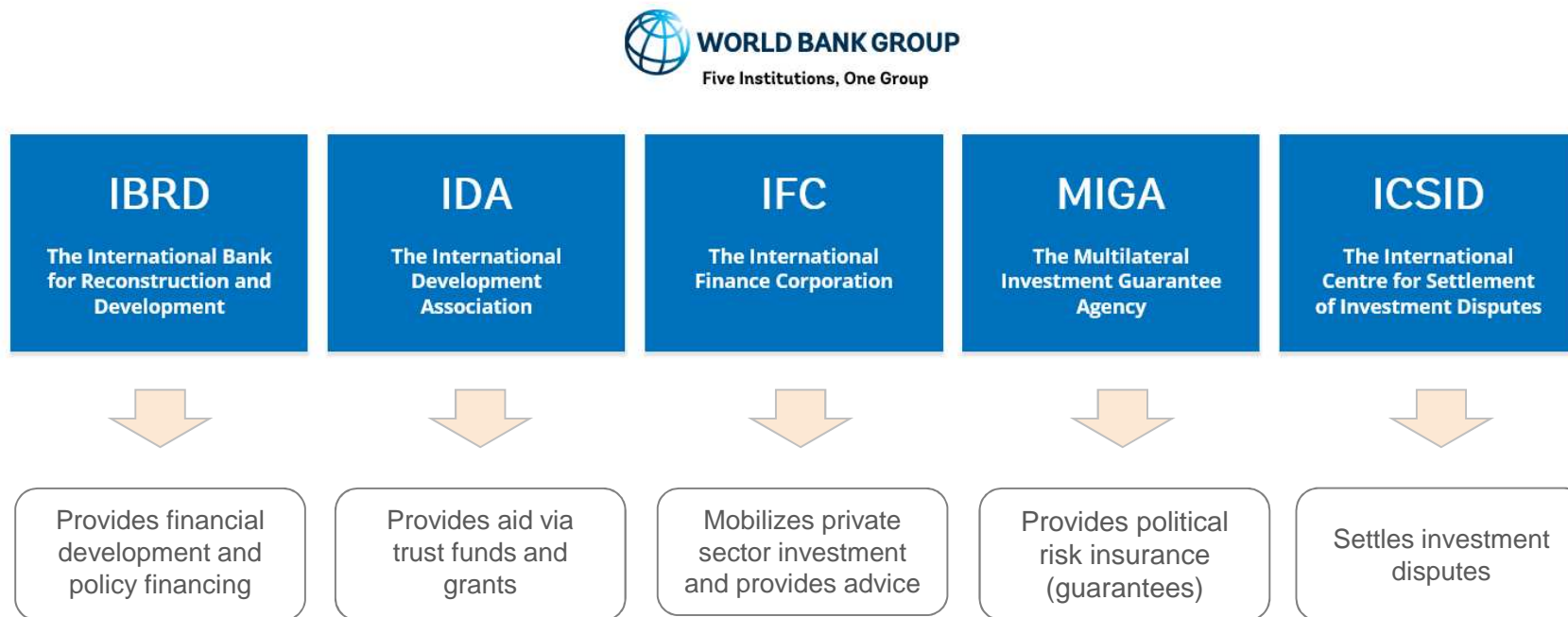


# Insolvency & Debt Resolution



**WORLD BANK GROUP**  
Finance, Competitiveness & Innovation

# The World Bank Group: Structure and Functions



# The World Bank Group: Mission and Goals

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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%**

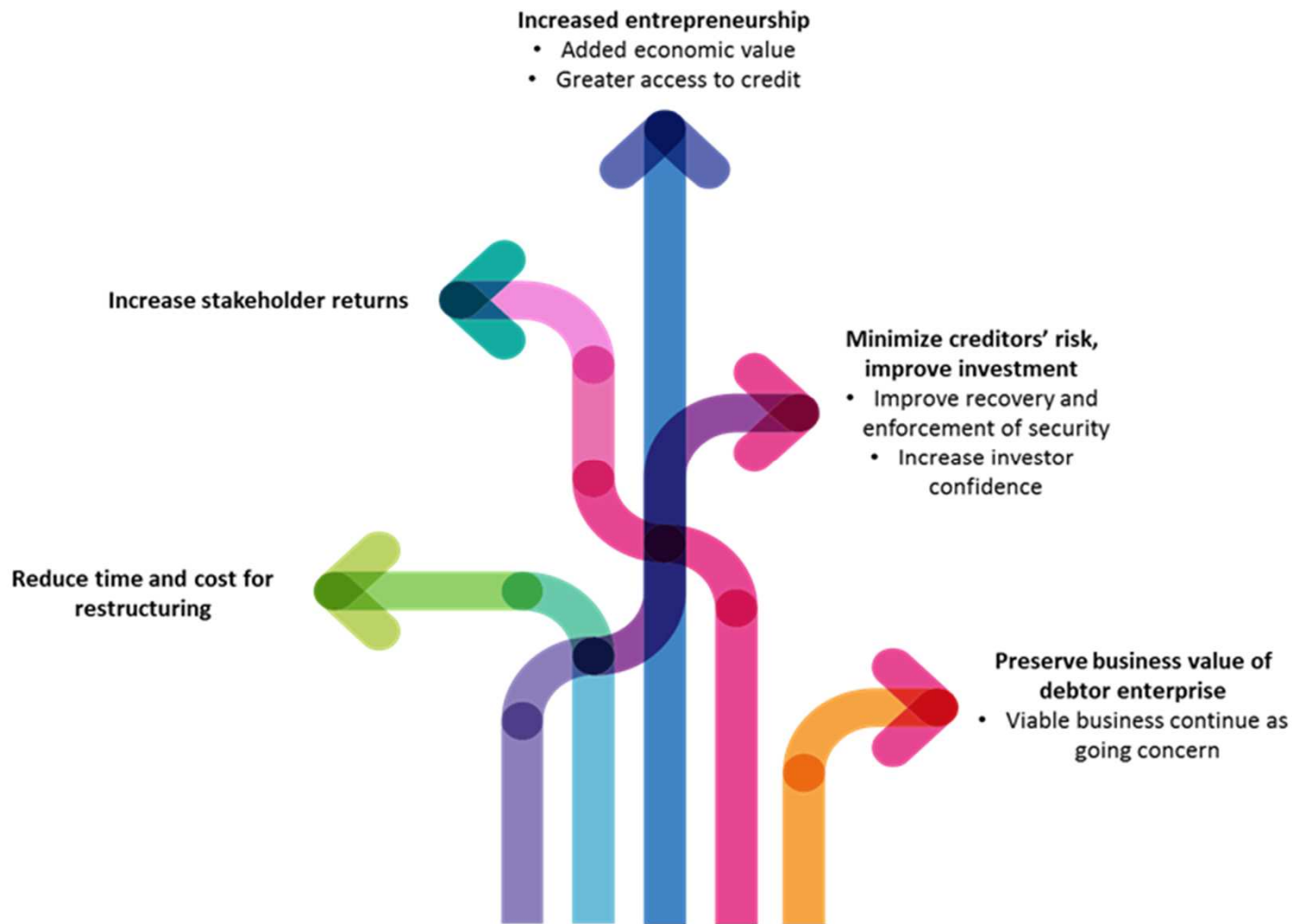
**Promote shared prosperity**

**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.



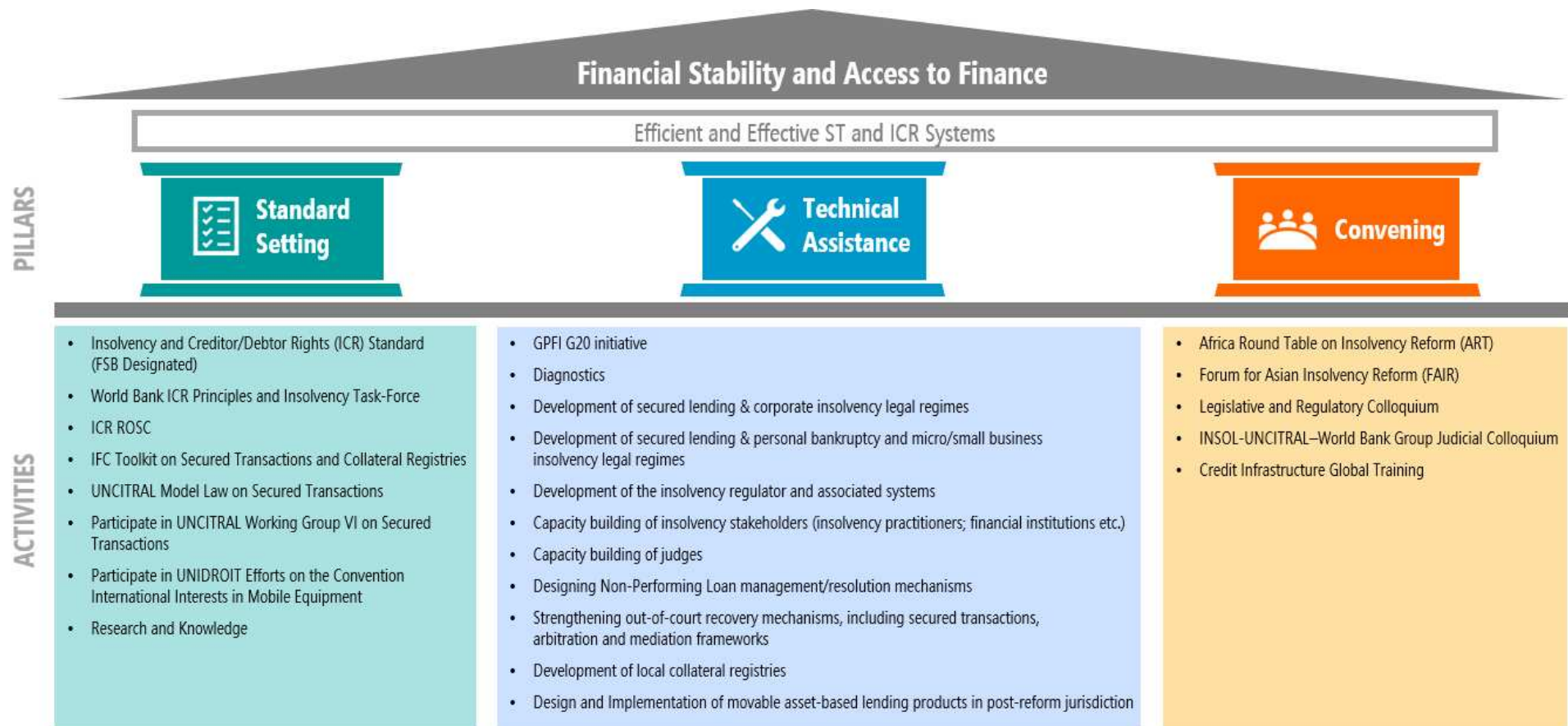
**High levels of Non Performing Loans (NPL)** can undermine the effectiveness of the banking sector and, in some cases, pose systemic risks.



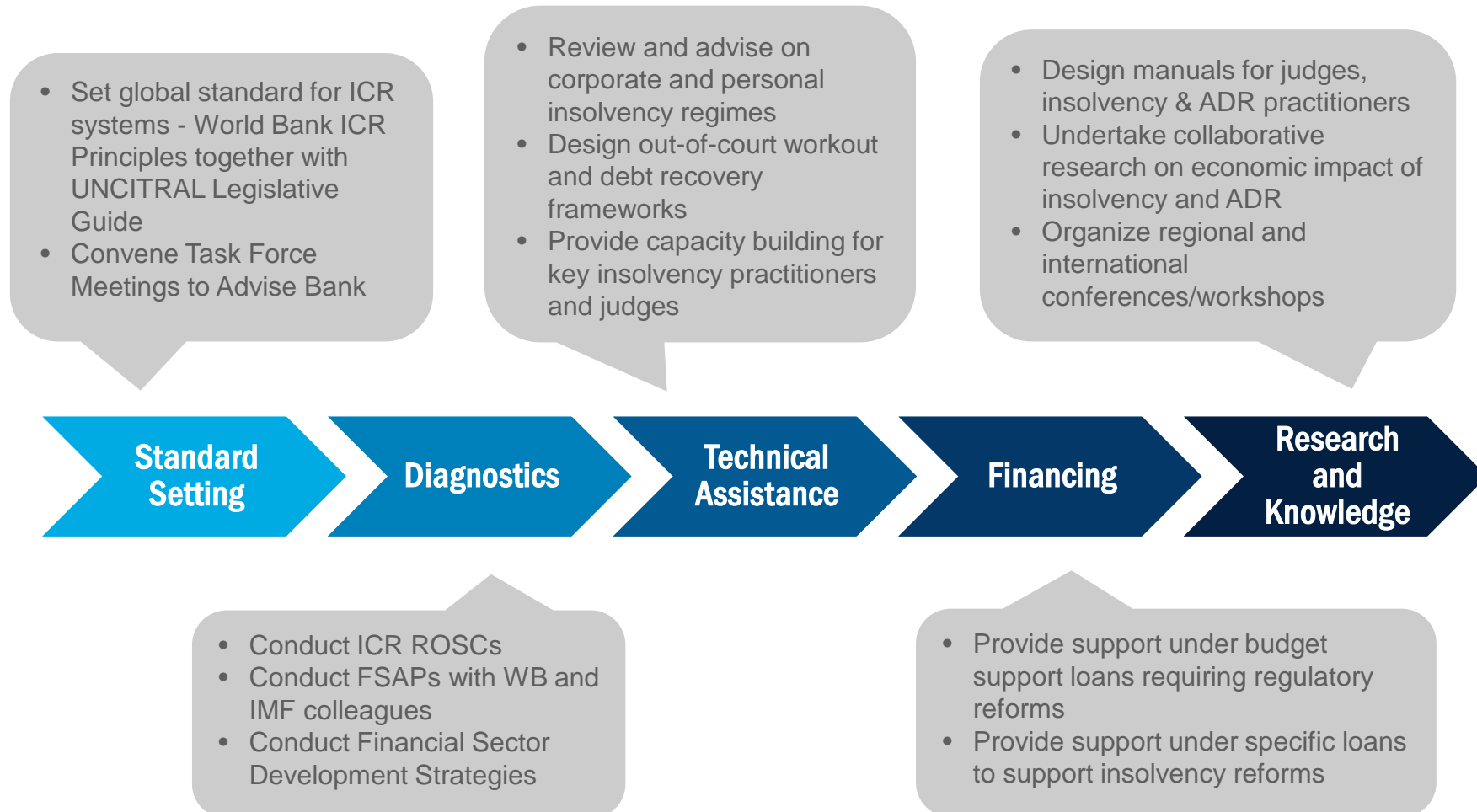
Modern day **financial crises** have stressed the importance of debt enforcement and insolvency regimes.



# Insolvency and Secured Transactions

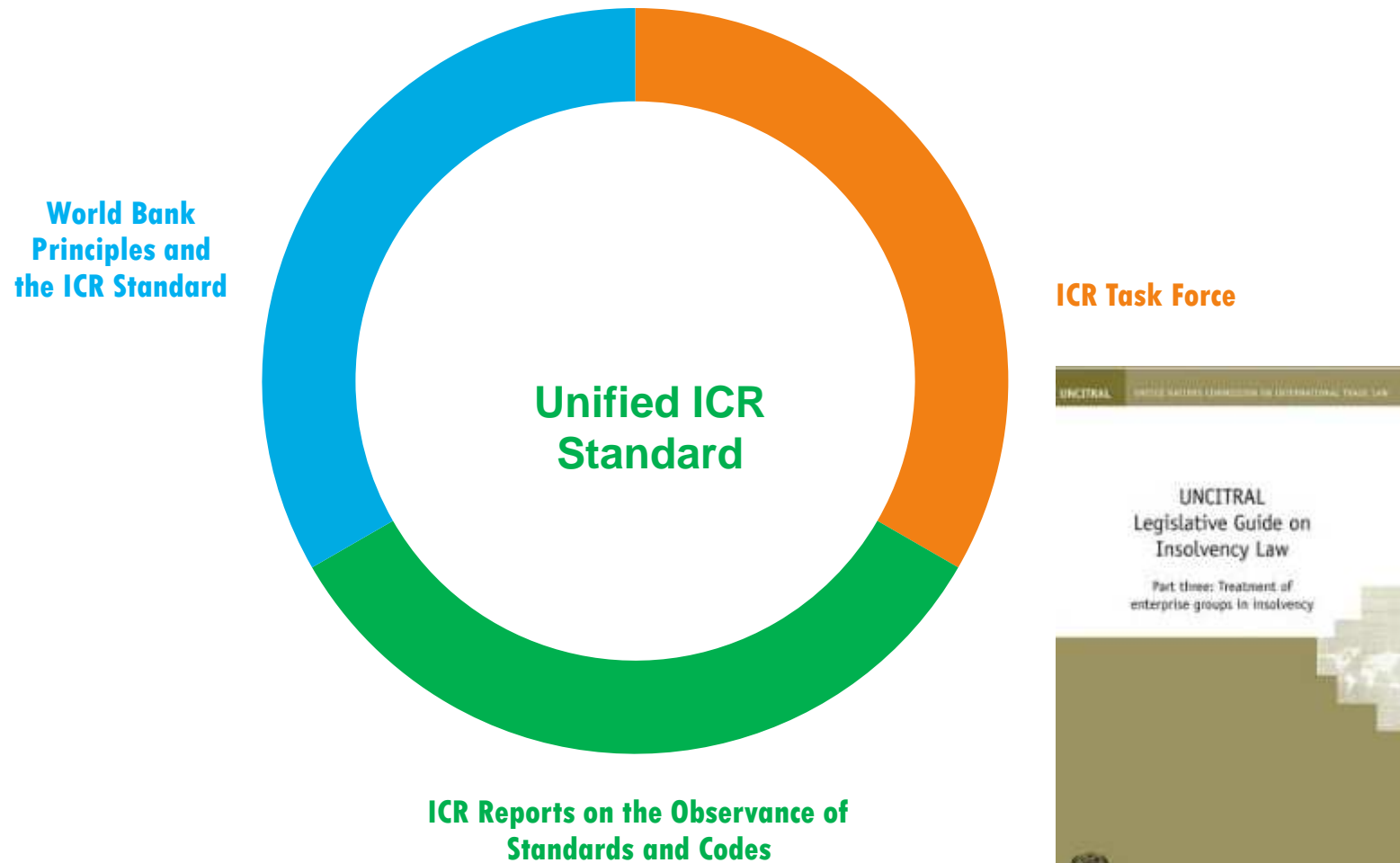


# Insolvency & Restructuring Work Stream



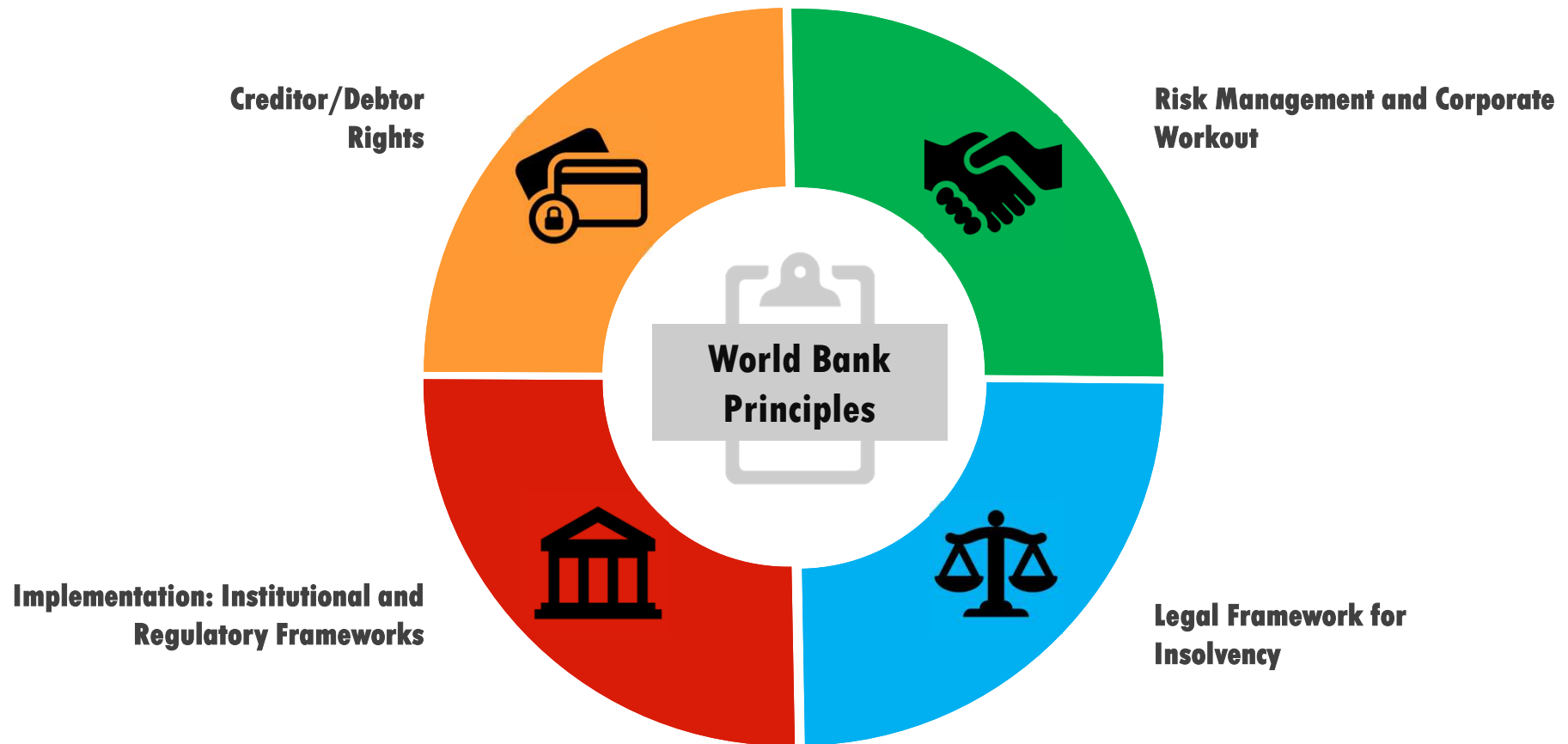


## International Standard Setter



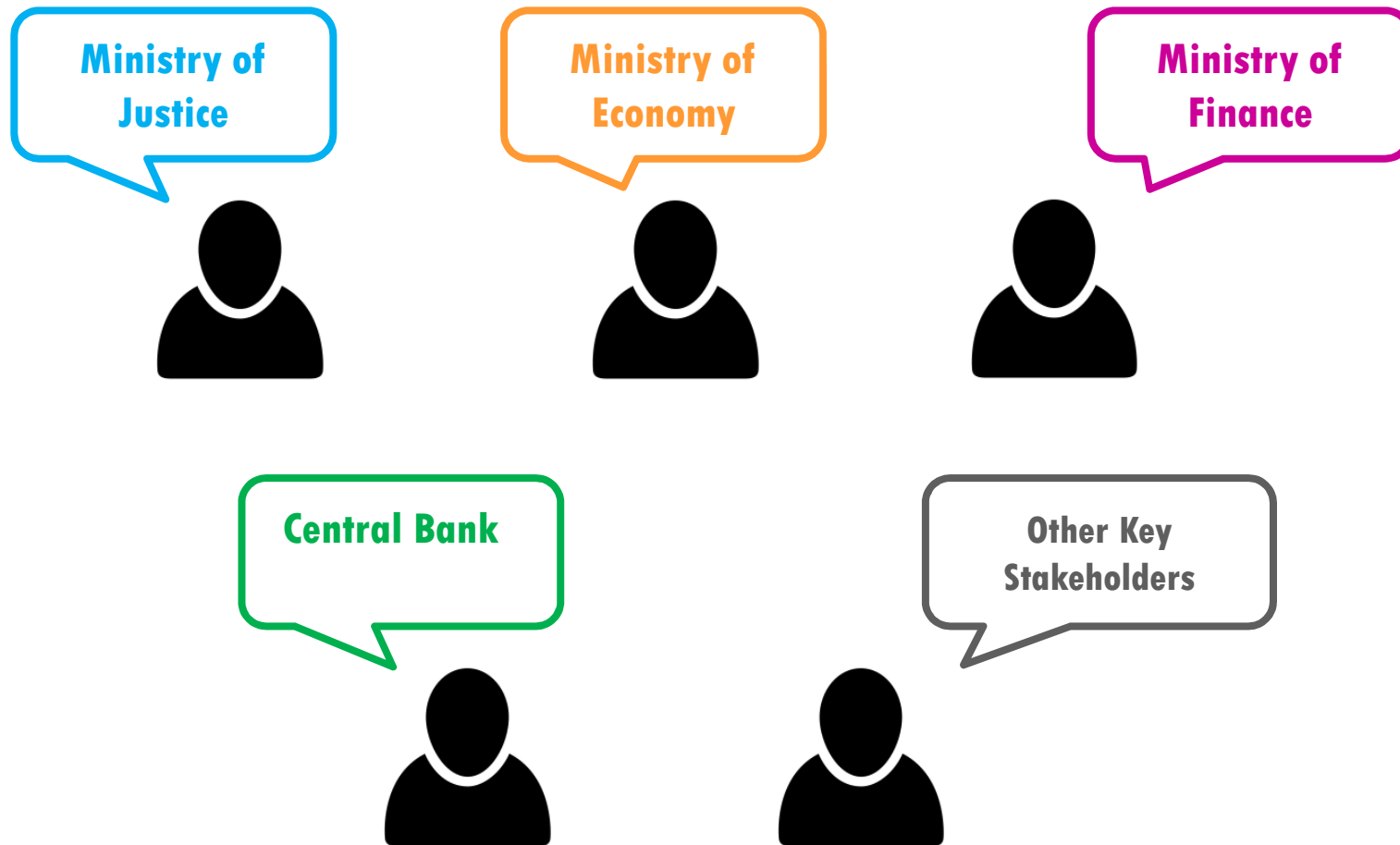
## *Standard Setting: The World Bank Principles for Effective Insolvency and Creditor/Debtor Regimes*

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## Counterparts in Insolvency Reform

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## 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:



Local Bar Associations

Local Accountants'  
Associations

Multinational  
Companies

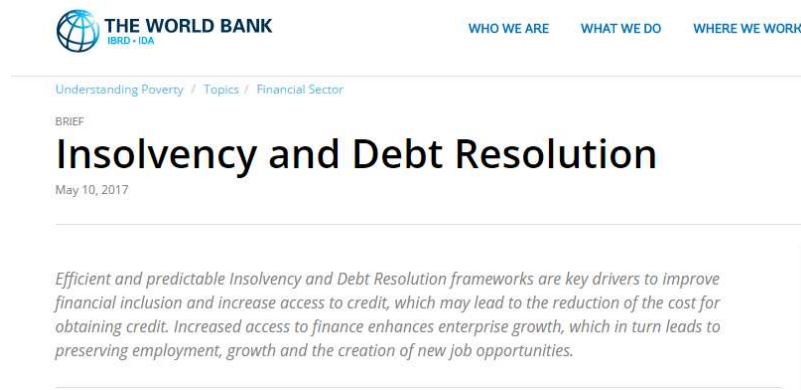
Private  
Law Firms



# Learn More About Our Work in Insolvency Reform

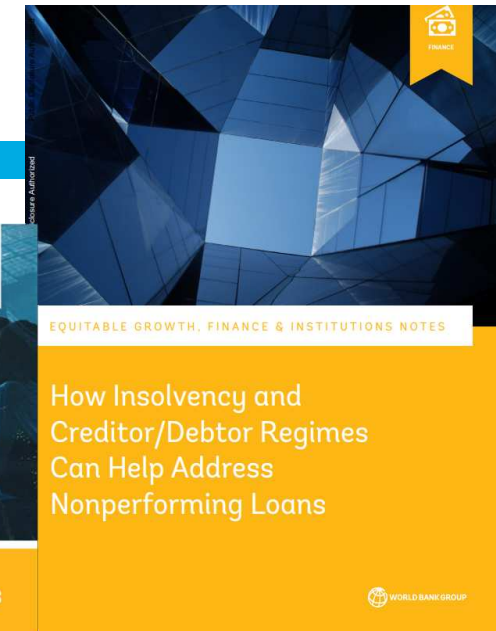
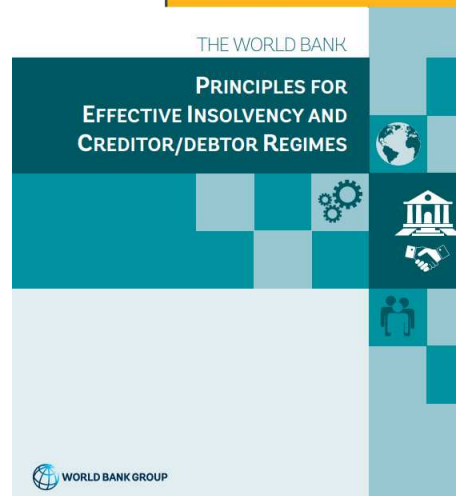
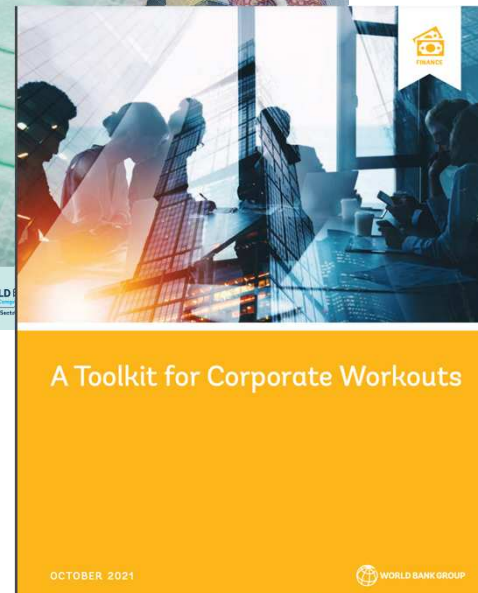
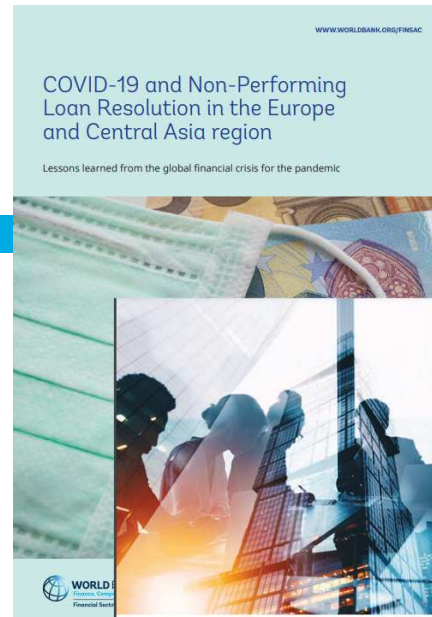
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and download our publications





**The Calm Before the Storm: Early Evidence on Business Insolvency Filings After the Onset of COVID-19<sup>1</sup>**

February 25, 2021

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 explores the early impact the pandemic has had on business insolvency filings, based on information from a newly created dataset. Contrary to early expectations, most economies surveyed have experienced a decline in the number of business insolvencies relative to Q2 and Q3 of 2019. Shows that legal reasons may have played a key role in this decline as almost all economies covered introduced emergency measures making it more difficult to pursue a debtor into insolvency. Looking forward, the note explores evidence from past crises together with the current situation to suggest that the pandemic may have increased the 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, rendering the calls to strengthen insolvency frameworks in EMDEs.

## 1. Introduction

The advent of the COVID-19 pandemic rapidly led the world to an unexpected recession.<sup>2</sup> 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.<sup>3</sup> Demand for many goods, such as metals, oil, and transport-related commodities also tumbled.<sup>4</sup> Global financial markets became highly volatile as investors struggled to assess and price the impact of the outbreak.<sup>5</sup> Moreover, recent estimates project that an

<sup>1</sup> Prepared by Sergio Muro (EFNFI) under the supervision of Mahesh Uttamchandani (EFNFI). Thanks to Fernando Dancausa (EFNFI) for his useful comments.

<sup>2</sup> See <https://www.worldbank.org/en/news/press-release/2020/06/04/covid-19-to-plunge-global-economy-into-worst-recession-since-world-war-ii> or <https://blogs.imf.org/2020/04/14/the-great-lockdown-worst-economic-downturn-since-the-great-depression/>.  
<sup>3</sup> See <https://blogs.worldbank.org/voices/how-covid-19-transforming-global-value-chains-lessons-ethiopia-and-vietnam>. Paul Antras De-Globalization? Global Value Chains in the Post-Covid-19 Age, working paper, available at [https://www.nber.org/systems/files/working\\_papers/w28115/w28115.pdf](https://www.nber.org/systems/files/working_papers/w28115/w28115.pdf).

<sup>4</sup> 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](http://www.worldbank.org/insolvency)



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