

**UNCITRAL-World Bank Group Judicial Capacity-Building Initiative on International Best Practices in Insolvency Law, 1-2 November 2023**

**Opening Remarks - Harish Natarajan**

Honorable Justices, UNCITRAL representatives and World Bank colleagues,

I am pleased to welcome all of you to the second session of the Judicial Capacity Building Workshop we are organizing jointly with UNCITRAL, our co-standard setter in the area of insolvency and creditor/debtor rights.

I would like to start by thanking our expert facilitators, Honourable Sir Alastair Norris; Judge Martinez, Judge Jaskulska, and Mr Estrella-Faria, representing UNCITRAL, as well as all judges in attendance for joining us today.

My colleagues will discuss in detail the best practices for commencement of insolvency proceedings. Let me start by provide some context on the relevance of insolvency systems for World Bank's development agenda.

At the WB we see insolvency regimes as an important tool for handling in an orderly manner situations where firms and individuals are unable to cope with unsustainable debt levels. A well-designed and implement Insolvency regimes can help in distinguishing financially distressed, but still viable enterprises from non-viable ones, and thereby help preserve the value of viable enterprises – and in the case of individuals give them a second chance to rebuild their financial lives.

This function of insolvency systems is even more important in times of global crises. Following on from the Covid-19 pandemic, global business insolvencies increased by 9% in 2022 and this figure is expected to grow, as a result of rising interest rates and crippling inflation, that have plagued many advanced and emerging economies.<sup>1</sup>

A similar trend could arise from climate change induced physical and transition risks – which could result in stranded assets, radical shifts in viability of businesses, and heighten exposure to legal risks. These are particularly pronounced in emerging markets and developing economies due to their geographical locations, including the vulnerabilities of their ecosystems to physical climate risks, and due to EMDEs relatively limited fiscal space for mitigating the impacts of natural disasters. Businesses that fail to take account and remedial actions for climate risks are more likely to become financially distressed and in need to resort to the available insolvency system.

It is hence imperative now, that insolvency systems in line with international standards and best practices are established and properly implemented globally.

Well-designed insolvency systems have a bearing on the investment climate and the ability of countries to advance both sustainable economic growth and prosperity, and reduce the threat posed to a country's financial stability and progress. These are at the core of the World Bank's efforts in helping countries

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<sup>1</sup> Atradius Economic Research Insolvency Forecasts, March 2023. Available at: <https://group.atradius.com/documents/atradius-economic-research-insolvency-forecasts-march-2023-ern230302.pdf>

create sustainable economic growth, investing in people and building resilience to shocks and threats that can roll back decades of progress.

Judges and the judicial systems are the core to the order and effectiveness of insolvency frameworks. At the World Bank, we see Judicial capacity-building programs a critical success factor of regulatory reforms governing insolvency proceedings.

In line with this, the objective of our joint Judicial Capacity-Building Initiative on International Best Practices in Insolvency Law is to support judges by increasing your awareness on international best practices in insolvency law that you may apply in your work.

There is a significant amount of expertise gathered from around the world, and I am looking forward to the discussions. Thank you for your attention.