

CHAPTER 11. BUSINESS INSOLVENCY–METHODOLOGY NOTE

I. MOTIVATION

The efficient and rapid exit of nonviable firms plays an important cyclical role in renewing the economy by removing firms that are not productive and making way for more productive ones. The purpose of an efficient insolvency framework is to ensure that nonviable firms are swiftly liquidated, and viable firms are effectively restructured in a sustainable way. When insolvency regimes do not have the adequate tools to handle the restructuring and liquidation of companies in a timely and effective manner these companies' economic distress is amplified, jeopardizing the stability of the financial system.¹ In economies where creditor recovery rates are high and resolution times are quicker, restructuring within the formal bankruptcy process fulfills its cyclical role during economic downturns by keeping companies afloat.²

Research shows that efficient insolvency systems play a role in enhancing new firm creation, increasing the size of the private sector, and encouraging greater entrepreneurial activity.³ This is achieved through the availability of appropriate legal mechanisms that enable the cyclical role of insolvency proceedings to be accomplished: anticipatory early warning tools to avert financial distress; active participation of all parties involved, including the debtor, creditors, and other agents; adequate protection of creditors within the insolvency processes; and effective management of the debtor's assets.⁴ Efficient insolvency systems can boost job creation and growth, including by spurring the reallocation of productivity-enhancing capital through the exit of nonviable firms.⁵ Economies with less efficient bankruptcy procedures tend to have lower aggregate productivity because their bankruptcy procedures induce lenders to allocate funds to less productive firms and prevent the management of risk by commercial stakeholders, thus putting pressure on the financial system.⁶

Despite the crucial role played by efficient insolvency regimes, large-scale and updated comparable data about how well those regimes are operating around the world are scarce. The B-READY project aims to fill this void.

II. INDICATORS

The Business Insolvency topic measures key features of insolvency systems on a regulatory level. It also assesses the institutional and operational infrastructure associated with insolvency proceedings (judicial services), as well as the operational efficiency of insolvency proceedings across three different dimensions, here referred to as pillars. The first pillar assesses the quality of regulation pertaining to judicial insolvency proceedings, covering de jure features of a regulatory framework that are necessary for structured debt resolution processes and effective creditor and debtor regimes. The second pillar measures the quality of institutional and operational infrastructure for judicial insolvency proceedings, thus assessing the de facto aspects of insolvency resolution mechanisms and the infrastructure required to implement the legal framework on insolvency. The third pillar measures the time and cost required to resolve in-court liquidation and reorganization proceedings. Each pillar is divided into categories—defined by common features that inform the grouping into a particular category—and each category is further divided into subcategories. Each subcategory consists of several indicators, each of which may, in turn, have several components. Relevant points are assigned to each indicator and subsequently aggregated to obtain the number of points for each subcategory, category, and pillar. Table 1 summarizes all three pillars and their respective categories.

Table 1. Summary Table of all Three Pillars for the Business Insolvency Topic

Pillar I—Quality of Regulations for Judicial Insolvency Proceedings (28 indicators)	
1.1	Legal and Procedural Standards in Insolvency Proceedings (10 indicators)
1.1.1	Pre-Commencement and Commencement Standards in Liquidation and Reorganization (5 indicators)
1.1.2	Post-Commencement Standards in Liquidation and Reorganization (5 indicators)
1.2	Debtor's Assets and Creditor's Participation in Insolvency Proceedings (13 indicators)
1.2.1	Treatment and Protection of Debtor's Assets during Liquidation and Reorganization (includes environment) (6 indicators)
1.2.2	Creditor's Rights in Liquidation and Reorganization (includes environment) (5 indicators)
1.2.3	Selection and Dismissal of the Insolvency Administrator (2 indicators)
1.3	Specialized Insolvency Proceedings and International Insolvency (5 indicators)
1.3.1	Specialized Insolvency Proceedings for Micro and Small Enterprises (MSEs) (3 indicators)
1.3.2	Cross-Border Insolvency (2 indicators)
Pillar II—Quality of Institutional and Operational Infrastructure for Judicial Insolvency Proceedings (17 indicators)	
2.1	Digital Services (e-Courts) in Insolvency Proceedings (7 indicators)
2.1.1	Electronic Services in Liquidation and Reorganization (4 indicators)
2.1.2	Electronic Case Management Systems in Liquidation and Reorganization (3 indicators)
2.2	Interoperability in Insolvency Proceedings (2 indicators)
2.2.1	Digital Services Connectivity with External Systems in Liquidation and Reorganization (1 indicator)
2.2.2	Interconnection Between e-Case Management System and e-Filing Systems in Liquidation and Reorganization (1 indicator)
2.3	Public Information on Insolvency Proceedings and Registry of Insolvency Practitioners (5 indicators)
2.3.1	Public Information on the Number and Length of Liquidation and Reorganization, and Insolvency Judgments (3 indicators)
2.3.2	Availability of a Public Registry of Insolvency Practitioners (2 indicators)
2.4	Public Officials and Insolvency Administrator (3 indicators)
2.4.1	Expertise of Courts with Jurisdiction on Reorganization and Liquidation Proceedings (2 indicators)
2.4.2	Insolvency Administrator's Expertise in Practice (1 indicator)
Pillar III—Operational Efficiency of Resolving Judicial Insolvency Proceedings (4 indicators)	
3.1	Liquidation Proceedings (2 indicators)
3.1.1	Time to Resolve a Liquidation Proceeding (1 indicator)
3.1.2	Cost to Resolve a Liquidation Proceeding (1 indicator)
3.2	Reorganization Proceedings (2 indicators)
3.2.1	Time to Resolve a Reorganization Proceeding (1 indicator)
3.2.2	Cost to Resolve a Reorganization Proceeding (1 indicator)

1. PILLAR I. QUALITY OF REGULATIONS FOR JUDICIAL INSOLVENCY PROCEEDINGS

Table 2 shows the structure for Pillar I, Quality of Regulations for Judicial Insolvency Proceedings. Each of this pillar's categories and subcategories will be discussed in more detail in the order shown in the table.

Table 2. Pillar I—Quality of Regulations for Judicial Insolvency Proceedings

1.1	Legal and Procedural Standards in Insolvency Proceedings
1.1.1	Pre-Commencement and Commencement Standards in Liquidation and Reorganization
1.1.2	Post-Commencement Standards in Liquidation and Reorganization
1.2	Debtor's Assets and Creditor's Participation in Insolvency Proceedings
1.2.1	Treatment and Protection of Debtor's Assets during Liquidation and Reorganization (includes environment)
1.2.2	Creditor's Rights in Liquidation and Reorganization (includes environment)
1.2.3	Selection and Dismissal of the Insolvency Administrator
1.3	Specialized Insolvency Proceedings and International Insolvency
1.3.1	Specialized Insolvency Proceedings for Micro and Small Enterprises (MSEs)
1.3.2	Cross-Border Insolvency

1.1 Legal and Procedural Standards in Insolvency Proceedings

Category 1.1 is divided into two subcategories consisting of several indicators, each of which may, in turn, have several components.

1.1.1 Pre-Commencement and Commencement Standards in Liquidation and Reorganization

A comprehensive legal framework would ensure that when a company is facing imminent insolvency, clear obligations are imposed upon management to protect the legitimate interests of creditors and other stakeholders, and to provide incentives for timely action to minimize the effects of financial distress experienced by the company.⁷ At the same time, it would minimize any regulatory impediments to voluntary negotiations between debtors and creditors outside the court system for restructuring purposes (out-of-court restructuring mechanisms).⁸ Good international practices suggest that the law should clearly define a concrete mechanism that identifies parties which can apply for the insolvency procedure and establish a formal process for submitting the application as well as the timing of the application.⁹ Therefore, Subcategory 1.1.1–Pre-Commencement and Commencement Standards in Liquidation and Reorganization comprises five indicators (table 3).

Table 3. Subcategory 1.1.1–Pre-Commencement and Commencement Standards in Liquidation and Reorganization

	Indicators	Components
1	Obligations of the Company's Management during Pre-Insolvency	Obligations of the management of a debtor company to take reasonable steps to avoid insolvency when possible and minimize its extent if unavoidable
2	Out-of-Court Restructuring Mechanisms	Absence of any impediments to mechanisms allowing to resolve insolvency outside formal judicial proceedings
3	Commencement of Formal Liquidation Proceedings	Filing for liquidation by debtors and creditors
4	Commencement of Formal Reorganization Proceedings	Filing for reorganization by debtors and creditors
5	Basis for Commencement of Formal Insolvency Proceedings	Existence of the liquidity test as a standard to initiate insolvency proceedings

1.1.2 Post-Commencement Standards in Liquidation and Reorganization

In the resolution of insolvency, legal systems should provide adequate legal mechanisms to address the collective satisfaction of the ongoing claims held against the debtor. To achieve this, a balance needs to be found within the insolvency law between liquidation and reorganization, where the advantages of near-term debt collection through liquidation is balanced against the preservation of the value of the debtor's business through reorganization.¹⁰ The insolvency framework should consider the actors present within the formal insolvency proceedings, ensuring the correct procedures most appropriate to the resolution of the debtor's financial difficulties are available, and allowing parties to be able to anticipate how their legal rights are affected during the proceedings.¹¹ Therefore, Subcategory 1.1.2–Post-commencement Standards in Liquidation and Reorganization comprises five indicators (table 4).

Table 4. Subcategory 1.1.2–Post-Commencement Standards in Liquidation and Reorganization

	Indicators	Components
1	Creditors Notification Requiring to Submit Claims	Existence of safeguards for creditors to ensure that the insolvency administrator provides notice of the reasons for decisions upon the admission or rejection of claims during liquidation proceedings
2	How the Reorganization Plan is Voted	Existence of a comprehensive framework for reorganization that includes key features on voting arrangements
3	Means of Voting on the Reorganization Plan	Existence of a comprehensive framework allowing creditors to vote the reorganization plan electronically

4	Protection of Dissenting Creditors in Reorganization	Existence of a comprehensive framework for reorganization that includes key features on the protection of dissenting creditors by assuring that they would obtain under the reorganization plan at least as much as they would obtain in liquidation
5	Conversion from Reorganization to Liquidation	Existence of a legal avenue allowing the conversion of unsuccessful reorganization proceedings into liquidation proceedings, granting the insolvent company the opportunity to have an efficient exit from the market

1.2 Debtor's Assets and Creditor's Participation in Insolvency Proceedings

Category 1.2 is divided into three subcategories consisting of several indicators, each of which may, in turn, have several components.

1.2.1 Treatment and Protection of Debtor's Assets during Liquidation and Reorganization (includes environment)

The main objective of insolvency proceedings is the maximization of the debtor's assets.¹² Thus, provisions that enable such maximization are key to the good functioning of a well-designed insolvency legal framework. Robust insolvency frameworks address any ongoing activities to preserve the insolvency estate and allow for equal distribution to creditors upon discharge of either liquidation or reorganization proceedings.¹³ Provisions should therefore prevent the premature collection of individual debts by creditors, as well as provide the necessary mechanisms for the continued operation or survival of the business of the debtor or the preservation on the enhancement of the value of the estate.¹⁴ To do this, the insolvency framework should provide for resolution of ongoing actions or claims, as well as contracts that have not yet been fully performed and any necessary post-commencement finance.¹⁵ Implementing efficient and transparent regulatory mechanisms for the management of the debtor's assets during insolvency proceedings may improve the likelihood of high recovery.¹⁶ Therefore, Subcategory 1.2.1–Treatment and Protection of Debtor's Assets during Liquidation and Reorganization (includes environment) comprises six indicators (table 5).

Table 5. Subcategory 1.2.1–Treatment and Protection of Debtor's Assets during Liquidation and Reorganization (includes environment)

	Indicators	Components
1	Automatic Stay of Proceedings	Key features of a comprehensive regime for the stay of proceedings, including time limit
2	Exceptions and Relief to Automatic Stay of Proceedings	Key features of a comprehensive regime for the stay of proceedings, including exceptions for perishable assets or for public policy interests
3	Continuation of Existing Essential Contracts	Existence of the provision that contracts that are essential to the debtor's business can be continued during the insolvency proceedings
4	Rejection of Existing Burdensome Assets	Existence of the provision that assets that are burdensome to the firm can be relinquished in insolvency proceedings
5	Voidance of Preferential and Undervalued Transactions	Existence of the provision that preferential and undervalued transactions can be voided
6	Post-Commencement Credit Availability and Priority	Existence of a mechanism that allows prospective debtors access to credit after the commencement of formal insolvency proceedings, in addition to predefined priority associated to such post-commencement credit over unsecured claims

1.2.2 Creditor's Rights in Liquidation and Reorganization (includes environment)

Creditors have significant interest in the debtor's business and assets.¹⁷ It is therefore important that a balance is struck between the creditor's rights and interests that are well defined and safeguarded on the one hand and ensuring that the creditor representation mechanism remains efficient and cost-effective on the other.¹⁸ The greater balance in this relationship, the more successful the insolvency proceedings will be due to the greater likelihood that creditors will cooperate, providing a check against possible abuse of the insolvency proceedings and facilitating their implementation.¹⁹ Creditors' treatment and the necessary

representation within the proceedings are therefore an integral component of this creditor representation mechanism. Furthermore, the prioritization of specific types of unsecured creditors, such as claims related to the environment or workers, and the existence of a special regime for labor claims has long been recognized as a fundamental component in insolvency proceedings.²⁰ The indicators measure whether creditors participate in important decisions during insolvency proceedings, such as the existence of a creditor representation. Therefore, Subcategory 1.2.2–Creditor’s Rights in Liquidation and Reorganization (includes environment) comprises five indicators (table 6).

Table 6. Subcategory 1.2.2–Creditor’s Rights in Liquidation and Reorganization (includes environment)

	Indicators	Components
1	Creditor Representation	Existence of a creditors committee or other creditor representation during insolvency proceedings
2	Request of Information by Creditors	Existence of provisions providing for the right of creditors, either individually or through the creditors’ committee to request up-to-date information on the debtor’s business and financial affairs
3	Priority of Secured Claims	Availability of an absolute priority for secured creditors, in addition of specific unsecured creditors priority in the context of public interest such as environmental or labor claims
4	Priority of Labor and Environmental Claims	
5	Special Regime for Labor Claims	Existence of a special regime for labor standards in insolvency proceedings

1.2.3 Selection and Dismissal of the Insolvency Administrator

An effective insolvency framework should ensure that the criteria as to who may be an insolvency administrator are objectively and clearly established. It is essential that the insolvency administrator be appropriately qualified and possess the knowledge, experience, and personal qualities (such as impartiality) that will ensure not only the effective and efficient conduct of the proceedings but also the trustworthiness of the insolvency regime itself.²¹ The insolvency representative plays a central role in the effective and efficient implementation of the insolvency law, with certain powers over debtors and their assets and a duty to protect those assets and their value. The insolvency administrator must objectively take into account the interests of creditors and employees and ensure that the law is applied effectively and impartially. Therefore, Subcategory 1.2.3–Selection and Dismissal of the Insolvency Administrator comprises two indicators (table 7).

Table 7. Subcategory 1.2.3–Selection and Dismissal of the Insolvency Administrator

	Indicators	Components
1	Insolvency Administrators Qualification Requirements in the Law	Existence in the regulatory framework of qualification requirements for insolvency administrators
2	Conditions for Disqualification	Existence in the regulatory framework of conditions for disqualification of insolvency administrators

1.3 Specialized Insolvency Proceedings and International Insolvency

Category 1.3 is divided into two subcategories consisting of several indicators, each of which may, in turn, have several components.

1.3.1 Specialized Insolvency Proceedings for Micro and Small Enterprises (MSEs)

The lack of an attractive exit for MSEs may prevent many entrepreneurs from even starting a business. By the time the MSE debtor initiates insolvency proceedings, the firm is no longer viable, which results in loss of value, compromising the preservation of the company at the expense of legal procedural certainty.²² Therefore, an inefficient insolvency framework can also be harmful to entrepreneurship.²³ Good practices advocate for promoting specialized or simplified proceedings for micro and small enterprises (MSEs).²⁴

Therefore, Subcategory 1.3.1–Specialized Insolvency Proceedings for Micro and Small Enterprises (MSEs) comprises three indicators (table 8).

Table 8. Subcategory 1.3.1–Specialized Insolvency Proceedings for Micro and Small Enterprises (MSEs)

	Indicators	Components
1	Availability and Eligibility	Existence within the insolvency law of a simplified insolvency regime for MSEs
2	Conversion of Proceedings	Existence of a mechanism providing for the possibility that, at any point during a simplified reorganization proceeding, the proceeding be discontinued and converted to a liquidation, if the competent authority determines that the debtor is insolvent and that there is no prospect for a viable reorganization
3	Debt Discharge	Existence of provisions granting an expeditious discharge in simplified liquidation proceedings

1.3.2 Cross-Border Insolvency

A comprehensive cross-border insolvency framework is key to promoting objectives such as greater legal certainty for trade and investment, maximization of the value of the debtor’s assets, and facilitation of the rescue of financially troubled businesses, thereby protecting investment and preserving employment.²⁵ The indicator measures whether a legal framework for cross-border insolvencies is established, with the recognition of foreign proceedings. Therefore, Subcategory 1.3.2–Cross-Border Insolvency comprises two indicators (table 9).

Table 9. Subcategory 1.3.2–Cross-Border Insolvency

	Indicators	Components
1	Existence of Framework and Recognition of Foreign Insolvency Proceedings	Existence of a mechanism to recognize foreign insolvency proceedings
2	Legal Framework for Cooperation with Foreign Courts and Representatives	Existence of a legal system aimed at facilitating cooperation with foreign courts and representatives

2. PILLAR II. QUALITY OF INSTITUTIONAL AND OPERATIONAL INFRASTRUCTURE FOR JUDICIAL INSOLVENCY PROCEEDINGS

Table 10 shows the structure for Pillar II, Quality of Institutional and Operational Infrastructure for Judicial Insolvency Proceedings. Each of this pillar’s categories and subcategories will be discussed in more detail in the order shown in the table.

Table 10. Pillar II–Quality of Institutional and Operational Infrastructure for Judicial Insolvency Proceedings

2.1	Digital Services (e-Courts) in Insolvency Proceedings
2.1.1	Electronic Services in Liquidation and Reorganization
2.1.2	Electronic Case Management Systems in Liquidation and Reorganization
2.2	Interoperability in Insolvency Proceedings
2.2.1	Digital Services Connectivity with External Systems in Liquidation and Reorganization
2.2.2	Interconnection Between e-Case Management System and e-Filing Systems in Liquidation and Reorganization
2.3	Public Information on Insolvency Proceedings and Registry of Insolvency Practitioners
2.3.1	Public Information on the Number and Length of Liquidation and Reorganization, and Insolvency Judgments
2.3.2	Availability of a Public Registry of Insolvency Practitioners
2.4	Public Officials and Insolvency Administrator
2.4.1	Expertise of Courts with Jurisdiction on Reorganization and Liquidation Proceedings
2.4.2	Insolvency Administrator’s Expertise in Practice

2.1 Digital Services (e-Courts) in Insolvency Proceedings

Category 2.1 is divided into two subcategories consisting of several indicators, each of which may, in turn, have several components.

2.1.1 Electronic Services in Liquidation and Reorganization

As court automation increases efficiency and transparency while reducing administrative costs, the rapid development of information and communication technologies (ICT) opens new opportunities to significantly improve the administration of justice. The availability of web services, the use of electronic filing, the electronic exchange of legal documents, and the possibility of online legislation and case law are only some examples that are spurring judicial administrations around the world to rethink their current functions and activities.²⁶ ICT can be used to enhance efficiency, access, timeliness, transparency, and accountability, thus helping judiciaries to provide adequate services.²⁷ In addition, the use of electronic auctions has the potential of increasing the number of bidders, thus potentially increasing the recovery rate on the value of the estate.²⁸ Therefore, Subcategory 2.1.1–Electronic Services in Liquidation and Reorganization comprises four indicators (table 11).

Table 11. Subcategory 2.1.1–Electronic Services in Liquidation and Reorganization

	Indicators	Components
1	Electronic Filing	Existence of fully operational e-filing system
2	Electronic Payment of Court Fees	Existence of e-payment systems, in addition to a functional case management system for judges, lawyers, and insolvency administrators
3	Electronic Auction	Possibility to conduct auctions virtually
4	Virtual Hearing	Possibility to conduct hearings virtually

2.1.2 Electronic Case Management Systems in Liquidation and Reorganization

Electronic case management refers to the electronic distribution of cases in the court, through a digital system platform, using software that assures a random selection of judges. Cases in court can be followed through a platform that provides information about related dates, experts call, documents filing, and any court announcements, including final judgments. The electronic case management system also includes performance reports.²⁹ Court automation includes electronic case management by judges and lawyers, as well as by insolvency administrators, in a way that they can track the status of the case, dates of hearings, expert consultations, if any, and final judgments. Therefore, Subcategory 2.1.2–Electronic Management Systems in Liquidation and Reorganization comprises three indicators (table 12).

Table 12. Subcategory 2.1.2–Electronic Case Management Systems in Liquidation and Reorganization

	Indicators	Components
1	Electronic Case Management for Judges and Lawyers	Existence of case management features implemented in insolvency proceedings for the practitioners and judges, which allow for instance send and receive notifications electronically, manage file procedures electronically, view court orders and decisions electronically
2	Electronic Case Management for Insolvency Administrators	Existence of case management features implemented in insolvency proceedings for the insolvency administrators
3	Electronic Monitoring of the status of insolvency proceedings	Possibility for the parties to the process to electronically track the status of the case

2.2 Interoperability in Insolvency Proceedings

Category 2.2 is divided into two subcategories consisting of several indicators each of which may, in turn, have several components.

2.2.1 Digital Services Connectivity with External Systems in Liquidation and Reorganization

Public sector interoperability saves time and costs for businesses by improving their interactions with administrations. It is important to ensure that different information technology systems, devices, or software applications can communicate, exchange data with each other seamlessly and use the information that has been exchanged.³⁰ For instance, judges should be able to verify companies' registry, debt registries, land titles, etc., while evaluating the financial and corporate situation of a company filing for insolvency, be it either liquidation or reorganization. The subcategory measures the inclusion of insolvency proceedings within e-government services and their interconnectedness with other agencies (including commercial/business registries and law enforcement agencies) and stakeholders involved in insolvency proceedings. Therefore, Subcategory 2.2.1–Digital Services Connectivity with External Systems in Liquidation and Reorganization comprises one indicator (table 13).

Table 13. Subcategory 2.2.1–Digital Services Connectivity with External Systems in Liquidation and Reorganization

	Indicators	Components
1	Interoperability with External Systems	Exchange of data with other authorities that enhances the efficiency of the administration of justice

2.2.2 Interconnection Between e-Case Management System and e-Filing Systems in Liquidation and Reorganization

The Business Insolvency topic measures whether the key aspects of a functioning e-Case Management for insolvency lawyers, insolvency judges and insolvency administrators are in place and are functional. The interconnectedness of e-Case management systems is also measured, so that the systems can inform aspects of the insolvency proceedings and transfer data that might not be included in one isolated system. This type of interconnection promotes a more efficient administration of justice.³¹ Therefore, Subcategory 2.2.2–Interconnection Between e-Case Management System and e-Filing Systems in Liquidation and Reorganization comprises one indicator (table 14).

Table 14. Subcategory 2.2.2–Interconnection Between e-Case Management System and e-Filing Systems in Liquidation and Reorganization

	Indicators	Components
1	Interconnection Between Case Management System and e-Filing Systems	Exchange or transfer of data between case management systems so that they communicate in a coordinated way, without effort from the end user

2.3 Public Information on Insolvency Proceedings and Registry of Insolvency Practitioners

Category 2.3 is divided into two subcategories consisting of several indicators, each of which may, in turn, have several components.

2.3.1 Public Information on the Number and Length of Liquidation and Reorganization, and Insolvency Judgments

Data on insolvency proceedings related to the number, length and type of proceedings is a key benchmark for economies to introduce reform and inform public policy design. It is also a recognized international good practice to publish judgments at all levels of court proceedings.³² In insolvency cases, such judgments could provide legal guidance, as the law is still quite new. Publishing judgments will also increase transparency and credibility. The creation of this body of data is likely to further contribute to the growth of expertise among judges and lawyers. Having a bulk of relevant case law at hand helps interested parties understand the specifics of this area of law, trace current trends as well as determine possible risks and solutions for how to avoid them.³³ Therefore Subcategory 2.3.1–Public Information on the Number and Length of Liquidation and Reorganization, and Insolvency Judgments comprises three indicators (table 15).

Table 15. Subcategory 2.3.1–Public Information on the Number and Length of Liquidation and Reorganization, and Insolvency Judgments

	Indicators	Components
1	Publication of Judgments in Insolvency Procedures	Whether judgments concerning insolvency proceedings are publicly available
2	Publication of Data on the Number and Type of Insolvency Procedures	Whether the data on number and types of insolvency proceedings in the economy per year is publicly available
3	Publication of Data on the Average Length of Insolvency Procedures	Whether the data on the average length of insolvency proceedings is publicly available

2.3.2 Availability of a Public Registry of Insolvency Practitioners

The existence of an insolvency register that will record information on all ongoing insolvency procedures, including, among others, information about the debtor, the stage of the proceedings, and information about the insolvency practitioner, plays a central role in making this information publicly available to interested parties in the proceedings.³⁴ Therefore Subcategory 2.3.2–Availability of a Public Registry of Insolvency Practitioners comprises two indicators (table 16).

Table 16. Subcategory 2.3.2–Availability of a Public Registry of Insolvency Practitioners

	Indicators	Components
1	Availability of a Register of Insolvency Practitioners	Whether there is a register of insolvency practitioners and/or firms qualified to offer insolvency services and whether the register is available to the public through publication in an official gazette, newspapers, or court websites
2	Publication of Register of Insolvency Practitioners	Whether the register of insolvency practitioners is publicly available

2.4 Public Officials and Insolvency Administrator

Category 2.4 is divided into two subcategories consisting of several indicators, each of which may, in turn, have several components.

2.4.1 Expertise of Courts with Jurisdiction on Reorganization and Liquidation Proceedings

Courts with technical expertise in complex legal issues in the areas of commercial law, insolvency law, securities law, or intellectual property law are important because bankruptcy cases are particularly complicated, due to the demanding interests of the many stakeholders involved, including a large number and diverse types of creditors, insolvency representatives, practitioners, and the debtor facing financial difficulties. Judges who deal with these types of cases require specific skills (such as financial and accounting skills). To successfully carry out a reorganization proceeding, for example, a judge must demonstrate sound accounting and financial skills; therefore, insolvency judges should be designated on their merit and ability to fully understand the financial situation of the debtor—a skill that is not characteristic of an ordinary commercial judge. Courts with technical expertise can also enhance bank funding decisions and lead to faster resolution of the proceedings and more reliable decision making.³⁵ Therefore, Subcategory 2.4.1– Expertise of Courts with Jurisdiction on Reorganization and Liquidation Proceedings comprises two indicators (table 17).

Table 17. Subcategory 2.4.1–Expertise of Courts with Jurisdiction on Reorganization and Liquidation Proceedings

	Indicators	Components
1	Expertise of Specialized Courts with Jurisdiction	Existence of a court, court division or bench with specialized insolvency expertise

	Over Insolvency Proceedings	
2	Operability of Courts with Jurisdiction Over Insolvency Proceedings	The court or a judge/division/bench in a commercial court with specialized insolvency expertise is operational The Court is operational if it has implemented in practice

2.4.2 Insolvency Administrator's Expertise in Practice

The complexity of many insolvency proceedings makes it highly desirable for the insolvency representative to be appropriately qualified, with knowledge of the law (not only insolvency law, but also relevant commercial, finance, and business law), as well as adequate experience in commercial and financial matters, including accounting.³⁶ Therefore, Subcategory 2.4.2–Insolvency Administrator's Expertise in Practice comprises one indicator (table 18).

Table 18. Subcategory 2.4.2–Insolvency Administrator's Expertise in Practice

	Indicators	Components
1	Insolvency Administrator Qualification Requirements in Practice	Application of the qualifications for insolvency administrators to be appointed

3. PILLAR III. OPERATIONAL EFFICIENCY OF RESOLVING JUDICIAL INSOLVENCY PROCEEDINGS

Table 19 shows the structure for Pillar III, Operational Efficiency of Resolving Judicial Insolvency Proceedings. Each of this pillar's categories and subcategories will be discussed in more detail in the order shown in the table.

Table 19. Pillar III–Operational Efficiency of Resolving Judicial Insolvency Proceedings

3.1	Liquidation Proceedings
3.1.1	Time to Resolve a Liquidation Proceeding
3.1.2	Cost to Resolve a Liquidation Proceeding
3.2	Reorganization Proceedings
3.2.1	Time to Resolve a Reorganization Proceeding
3.2.2	Cost to Resolve a Reorganization Proceeding

3.1 Liquidation Proceedings

Category 3.1 is divided into two subcategories consisting of one indicator each.

3.1.1 Time to Resolve a Liquidation Proceeding

Subcategory 3.1.1–Time to Resolve a Liquidation Proceeding comprises one indicator (table 20).

Table 20. Subcategory 3.1.1–Time to Resolve a Liquidation Proceeding

	Indicators	Components
1	Time to Resolve an In-Court Liquidation Proceeding	The time to resolve liquidation proceedings is presented in calendar months from the date of filing until the payment of some or all the money owed to creditors

3.1.2 Cost to Resolve a Liquidation Proceeding

Cost-effective insolvency proceedings can encourage inefficient firms to exit and embolden greater entrepreneurial activity and new firm creation.³⁷ This measure of cost compliance serves as a suitable proxy for the operational efficiency of the judicial proceedings on insolvency. Therefore, Subcategory 3.1.2–Cost to Resolve a Liquidation Proceeding comprises one indicator (table 21).

Table 21. Subcategory 3.1.2–Cost to Resolve a Liquidation Proceeding

	Indicators	Components
1	Cost to Resolve an In-Court Liquidation Proceeding	The overall cost of the proceedings (costs incurred by both the creditors and the borrower) is recorded as a percentage of the value of the defined company and includes court fees, attorney fees, and insolvency representative fees, in addition to other fees (auctioneer, accountant, and other miscellaneous fees)

3.2 Reorganization Proceedings

Category 3.2 is divided into two subcategories consisting of one indicator each.

3.2.1 Time to Resolve a Reorganization Proceeding

Excessive length of restructuring and business discharge is key in triggering loss of value for the enterprise.³⁸ Therefore, Subcategory 3.2.1–Time to Resolve a Reorganization Proceeding comprises one indicator (table 22).

Table 22. Subcategory 3.2.1–Time to Resolve a Reorganization Proceeding

	Indicators	Components
1	Time to Resolve an In-Court Reorganization Proceeding	The time to resolve the proceedings is presented in calendar months from the date of filing until the approval of the reorganization plan

3.2.2 Cost to Resolve a Reorganization Proceeding

Subcategory 3.2.2–Cost to Resolve a Reorganization Proceeding comprises one indicator (table 23).

Table 23. Subcategory 3.2.2–Cost to Resolve a Reorganization Proceeding

	Indicators	Components
1	Cost to Resolve an In-Court Reorganization Proceeding	The overall cost of the proceedings (costs incurred by both the creditors and the borrower) is recorded as a percentage of the value of the defined company and includes court fees, attorney fees, and insolvency representative fees, in addition to other fees (auctioneer, accountant, and other miscellaneous fees)

III. DATA SOURCES

4.1 Data Collection Sources

The data for Pillar I, Pillar II, and Pillar III are collected through consultations with private sector experts. Private sector experts include insolvency practitioners and lawyers specialized in corporate law or commercial law, with practical experience in corporate insolvency proceedings and relevant knowledge of the insolvency framework in each economy.

4.2 Screening and Selection of Experts

The Business Insolvency topic has one questionnaire. A screener questionnaire is used to assist the selection of experts receiving the Business Insolvency topic questionnaire based on a set of criteria (table 24).

Table 24. Screener Questionnaire and Respondent Criteria

Relevant Experts' Professions
Lawyer, judge, and other associated professions, including, among others, clerk, official receiver, insolvency administrator, etc.
Relevant Areas of Specialization
Corporate insolvency, corporate law, commercial law, procedural law

Assessment of the Experts' Knowledge or Experience Related to Commercial Insolvency
Experience in formal judicial proceedings, either liquidation or reorganization, involving corporate debtors or creditors in the last three years based on closed and/or in current ongoing cases, particularly with domestic micro and small enterprises (MSEs). Encouraged to have experience or knowledge in the basic framework of the UNCITRAL Legislative Guide on Insolvency Law, and the World Bank's Principles for Effective Insolvency and Creditor/Debtor Regime. Encouraged to have knowledge or experience in dealing with environmental obligations within the area of bankruptcy. Encouraged to be an active user of the online court services and platforms available in the specific jurisdiction, assuming these features are in place and are fully operational.

Thus, the information provided in the screener questionnaires allows the team to better understand the experts' profession, areas of specializations, and experts' knowledge or experience related to corporate insolvency legal regime and practice.

IV. PARAMETERS

To ensure comparability of the data from expert consultations across economies, the Business Insolvency topic uses specific parameters. A parameter refers to an assumption that is made about specific characteristics of the insolvency law and the insolvency practice. Parameters specific to the Business Insolvency topic are also necessary to ensure that measurements specific to the competent court and its location (the court with jurisdiction to adjudicate insolvency cases in the largest business city) and the debtor (the type of company, size, financial situation, and the number of creditors) are comparable across economies.

5.1 General Parameters

The Business Insolvency topic does not have general parameters that are applicable to all pillars.

5.2 Specific Parameters

Business Insolvency employs 2 specific parameters. One is competent court and its location, which applies in Pillars II and III. The other is debtor company, relevant only for Pillar III.

5.2.1 Competent Court and Its Location

Justification:

Defining the competent court is key in ensuring comparability across different economies because it establishes the same level of jurisdiction over the commencement and conduct of insolvency proceedings. The competent court of primary or first instance is the most comparable among jurisdictions worldwide: the jurisdiction of the second-instance court generally depends on the nature of the legal framework and the jurisdiction in question, which does not allow for a comprehensive view and coherence in the data analysis. In addition, because within each economy there might be a variety of subnational levels of jurisdiction over insolvency procedures, the competent court assumed here is based in the largest business city of the economy as the main criteria for territorial jurisdiction.

Application:

This parameter is applicable to all indicators in Pillars II and III. For example, an assumption of the competent court with jurisdiction to resolve insolvency disputes establishes the institution providing the public services as measured in Pillar II. The most relevant institution that provide these public services must be identified in as consistent and uniform a way as possible across economies to allow comparability in indicators related to e-courts or measurements such as the specialized bankruptcy court or a judge/division/bench in a commercial court. In addition, an assumption related to the competent court specifically located in the largest business city applies in estimating the efficiency of the in-court liquidation

and reorganization proceedings as measured in Pillar III, because it allows standardization at the procedural level to calculate the time and cost of such proceedings.

5.2.2 Debtor Company

Justification:

The limited liability company (LLC) is the most prevalent legal form of company adopted worldwide to conduct business. LLCs can also shield the personal assets of its members from legal claims related to the business. In other types of firm arrangements, the members and/or partners are held personally liable, which would entail individual and/or personal insolvency—which falls outside the ambit of corporate insolvency examined in the B-READY project. Focusing solely on limited liability companies allows the relationship between creditors and debtor to be examined within the insolvency framework alone without other forms of liability arising.

Application:

The Business Insolvency topic assumes that the debtor is a domestic LLC company operating in the largest business city in each economy. The Company has 2 Secured Creditors, which are financial institutions. Unsecured creditors are mainly suppliers, tax authorities and employees. The market value of the company's assets is 150 times the GNI per capita (Atlas method) of the economy, considered a medium-sized enterprise. The Company sustains periods of negative cash flows and is expected to have negative net worth and operating losses. The value of the Company's liabilities exceeds the value of its assets, and defaults on its debt obligations toward its secured and unsecured creditors as they mature. Establishing a standardized debtor company, with very specific characteristics, is the only way to preserve comparability in measuring the time and cost of insolvency proceedings. The assumption establishing the debtor firms' characteristics is only used in Pillar III. For example, the assumption is used in estimating the length and cost of insolvency proceedings of liquidation and reorganization, respectively. In a similar vein, an assumption setting the value of the company plays a central role in calculating the cost because the related question is expressed as a percentage of the value of the company.

V. TOPIC SCORING

The Business Insolvency topic has three pillars: Pillar I—Quality of Regulations for Judicial Insolvency Proceedings; Pillar II—Quality of Institutional and Operational Infrastructure for Judicial Insolvency Proceedings; and Pillar III—Operational Efficiency of Resolving Judicial Insolvency Proceedings. The total points for each pillar are further rescaled to values from 0 to 100, and subsequently aggregated into the total topic score. Each pillar contributes one-third to the total topic score. Table 25 shows the scoring for the Business Insolvency topic. The scores distinguish between benefits to the firm (captured as firm flexibility points) and benefits to society's broader interests (captured as social benefits points). For further scoring details, please see Annex A, which complements this section.

Table 25. Aggregate Scoring Overview

Pillar number	Pillars	Number of Indicators	Score			Rescaled Points (0–100)	Weight
			Firm Flexibility Points	Social Benefits Points	Total Points		
I	Quality of Regulations for Judicial Insolvency Proceedings	28	28	25	53	100	0.33
II	Quality of Institutional and Operational Infrastructure for Judicial Insolvency Proceedings	17	17	17	34	100	0.33

III	Operational Efficiency of Resolving Judicial Insolvency Proceedings	4	100	n/a	100	100	0.33
-----	---	---	-----	-----	-----	-----	------

Note: n/a = not applicable (refers to the cases when the impact on firms or society is either ambiguous or nonexistent).

6.1 Pillar I—Quality of Regulations for Judicial Insolvency Proceedings

Pillar I covers 28 indicators with a total score of 51 points (27 points on firm flexibility and 24 points on social benefits) (table 26). The scoring for each category under this pillar is as follows:

- 6.1.1** *Legal and Procedural Standards in Insolvency Proceedings* has 10 indicators with a total maximum score of 20 points (10 points for firm flexibility and 10 points for social benefits). Specifically, the *Pre-Commencement and Commencement Standards in Liquidation and Reorganization* Subcategory has 5 indicators, and *Post-commencement Standards in Liquidation and Reorganization* comprises another 5. Comprehensive insolvency standards addressing key issues predating the filing for formal proceedings, defining clear standards for commencing formal insolvency proceedings, and ensuring the right balance is struck between liquidation and reorganization proceedings, with all processes being clearly defined, benefits both firms (firm flexibility) and society (social benefits).
- 6.1.2** *Debtor's Assets and Creditor's Participation in Insolvency Proceedings* has 13 indicators with a total maximum score of 25 points (13 points on firm flexibility and 12 points in social benefits). Specifically, the *Treatment and Protection of Debtor's Assets during Liquidation and Reorganization (includes environment)* Subcategory has 6 indicators, the *Creditor Rights in Liquidation and Reorganization* Subcategory has 5 indicators, and the *Selection and Dismissal of the Insolvency Administrator* comprises another 2 indicators. Under this category, the score for the most part is allocated equally between firm flexibility and social benefits, except for the *Automatic Stay of Proceedings* and the *Rejection of Existing Burdensome Contracts and Assets* indicators, which do not extend to socially desirable outcomes, and thus is scored only on firm flexibility. In addition, the *Special Regime for Labor Claims* indicator scores on social benefits only. An insolvency regulatory framework that promotes the maximization of the debtor's estate during insolvency proceedings and at the same time provides safeguards to all stakeholders in the proceedings with diverse interests in the assets of the firm benefits to firms and society as a whole.
- 6.1.3** *Specialized Insolvency Proceedings and International Insolvency* has 5 indicators with a total maximum score of 8 points (5 points on firm flexibility and 3 points on social benefits). The *Specialized Insolvency Proceedings for Micro and Small Enterprises (MSEs)* Subcategory has 3 indicators, and the *Cross-Border Insolvency* Subcategory has 2. Under this category, the score for the *Specialized Insolvency Proceedings for Micro and Small Enterprises (MSEs)* is allocated equally between firm flexibility and social benefits because such a specialized regime would ensure expeditious and low-cost insolvency proceedings for firms (firm flexibility) and increase judicial efficiency in terms of caseload by providing another legal avenue for MSEs (social benefit).

Table 26. Aggregate Scoring Pillar I

Pillar I—Quality of Regulations for Judicial Insolvency Proceedings		No. of Indicators	FFP	SBP	Total Points	Rescaled Points
1.1	Legal and Procedural Standards in Insolvency Proceedings	10	10	10	20	30.00
1.1.1	Pre-Commencement and Commencement Standards in Liquidation and Reorganization	5	5	5	10	15.00
1.1.2	Post-Commencement Standards in Liquidation and Reorganization	5	5	5	10	15.00

1.2	Debtor's Assets and Creditor's Participation in Insolvency Proceedings	13	12	11	23	50.00
1.2.1	Treatment and Protection of Debtor's Assets during Liquidation and Reorganization (includes environment)	6	6	4	10	20.00
1.2.2	Creditor's Rights in Liquidation and Reorganization (includes environment)	5	4	5	9	20.00
1.2.3	Selection and Dismissal of the Insolvency Administrator	2	2	2	4	10.00
1.3	Specialized Insolvency Proceedings and International Insolvency	5	5	3	8	20.00
1.3.1	Specialized Insolvency Proceedings for Micro and Small Enterprises (MSEs)	3	3	3	6	10.00
1.3.2	Cross-Border Insolvency	2	2	n/a	2	10.00
	Total	28	27	24	51	100.00

Note: FFP = Firm Flexibility Point; SBP = Social Benefits Point.

6.2 Pillar II—Quality of Institutional and Operational Infrastructure for Judicial Insolvency Proceedings

Pillar II includes 17 indicators with a total score of 34 points (17 points on firm flexibility and 17 points on social benefits) (table 27). The scoring for each category under the pillar is as follows:

- 6.2.1** *Digital Services (e-Courts) in Insolvency Proceedings* has 7 indicators with a total maximum score of 14 points (7 points on firm flexibility and 7 points on social benefits). Specifically, the *Electronic Services in Liquidation and Reorganization* Subcategory has 4 indicators, and the *Electronic Case Management Systems in Liquidation and Reorganization* Subcategory has 3. Under this category, the score is allocated equally between firm flexibility and social benefits.
- 6.2.2** *Interoperability in Insolvency Proceedings* has 2 indicators with a total maximum score of 4 points (2 on firm flexibility and 2 points on social benefits). Specifically, *Digital Services Connectivity with External Systems in Liquidation and Reorganization* Subcategory has 1 indicator, and *Interconnection Between e-Case Management System and e-Filing Systems in Liquidation and Reorganization* Subcategory has another indicator.
- 6.2.3** *Public Information on Insolvency Proceedings and Registry of Insolvency Practitioners* has 5 indicators with a total maximum score of 10 points (5 on firm flexibility and 5 on social benefits). Specifically, the *Public Information on the Number and Length of Liquidation and Reorganization, and Insolvency Judgments* Subcategory has 3 indicators, and the *Availability of a Public Registry of Insolvency Practitioners* Subcategory covers 2 indicators.
- 6.2.4** *Public Officials and Insolvency Administrator* has 3 indicators with a total maximum score of 6 points (3 points on firm flexibility and 3 points on social benefits). Specifically, the *Specialization of Courts with Jurisdiction on Reorganization and Liquidation Proceedings* Subcategory comprises 2 indicators and the *Insolvency Administrator's Expertise in Practice* Subcategory 1 indicator, respectively. A specialized bankruptcy court and the observance of the qualification requirements of the administrator in practice both benefits firms (firm flexibility) and advances the broader public interest (social benefits). Therefore, equal scores are assigned to both subcategories.

Table 27. Aggregate Scoring Pillar II

Pillar II—Quality of Institutional and Operational Infrastructure for Judicial Insolvency Proceedings		No. of Indicators	FFP	SBP	Total Points	Rescaled Points
2.1	Digital Services (e-Courts) in Insolvency Proceedings	7	7	7	14	40.00
2.1.1	Electronic Services in Liquidation and Reorganization	4	4	4	8	20.00

2.1.2	Electronic Case Management Systems in Liquidation and Reorganization	3	3	3	6	20.00
2.2	Interoperability in Insolvency Proceedings	2	2	2	4	20.00
2.2.1	Digital Services Connectivity with External Systems in Liquidation and Reorganization	1	1	1	2	10.00
2.2.2	Interconnection Between e-Case Management System and e-Filing Systems in Liquidation and Reorganization	1	1	1	2	10.00
2.3	Public Information on Insolvency Proceedings and Registry of Insolvency Practitioners	5	5	5	10	20.00
2.3.1.	Public Information on the Number and Length of Liquidation and Reorganization, and Insolvency Judgments	3	3	3	6	10.00
2.3.2	Availability of a Public Registry of Insolvency Practitioners	2	2	2	4	10.00
2.4	Public Officials and Insolvency Administrator	3	3	3	6	20.00
2.4.1	Expertise of Courts with Jurisdiction on Reorganization and Liquidation Proceedings	2	2	2	4	10.00
2.4.2	Insolvency Administrator's Expertise in Practice	1	1	1	2	10.00
	Total	17	17	17	34	100.00

Note: FFP = Firm Flexibility Point; SBP = Social Benefits Point.

6.3 Pillar III—Operational Efficiency of Resolving Judicial Insolvency Proceedings

Pillar III comprises 4 categories with scores ranging from 0 to 100. The scores on indicators under this pillar are assigned to firm flexibility only, because the indicators measure the time and cost to resolve in-court liquidation and reorganization proceedings for firms. For example, high fees and long times to resolve liquidation proceedings have adverse impacts on firms, thus hampering firm flexibility.

If an economy had zero completed (closed) cases of judicial reorganization or judicial liquidation proceedings involving corporate debtors over the past three years, the economy receives a “no practice” mark and zero score on the time and cost indicators for the specific proceeding.

6.3.1 *Liquidation Proceedings* has 2 indicators with a maximum score of 50 points. Specifically, the *Time to Resolve a Liquidation Proceeding* Subcategory has 1 indicator, and the *Cost to Resolve a Liquidation Proceeding* Subcategory has 1 indicator.

6.3.2 *Reorganization Proceedings* has 2 indicators with a maximum score of 50 points. Specifically, the *Time to Resolve a Reorganization Proceeding* Subcategory has 1 indicator, and the *Cost to Resolve a Reorganization Proceeding* Subcategory has 1 indicator.

Table 28. Aggregate Scoring Pillar III

Pillar III—Operational Efficiency of Resolving Judicial Insolvency Proceedings		No. of Indicators	Rescaled Points
3.1	Liquidation Proceedings	2	50.00
3.1.1	Time to Resolve a Liquidation Proceeding	1	25.00
3.1.2	Cost to Resolve a Liquidation Proceeding	1	25.00
3.2	Reorganization Proceedings	2	50.00
3.2.1	Time to Resolve a Reorganization Proceeding	1	25.00
3.2.2	Cost to Resolve a Reorganization Proceeding	1	25.00
	Total	4	100.00

Note: FFP = Firm Flexibility Point; SBP = Social Benefits Point.

References

- Becker, B., and V. Ivashina. 2021. “Corporate Insolvency Rules and Zombie Lending.” Unpublished.
- Becker, B., and M. Oehmke. 2021. “Preparing for the Post-Pandemic Rise in Corporate Insolvencies.” *ASC Insight No. 2*, European Systemic Risk Board, Frankfurt.
- Białkowski, M. 2018. “International Insolvency Proceedings—Desired Directions of Change and Implementation.” *Service Management Journal* 6: 37–42.
- Byfield, P. 2011. “The Publication of Commercial Court Decisions in the Western Commonwealth of Independent States.” In *Law in Transition 2011: Towards Better Courts*. London: EBRD (European Bank for Reconstruction and Development).
- Cabral, J. E., A. Chavan, T. M. Clarke, J. Greacen, B. R. Hough, L. Rexer, J. Ribadeneyra, and R. Zorza. 2012. “Using Technology to Enhance Access to Justice.” *Harvard Journal of Law & Technology* 26 (1, Fall): 243–324.
- Carcea, M. C., D. Ciriac, C. Cuerpo Caballero, D. Lorenzani, and P. Pontuch. 2015. “The Economic Impact of Rescue and Recovery Frameworks.” European Commission Discussion Paper 2015-004, Directorate-General for Economic and Financial Affairs, European Commission.
- Cirmizi, E., L. Klapper, and M. Uttamchandani. 2012. “The Challenges of Bankruptcy Reform.” *World Bank Research Observer* 27 (2): 185–203.
- Consolo A., F. Malfa, and B. Pierluigi. 2018. “Insolvency Frameworks and Private Debt: An Empirical Investigation.” Working Paper 2189, European Central Bank, Frankfurt.
- El Ghoul, S., Z. Fu, and O. Guedhami. 2021. “Zombie Firms: Prevalence, Determinants, and Corporate Policies.” *Finance Research Letters* 411 (July): 101876.
- Ellias, J., B. Iverson, and M. Roe. 2020. “Estimating the Need of Additional Bankruptcy Judges in Light of the COVID-19 Pandemic.” *Harvard Business Law Review* 11 (online).
- Frade, C., P. Fernando, and A. Conceição. 2020. “The Performance of the Courts in the Digital Era: The Case of Insolvency and Restructuring Proceedings.” *International Insolvency Review* 29 (3): 346–59.
- Garrido, J., Bergthaler, W., DeLong, C., Johnson, J., Rasekh A., Rosha, A. and Stetsenko, N., “The Use of Data in Assessing and Designing Insolvency System.” Working Paper. IMF (International Monetary Fund). 2019. Washington, DC.
- González-Torres, G., and G. Rodano. 2020. “Court Efficiency and Aggregate Productivity: The Credit Channel.” Bank of Italy Working Paper No. 1287, Bank of Italy, Rome.
- Greenwood, R., B. Iverson, and D. Thesmar. 2020. “Sizing Up Corporate Restructuring in the COVID Crisis.” *Brookings Papers on Economic Activity* (2): 391–451.
- Gurrea-Martinez, A. 2021. “Implementing an Insolvency Framework for Micro and Small Firms.” *International Insolvency Review* 30 (S1): S46–S66.

- Hemingway, B. 2020. "Macroeconomic Implications of Insolvency Regimes." Bank of Lithuania Working Paper No. 77/2020, Bank of Lithuania, Vilnius, Lithuania.
- ILO (International Labour Organization). 1949. "Convention Concerning the Protection of Wages of the International Labour Organization (ILO)." Entered into force: September 24, 1952.
- ILO (International Labour Organization). 2020. "Protection of Worker's Wage Claims in Enterprise Insolvency." Factsheet, May 18, 2020.
- IMF (International Monetary Fund). 2014. *Global Financial Stability Report, April 2014: Moving from Liquidity to Growth-Driven Markets*. Washington, DC: IMF.
- Inacio, E. 2020. "When Environment Meets Insolvency." Technical Insight. *Eurofenix* Winter 2019/20: 14–15.
- Iverson B. C., J. Madsen, W. Wang, and Q. Xu. 2018. "Learning by Doing: Judge Experience and Bankruptcy Outcomes." <https://doi.org/10.2139/ssrn.3084318>.
- Kruczak-Jankowska J., M. Maśnicka, and A. Machnikowska. 2020. "The Relation between Duration of Insolvency Proceedings and their Efficiency." *International Insolvency Review* 29 (3, Winter): 379–92.
- Lee, S., Y. Yasuhiro, M. W. Peng, and J. B. Barney. 2011. "How Do Bankruptcy Laws Affect Entrepreneurship Development around the World?" *Journal of Business Venturing* 26 (5): 505–20.
- Li, B., and J. Ponticelli. 2020. "Going Bankrupt in China." NBER Working Paper 27501, National Bureau of Economic Research, Cambridge, MA.
- Loubser, A. 2007. "An International Perspective on the Regulation of Insolvency Practitioners." *SA Mercantile Law Journal* 19 (2).
- Martinez, A. 2018. "Importance of Legal aspects of NPL Resolution." World Bank Group.
- McGowan, M. A., D. Andrews, and V. Millot. 2018. "The Walking Dead? Zombie Firms and Productivity Performance in OECD Countries." *Economic Policy* 33: 685–736.
- Menezes, A. 2014. "Debt Resolution and Business Exit: Insolvency Reform for Credit, Entrepreneurship, and Growth." World Bank Group Knowledge Note, World Bank, Washington, DC.
- Neira, J. 2019. "Bankruptcy and Cross-Country Differences in Productivity." *Journal of Economic Behavior & Organization* 157 (C): 359–81.
- Polo, A. 2011. "Preservation of Value, Conflict of Interests and Reputation in a 'Contractualist' Bankruptcy System." Paper delivered at Reputation Symposium 2011 at the Oxford University Centre for Corporate Reputation.
- Robert-Tissot, F. 2012. "The Effects of a Reorganization on (Executory) Contracts: A Comparative Law and Policy Study [United States, France, Germany and Switzerland]." International Insolvency Institute.

- Rodano, G., N. Serrano-Velarde, and E. Tarantino. 2016. "Bankruptcy Law and Bank Financing." *Journal of Financial Economics* 120 (2): 363–82.
- Tomasic, R. 2007. "Creditor Participation in Insolvency Proceedings." In *Asian Insolvency Systems: Closing the Implementation Gap*. Organisation for Economic Co-operation and Development (OECD).
- UNCITRAL (United Nations Commission on International Trade Law). 2005. *Legislative Guide on Insolvency Law* (UNCITRAL Legislative Guide). New York.
- UNCITRAL (United Nations Commission on International Trade Law). 2013. *Model Law on Cross-Border Insolvency with Guide to Enactment and Interpretation*. UNCITRAL, Vienna.
- Velicogna, M. 2007. "Justice Systems and ICT—What Can Be Learned from Europe?" *Utrecht Law Review* 3 (1): 129–47.
- World Bank. 2021. *Principles for Effective Insolvency and Creditor/Debtor Regimes* (ICR Standards). Washington, DC: World Bank.
- World Bank. 2022. "Interoperability: Towards a Data-Driven Public Sector." World Bank Group, Washington, DC.
- Zorza, R. 2013. "Principles and Best Practices for Access-Friendly Court Electronic Filing." Electronic Filing and Access to Justice Best Practices Project.

- ¹ Becker and Oehmke (2021); Ellias, Iverson, and Roe (2020); Greenwood, Iverson, and Thesmar (2020).
- ² Becker and Ivashina (2021); Consolo, Malfa, and Pierluigi (2018); Menezes (2014).
- ³ Carcea et al. (2015); Cirmizi, Klapper, and Uttamchandani (2012); El Ghoul, Fu, and Guedhami (2021). A study of 19 years of bankruptcy data in 29 countries (Lee et al. 2011) shows that entrepreneur-friendly bankruptcy laws are significantly correlated with the level of entrepreneurship development as measured by the rate of new firm entry.
- ⁴ UNCITRAL Legislative Guide (2005, 9).
- ⁵ Białkowski (2018); Hemingway (2020); McGowan, Andrews, and Millot (2018); Neira (2019); Polo (2011).
- ⁶ ICR Standards, at Introduction (World Bank 2021). A recent study on Italy (González-Torres and Rodano 2020) shows that an increase in recovery rate and a reduction in the length of proceedings would increase average productivity by about 2 percent.
- ⁷ UNCITRAL (2021, Part IV).
- ⁸ Martinez (2018). For the purposes of this indicator, an out-of-court workout is defined as an agreement made between a debtor and its creditors, with minimal or no court involvement, with the aim of easing the debtor's debt-servicing burden, so that it can maintain its business activities and value. Guidelines introduced by any administrative authority do not entail any expectation or requirements that workout participants commit in a legally binding manner to follow them.
- ⁹ World Bank (2021, Applicability and Accessibility).
- ¹⁰ Cirmizi, Klapper, and Uttamchandani (2012).
- ¹¹ Cirmizi, Klapper, and Uttamchandani (2012).
- ¹² UNCITRAL (2005, 10).
- ¹³ UNCITRAL (2005, 12).
- ¹⁴ UNCITRAL (2005, 86); Cirmizi, Klapper, and Uttamchandani (2012).
- ¹⁵ UNCITRAL (2005); Cirmizi, Klapper, and Uttamchandani (2012).
- ¹⁶ UNCITRAL (2005).
- ¹⁷ UNCITRAL (2005).
- ¹⁸ UNCITRAL (2005); Tomasic (2007).
- ¹⁹ UNCITRAL (2005); Tomasic (2007).
- ²⁰ ILO (1949, 2020); Inacio (2020).
- ²¹ UNCITRAL (2005).
- ²² IMF (2014).
- ²³ Gurrea-Martinez (2021).
- ²⁴ Gurrea-Martinez (2021).
- ²⁵ UNCITRAL (2013).
- ²⁶ UNCITRAL (2005); Zorza (2013).
- ²⁷ Cabral (2012); Frade (2020).
- ²⁸ Frade (2020).
- ²⁹ Frade (2020); Cordella (2019).
- ³⁰ World Bank (2022).
- ³¹ Cordella (2019).
- ³² Garrido (2019).
- ³³ Byfield (2011).
- ³⁴ Loubser (2007).
- ³⁵ Iverson et al. (2018).
- ³⁶ UNCITRAL (2005).
- ³⁷ Cirmizi, E., L. Klapper, and M. Uttamchandani (2012).
- ³⁸ Krucalak-Jankowska J., M. Maśnicka, and A. Machnikowska (2020).

ANNEX A. BUSINESS INSOLVENCY–SCORING SHEET

This document outlines the scoring approach for the Business Insolvency topic. For every indicator, a Firm Flexibility Point (FFP) and/or a Social Benefits Point (SBP) are assigned, along with a clarification on the detailed scoring for each such indicator and a note on the relevant background literature.

PILLAR I–QUALITY OF REGULATIONS FOR JUDICIAL INSOLVENCY PROCEEDINGS					
1.1 LEGAL AND PROCEDURAL STANDARDS IN INSOLVENCY PROCEEDINGS					
1.1.1 Pre-Commencement and Commencement Standards in Liquidation and Reorganization					
Indicators	FFP	SBP	Total Points	Rescaled Points	Background Literature
Obligations of the Company's Management during Pre-Insolvency	1	1	2	3.00	Menezes, Mocheva, and Shankar (2020) Menezes et al. (2022); UNCITRAL (2021)
Out-of-Court Restructuring Mechanisms	1	1	2	3.00	Dancausa, Muro, and Uttamchandani (2020); Martínez (2018); Menezes et al. (2022); WB-ICR Task Force (2022)
Commencement of Formal Liquidation Proceedings	1	1	2	3.00	Faber et al. (2012); UNCITRAL (2005); World Bank Group (2021)
Commencement of Formal Reorganization Proceedings	1	1	2	3.00	Faber et al. (2012); UNCITRAL (2005); World Bank Group (2021)
Basis for Commencement of Formal Insolvency Proceedings	1	1	2	3.00	Faber et al. (2012); UNCITRAL (2005); World Bank Group (2021)
Total Points for Subcategory 1.1.1	5	5	10	15.00	
1.1.2 Post-Commencement Standards in Liquidation and Reorganization					
Creditors Notification Requiring to Submit Claims	1	1	2	3.00	Fletcher (2017); UNCITRAL (2005); World Bank Group (2021)
How the Reorganization Plan is Voted	1	1	2	3.00	Fletcher (2017); UNCITRAL (2005); World Bank Group (2021)
Means of Voting the Reorganization Plan	1	1	2	3.00	Fletcher (2017); UNCITRAL (2005); World Bank Group (2021)
Protection of Dissenting Creditors in Reorganization	1	1	2	3.00	Fletcher (2017); UNCITRAL (2005); World Bank Group (2021)
Conversion from Reorganization to Liquidation	1	1	2	3.00	Fletcher (2017); UNCITRAL (2005); World Bank Group (2021)
Total Points for Subcategory 1.1.2	5	5	10	15.00	
Total Points for Category 1.1	10	10	20	30.00	

1.2 DEBTOR'S ASSETS AND CREDITOR'S PARTICIPATION IN INSOLVENCY PROCEEDINGS					
1.2.1 Treatment and Protection of Debtor's Assets during Liquidation and Reorganization (includes environment)					
Automatic Stay of Proceedings	1	n/a	1	2.00	Fletcher (2017); UNCITRAL (2005); World Bank Group (2021)
Exceptions and Relief to Automatic Stay of Proceedings	1	1	2	4.00	Fletcher (2017); UNCITRAL (2005); World Bank Group (2021)
Continuation of Existing Essential Contracts	1	1	2	4.00	Fletcher (2017); UNCITRAL (2005); World Bank Group (2021)
Rejection of Existing Burdensome Assets	1	n/a	1	2.00	Fletcher (2017); UNCITRAL (2005); World Bank Group (2021)
Voidance of Preferential and Undervalued Transactions	1	1	2	4.00	Fletcher (2017); UNCITRAL (2005); World Bank Group (2021)
Post-Commencement Credit Availability and Priority	1	1	2	4.00	Clift (2011); UNCITRAL (2005); World Bank Group (2021)
Total Points for Subcategory 1.2.1	6	4	10	20.00	
1.2.2 Creditor's Rights in Liquidation and Reorganization (includes environment)					
Creditor Representation	1	1	2	4.44	Block-Lieb (2013); Tomasic (2007); UNCITRAL (2005); World Bank Group (2021)
Request of Information by Creditors	1	1	2	4.44	Block-Lieb (2013); Tomasic (2007); UNCITRAL (2005); World Bank Group (2021)
Priority of Secured Claims	1	1	2	4.44	Block-Lieb (2013); Tomasic (2007); UNCITRAL (2005); World Bank Group (2021)
Priority of Labor and Environmental Claims	1	1	2	4.44	ILO (2020); Inacio et al. (2020)
Special Regime for Labor Claims	n/a	1	1	2.22	ILO (2020)
Total Points for Subcategory 1.2.2	4	5	9	20.00	
1.2.3 Selection and Dismissal of the Insolvency Administrator					
Insolvency Administrators Qualification Requirements in the Law	1	1	2	5	Feiden and Wielenberg (2017); UNCITRAL (2005); World Bank Group (2021)
Conditions for Disqualification	1	1	2	5	Feiden and Wielenberg (2017); UNCITRAL (2005); World Bank Group (2021)
Total Points for Subcategory 1.2.3	2	2	4	10.00	
Total Points for Category 1.2	12	11	23	50.00	
1.3 SPECIALIZED INSOLVENCY PROCEEDINGS AND INTERNATIONAL INSOLVENCY					
1.3.1 Specialized Insolvency Proceedings for Micro and Small Enterprises (MSEs)					

Availability and Eligibility	1	1	2	3.33	Gurrea-Martinez (2021); IMF (2021); UNCITRAL (2021, 2022a); World Bank Group (2021)
Conversion of Proceedings	1	1	2	3.33	Gurrea -Martinez (2021); IMF (2021); UNCITRAL (2021, 2022a); World Bank Group (2021)
Debt Discharge	1	1	2	3.33	Gurrea -Martinez (2021); IMF (2021); UNCITRAL (2021, 2022); World Bank Group (2021)
Total Points for Subcategory 1.3.1	3	3	6	10.00	
1.3.2 Cross-Border Insolvency					
Existence of Framework and Recognition of Foreign Insolvency Proceedings	1	n/a	1	5.00	UNCITRAL (2014); World Bank Group (2021)
Legal Framework for Cooperation with Foreign Courts and Representatives	1	n/a	1	5.00	UNCITRAL (2014); World Bank Group (2021)
Total Points for Subcategory 1.3.2	2	n/a	2	10.00	
Total Points for Category 1.3	5	3	8	20.00	
Total Points for Pillar I	27	24	51	100.00	

Note: n/a = not applicable (refers to the cases when the impact on firms or society is either ambiguous or nonexistent). FFP = Firm Flexibility Point; SBP = Social Benefits Point.

PILLAR II–QUALITY OF INSTITUTIONAL AND OPERATIONAL INFRASTRUCTURE FOR JUDICIAL INSOLVENCY PROCEEDINGS					
2.1 DIGITAL SERVICES (E-COURTS) IN INSOLVENCY PROCEEDINGS					
2.1.1 Electronic Services in Liquidation and Reorganization					
Indicators	FFP	SBP	Total Points	Rescaled Points	Background Literature
Electronic Filing	1	1	2	5.00	Cabral et al. (2012); CEPEJ (2021a, 2021b); Cordella et al. (2020); Frade et al. (2020); UNCITRAL (2021); World Bank Group (2021); Zorza (2013)
Electronic Payment of Court Fees	1	1	2	5.00	Cabral et al. (2012); CEPEJ (2021a, 2021b); Cordella et al. (2020); Frade et al. (2020); UNCITRAL (2021); World Bank Group (2021); Zorza (2013)
Electronic Auction	1	1	2	5.00	Cabral et al. (2012); CEPEJ (2021a, 2021b); Cordella et al. (2020); Frade et al. (2020); UNCITRAL (2021); World Bank Group (2021); Zorza (2013)
Virtual Hearing	1	1	2	5.00	Cabral et al. (2012); CEPEJ (2021a, 2021b); Cordella et al. (2020); Frade et al. (2020); UNCITRAL (2021); World Bank Group (2021); Zorza (2013)
Total Points for Subcategory 2.1.1	4	4	8	20.00	
2.1.2 Electronic Case Management Systems in Liquidation and Reorganization					
Electronic Case Management for Judges and Lawyers	1	1	2	6.66	CEPEJ (2021a, 2021b); Cordella et al. (2020); Frade et al. (2020); UNCITRAL (2021); World Bank Group (2021); Zorza (2013)
Electronic Case Management for Insolvency Administrators	1	1	2	6.66	CEPEJ (2021a, 2021b); Cordella et al. (2020); Frade et al. (2020); UNCITRAL (2021); World Bank Group (2021); Zorza (2013)
Electronic Monitoring of the status of insolvency proceedings	1	1	2	6.66	CEPEJ (2021a, 2021b); Frade et al. (2020); INSOL International (2019); OECD (2020); UNCITRAL (2021); World Bank Group (2021)
Total Points for Subcategory 2.1.2	3	3	6	20.00	
Total Points for Category 2.1	7	7	14	40.00	

2.2 INTEROPERABILITY IN INSOLVENCY PROCEEDINGS					
2.2.1 Digital Services Connectivity with External Systems in Liquidation and Reorganization					
Interoperability with External Systems	1	1	2	10.00	Cordella (2019); World Bank Group (2022)
Total Points for Subcategory 2.2.1	1	1	2	10.00	
2.2.2 Interconnection Between e-Case Management System and e-Filing Systems in Liquidation and Reorganization					
Interconnection Between Case Management System and e-Filing Systems	1	1	2	10.00	Cordella (2019); World Bank Group (2022)
Total Points for Subcategory 2.2.2	1	1	2	10.00	
Total Points for Category 2.2	2	2	4	20.00	
2.3 PUBLIC INFORMATION ON INSOLVENCY PROCEEDINGS AND REGISTRY OF INSOLVENCY PRACTITIONERS					
2.3.1 Public Information on the Number and Length of Liquidation and Reorganization, and Insolvency Judgments					
Publication of Judgments in Insolvency Procedures	1	1	2	3.33	Byfield (2011); CEPEJ (2021a, 2021b); Garrido (2019); INSOL International (2019); OECD (2020); UNCITRAL (2021); World Bank Group (2021)
Publication of Data on the Number and Type of Insolvency Procedures	1	1	2	3.33	Garrido (2019); INSOL International (2019); OECD (2020); UNCITRAL (2021); World Bank Group (2021)
Publication of Data on the Average Length of Insolvency Procedures	1	1	2	3.33	Garrido (2019); UNCITRAL (2021); World Bank Group (2021)
Total Points for Subcategory 2.3.1	3	3	6	10.00	
2.3.2 Availability of a Public Registry of Insolvency Practitioners					
Availability of a Register of Insolvency Practitioners	1	1	2	5.00	Loubser (2007); UNCITRAL (2021); World Bank Group (2021)
Publication of Register of Insolvency Practitioners	1	1	2	5.00	Loubser (2007); UNCITRAL (2021); World Bank Group (2021)
Total Points for Subcategory 2.3.2	2	2	4	10.00	
Total Points for Category 2.3	5	5	10	20.00	
2.4 PUBLIC OFFICIALS AND INSOLVENCY ADMINISTRATOR					
2.4.1 Expertise of Courts with Jurisdiction on Reorganization and Liquidation Proceedings					
Expertise of Specialized Courts	1	1	2	5.00	Anderson, Bernstein, and Gray (2005); Detotto, Serra, and Vannini (2019); Iverson et al. (2018);

					Rodano, Serrano-Velarde, and Tarantino (2016); Visaria (2009)
Operability of Courts with Jurisdiction over Insolvency Proceedings	1	1	2	5.00	World Bank (2022)
Total Points for Subcategory 2.4.1	2	2	4	10.00	
2.4.2 Insolvency Administrator's Expertise in Practice					
Insolvency Administrator Qualification Requirements in Practice	1	1	2	10.00	Fieden and Wielenberg (2017); UNCITRAL (2021); World Bank Group (2021)
Total Points for Subcategory 2.4.2	1	1	2	10.00	
Total Points for Category 2.4	3	3	6	20.00	
Total Points for Pillar II	17	17	34	100.00	

Note: n/a = not applicable (refers to the cases when the impact on firms or society is either ambiguous or nonexistent). FFP = Firm Flexibility Point; SBP = Social Benefits Point.

PILLAR III—OPERATIONAL EFFICIENCY OF RESOLVING A JUDICIAL INSOLVENCY PROCEEDINGS					
3.1 LIQUIDATION PROCEEDINGS					
3.1.1 Time to Resolve a Liquidation Proceeding					
Indicators	FFP	SBP	Total Points	Rescaled Points	Background Literature
Time to Resolve an In-Court Liquidation Proceeding	100	n/a	100	25.00	Cirmizi, Klapper, and Uttanchandani (2012); Kruczalak-Jankowska, Maśnicka, and Machnikowska (2020)
Total Points for Subcategory 3.1.1	100	n/a	100	25.00	
3.1.2 Cost to Resolve a Liquidation Proceeding					
Cost to Resolve an In-Court Liquidation Proceeding	100	n/a	100	25.00	Cirmizi, Klapper, and Uttanchandani (2012); Kruczalak-Jankowska, Maśnicka, and Machnikowska (2020)
Total Points for Subcategory 3.1.2	100	n/a	100	25.00	
Total Points for Category 3.1	100	n/a	100	50.00	
3.2 REORGANIZATION PROCEEDINGS					
3.2.1 Time to Resolve a Reorganization Proceeding					
Time to Resolve an In-Court Reorganization Proceeding	100	n/a	100	25.00	Krucalak-Jankowska, Maśnicka, and Machnikowska (2020); World Bank Group (2010)
Total Points for Subcategory 3.2.1	100	n/a	100	25.00	
3.2.2 Cost to Resolve a Reorganization Proceeding					
Cost to Resolve an In-Court Reorganization Proceeding	100	n/a	100	25.00	Krucalak-Jankowska, Maśnicka, and Machnikowska (2020); World Bank Group (2010)
Total Points for Subcategory 3.2.2	100	n/a	100	25.00	
Total Points for Category 3.2	100	n/a	100	50.00	
Total Points for Pillar III	100	n/a	100	100.00	

Note: n/a = not applicable (refers to the cases when the impact on firms or society is either ambiguous or nonexistent). FFP = Firm Flexibility Point; SBP = Social Benefits Point.

If an economy had zero completed (closed) cases of judicial reorganization or judicial liquidation proceedings over the past three years involving corporate debtors, the economy receives a “no practice” mark and no score on the time and cost indicators for the specific proceeding.

References

- Anderson, J., D. Bernstein, and C. Gray. 2005. *Judicial System in Transition Economies: Assessing the Past, Looking to the Future*. Washington, DC: World Bank.
- Block-Lieb, S., J. Alexander, and E. Kovalenko. 2013. "Representing the Interests of Unsecured Creditors: A Comparative Look at UNCITRAL's Legislative Guide on Insolvency Law." Chapter 11 in *International Insolvency Law, 1st edition*. London: Routledge.
- Byfield, P. 2011. "The Publication of Commercial Court Decisions in the Western Commonwealth of Independent States." In *Law in Transition 2011: Towards Better Courts*. London: EBRD (European Bank for Reconstruction and Development).
- Cabral, J. E., A. Chavan, T. M. Clarke, J. Greacen, B. R. Hough, L. Rexer, J. Ribadeneyra, and R. Zorza. 2012. "Using Technology to Enhance Access to Justice." *Harvard Journal of Law & Technology* 26 (1, Fall): 243–324.
- CEPEJ (European Commission for the Efficiency of Justice). 2021a. "Guidelines on Electronic Court Filing (e-filing) and Digitalization of Courts." Document adopted at the 37th plenary meeting of the CEPEJ, Strasbourg and online, 8 and 9 December 2021.
- CEPEJ (European Commission for the Efficiency of Justice). 2021b. "Guidelines on Videoconferencing in Judicial Proceedings." Document adopted by the CEPEJ at its 36th plenary meeting (June 2021).
- Cirmizi, E., L. Klapper, and M. Uttamchandani. 2012. "The Challenges of Bankruptcy Reform." *World Bank Research Observer* 27 (2): 185–203.
- Cordella, A., and F. Contini. 2020. *Digital Technologies for Better Justice: A Toolkit for Action*. Washington, DC: Inter-American Development Bank.
- Dancausa, F., S. Muro, and M. Uttamchandani. 2020. *COVID-19 Outbreak: Corporate Insolvency: How Can Out-of-Court Workouts Help?* Guidance Notes on the COVID-19 Pandemic. Washington, DC: World Bank Group.
- Detotto, C., L. Serra, and M. Vannini. 2019. "Did Specialized Courts Affect the Frequency of Business Bankruptcy Petitions in Spain?" *European Journal of Law and Economics* 47: 125–45.
- Faber, D., N. Vermunt, J. Kilborn, and T. Richter, eds. 2012. *Commencement of Insolvency Proceedings*. Oxford International and Comparative Insolvency Law Series. Oxford University Press.
- Fieden, M., and E. Wielenberg. 2017. "Insolvency Administrator's Incentives and the Tradeoff between Creditor Satisfaction and Efficiency in Bankruptcy Procedures." *Business Research* 10 (2, October): 159–87.
- Fletcher I. 2017. *The Law of Insolvency*. Thomson Reuters.
- Frade, C., P. Fernando, and A. Conceição. 2020. "The Performance of the Courts in the Digital Era: The Case of Insolvency and Restructuring Proceedings." *International Insolvency Review* 29 (3): 346–59.

- Garrido, J., Bergthaler, W., DeLong, C., Johnson, J., Rasekh A., Rosha, A. and Stetsenko, N., “The Use of Data in Assessing and Designing Insolvency System.” Working Paper. IMF (International Monetary Fund). 2019. Washington, DC.
- García-Posada, M. 2021. “Insolvency Institutions, Pledgeable Assets, and Efficiency.” *Journal of Legal Studies* 50 (2): 331–78.
- Gurrea -Martinez, A, et al. 2021. “Implementing an Insolvency Framework for Micro and Small Firms.” *International Insolvency Review* 30 (S1): S46–S66.
- ILO (International Labour Organization). 2020. “Protection of Worker’s Wage Claims in Enterprise Insolvency.” Factsheet, May 18, 2020.
- International Monetary Fund (IMF). 2021. "Insolvency Prospects among Small and Medium Enterprises in Advanced Economies: Assessment and Policy Options." IMF Staff Discussion Note 2021/002, International Monetary Fund, Washington, DC.
- Inacio, E. 2020. “When Environment Meets Insolvency.” Technical Insight. *Eurofenix* Winter 2019/20: 14–15.
- INSOL International. 2019. *The Role of Artificial Intelligence (AI) and Technology in Global Bankruptcy and Restructuring Practices*. Special Report. London: INSOL International.
- Iverson B. C., J. Madsen, W. Wang, and Q. Xu. 2018. “Learning by Doing: Judge Experience and Bankruptcy Outcomes.” <https://doi.org/10.2139/ssrn.3084318>.
- Kruczalak-Jankowska J., M. Maśnicka, and A. Machnikowska. 2020. “The Relation between Duration of Insolvency Proceedings and their Efficiency.” *International Insolvency Review* 29 (3, Winter): 379–92.
- Klapper, L. 2011. "Saving Viable Businesses: The Effect of Insolvency Reform." Viewpoint: Public Policy for the Private Sector, Note No. 328. World Bank, Washington, DC.
- Li, B., and J. Ponticelli. 2020. “Going Bankrupt in China.” NBER Working Paper 27501, National Bureau of Economic Research, Cambridge, MA.
- Loubser, A. 2007. "An International Perspective on the Regulation of Insolvency Practitioners." *S4 Mercantile Law Journal* 19 (2).
- Martinez, A. 2018. "Importance of Legal aspects of NPL Resolution." World Bank Group.
- Menezes, A. P., S. J. Brodie, A. Gropper, and M. Uttamchandani. 2022. “A Toolkit for Corporate Workouts.” Washington, DC: World Bank Group.
- Menezes, A., N. Mocheva, and S. Shankar. 2020. “‘Under Pressure’: Integrating Online Dispute Resolution Platforms into Preinsolvency Processes and Early Warning Tools to Save Distressed Small Businesses.” *Vilkapa* 45 (2). <https://doi.org/10.1177/02560909209418>.
- OECD (Organisation for Economic Co-operation and Development). 2020. “The OECD Digital Government Policy Framework: Six Dimensions of a Digital Government.” OECD Public Governance Policy Papers. OECD Publishing.

- Rodano, G., N. Serrano-Velarde, and E. Tarantino. 2016. “Bankruptcy Law and Bank Financing.” *Journal of Financial Economics* 120 (2): 363–82.
- Tollenar, N. 2019. *Pre-Insolvency Proceedings: A Normative Foundation and Framework*. Oxford International and Comparative Insolvency Law Series. Oxford University Press.
- UNCITRAL (United Nations Commission on International Trade Law). 2005. *Legislative Guide on Insolvency Law*, Parts I and II. New York.
- UNCITRAL (United Nations Commission on International Trade Law). 2014. *Model Law on Cross-Border Insolvency with Guide to Enactment and Interpretation*.
- UNCITRAL (United Nations Commission on International Trade Law). 2020. *Legislative Guide on Insolvency Law*: Part IV.
- UNCITRAL (United Nations Commission on International Trade Law). 2021. *Legislative Recommendations on Insolvency of Micro- and Small Enterprises*.
- UNCITRAL (United Nations Commission on International Trade Law). 2022. *Legislative Guide on Insolvency Law for Micro- and Small Enterprises*.
- Visaria, S. 2009. “Legal Reform and Loan Repayment: The Microeconomic Impact of Debt Recovery Tribunals in India.” *American Economic Journal: Applied Economics* 1 (3): 59–81.
- World Bank Group. 2021. *Principles for Effective Insolvency and Creditor/Debtor Regimes*. Washington, DC: World Bank Group.
- World Bank-ICR Task Force. 2022. *Workouts in the World Bank Principles for Effective Insolvency and Creditor/Debtor Regimes*. Background Paper for the World Bank-ICR Task Force Meeting. World Bank.
- World Bank. 2022. *Interoperability: Towards a Data-Driven Public Sector*, Washington, DC: World Bank.
- Zorza, R. 2013. “Principles and Best Practices for Access-Friendly Court Electronic Filing.” Electronic Filing and Access to Justice Best Practices Project.

ANNEX B. BUSINESS INSOLVENCY–ANNOTATED QUESTIONNAIRE

Annex B consists of a Glossary and Annotated Questionnaire for Business Insolvency. The Annotated Questionnaire provides the mapping between each indicator and the corresponding question(s).

Glossary

Corporate insolvency: The state in which a debtor company is generally unable to pay its debts as they mature and/or in which its liabilities exceed the value of its assets.

Debt discharge: The release of the liability of a debtor from debts that were, or could have been, addressed in the insolvency proceedings.

Insolvency administrator: A person or body (including one appointed on an interim basis) authorized in insolvency proceedings to administer, supervise, oversee, or monitor the reorganization or the liquidation of the insolvency estate.

Insolvency proceedings: Collective proceedings, subject to court supervision, either for reorganization or liquidation.

Legal framework: Rules, regulations, and laws that make up the totality of the legislation applicable to insolvency proceedings in a specific jurisdiction.

Liquidation: A process of assembling and selling the assets of an insolvent debtor to dissolve the company and distribute the proceeds to its creditors. Liquidation may include the piecemeal sale of the debtor's assets or the sale of all or most of the debtor's assets as a going concern. The term "liquidation" refers only to formal in-court insolvency proceedings and does not include the voluntary winding up of a company.

Out-of-court workout (OCW): An agreement made between a debtor and its creditors, with minimal or no court involvement, with the aim of easing the debtor's debt-servicing burden, so that it can maintain its business activities and value. Guidelines introduced by any administrative authority do not entail any expectation or requirements that workout participants commit in a legally binding manner to follow them.

Pre-insolvency proceedings: Public collective proceedings which take place under the supervision of a court or an administrative authority, and which give a debtor in financial distress the opportunity to rescue, adjust the repayment of debt, reorganize or liquidate at a pre-insolvency stage, to avoid the commencement of formal insolvency proceedings. The assets and business activities of a debtor could be subject to the control or supervision of a court. A temporary stay of proceedings may also be granted.

Post-commencement credit: New funding provided to an insolvent company after the start of insolvency proceedings by existing or new creditors to finance its company's ongoing operations during the insolvency process.

Ranking of claims: The order in which claims will be satisfied upon completion of the insolvency procedure.

Reorganization: Collective proceedings through which the financial well-being and viability of a debtor's business may be restored based on a reorganization plan, so that the business can continue to operate as a going concern, including debt forgiveness, debt rescheduling, debt equity conversions, and sale of the business (or parts of it). The term "reorganization" refers exclusively to formal in-court proceedings

available to all commercial debtors and does not include schemes of arrangement and out-of-court agreements with creditors.

Reorganization plan: A plan by which the financial well-being and viability of the debtor's business can be restored.

Secured claim: A claim assisted by a security interest taken as a guarantee for a debt enforceable in case of the debtor's default.

Stay of proceedings: A measure that prevents the commencement, or suspends the continuation, of judicial, administrative or other individual actions concerning the debtor's assets, rights, obligations, or liabilities, including actions to make security interests effective against third parties or to enforce a security interest. It also prevents execution against the assets of the insolvency estate; the termination of a contract with the debtor; and the transfer, encumbrance, or other disposition of any assets or rights of the insolvency estate.

BUSINESS INSOLVENCY QUESTIONNAIRE

The tables that follow present all indicators (including their components, if applicable) under each pillar, with a reference to the corresponding question number in parenthesis. The questions are listed before each table for ease of reference.

For Y/N questions, the Y response accounts for the score and is considered as good practice, unless otherwise indicated with the sign “Y/N; N – good practice”.

In the tables that follow, “AND” means all referenced questions must have a good practice response to obtain a score on the indicator.

In the tables that follow, “OR” means one or more referenced questions must have a good practice response to obtain a score on the indicator.

Certain questions are marked as “not scored,” which indicates that they do not impact the score in any way. The purpose of these questions is to further inform and refine the questions design for subsequent years of the rollout phase, as needed, as well as to substantiate and provide further information for the scored questions.

PILLAR I—QUALITY OF REGULATIONS FOR JUDICIAL INSOLVENCY PROCEEDINGS

1.1 LEGAL AND PROCEDURAL STANDARDS IN INSOLVENCY PROCEEDINGS

1.1.1 Pre-Commencement and Commencement Standards in Liquidation and Reorganization

- 1. Does the Legal Framework establish mechanisms directly addressing the obligations of the management of a debtor company during the period approaching insolvency to avoid bankruptcy, and/or minimize its extent where insolvency is unavoidable? (Y/N)**
- 2. Does the Legal Framework establish mechanisms or procedures to implement, with no impediments or obstacles, a contractual based Out-of-Court Workout (OCW) to restructure the company’s debt with some or all its creditors, outside of the court system and/or outside formal judicial Insolvency Proceedings? (Y/N)**
- 3. Under the Legal Framework in [Economy], are Reorganization proceedings regulated? (Y/N)**
- 4. Under the Legal Framework, can a debtor company file for in-court Reorganization proceedings? (Y/N)**
- 5. Under the Legal Framework, can an individual creditor file for in-court Reorganization proceedings? (Y/N)**
- 6. Under the Legal Framework, can a debtor company file for in-court Liquidation proceedings? (Y/N)**
- 7. Under the Legal Framework, can an individual creditor file for in-court Liquidation proceedings? (Y/N)**

8. Under the Legal Framework, is the Liquidity Test a basis for commencement of Insolvency Proceedings? (Y/N)

1.1.2 Post-Commencement Standards in Liquidation and Reorganization

9. Does the legal framework establish that, upon commencement of proceedings, each creditor shall receive a timely notification to submit his/her claim, specifying the basis and amount of the claim? (Y/N)
10. Under the Legal Framework, are creditors entitled to vote on the Reorganization Plan divided into classes based on their respective rights? (Y/N)
11. Under the Legal Framework, does each class of creditors vote separately on the Reorganization Plan? (Y/N)
12. Under the Legal Framework, creditors of the same class receive the same treatment under the Reorganization Plan? (Y/N)
13. Does the legal framework allow creditors to vote for the Reorganization Plan electronically? (Y/N)
14. Does the Legal Framework explicitly require that a reorganization plan must specify that the anticipated return to dissenting creditors will be at least equal to the return that they would obtain in a Liquidation? (Y/N)
15. Does the legal framework provide for conversion of reorganization proceedings to liquidation proceedings? (Y/N)

1.1 LEGAL AND PROCEDURAL STANDARDS IN INSOLVENCY PROCEEDINGS			
1.1.1 Pre-Commencement and Commencement Standards in Liquidation and Reorganization			
Indicators	FFP	SBP	Total Points
Obligations of the Company's Management during Pre-Insolvency (1)	1	1	2
Out-of-Court Restructuring Mechanisms (2)	1	1	2
Commencement of Formal Insolvency Proceedings by the Debtor	1	1	2
- In-Court Liquidation (4)	0.5	0.5	1
- In-Court Reorganization (6)	0.5	0.5	1
Commencement of Formal Insolvency Proceedings by the Creditor	1	1	2
- In-Court Liquidation (5)	0.5	0.5	1
- In-Court Reorganization (7)	0.5	0.5	1
Basis for Commencement of Formal Insolvency Proceedings (8)	1	1	2
Total Points	5	5	10
1.1.2 Post-Commencement Standards in Liquidation and Reorganization			
Indicators	FFP	SBP	Total Points
Creditors Notification Requiring to Submit Claims (9)	1	1	2
How the Reorganization Plan is Voted	1	1	2
- Creditors are separated into classes (10)			

- Each class votes separately (11) - Equal treatment of members of the same class (12) <i>The full point is granted only if the answer is Y to questions 10, 11 and 12</i>			
Means of Voting on the Reorganization Plan (13)	1	1	2
Protection of Dissenting Creditors in Reorganization (14)	1	1	2
Conversion from Reorganization to Liquidation (15)	1	1	2
Total Points	5	5	10

Note: If the component is present, the corresponding score is assigned. For example, if 6a, 6b, and 6c are selected simultaneously, a score of 1 is assigned. FFP = Firm Flexibility Point; SBP = Social Benefits Point.

1.2 DEBTOR'S ASSETS AND CREDITOR'S PARTICIPATION IN INSOLVENCY PROCEEDINGS

1.2.1 Treatment and Protection of Debtor's Assets during Liquidation and Reorganization (includes environment)

16. Does the legal framework provide for an automatic stay of proceedings? (Y/N)
17. Does the legal framework specify the exact time of effect of the stay of proceedings (including the day it takes effect and the day it lapses)? (Y/N)
18. Does the legal framework provide for exceptions to a stay of proceedings? (Y/N)
If Y → provide response to the remaining questions.
If N → 0 points on questions 19 and 20.
19. Do the exceptions to the stay of proceedings referred in question 18 include exceptions based on public policy interests such as the restraint of environmental damage or other activities detrimental to public health and safety? (Y/N)
20. Do the exceptions to the stay of proceedings referred in question 18 include any actions to prevent abuse, such as the use of insolvency proceedings as a shield for illegal activities? (Y/N)
21. Does the Legal Framework provide for the possibility that Secured Creditors may obtain relief to a Stay of Proceedings where the value of the encumbered asset diminishes as a result of the commencement of Insolvency Proceedings (Y/N)
22. Does the Legal Framework provide for the possibility that Secured Creditors may obtain relief to a Stay of Proceedings where the encumbered asset is not needed for the Reorganization or sale of the business as a going concern in Liquidation? (Y/N)
23. Following the commencement of Insolvency Proceedings, does the Legal Framework explicitly allow for the continuation of existing contracts by the debtor company that are essential to the debtor's ordinary course of business? (Y/N)
24. Does the Legal Framework explicitly allow for burdensome assets to be relinquished or discharged when the cost of maintaining such assets is higher than the benefits to be received? (Y/N)
25. Does the Legal Framework explicitly provide for voiding (or invalidating/terminating) preferential transactions, which resulted in a creditor obtaining more than its pro-rata share of

the debtor's assets, which occurred when the debtor was already insolvent or resulted in the debtor becoming insolvent? (Y/N)

26. Does the Legal Framework explicitly provide for voiding (or invalidating/terminating) of undervalued transactions, which were made at a price below market value or as a gift and which occurred when the debtor was already insolvent or resulted in the debtor becoming insolvent? (Y/N)
27. Does the Legal Framework explicitly provide the possibility for debtors to obtain credit after the commencement of Insolvency Proceedings (Post-Commencement Credit) to finance its on-going needs during the proceedings? (Y/N)
28. Does the Legal Framework assign priority to Post-Commencement Credit over ordinary unsecured creditors? (Y/N)

1.2.2 Creditor's Rights in Liquidation and Reorganization (includes environment)

29. Does the legal framework require a creditors committee or other creditor representation in Insolvency Proceedings? (Y/N)
30. Does the legal framework provide creditors, either individually or through the creditors' committee or another form of creditor representation, the right to request up-to-date information on the debtor's business and financial affairs? (Y/N)
31. Are secured creditors given absolute priority with respect to the assets over which they hold security over all other creditors? (Y/N)
32. Are labor claims given priority or preference over ordinary unsecured creditors? (Y/N)
33. Are environmental claims given priority over the following? (Y/N)
34. Does the legal framework, either in insolvency law or labor law, contain a special regime to deal with the protection of workers and employees' claims in insolvency? (Y/N)

1.2.3 Selection and Dismissal of the Insolvency Administrator

35. Does the Legal Framework set out the qualification requirements for the appointment of an Insolvency Administrator? (Y/N)
36. Does the Legal Framework set out cases in which Insolvency Administrator may be disqualified from the case? (Y/N)

1.2 DEBTOR'S ASSETS AND CREDITOR'S PARTICIPATION IN INSOLVENCY PROCEEDINGS			
1.2.1 Treatment and Protection of Debtor's Assets during Liquidation and Reorganization (includes environment)			
Indicators	FFP	SBP	Total Points
Automatic Stay of Proceedings (16 AND 17)	1	n/a	1
Exceptions and Relief to Automatic Stay of Proceedings (18, 19, 20, 21 AND 22)	1	1	2

<i>The full point is granted if the answer is Y on at least 2 of questions 19, 20, 21 or 22</i>			
Continuation of Existing Essential Contracts (23)	1	1	2
Rejection of Existing Burdensome Assets (24)	1	n/a	1
Avoidance of Preferential and Undervalued Transactions	1	1	2
- Preferential transactions (25)	0.5	0.5	1
- Undervalued transactions (26)	0.5	0.5	1
Post-Commencement Credit Availability and Priority	1	1	2
- Post-commencement credit availability (27)	0.5	0.5	1
- Post-commencement credit priority over ordinary unsecured creditors during distribution of assets (28)	0.5	0.5	1
Total Points	6	4	10
1.2.2 Creditor's Rights in Liquidation and Reorganization (includes environment)			
Indicators	FFP	SBP	Total Points
Creditor Representation (29)	1	1	2
Request of Information by Creditors (30)	1	1	2
Priority of Secured Claims (31)	1	1	2
Priority of Labor and Environmental Claims	1	1	2
- Priority of labor claims (32)	0.5	0.5	1
- Priority of environmental claims (33)	0.5	0.5	1
Special Regime for Labor Claims (34)	0	1	1
Total Points	4	5	9
1.2.3 Selection and Dismissal of the Insolvency Administrator			
Indicators	FFP	SBP	Total Points
Insolvency Administrators Qualification Requirements (35)	1	1	2
Conditions for Disqualification (36)	1	1	2
Total Points	2	2	4

Note: FFP = Firm Flexibility Point; SBP = Social Benefits Point.

1.3 SPECIALIZED INSOLVENCY PROCEEDINGS AND INTERNATIONAL INSOLVENCY

1.3.1 Specialized Insolvency Proceedings for Micro and Small Enterprises (MSEs)

37. Does the Legal Framework provide for specialized (simplified) Insolvency Proceedings for Micro- and Small Enterprises (MSEs)? (Y/N)

38. Does the Legal Framework specify that, in a simplified Liquidation proceeding, discharge should be granted expeditiously? (Y/N)

39. Does the Legal Framework provide for the possibility, at any point during a simplified Reorganization proceeding, to convert the proceeding into a Liquidation, if the competent authority determines that the debtor is insolvent and there is no prospect for Reorganization?

1.3.2 Cross-Border Insolvency

40. Does the legal framework establish rules for cross-border insolvencies? (Y/N)

If Y → provide response to question 43.

If N → 0 points on questions 43 and 44.

41. Does the Legal Framework set forth a specific process for obtaining recognition of foreign Insolvency Proceedings?

42. Does the legal framework provide for cooperation between courts and insolvency administrators in international Insolvency Proceedings? (Y/N)

1.3 SPECIALIZED INSOLVENCY PROCEEDINGS AND INTERNATIONAL INSOLVENCY			
1.3.1 Specialized Insolvency Proceedings for Micro and Small Enterprises (MSEs)			
Indicators	FFP	SBP	Total Points
Availability (37)	1	1	2
Conversion of Proceedings (38)	1	1	2
Debt Discharge (39)	1	1	2
Total Points	3	3	6
1.3.2 Cross-Border Insolvency			
Indicators	FFP	SBP	Total Points
Existence of Framework and Recognition of Foreign Insolvency Proceedings (40 and 41)	1	n/a	1
Legal Framework for Cooperation with Foreign Courts and Representatives (42)	1	n/a	1
Total Points	2	0	2

Note: FFP = Firm Flexibility Point; SBP = Social Benefits Point.

PILLAR II—QUALITY OF INSTITUTIONAL AND OPERATIONAL INFRASTRUCTURE FOR JUDICIAL INSOLVENCY PROCEEDINGS	
Parameters	
Competent Court and Its Location	The largest (most populous city in the country). Geographical location determines the competent court with jurisdiction over the commencement and conduct of insolvency proceedings. The competent court is the court of primary or first instance in the largest business city with jurisdiction over liquidation or reorganization insolvency proceedings.

2.1 DIGITAL SERVICES (E-COURTS) IN INSOLVENCY PROCEEDINGS

2.1.1 Electronic Services in Liquidation and Reorganization

43. Is electronic filing for the commencement of Insolvency Proceedings available in practice? (Y/N)

43.1. Does a hard copy have to be submitted along with the initial claim? (Y/N)

44. Are electronic payments of court fees available in Insolvency Proceedings in practice? (Y/N)

44.1 Is there in practice a physical interaction with the bank, the court, or the post office required to complete electronic payment? (Y/N)

45. Can virtual hearings be held at the relevant court? (Y/N)

46. Are electronic auctions conducted at the relevant court? (Y/N)

46.1. Do physical/on-site auctions need to be conducted along with the electronic auction? (Y/N)

2.1.2 Electronic Case Management Systems in Liquidation and Reorganization

Is a fully functional electronic case management system available for the following participants in Insolvency Proceeding? (questions 47 through 50)

47. For judges (Y/N)

48. For Lawyers (Y/N)

49. For Insolvency Administrators (Y/N)

50. Can creditors and debtors electronically monitor the status of insolvency proceedings? (Y/N)

2.1 DIGITAL SERVICES (E-COURTS) IN INSOLVENCY PROCEEDINGS			
2.1.1 Electronic Services in Liquidation and Reorganization			
Indicators	FFP	SBP	Total Points
Electronic Filing (43) <i>No score will be granted if the Electronic Filing service is not Functional.</i> <i>The service is not functional if the answer to question (43.1) is Y</i>	1	1	2
Electronic Payment of Court Fees (44) <i>No score will be granted if the Electronic Payment service is not functional.</i> <i>The service is not functional if the answer to question (44.1) is Y</i>	1	1	2
Virtual Hearing (45)	1	1	2
Electronic Auction (46) <i>No score will be granted if an Electronic Auction service is not fully operational.</i> <i>The service is not operational if the answer to question 4.61 is Y</i>	1	1	2
Total Points	4	4	8
2.1.2 Electronic Case Management Systems in Liquidation and Reorganization			
Electronic Case Management for Judges and Lawyers - Platform is available and fully operational to judges (47) - Platform is available and fully operational to lawyers (48)	1 0.5 0.5	1 0.5 0.5	2 1 1
Electronic Case Management for Insolvency Administrators (49)	1	1	2
Electronic Monitoring of the Status of Insolvency Proceedings (50)	1	1	2
Total Points	3	3	6

Note: FFP = Firm Flexibility Point; SBP = Social Benefits Point.

2.2 INTEROPERABILITY IN INSOLVENCY PROCEEDINGS

2.2.1 Digital Services Connectivity with External Systems in Liquidation and Reorganization

51. Is the electronic case management system for insolvency matters connected in practice to external systems, allowing an exchange of data with other authorities such as commercial/business registries and law enforcement agencies? (Y/N)

2.2.2 Interconnection Between e-Case Management System and e-Filing Systems in Liquidation and Reorganization

52. Are the case management system and e-filing systems interconnected? (Y/N)

2.2 INTEROPERABILITY IN INSOLVENCY PROCEEDINGS			
2.2.1 Digital Services Connectivity with External Systems in Liquidation and Reorganization			
Indicators	FFP	SBP	Total Points
Interoperability with External Systems (51)	1	1	2
Total Points	1	1	2
2.2.2 Interconnection Between e-Case Management System and e-Filing Systems in Liquidation and Reorganization			
Interconnection Between Case Management System and e-Filing Systems (52)	1	1	2
Total Points	1	1	2

Note: FFP = Firm Flexibility Point; SBP = Social Benefits Point.

2.3 PUBLIC INFORMATION ON INSOLVENCY PROCEEDINGS AND REGISTRY OF INSOLVENCY PRACTITIONERS

2.3.1 Public Information on the Number and Length of Liquidation and Reorganization, and Insolvency Judgments

53. Are the judgments concerning Insolvency Proceedings available to the public? (Y/N)

54. Is the data on the number and types of Insolvency Proceedings in the economy per year available to the public? (Y/N)

55. Is the data on the average length of Insolvency Proceedings publicly available? (Y/N)

Publication of such data and information can be done by any means, including through publication in official gazettes, in newspapers, on the internet, court websites or publicly available insolvency registries.

2.3.2 Availability of a Public Registry of Insolvency Practitioners

56. Is there a publicly available register of insolvency practitioners and/or firms qualified to offer insolvency services? (Y/N)

57. Is this register made available to the general public through publication in official gazettes, in newspapers or on the internet or court website? (Y/N)

2.3 PUBLIC INFORMATION ON INSOLVENCY PROCEEDINGS AND REGISTRY OF INSOLVENCY PRACTITIONERS
2.3.1 Public Information on the Number and Length of Liquidation and Reorganization, and Insolvency Judgments

Indicators	FFP	SBP	Total Points
Publication of Judgments in Insolvency Procedures (53)	1	1	2
Publication of Data on the Number and Type of Insolvency Procedures (54)	1	1	2
Publication of Data on the Average Length of Insolvency Procedures (55)	1	1	2
Total Points	3	3	6
2.3.2 Availability of a Public Registry of Insolvency Practitioners			
Availability of a Register of Insolvency Practitioners (56)	1	1	2
Publication of Register of Insolvency Practitioners (57)	1	1	2
Total Points	2	2	4

Note: FFP = Firm Flexibility Point; SBP = Social Benefits Point.

2.4 PUBLIC OFFICIALS AND INSOLVENCY ADMINISTRATOR

2.4.1 Specialization of Courts with Jurisdiction on Reorganization and Liquidation Proceedings

58. In [largest business city in the Economy], are all Insolvency Proceedings overseen and impartially disposed by an independent court, court division or bench with specialized insolvency expertise? (Y/N)

59. What is the name of this court, division or bench or designation of the bankruptcy judge? (*not scored*)

60. Is [court name] operational in practice? (Y/N)

2.4.2 Insolvency Administrator's Expertise in Practice

61. Are the qualification requirements for the appointment of an Insolvency Administrator observed in practice? (Y/N)

2.4 PUBLIC OFFICIALS AND INSOLVENCY ADMINISTRATOR			
2.4.1 Expertise of Courts with Jurisdiction on Reorganization and Liquidation proceedings			
Indicators	FFP	SBP	Total Points
Expertise in Courts (58)	1	1	2
Operability of Bankruptcy Courts (60)	1	1	2
Total Points	2	2	4
2.4.2 Insolvency Administrator's Expertise in Practice			
Indicators	FFP	SBP	Total Points
Insolvency Administrator Qualification Requirements in Practice (61)	1	1	2
Total Points	1	1	2

Note: FFP = Firm Flexibility Point; SBP = Social Benefits Point.

PILLAR III—OPERATIONAL EFFICIENCY OF RESOLVING JUDICIAL INSOLVENCY PROCEEDINGS	
Parameters	
Debtor Company	Business Insolvency assumes that the debtor is a domestic limited liability company (LLC) operating in the largest business city in each economy. The Company has 2 Secured Creditors, which are financial institutions. Unsecured creditors are mainly suppliers, tax authorities and employees. The market value of the company's assets is [150 times the GNI per capita (Atlas method) of economy] [LCU]. Considered a medium-sized enterprise. The Company sustains periods of negative cash flows and is expected to have negative net worth and operating losses. The value of the Company's liabilities exceeds the value of its assets, and defaults on its debt obligations toward its secured and unsecured creditors as they mature. Establishing a standardized debtor company with very specific characteristics is the only way to preserve comparability in measuring the time and cost of insolvency proceedings.
Competent Court and Its Location	The largest (most populous city in the country). Geographical location determines the competent court with jurisdiction over the commencement and conduct of insolvency proceedings. The competent court is the court of primary or first instance in the largest business city with jurisdiction over liquidation or reorganization insolvency proceedings.

The scores for Pillar III indicators are calculated using the Normal Cumulative Density Function (CDF) transformation method on a scale of 0 to 100, where 0 and 100 represent the lowest and highest possible scores, respectively. The best and worst performers are identified based on the 5th and 95th percentiles of the collected data.

When answering the following questions please consider Completed Insolvency Cases within the last 12 months, and provide the estimate based on your practical experience. Please note that conversion from reorganization to liquidation or from liquidation to reorganization is excluded. Please consider a single Liquidation or Reorganization proceeding.

The estimates shall not be based on time/cost standards set in the law or any other statutory time/cost limitation established by the Legal Framework, including statutory caps for fees for instance. The estimates should be provided based on the reality of the proceedings in practice.

3.1 NO PRACTICE OF IN-COURT LIQUIDATION AND REORGANIZATION PROCEEDINGS

62. To your knowledge, were there in-court Completed Reorganization Proceedings in the last 3 years in [ECONOMY], as of September 1, 2024? (Y/N)

63. To your knowledge, were there in-court Completed Liquidation Proceedings in the last 3 years in [ECONOMY], as of September 1, 2024? (Y/N)

3.2 TIME AND COST TO RESOLVE AN IN-COURT REORGANIZATION PROCEEDING

64. How long would it take for an insolvent Company (as defined in the above instructions) in [the largest business city in the economy] to complete Reorganization proceedings in practice?

Please note that the time begins at the moment of the filing by the debtor company or its creditors and ends when the Reorganization Plan is approved by creditors.

65. How much would it cost for an insolvent Company (as defined in the above instructions) in [the largest business city in the economy] to complete Reorganization proceedings in practice?

The cost estimate should be expressed as a percentage of the value of the company's assets (as described above). The costs would include court fees, fees of Insolvency Administrators, fees of lawyers, and all other fees involved. Please enter the cost in percentage terms, based on the value of the company, that is the cost estimate in local currency should be converted into a percentage of the above value. Please do not insert the value in currency terms.

3.2. Reorganization Proceedings			
3.2.1 Time to Resolve a Reorganization Proceeding			
Indicators	FFP	SBP	Total Points
Time to Resolve an In-Court Reorganization Proceeding (64)	100 (100%)	n/a	100 (100%)
Total Points for Subcategory 3.2.1	100	n/a	100
3.2.2 Cost to Resolve a Reorganization Proceeding			
Cost to Resolve an In-Court Reorganization Proceeding (65)	100 (100%)	n/a	100 (100%)
Total Points for Subcategory 3.2.2	100	n/a	100
Total Points for Category 3.2	100	n/a	100

Note: n/a = not applicable (refers to the cases when the impact on firms or society is either ambiguous or nonexistent). FFP = Firm Flexibility Point; SBP = Social Benefits Point.

3.3 TIME AND COST TO RESOLVE AN IN-COURT LIQUIDATION PROCEEDING

66. How long would it take for an insolvent Company (as defined in the above instructions) in [the largest business city in the economy] to complete a Liquidation proceeding in practice?

Please note that the time begins at the moment of the filing by the debtor company or its creditors and ends when its creditors have been repaid all or some of the money owed to them. Please indicate in detail in the explanation the main steps/stages in the proceeding required to complete the entire process and how much time each procedural step will take in practice based on actual completed/closed procedures. Please enter the time estimate in calendar months only, not in days or weeks. A calendar month is the period from a particular date in one month to the same date in the next month.

67. How much would it cost for an insolvent Company (as defined in the above instructions) in [the largest business city in the economy] to complete Liquidation proceedings in practice?

The cost estimate should be expressed as a percentage of the value of the company's assets (as described above). The costs would include court fees, fees of Insolvency Administrators, fees of lawyers, and all other fees involved. Please enter the cost in percentage terms, based on the value of the company, that is the cost estimate in local currency should be converted into a percentage of the above value. Please do not insert the value in currency terms.

3.3 Liquidation Proceedings			
3.3.1 Time to Resolve a Liquidation Proceeding			
Indicators	FFP	SBP	Total Points
Time to Resolve an In-Court Liquidation Proceeding (66)	100 (100%)	n/a	100 (100%)
Total Points for Subcategory 3.3.1	100	n/a	100
3.3.2 Cost to Resolve a Liquidation Proceeding			
Cost to Resolve an In-Court Liquidation Proceeding (67)	100 (100%)	n/a	100 (100%)
Total Points for Subcategory 3.3.2	100	n/a	100
Total Points for Category 3.3	100	n/a	100

Note: n/a = not applicable (refers to the cases when the impact on firms or society is either ambiguous or nonexistent).
FFP = Firm Flexibility Point; SBP = Social Benefits Point.