Partners

IFC is supported with valuable financial contributions to develop its secured transactions program by the Government of Japan, the Government of the Netherlands through the Netherlands IFC Partnership Program (NIPP), the State Secretariat for Economic Affairs of the Government of Switzerland (SECO), and the United States Agency for International Development (USAID). A high-level Advisory Panel composed of international secured transactions experts and institutions such as UNCITRAL and EBRD provides technical guidance and advice for the development of the program. Please contact the Secured Lending Program to learn more about our services. We welcome:

- Clients looking to improve their country’s secured lending framework;
- Donors committed to improving access to credit;
- International or regional agencies interested in partnering on secured lending.
Secured Transactions and Collateral Registries

IFC’s Secured Lending Program promotes and facilitates the development of efficient secured transactions systems and collateral registries to expand access to finance throughout the globe with special focus on increasing SME financing.

What Are Secured Transactions And Why They Matter?

The term “secured transactions” refers to credit transactions where a creditor holds an interest in a debtor’s movable property (“collateral”) to secure a loan or a debt obligation. The interest in movable property is also referred to as “security interest,” “pledge” or “charge.”

Collateral facilitates credit by reducing the potential loss lenders face from loan defaults. While land and buildings are widely accepted as collateral for loans, the use of movable collateral (such as inventory, accounts receivable, livestock, equipment, and machinery) is restricted by non-collateral (such as inventory, accounts receivable, livestock, etc.)

Movable collateral contributes to private sector development by:
- Increasing level of credit: In countries where security interests are perfected and there is a predictable priority system for creditors in case of default, credit to GDP averages 60 percent, compared with 30 percent to 52 percent of average for countries without a clear creditor protection system.
- Decreasing cost of credit: In industrial countries, borrowers using collateral get nine times the level of credit, repayment periods up to eleven times longer, and interest rates 50 percent lower than borrowers without collateral.

Program Objectives

The main program objective is to increase access to credit to firms, especially SMEs, by developing the appropriate legal and institutional framework to allow and facilitate the use of movable assets as collateral for loans. To achieve this objective, our advisory projects are built on three structural pillars:
- Legal Framework: Advice to governments, legal and policy makers and financial sector players on the necessary improvements to the legal and regulatory environment for secured lending.
- Capacity Building: Training and awareness-building among public stakeholders on compliance with new laws and regulations. Awareness-building among creditors on the use of the new system and training of creditors on movable asset-based lending products.
- Registry: Provision of technical advice to the government and other stakeholders on the creation of new collateral registries or the improvement of the existing ones.

Program Approach

Our secured lending reform initiatives are built on three structural pillars: law, registry and capacity. These three pillars provide the foundation for the three stages of our operational approach, namely: diagnostics, solution design and implementation.

What is wrong?

STEP 1
Diagnostics
Obsolete, complex, fragmented and/ or conflicting laws.
Non unified registry, dysfunctional registry system. Non existing movable assets financing system or insufficiently used.

STEP 2
Solution Design
Harmonize and modernize the legal framework based on international accepted principles.
Study missions to the country, analysis and registry design.
Awareness raising, partnerships with public and private stakeholders and consensus building.

STEP 3
Implementation
Consultations, advice and drafting on laws and regulations, lobby enactment.
Registry installation, shift to electronic platform for real time information, reduction of costs and paperwork.
Workshops, conference, media outreach and training events for public and private sector.

Success Stories

CHINA

After the historic enactment of the Property Law in China supported by IFC’s Secured Transactions Program in October 2007, the People’s Bank of China Credit Information Center created a national online registry for security interests in receivables, the first of its kind in China. The new receivables registry is easy to use and efficient, incorporating all the key features of a modern movable collateral registry. In conjunction with the launch of the registry, the PBOC also issued receivables registry rules which have adopted modern collateral registry principles. An independent evaluation was commissioned by IFC in 2011 which has reported an impressive impact that consists of:
- Over 385,000 registrations representing loans with a value estimated at over US$3.5 trillion. More than 490,000 searches have been performed in the registry.
- Of the US$3.5 trillion in new financing facilitated, approximately US$1.1 trillion corresponds to SME financing.
- SMEs that have benefited by being able to access credit amount almost 68,500 companies.
- The percentage of moveable-based lending in China went from 12% pre-reform to around 20 percent afterwards.
- The factoring industry has gone from a volume of US$2.6 billion in 2003 to around US$70 billion in 2009.
- Around 5,400 people have participated in workshops, trainings, and awareness raising events.
- Among the registrants 3,000 plus customers, we can find users such as banks, guarantee companies, law firms, finance companies, and pawn shops. The user experience with the registration system has been overwhelmingly positive.

GHANA

In 2008 Ghana embarked upon a reform of its movable collateral legal framework and registry with the support of IFC. Before the reform took place, the use of movable collateral in Ghana was a key constraint for SME financing. Upon enactment of the “Borrowers and Lenders Act” 2008, the Bank of Ghana established a collateral registry. With IFC support the Bank of Ghana has updated the Borrowers and Lenders Act and redesigned the Registry system to align more with international best practice. This transition period has been extremely successful and some of its results include:
- Over 20,000 loans have been registered since March 2010.
- The total financing secured with movable property account for more than US$800 Million.
- Around 63 percent of Banks and other Financial Institutions use the Registry. The challenge remains in reaching out to rural and community banks.
- Accounts receivables, other investment instruments such as shares, cash, bonds and household assets are the top 3 types of moveable collateral used by businesses and SMEs, accounting for a 64 percent of the total.
- The new secured transactions system has led to the development of productive supply chain financing schemes in the mining and oil industry, benefiting more than 100 local SMEs creating hundreds of new jobs.