



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

**Insolvency and Creditor/Debtor Regimes Task Force Meeting**

**4 May 2018**

**Washington DC, USA**

**Rapporteur's Synopsis**

*The statements, findings, interpretations and conclusions expressed in this synopsis are those of the participants and do not necessarily reflect the view of, or are endorsements from the Board of Executive Directors of the World Bank, or the governments they represent.*

## 1. Introduction and Summary of 2018 Task Force Activities

The World Bank Group (WBG), with the assistance of the Insolvency and Creditor/Debtor Regimes Task Force (TF), regularly tests and evaluates the effectiveness and relevance of the WBG Insolvency and Creditor/Debtor Regimes (ICR) standard, to ensure that the standard is disseminated and global consensus is maintained. This is done in close partnership with the United Nations Commission on International Trade Law (UNCITRAL).

The TF meeting held in Washington, DC on May 4, 2018 was structured to provide an update on the work of the WBG in the areas of insolvency and debt resolution and to obtain feedback on the WBG's draft Report "Saving Entrepreneurs, Saving Enterprises: Proposals on the Treatment of MSME Insolvency" (Report). All TF deliberations on the Report are summarized in Section 9 below and are the same as Chapter 7 of the Report.

**2. Welcome and Opening Remarks.** Presented by Mahesh Uttamchandani<sup>1</sup>, Ceyla Pazarbasioglu<sup>2</sup>, Antonia Menezes<sup>3</sup> and Andres Martinez<sup>4</sup>.

Mahesh Uttamchandani welcomed and thanked the Task Force members for their presence and collaboration.

He noted that the TF had been organized following the draft Report. Mr. Uttamchandani explained the importance of the TF to the World Bank Group's work, given that the Bank is the largest provider of insolvency advice globally. He also briefly discussed the importance of a high-functioning insolvency regime to micro, small and medium enterprise (MSME) insolvency, noting that MSMEs tend to suffer disproportionately when an economy falters. Finally, Mr. Uttamchandani noted the relationship of insolvency regimes to financial institutions' willingness to extend credit and the social implications of filing for insolvency.

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Ceyla Pazarbasioglu gave a brief introduction on World Bank Group [Finance, Competitiveness & Innovation](#) Global Practice (FCI GP) and discussed the vitality of MSMEs for global economic development.

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<sup>1</sup> [Mahesh Uttamchandani](#), Global Practice Manager, Finance, Competitiveness & Innovation, World Bank Group. Mr. Uttamchandani leads the World Bank Group's work in the areas of secured transactions, credit reporting and insolvency, including the insolvency and creditor/debtor rights initiative.

<sup>2</sup> [Ceyla Pazarbasioglu](#), Senior Director, Finance, Competitiveness & Innovation, World Bank Group.

<sup>3</sup> Antonia Menezes, Co-Chair of ICR Task-Force and Senior Financial Specialist, Finance, Competitiveness & Innovation Global Practice, World Bank Group.

<sup>4</sup> Andres Martinez, Co-Chair of ICR Task-Force and Senior Financial Specialist, Finance, Competitiveness & Innovation Global Practice, World Bank Group.

Ms. Pazarbasioglu's opening remarks were focused on the Insolvency and Debt Resolution practice which assists governments in improving their credit environments through the development of more effective insolvency and debtor/creditor rights (ICR) systems. She highlighted the focus of this TF meeting, namely that credit infrastructure remains an obstacle for MSMEs. She also discussed the importance of MSMEs and how they have a very large funding gap – \$5.2 trillion for MSMEs. This leaves them especially vulnerable to shocks. It is important to have a good insolvency regime that allows the financing of innovative products and allows entrepreneurs to take risks.

Further, Ms. Pazarbasioglu discussed the stigma that is associated with filing for insolvency or bankruptcy in many countries and the difficulty this poses with respect to the accumulation of non-performing loans (NPLs). She stressed the importance of dealing with NPLs effectively and efficiently to facilitate entrepreneurship and growth by increasing access to credit.

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Ms. Menezes and Mr. Martinez, Co-Chairs of the TF, welcomed the TF to Washington and expressed how grateful the World Bank is that they have given their time to participate.

Ms. Menezes and Mr. Martinez summarized the deliberations at the previous task force (September 2014). Mr. Martinez stated that there was a general consensus that emerged from the last task force, that typical insolvency systems are too complex for MSMEs because they are cost prohibitive and attach significant social stigma to individuals who use them.

Next, Ms. Menezes set out the objectives for the 2018 TF – to continue the discussion on MSME insolvency and obtain feedback on the proposals set out in the draft Report. She thanked everyone who submitted peer review comments and stated that these comments will be reviewed prior to publishing the Report. Ms. Menezes also explained that the focus of the afternoon would be on learning from different countries and leading experts about MSME insolvency with a view to deciding how to frame MSME insolvency going forward.

### **3. UNCITRAL perspective on MSME insolvency.** Presented by Jenny Clift<sup>5</sup>.

Ms. Clift provided background information on UNCITRAL's work with MSMEs. She explained that UNCITRAL began looking at MSME's in 2013 and continues to be one of many aspects on UNCITRAL's agenda. UNCITRAL started looking at the Legislative Guide on Insolvency Law topic by topic through the lens of MSMEs. Further, UNCITRAL has put together a paper which discusses what the concerns of MSMEs may be with respect to each topic. Ms. Clift clarified that their work to date is preliminary and will be informed by the discussions that take place at Working Group V.

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<sup>5</sup> Jenny Clift, Senior Legal Officer, UNCITRAL

#### 4. IMF perspective on MSME insolvency. Presented by Wolfgang Bergthaler<sup>6</sup>.

Mr. Bergthaler introduced the macro-economic significance of MSMEs. He noted that MSMEs form a large segment of businesses in most countries (more than 90%) and are very important as employers. However, Mr. Bergthaler added that they are more vulnerable to economic downturns and shocks. A key challenge for them is limited or no fresh start in many countries, higher fixed costs, limited access to finance and a mix of personal and business commitments.

Next, Mr. Bergthaler discussed MSME significance to the IMF's mandate. He explained that, owing to their macro-economic significance, MSMEs are relevant to the IMF's surveillance and lending mandate. This is because in some countries, MSME over indebtedness and debt distress may inhibit economic growth and threaten financial stability.

Mr. Bergthaler then noted a number of key challenges MSMEs face:

1. **Definition:** there is no uniform definition for MSMEs because MSMEs are so heterogeneous.
2. **Insolvency:** in many insolvency regimes, there is limited or no fresh start available for over-indebted entrepreneurs (unincorporated MSMEs). Moreover, regimes are not tailored to MSME needs (regimes are too complex, rigid and costly).
3. **Other:** high fixed costs associated with restructuring MSMEs, and a mixture of personal and business assets/collateral.
4. **Finance:** MSMEs are typically more leveraged than larger bodies corporate, MSMEs lack access to finance (including fresh money), late payment impacts MSME liquidity, MSMEs are more likely to have information gaps (e.g. lack of accounts).

Mr. Bergthaler also presented the IMF's finding that a comprehensive approach to MSME insolvency has proved the most successful. He discussed the importance of an approach that aligns with international best practices, offers a fresh start for entrepreneurs and involves support from governments and banks (e.g. tax, banking supervision).

Finally, Mr. Bergthaler discussed a number of IMF policy recommendations for MSME insolvency. With respect to MSMEs specifically, he touched on implementing a simple, cost effective and flexible insolvency process that grants fresh starts within a shorter period for honest entrepreneurs. Mr. Bergthaler also discussed the implementation of an efficient out-of-court regime with hybrid features that enables quick, cost effective resolution. With respect to insolvency in general, Mr. Bergthaler emphasized the importance of efficient institutional frameworks and debt enforcement/foreclosure, as well as various other incentives (e.g. government financing and awareness, debt counselling).

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<sup>6</sup> Wolfgang Bergthaler, Senior Counsel, IMF Legal Department

**5. Presentation of the 2018 draft ICR Task Force Report.** Presented by Antonia Menezes and Professor Jason Kilborn<sup>7</sup>.

Ms. Menezes played a short video of a participant she met during the joint INSOL-World Bank Africa Round Table in Zambia a few years ago, discussing the challenges that entrepreneurs face.

Next, Ms. Menezes drew on examples the WBG team has encountered on the ground. These issues demonstrate why the Report has focused on the concepts of discharge following a liquidation for natural persons and restructuring for viable entities. Ms. Menezes explained how one Middle Eastern country that depended on tourism saw numerous business closures, personal assets seized and protests result post-Arab Spring, evincing that an external shock can destroy entire industries through no fault of its own.

Ms. Menezes discussed the social stigma that attaches to filing for insolvency. Studies have shown an indirect link between the quality of a country's insolvency regime and suicide rates. Evidence shows the link between forgiving insolvency regimes and entrepreneurship and the availability of capital. She discussed one island-economy in which there is a nightly radio broadcast naming individuals who defaulted on their loans in an effort to put pressure on them to repay.

Using the example of the Organization for the Harmonization of Business Law in Africa (OHADA), Ms. Menezes recognized that classifying MSMEs remains a challenge. She asked TF participants whether a boundary in complexity can or should be drawn between cases that should be subject to simplified or MSME-type processes versus more complex cases that should go through the general corporate insolvency regime.

Ms. Menezes noted that addressing the scale of the problem though implementation of best practices is going to be challenging and needs to be kept in mind. These MSME entities, particularly micro and small entities have large hurdles in accessing the courts and other institutions, so rolling out simplified procedures or additional services like debt counseling, doesn't necessarily mean it will be implemented in practice.

Finally, Ms. Menezes discussed the Report structure. The core focus of the Report is on rehabilitation and rescue. In order to achieve this objective, the primary approach identified in the Report is the discharge of the natural person's unserviceable debt. Ms. Menezes also mentioned several key features of the Report, including open access, discharge of both personal and business debts, a presumption of good faith, limited expropriation of future income streams, and limited civil restrictions. Further, the Report examines how a simplified restructuring framework should be in place to try and save viable enterprises to the extent possible. This process strips restructuring to the essential elements whilst ensuring that creditors' rights are upheld: largely out-of-court, open access, adoption of the plan by secured creditors and vote by non-

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<sup>7</sup> Jason Kilborn, Professor of Law, John Marshall Law School, Chicago

secured with deemed consent of creditors not participating. The Report also recommends MSME procedures should apply to both corporates and natural persons alike. Lastly, the institution's role in delivering MSME processes effectively is critical to overcome some of the challenges outlined above.

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Prof. Kilborn discussed the importance of taking an empirical approach to the analysis by first looking at how the law operates on the ground. He also discussed examining insolvency at a macro level, and considering whether there is a commonality in the approaches taken by each country. Prof. Kilborn stressed that ultimately the best result in terms of maximizing business rescue involves maximizing value. If rescuing an entity will not preserve value, then rescue is not the best option.

Prof. Kilborn also briefly touched on the fact that more frequently than not, MSMEs are individual entrepreneurs. He stated that with micro and small enterprises, it is the individual (rather than the entity) that must be rehabilitated. Prof. Kilborn then segued into an introduction of a two-pronged approach to maximizing value:

**1. Recovering human capacity of the entrepreneur**

- a. Discharge is the modern focus of recovery in this capacity
- b. Liquidation is important, but is a secondary concern
- c. Presumption of access: open access to the system results in a greater number of people being active. However, many countries begin with very restrictive access criteria, they waste a lot of resources on a system which does not provide relief.
- d. Presumption of good faith: mechanism for investigating identified abuse is still important, but the belief is that skullduggery will come out on its own (other creditors, ex-partners, etc.)
- e. Must have minimal formalities: if there is no value for creditors, there is no sense in spending lots of time examining claims

**2. Recovering a specific business (assets held by individual or entity)**

- a. Must reduce costly formalities
- b. In the corporate environment there is likely to be very complex value, but in the MSME environment, we must have out-of-court models in which institutions (with court oversight) help debtors negotiate with creditors. Proposal for rescue: out-of-court hybrid machine
  - i. Some institution mediates creditors and debtors
  - ii. Court can sanction or confirm
  - iii. But complex formalities are a hindrance not an aid
- c. 'Scream or die' approach: unsecured creditors are only counted if they vote. Otherwise we presume the majority of creditors are happy with an out-of-court restructuring process
- d. Small business entities have more in common with individual entrepreneurs, therefore, the best approach is to treat small business entities the same as individual entrepreneurs (whether they are juridical entities or not). Complexity is better way of identifying transition between small business and corporate mechanisms.

Finally, Prof. Kilborn stressed the institutional challenge and the impact of attitude. It is one thing to read about how the institutional structures are maintained and another to hear from the individuals actually participating in the institutions. Prof. Kilborn stated that it is only when these participants truly buy into the system, that success can be obtained.

**6. Perspectives on MSME Insolvency Regimes in India, Thailand, and Chile.** Presented by Pooja Mahajan<sup>8</sup>, Dr. K. Jullamon<sup>9</sup> and Hugo Sanchez Ramirez<sup>10</sup>.

Ms. Mahajan began by discussing the role of MSMEs in India. There are approximately 51.2 million MSMEs in India that represent almost 40% of India's GDP and play a large role in job creation. These MSMEs are mostly proprietorships or partnerships and are largely unsophisticated.

Next, Ms. Mahajan discussed personal bankruptcy in India, which is based on UK laws. She noted that either debtor or creditor can petition for insolvency, provided the debt meets certain requirements. The Court will prescribe a period before which the debtor can't apply for discharge. The debtor's entire property vests with the receiver and the receiver collects all non-exempt assets. Distribution must conclude within 1 year. Ms. Mahajan noted that very few cases are brought under personal insolvency due to social stigma, the cumbersome process, high costs and potential for stringent penalties (e.g. taking credit before being discharged).

Next, the Indian Insolvency and Bankruptcy Code (IBC) was discussed. The IBC provides a fresh start (small debts are written off) for debtors. It also provides for insolvency resolution by way of a repayment plan. However, if the debtor's application or repayment plan are rejected or not implemented, bankruptcy will ensue. Some challenges of this process include the capacity and training of resolution professionals, high costs, and the impact it has on other laws.

Ms. Mahajan also discussed the process for corporate entities. For corporate entities, the same two-stage process apply to both MSMEs and non-MSMEs. Phase I involves rescue/rehabilitation or corporate insolvency resolution, and Phase II involves liquidation. Ms. Mahajan discussed the characterization of the regime as 'creditor-in-control,' whereby a committee of creditors control the process (invite and approve bids). She also noted the fast track insolvency process, which follows the same steps with a shorter timeline and is open to debtors if they meet certain criteria. Challenges with respect to MSMEs include the complexity of the process, high costs, focus on secured lending and the requirement of personal guarantees.

Finally, Ms. Mahajan discussed the Insolvency Committee Report, which recognized the World Bank Group Report on the Treatment of MSME Insolvency. So far, the focus of proceedings has been on big cases (not MSMEs).

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Dr. Jullamon discussed Thailand's specific reorganization proceedings for SMEs (Ch. 3/2), which came into effect in 2016, and recognizes that most SMEs are individual entrepreneurs. Moreover, he discussed

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<sup>8</sup> Pooja Mahajan, Partner, Chandhiok & Associates

<sup>9</sup> Dr. Jullamon, Judge, Bankruptcy Division of the Supreme Court of Thailand

<sup>10</sup> Hugo Sanchez Ramirez, Superintendente de La Superintendencia de Insolvencia y Reemprendimiento

the importance of SMEs to Thailand's economy, given that they make up 39.6% of GDP and approximately 80% of total employment (2014). Ch. 3/2 specifies that eligible SMEs must register with the appropriate institution (Office of SME Promotion, Revenue Department, or Ministry of Commerce), have a specified minimum amount of debt and file a petition with a pre-approved plan that does not exceed three years. However, Ch. 2/3 has some drawbacks, namely it requires a high minimum debt threshold, it assumes that debtors can create their own plan, it requires formal registration, it places the burden on the debtor to convene a creditor meeting, and there is no provision for extending the plan.

Dr. Jullamon pointed out that only five cases have been filed under Ch. 3/2, three of which did were either rejected/dismissed. As a result, Dr. Jullamon suggested that a separate chapter specifically for MSME may not be the correct solution.

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Mr. Sanchez Ramirez introduced the two laws that apply to insolvent enterprises in Chile. He focused more on Law N° 27,720, under which both SMEs and large corporations/enterprises can apply. However, he noted that due to procedural costs, it is used mainly by medium or large companies.

Law N° 27,720 allows for both the reorganization of an enterprise, whereby an enterprise can propose a new form of debt repayment to its creditors, as well as the liquidation of assets, whereby an enterprise proposes the timely sale of its assets to pay off debt. Once a reorganization order has been issued, the enterprise will be protected for up to 90 days, during which time liquidation proceedings cannot be commenced and all contracts entered into with the enterprise will remain valid. In comparison, once an insolvency certificate has been issued, the enterprise will be protected for up to 90 days. After the liquidation proceedings have finished (no more assets to sell, and no more money available to pay creditors), the debtor is declared out of debt.

## **7. Presentation of the Modular Approach to MSME Insolvency.** Presented by Professor Dr. Ignacio Tirado<sup>11</sup>.

Dr. Tirado introduced a new framework for MSME insolvency which utilizes a modular approach. He reiterated the sentiment that although MSMEs are the primary drivers of economic growth, and play an important role in innovation and employment, most insolvency regimes are designed for large enterprises. He stressed the importance of a system that distinguishes viable from non-viable businesses and addresses the issue of overlap between commercial and personal insolvency. Further, he emphasized that there is a need to recognize the different cultural, social and economic norms.

Dr. Tirado explained that the modular approach rethinks treatment of MSME insolvency, but retains certain core objectives: maximizing value, fair distribution, accountability for wrongdoing and discharge. The approach separates processes into different modules so that the parties to a certain case can select the tools that are most relevant. This is a central tenet of the modular approach; that parties to a case are in the best position to choose how to approach insolvency.

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<sup>11</sup> Professor Dr. Ignacio Tirado, Universidad Autonoma de Madrid



The modular approach allows either debtors or creditors to file for liquidation and discharge, or rescue. It also calls for minimal institutional involvement, recognizing that the vast majority of insolvencies involve debtors with no assets.

Dr. Tirado also noted that a key component of the modular approach is the imposition of obligations on debtors. This can be done in one of two ways: ‘wrongful trading,’ in which MSMEs discharge their obligation by giving due consideration to the modules, or ‘duty to file’ which is a less stringent requirement.

Finally, Dr. Tirado briefly discussed methods of addressing creditor passivity. He mentioned creditors being required to ‘scream or die,’ have ‘deemed consent,’ or the implementation of a regulatory or supervisory framework.

## **8. Report from UNCITRAL Working Group I – World Bank Group Perspective.** Presented by Dobromir Christow<sup>12</sup>.

First, Mr. Christow discussed the problems posed by traditional business models. He explained that traditional business models don’t suit MSME needs, as they are too costly, result in over-regulation and expose entrepreneurs to a significant risk of personal liability. He then discussed the issues posed by companies that exist and transact in developing countries but are not registered (informal, illegal, or extra-legal). He explained that unregistered enterprises are often unable to access finance and are required to provide personal guarantees.

Next, Mr. Christow touched on international core best practices to ensure maximal freedom of contract (e.g. limited liability, creation by one+ person(s), etc.). He briefly mentioned the importance of recognizing the de facto status of a non-corporate business without formal registration.

Finally, Mr. Christow discussed the World Bank Group’s focus on gender equality. He explained that in many countries, there is discrimination against women such that women are unable to register companies.

## **9. Summary of the TF Discussion of the Draft Report**

The 2018 ICR Task Force Members welcomed the presentation of the draft Report. They also raised a number of topics to consider with respect to the final version of the Report as well as to next steps. A number of views were expressed on how best to address those topics. Below is a summary of the major issues discussed at the Task Force Meeting, and suggestions for the final Report and next steps.

### **Presumption of good faith**

- Financial skulduggery exists in the developing world; could the proposal negatively affect access to credit?
  - This issue was strongly echoed by many Members from developing countries.

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<sup>12</sup> Dobromir Christow, Senior Private Sector Specialist, Finance, Competitiveness and Innovation Global Practice, Africa Region, the World Bank Group

- It was suggested that good faith could be the international baseline approach. However, separate guidelines could be introduced for jurisdictions where dishonesty was a major concern. This could entail including a standard principle with flexibility in implementation.
- Monitoring will be challenging. Catching abuse of the good faith presumption will be important but it is difficult. Too heavy an approach may defeat the purpose of having a presumption. The system will not be able to verify that every single discharge is sought in good faith: That would create too much of an administrative burden and would be too expensive and slow.
- What happens if multiple discharges are requested? What is the treatment of each subsequent discharge?
  - Time periods for restrictions between discharges could be longer.
  - Each additional discharge could become progressively more difficult to provide a disincentive for abuse of the discharge system. Canada was discussed as an example of a country with this system in place (for example, a judge is required for additional discharges).
- To provide a strong deterrent to fraud or to providing misleading information before discharge, what sanctions should be in place?
  - Broadly, abuse falls into three categories: (i) non-disclosure of assets, (ii) transfer of substantial assets to friends/relatives/ related parties, or (iii) preferential payments (payments which are intentionally made to friendly creditors).
  - Overall, Task Force Members thought a strong penalty should be in place for abuse of the good faith presumption. It was suggested that it could be a criminal offence if a debtor lies.

### **Discharge for the natural person entrepreneur as a primary goal of MSME insolvency**

- What should be the effects of the discharge?
  - After discharge, should the framework impose restrictions on the debtor for a certain time? For example, should future wealth/income be garnished?
  - Provision of discharge must be balanced with the possibility that the entrepreneur will need to be provided with credit. The entrepreneur should be able to get back into the market quickly and become productive again.
  - The discharge must be reliably recorded to maintain a record of past discharges. Most developed countries have reliable credit bureaus that enable creditors to keep track of debtor information (such as the number of discharges). However, developing countries often have no reliable information. This will be another challenge in implementing the discharge system in developing countries.
- The Task Force discussed creditor participation at length.
  - Many Members described creditor participation as “scream or die”. Two issues were discussed under this heading: (i) If a creditor does not raise an objection, it is assumed to have consented; and (ii) creditors who do not participate will not have a vote.
  - If we only allow participating creditors to vote, banks (as large creditors) will control everything. Some Members suggested that a safeguard system for small creditors should be put in place (such as a gatekeeper, addressed further below).
- MSME insolvency cannot be addressed just by discharge. A comprehensive system of measures is required, including rules for enhanced information; the need to discuss issues with the banking sector, including provisioning; treatment of secured creditors (especially collateral and movable assets); the number of procedures; and incentives for debtors/creditors to use the system.

- The system established must detail conditions for obtaining a discharge and the consequences of a violation. This will enhance system transparency and predictability. Debtors should have to fully disclose financial information and assets.
- Debtors' ability to use the proposed discharge should be capped at a certain amount of debt.

### **Business-related v. consumer debt**

- A strong link to natural person discharge exists, and coordination/connection is needed between personal and company insolvency law.
- It is essential to ensure that the people discharged are really entrepreneurs and not just consumers running-up credit card debts.
- Some Members suggested treating business and consumer debt separately and differently. However, a number of Members did not think it would be possible in many cases to distinguish one from the other. They stated that it would be practically very difficult and burdensome to attempt to investigate and separate business from consumer debt.
- Legal jurisdiction should be considered. Some jurisdictions may not be able to have one law/jurisdiction deal with both consumer and business debt. This would be the case if one type of debt is in the jurisdiction of the federal government and the other in a state/provincial jurisdiction. This could lead to MSMEs in the same country receiving different treatment depending on the regional jurisdiction.

### **Should the system include a gatekeeper?**

- Some Task Force Members suggested a role for a gatekeeper (for example, a trustee) who could help ensure the discharge is provided on a good faith basis and that creditors have a sufficient voice.
- A gatekeeper may work better in advanced jurisdictions with established practices for insolvency practitioners. In developing countries, such a role could have potential for: (i) increase in fraud/corruption; (ii) lower performing incentives if not paid sufficiently (for example, in no asset cases); and (iii) capacity issues with finding qualified practitioners.
- Should a system of spot audits be used in the absence of gatekeepers? Some Members suggested that spot audits have not been effective in countries where they have been required (for example, in the United States).

### **Institutional considerations**

- Members raised the issue of whether institutional support can be provided in no income/no assets cases.
- Mediation/Alternative Dispute Resolution techniques should play a key role.
  - These techniques help mitigate the issue of overburdened courts.
  - They may help reduce stigma and be more culturally appropriate in some countries.
  - Should they be government sponsored? It was suggested that countries in Asia might provide inspiration for this form of government support.
- With respect to the role of courts, Task Force Members advised that procedures should take place outside the courts as much as possible – although courts cannot be avoided completely, especially if fraud is alleged.

### **Importance of language/stigma**

- Use of terminology and language is important, especially for MSMEs where the stigma of having financial difficulties and/or using an insolvency framework may limit or suppress use of the framework. It was suggested stigma is particularly problematic with micro and small business owners.
- Communication and education of both creditor and debtor communities are important components in minimizing any stigma associated with use of an insolvency framework.

### **Dive deeper into country data**

- The Report provides a description of systems. A deeper discussion of country-level data would be beneficial in future research.

### **Consult further with creditors**

- Task Force Members suggested that further consultations with creditors would be useful before Principles are proposed. This would permit investigation into whether the Report's proposals could compromise access to finance.

### **The MSME Report has components similar to the Treatment of Natural Person Insolvency Report**

- The MSME Report and the Treatment of Natural Person Insolvency Report overlap in places. A suggestion was made to link/cross-reference the reports where this occurs. The World Bank Group team noted that the MSME Report deals with all MSMEs regardless of legal form and that focusing on natural persons detracts from this point.

### **Spectrum of application**

- Some Task Force Members expressed concerns that recommendations may not fit both micro as well as small and medium sized businesses. This is because recommendations for micro business have implications for questions of personal insolvency. A suggestion was made to exclude certain categories of business and focus either on micro/small or medium.

### **MSME World Bank ICR Principles**

- The Task Force expressed a preference for one or two Principles addressing MSMEs rather than a review/modification of many existing Principles to address specific MSME issues. The Members recommended that the Bank, along with its partners, should draft such Principles for consideration at the next Task Force Meeting. The Principles should reflect the Report's conclusions and the discussions of the Task Force.

### **10. Any Outstanding Business and Closing.** Presented by Antonia Menezes.

Ms. Menezes and Mr. Martinez ended the TF meeting by again thanking all of the participants for their excellent contributions.