilities - to investigate whether the risk of a wave of insolvencies has disappeared. The analysis suggests that a rise in insolvency filings is likely to have just been postponed, renewing the calls to strengthen insolvency frameworks in EMDs.

I. Introduction

The advent of the COVID-19 pandemic rapidly led the world to an unexpected recession.¹ Health containment and mitigation efforts hindered workers' ability to perform their jobs. The production of goods and services was immediately impacted, leading to widespread global value chains disruptions.² Demand for many goods, such as metals, oil, and transport-related commodities also tumbled.³ Global financial markets became highly volatile as investors struggled to assess and price the impact of the outbreak.⁴ Moreover, recent estimates project that an

¹ Prepared by Sergio Maru (EPIINT) under the supervision of Maileck Utamachundu (EPIINT). Thanks to Fernando Dacosta (EPIINT) for his useful comments.

² See <https://www.worldbank.org/en/news/2020/03/20/covid-19-is-likely-global-economy-shrinks-recession>.

³ See <https://www.worldbank.org/en/research/2020/04/14/the-covid-19-lockdowns-economy-world-gets-worse>.

⁴ See <https://www.worldbank.org/en/news/2020/03/19/transforming-global-value-chain-jessica-ethier-and-paul-astrua-de-globalization-global-value-chain-in-the-post-covid-19-age>.

⁵ See <https://www.worldbank.org/en/news/2020/03/16/the-global-economic-outlook-during-the-covid-19-pandemic-a-preliminary-assessment>.

⁶ See Erik Feyen et al., "COVID-19 Outbreak: Financial Sector Vulnerabilities: Which Countries and Regions are More Exposed? A Preliminary Assessment," World Bank, 2020.

www.worldbank.org/insolvency



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