

The impact of structural reforms of the judicial system: a survey

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1. Introduction

2. Reforms of the judicial system

2.1 Impact on judicial performance indicators

2.2 Impact on economic outcomes

3. Reforms of the bankruptcy regimes

4. Conclusions

1. Introduction

Structural reforms are crucial to ensure a flexible and resilient economy and promote sustained growth.

An efficient judicial system is considered a necessary condition for investment as it is key to ensure contract enforcement;

and...

A well-functioning bankruptcy regime is critical to ensure that resources are efficiently allocated and, ultimately, to promote sustained growth.

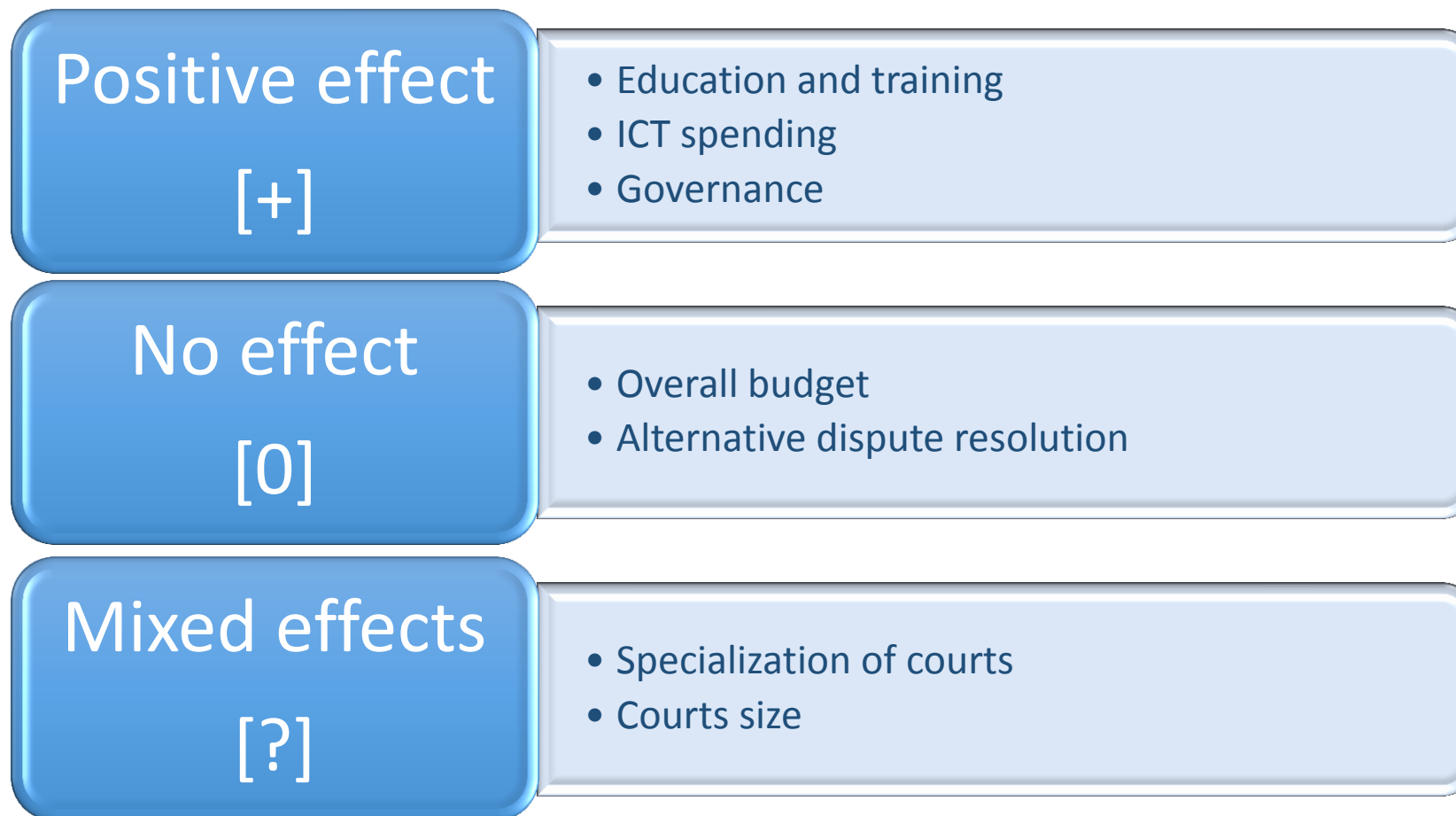
2. Reforms of the judicial system

2.1 Impact on judicial performance indicators

- i. Court Size
- ii. Courts' budget
- iii. Specialized courts
- iv. Alternative dispute resolution
- v. Governance
- vi. Education and training

2. Reforms of the judicial system

2.1 Effects on sectoral performance

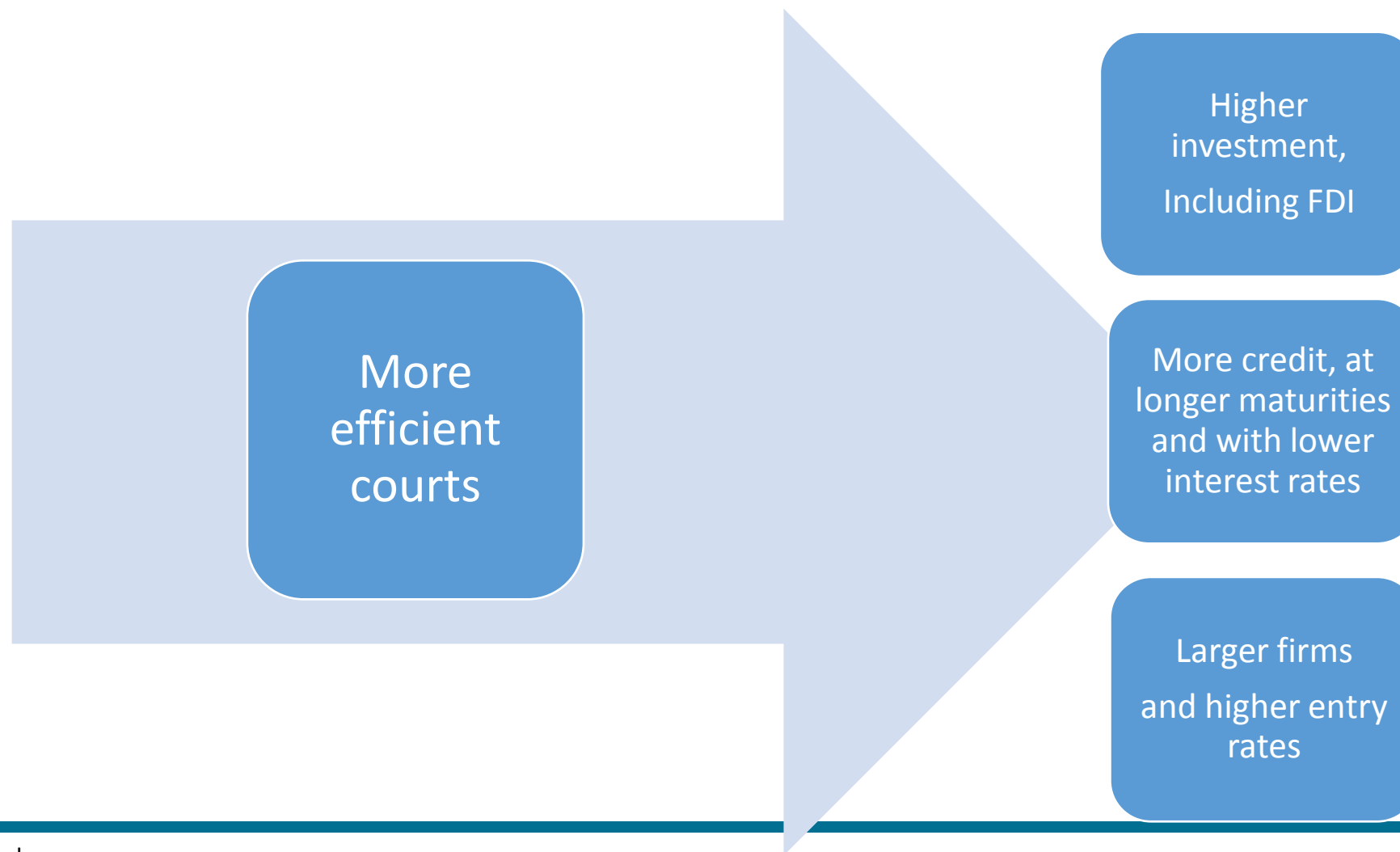


2.2 Impact on economic outcomes

- i. Investment
- ii. Credit markets
- iii. Firms' size and entry rates

2. Reforms of the judicial system

2.2 Sectoral performance => Economy



3. Reforms on bankruptcy regimes

- i. Cost of funding
- ii. Collateral
- iii. Amount and debt maturity
- iv. Covenants
- v. Investment, innovation and entrepreneurship

3. Reforms on bankruptcy regimes

Positive effect

- Cost of funding
- Amount and length of debt
- Investment
- Innovation and entrepreneurship

Mixed effects

- Collateral

4. Conclusions

Further research on this area is needed to improve the quantification of structural reforms, e.g. governance reforms, specialization of courts, etc

Different mechanisms at play suggest the need to distinguish between restructuring and liquidation impact mechanisms

Reforming the judicial/insolvency system seems to be of utmost relevance to sustain economic growth.

Annex 3—Studies on the effect of reforms of the bankruptcy regime on economic outcomes ¶

| <u>Authors</u> ¶ | <u>Data source</u> ¶ | <u>Countries covered</u> ¶ | <u>Dependent variable(s)</u> ¶ | <u>Method</u> ¶ | <u>Independent variables</u> ¶ | <u>Relevant results</u> ¶ |
|----------------------------------|---|---------------------------------|--|-------------------------------|---|---|
| <i>Loans size and length</i> ¶ | | | | | | |
| <u>Araujo et al. (2012)</u> ¶ | BCGI index: public sources; ¶ firm-specific accounting data ¶ | single country: <u>Brazil</u> ¶ | cost of debt; ¶ amount of debt ¶ | <u>pooled cross-section</u> ¶ | Bankruptcy law; ¶ Bankruptcy law*BCGI ¶ BCGI ¶ | Debt; ¶ (+) Bankruptcy law ¶ |
| <u>Bae and Goyal (2009)</u> ¶ | <u>Dealscan</u> database compiled by the Loan Pricing Corporation (LPC) ¶ | cross-country (US and non-US) ¶ | Loans size; ¶ Loans maturity; ¶ Loans spread ¶ | <i>OLS</i> ¶ | Property rights index; ¶ Creditor rights index; ¶ Loan characteristics; ¶ Syndicate structure; ¶ Firm characteristics ¶ | Loans size; ¶ (+) Property rights ¶ Loans maturity; ¶ (+) Property rights ¶ |
| <u>Chang and Schoar (2006)</u> ¶ | Chapter 11 filings; ¶ PACER ¶ Dun & Bradstreet ¶ NETS ¶ | single country: <u>US</u> ¶ | <u>ProDebtor/ProCreditor dummy</u> ¶ | <i>OLS</i> ¶ | Refile; ¶ Out of Business; ¶ Rating; ¶ Sales ¶ | pro-debtor dummy; ¶ (+) re-filing rates ¶ (+) out of business ¶ After 5 years; ¶ |

Thank you

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