

Ep.81 In Partnership with the World Bank Group

Intro Music: INSOL international, in conjunction with the Early Researcher Academics Committee, presents INSOL talks.

Scott Stuart (SS) (00.23): Hi, I'm Scott Stuart, CEO of INSOL International. This is a special edition of INSOL Talks, where today we are joined by Antonia Menezes and Jose Salvador of the World Bank. Antonia is also an INSOL board member, and on this special episode of INSOL Talks, we're going to talk about the very special relationship between INSOL International and the World Bank, the World Bank's mission, and how we collaborate together to make the world a better place. Antonia, how about a little bit of a brief introduction?

Antonia Menezes (AM) (00.57): Thanks, Scott, and hello, everyone, and very happy to be on this podcast today. I'm a senior financial sector specialist in the World Bank's Insolvency and Debt Resolution programme. I think most people know that the World Bank was established in the aftermath of World War Two to support economic development, and we now have twin goals that shape all of our work. First to end extreme poverty and secondly, to promote shared prosperity on a liveable planet. And I am located in the Financial Services Department of the World Bank Group, and we aim to achieve these goals through wide reaching financial sector reform, including in the field of insolvency and debt resolution.

So our programme, the Insolvency and Debt Resolution Programme, we work with governments globally to raise the standards of insolvency frameworks with the core objective of strengthening financial sector stability and facilitating private sector development. This takes place across stakeholder groups. So from the regulator to financial institutions, insolvency practitioners and judges, and ranges from capacity building to assistance with legislative drafting and financial sector strategy. And we extremely value our partnership with INSOL International. Insol, with its enormous and varied member base and very similar goals, is a very important and complementary partner. We've worked closely together since the global financial crisis, and our work has spanned regions and led to very real and tangible reform impacts on the ground. So we're delighted to be in partnership with this internship.

SS (02.50): Thank you, Antonia, and I've had the opportunity and privilege to spend a lot of time with you in my short tenure with INSOL, both recently in India and, of course, as a board member. And I have to say, having spent time via your invitation at the World Bank and really understanding in depth the importance of the World Bank's work and also enhancing the importance of the collaboration with INSOL International and the joint mission we serve in aiding emerging economies in the development of better finance processes, restructuring laws and even environmental impact. All goes to the bottom-line mission of what the World Bank does in terms of eradicating poverty in the world by making better and more healthy systems. So that relationship is golden, and I'm grateful for the learnings that you've shared with me, Antonia, both from your work at the World Bank and of course, in our respective tenures with INSOL International. So thank you for that. Jose Salvador, welcome. And how about a brief introduction of your background and how you fit into this wonderful conversation?

Jose Salvador (JS) (04.05): Thank you. Thank you very much, Scott, for the space today. My name is Jose Salvador and I'm an Ecuadorian lawyer. My experience is basically on corporate and insolvency law in terms of corporate in practice and insolvency in academia. But yeah, I've been very fond of the academic aspect of insolvency since I discovered it right after I graduated. And

ever since I've been trying to get involved with INSOL, with the World Bank, trying to know how the, the field work actually is. Right now, I have the opportunity to be here with you today because I was the last intern of, of the programme. So thank you. Thank you very much for having me.

SS (04.50): That's awesome. And we're going to get to some of the more specifics about your internship and your learnings. I'm going to go back to Antonia for a moment. And Antonia, let's talk about the World Bank's kind of broader objectives and strengthening financial systems, especially in developing countries. We've had conversations on this, and then when I was at the World Bank, I found it incredibly motivating, yet didn't necessarily make the connection initially about the importance of the World Bank's greater mission as we develop better processes both around insolvency, better business practices, empowerment, environmental missions. So I'm not asking you to put a pretty bow around it, but if you could tie a little bit of a bow around it and show the through thread of how, how the mission of the World Bank ties into the objectives that we collectively, in our partnership between INSOL International and the World Bank, work together in building better financial systems and how, particularly in developing countries, this is really, really important as a as a foundational mission.

AM (05.58): Yeah. Scott, that's a really good question. So I started off by talking about our twin goals, which sound very high level and lofty, and at first the linkages with insolvency and restructuring are not very apparent. But when you think about it, one of the core enablers for economic development as capital or access to financing. And to get that financing, lenders need to know that if something goes wrong, if they lend and the debtor defaults, they'll be able to recover. And so that is really one of the driving principles backed by significant economic empirical evidence that shows that if you have strong recovery frameworks, whether debt enforcement or insolvency, and we use insolvency very broadly to mean anything from pre-insolvency processes right through to liquidation or bankruptcy.

But if you have these strong processes in place, you mitigate lender risk, and ultimately this has a knock on effect on the availability of credit and the pricing of credit or financing. So this, this really is the starting point for our team's work. And right now, the focus of the World Bank Group is an institution is how can this translate into more jobs? We know that there are lots of trends happening right now. Technology, poverty, macroeconomic weaknesses and vulnerabilities globally that really are going to drive the need for more jobs, particularly in emerging markets and developing economies. And so something our team is really focused on drawing the links with right now is how restructuring can help preserve jobs. But more than that, how insolvency as a field can lead to creative destruction and more jobs and better jobs. And so stay tuned for more research coming out of our team on that.

SS (07.57): Well, let's dissect that a little bit. So there seems to be a learning first off that insolvency is not a negative but insolvency, I think you used the words constructive destruction which seems to be correct to me. So if you take an emerging economy, I'll use India as an example where it's one of the fastest growing economies on the planet, which means it's also probably starting to show data, which is showing the fastest business failure on the planet, which is natural in a fast growth economy and consolidation. How do we train an economy to understand that this is part of a natural business cycle? Support it, and then we'll get into more detail about training and how to train the judiciary and practitioners and such. But let's start with the fundamentals of how to get a mindset that what you're really talking about is corporate health, not destruction in a negative way, and the use of restructuring resources to be able to make a healthier and more empowering economy.

AM (09.02): Yeah, also a very good question. I mean, our work is very wide ranging, and I have to say we've worked in over 100 economies now, and each country is completely different and needs to be looked at in its own context. Culture, legal tradition, etc. but generally we would start with the building blocks, which is legislative reform. Is it needed? What kind of legislative framework is in place? The country strategy. What needs does it have for financial sector development? And then we would move on to implementation of the law. And where are the weaknesses and vulnerabilities. So for instance how efficient is the regulator. And of course this is constantly changing, again with technology developing at a rapid rate. There are very big questions right now about data collection and how that is being done effectively. For instance, what systems are in place and regulators. So we do a lot of work with regulators. We also then move to what you mentioned capacity building of professionals, including insolvency practitioner associations. And here we have very strong ties with INSOL's programmes and use their programmes a lot to help us develop associations and countries. We have a judicial insolvency programme in partnership with INSOL, that really tries to develop very critical skill sets for judges, because in many countries, judges are not trained. They're expected to just know straight away how to handle very complex and often very time sensitive cases. And we also are increasingly working with financial institutions. So we work across the whole insolvency ecosystem. And each piece of that ecosystem needs to operate effectively in order for you to really maximize creditor recovery.

SS (11.10): I love that answer, especially in light of how INSOL is positioned as an ecosystem of resources that helps support programmes like this. And I believe that the collaboration with the World Bank really brings that to the forefront, where we're able to join resources, thought leadership, and these building blocks of legislative reform, framework, capital and implementation, all to the betterment of emerging economies. And to that, I know that, Antonia, you've been very involved in the relationship with INSOL in building the Africa Roundtable, which I think is a really excellent example of how the joint relationship between the World Bank and INSOL has really helped that part of the world in the development, emergence and training necessary to do exactly what you set forth in the beginning of this podcast on the mission of the World Bank. Can you speak a little bit about that? Because I think it's a really excellent example of both the relationship between INSOL and the World Bank and the success points of exactly what you put out there as what we're trying to do together in emerging economies as a mission based ideal.

AM (12.20): Yes, the Africa Round Table is really an amazing initiative. One that I always say is, is such an outstanding example of how strong partnership can lead to huge impact on the ground. It started off over fifteen years ago in Nigeria, literally around a table with a handful of practitioners from sub-Saharan Africa, as well as INSOL and the World Bank, and now has grown to an event with over 150 participants. And I think what makes this event really special is that it brings together government, the judiciary and the private sector. So you have everyone in a forum and you really see that it leads to reform momentum. Governments come out of the event and they say, well, we really need to knuckle down now and strengthen our cross border regime, for instance. We have had countries coming out of it saying, oh, we are going to have a study tour amongst ourselves. And so it really shows how you can have countries from across stakeholder groups come together and then have tangible effects coming out of it.

SS (13.40): It almost gives me chills to hear you speak it, because I could hear the passion in your voice about not only the importance of the programme, but how meaningful it's been over the last fifteen years and how it's become a premier example of how emerging economies can

be supported in this partnership between Intel and the World Bank. Any preview of what's coming this year with the Africa Roundtable that can kind of share with us?

AM (14.08): So this year it will be in Kenya in October, I believe it's already up on the INSOL website and we are opening it up to a handful of non-sub-Saharan Africa participants. So international participants. So people should rush to get their spots as quickly as possible because it really is a fantastic event.

SS (14.32): So in the invitation to non-Africa, sub-Saharan participants, will these be from countries that will be able to extract from the learnings of the Africa Roundtable to bring to their own emerging economies? Is that the is that is that the point of that?

AM (14.48): It's been a real mix. So we've had multilaterals and international organizations like UNCITRAL attend and the African Development Bank, but we've also had practitioners who are trying to grow their Africa practice who are really interested in developments in the region. So we've had participants from Germany and the UK. We've also had what we call it the World Bank South to South Learning, which is emerging markets sharing experiences. So we've had participants from India, for instance, talking about their lessons learned that can apply in Africa and vice versa. So it's really a mix. But the core goal is to bring together stakeholder groups from across the Africa region. We have roughly 17 to 20 countries every year. That number is growing. Each year we add jurisdictions that maybe are new to insolvency or are developing their systems. And so every year we really see incremental improvements.

SS (15.51): And I love the participation of those from mature economies for the learnings that they can extract and also to share at the Africa Roundtable. I think that symbiotic relationship, again, through the joinder of the INSOL/World Bank relationship is golden and I really am stoked by that. That kind of inclusiveness in how you're building the Africa Roundtable as it as it matures and grows around the world.

AM (16.22): Well, we look forward to seeing you in Kenya.

SS (16.24): I am very excited, very excited to participate and be there this year. So, so thank you. Let's now turn for a few minutes to the Insol/World Bank Internship Programme. Antonia, if you don't mind, just lay the groundwork for the framework of what the internship is and what it seeks to achieve. And then we're going to put our intern on the spot here and have him answer a few questions about his World Bank/INSOL experience.

AM (16.50): Excellent. I hope you have some very difficult questions lined up. So the internship is another great programme that we run together. The original programme was focused on bringing young graduates with a passion in insolvency law and international development to the World Bank to experience our work. But a few years ago at least, it was focused on a single university in the UK and over time in INSOL International saw the benefits of broadening this opportunity globally to young practitioners, academics and recent graduates across jurisdictions, including from emerging markets. And so this is the second year we've run this global internship programme. So we open it up to any country to apply.

And it's really a fruitful partnership. It gives rising young stars in the insolvency world the opportunity to try insolvency law, but with a completely different lens. They get to learn about economic development as well as the broader work of the World Bank Group, and they also learn about INSOL international and the importance that this institution has in their careers.

So just to outline the selection criteria and talk a bit more about it before passing to Jose. It's aimed at young LLM or PhD graduates and young practitioners and academics with less than two years PQE, so relatively junior in your career, and they should ideally have a demonstrated interest in insolvency law or at least commercial law. And I think one of the great benefits of this programme, which I'm hoping Jose will talk about, is that the World Bank team commits to taking the intern to one of our client countries. So we have had interns who have gone to Vietnam or Bangladesh or South Africa, and they actually get to work with us on the ground. They meet our clients who are typically Ministries of Justice or Ministries of Finance, and they, they actually get to see what a real life project looks like. And I think most of the interns we've had have said this is by far the most amazing experience.

SS (19.07): Where can I apply?

AM (19.09): Yes, where can you apply? We will be sending out a link soon. It will come from INSOL International and we really encourage everyone to look at it. We think it's a fantastic resource.

SS (19.21): No I'm serious, where can I apply? It's a wonderful opportunity. And Jose, with that welcome, and what is your interest in this area and what drew you to apply for this internship?

JS (19.35): Thank you, Scott and Antonia, for that background. And thank you for the space for talking about my experience here. It's been really great. Well, I been interested in insolvency for quite a few years now. Ever since I graduated, I've been focused on corporate law. So I've been seeing firsthand the experience that company, companies in Ecuador have in the market. You know, like the difficulties and the, and the aspects that make it easier to incorporate a company, to restructure a company and then to liquidate it. So I've been experiencing that firsthand as a young lawyer in a law firm, but I've always seen that Ecuador does not have a well-developed insolvency regime. That's been one of the main aspects that has been discussed, and almost like an important point of view when discussing the corporate aspects of legislation in Ecuador.

So ever since, ever since I've graduated until maybe like last year, I've tried to get as much involved as I could in insolvency, insolvency forums, insolvency conferences. But as I, as I say, we in Ecuador, we don't have a good well-developed insolvency framework. So everything I've learned so far, it's been from the books, maybe like debating it with a couple of professors in the university and then like seeing all the articles and papers from spaces like the World Bank, or maybe academics from other universities around the world. But here in Ecuador, we don't have that that kind of practice. So it's it was like just seeing it from the academic aspect and from the doctrinal aspect.

Yeah. And that's why I started to try to get engaged with INSOL. And thankfully, I, I got the chance to participate in one of the international insolvency certificates and the foundation certificate offered by INSOL. And that's why I got like more in depth in the, in the area of, of insolvency law. And that's why I, and I tried from the academic aspect and from networking that I've been doing here in Ecuador to promote academically a reform here in Ecuador. And that's been one of the main projects that we've been promoting here. So that idea guided me to the post of the internship offered by the World Bank and INSOL. And I decided that given my goals and given my ambition of one day promoting a good reform here in Ecuador that could help Ecuador to have a good insolvency framework, was to maybe try and get a chance of being part of this internship. And that's how maybe the background I have of for applying for this internship, it was maybe that that was what got me to, to apply. And then I followed the, the selection process and I was selected.

So yeah, it was, it was kind of a surprise considering that, as I told you, the background I had for, for insolvency was quite small, considering some countries have whole departments of firms with, with restructuring practices and professionals that are seen like worldwide in this area. And we in Ecuador, we don't have that. So it was really surprising for me to have the chance as a member of an emerging economy to participate in this programme.

SS (22.55): So this is very exciting. So the foundational certificate opened up your mind to the possibility that you actually could be a leading practitioner who leads the charge, as a young practitioner, into the evolution of a restructuring scheme in Ecuador, where Ecuador doesn't have one. And this internship has now sparked something in your practice and your professional desires. Would that be fair to say?

JS (23.20): Yes. That's right. I think that after the certificate and, uh, well, once I got the internship and after the experience that I have that thanks to the to the amazing team at the Bank, now I am in Ecuador again and I see insolvency with different eyes. And now one of the, of the, of the projects that I intend to promote in the following years, along with another members of the academia and forums that we created here in Ecuador, is to promote the discussion of an insolvency of a, of a reform for the insolvency framework here because we believe that these kind of opportunities say a lot about the potential that a country has.

And in this case, Ecuador, despite the fact that doesn't have these insolvency framework, could be part of the discussion, could be part of this innovation, considering that insolvency law as something that I've learned at the Bank, and it's one of the key insights that I got from the experience. Insolvency law is not only seen internationally as another area of practice of law, but, as Antonia said, it's a bridge between legal reform and economic development. So Ecuador, being a Latin American country, which needs to promote work and promote jobs and promote economic stability, one of the main aspects that needs to be that needs to consider are insolvency reforms and insolvency frameworks that align with the best international practices and the advice is that institutions like the World Bank and INSOL could, could offer.

SS (25.02): That's wonderful. And I really like your inspirational approach to how you see the importance of an emerging restructuring scheme in greater economic development. And I think as a young practitioner, it gives you a lot of opportunity in both your practice. And to be a leader in this space and to really extract the experiences you had from the internship. To help lead this conversation, as LatAm is one of the fastest growing areas in development of restructuring schemes, and we're going to need more people like you, Jose, to lead the charge on that. So we're hoping that you'll continue to do that, and it's good to see that you got such value out of the, out of the internship. Is this something that you would recommend to other professionals who are similarly situated to yourself to, to pursue as an opportunity and as a learning and to be able to take it, as you say, off the pages of the textbook and into actual practice.

JS (26.03): Yeah, sure, 100%. I think that ever since I came here back to Ecuador and with my colleagues, which are also involved in the academic studies, you know, of, of insolvency, I've been recommending this internship to them saying it doesn't matter if Ecuador doesn't have this framework. It doesn't matter if Ecuador is not like in currently part of the international discussion, we can make Ecuador part of this discussion by being part of this programme. So I try to encourage like every, every, every professional I know that is interested in insolvency to apply to this programme, to apply to the Foundation Certificate, for example, to apply to the internship and to be engaged with institutions like INSOL and the World Bank, because you need to start somewhere, you know, not the fact that you are not in the conversation right now or Ecuador is

not part of this development right now doesn't mean that in the future you can promote that. So this is the first step towards being part of this new proposal for the law, a new proposal for the courts, maybe for the, for the reform of the courts and even for more. Everything that promotes economic development is, is something that is really needed here. So being part of these spaces is more than necessary.

SS (27.20): Thank you. Jose. As a as a visionary and a professional of the future, I look forward to all that you're going to achieve. I'm glad you got this great value out of the internship opportunity, and I certainly look forward to your further involvement in INSOL and the opportunities that, as a young leader, you will bring to the forefront. So thank you for sharing that with us as we round out this special podcast. Antonia, any closing thoughts about the future of the relationship between the World Bank and INSOL, which is strong and wonderful and I'm incredibly proud of being a part of. But any, any closing thoughts from you?

AM (28.00): I think what we're seeing in the world right now is that resources, both time and money, are becoming increasingly strained. And so these partnerships with organizations that have similar goals and members and stakeholders and vision are particularly important. And so on our side, we really value our partnership with INSOL International. We've had many years of wonderful experiences and strong impact on the ground, and we look forward to many more to come.

SS (28.34): Thank you so much. Antonia. Thank you. Jose. This has been a special edition of INSOL Talks and we look forward to seeing you again soon. I'm Scott Stuart, CEO of INSOL International. Looking forward to more wonderful opportunities both with the World Bank and the world of INSOL. Thanks so much for joining us today.

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