

SECURED TRANSACTIONS & COLLATERAL REGISTRY REFORMS

RECENT DEVELOPMENTS IN AFRICA,
MIDDLE EAST, EASTERN EUROPE,
CENTRAL & SOUTH ASIA

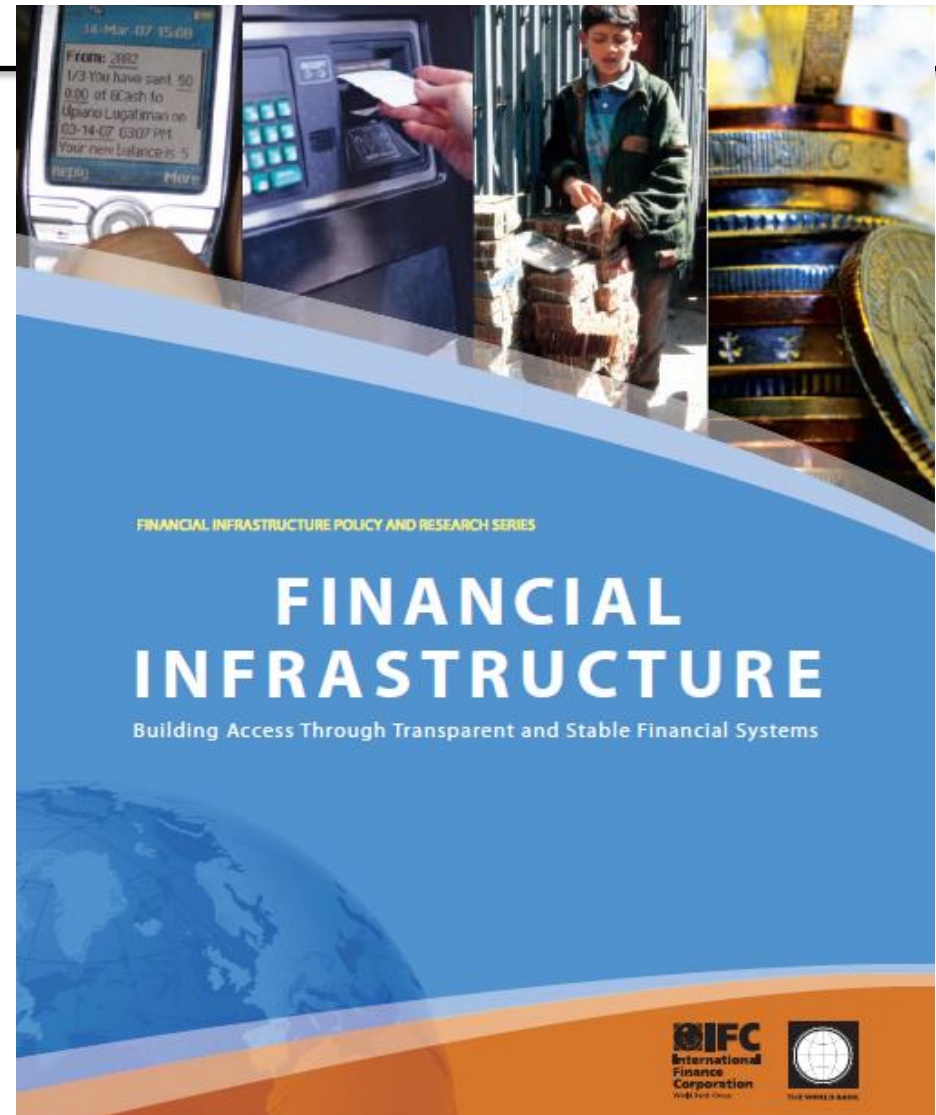


WORLD BANK GROUP
Finance & Markets

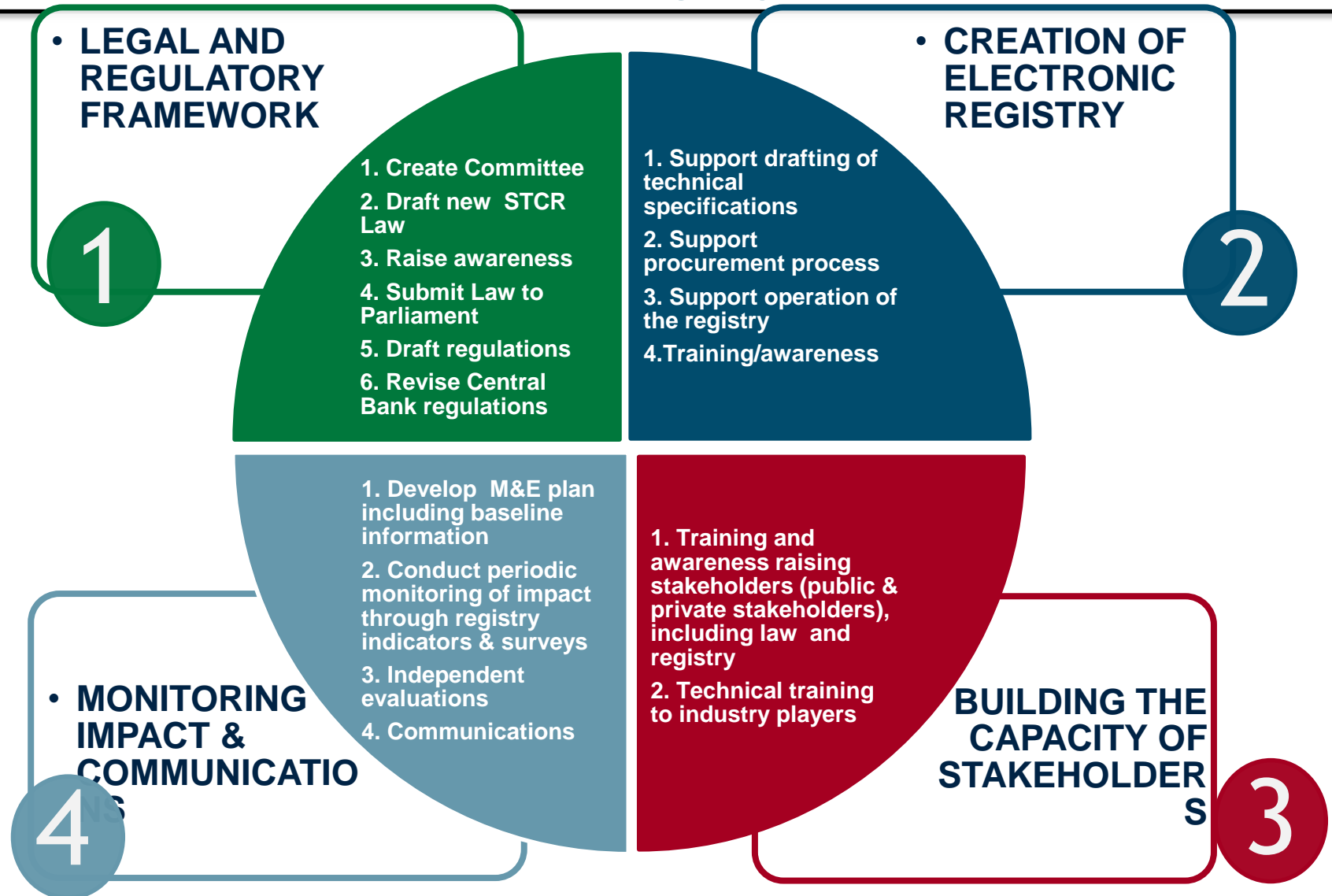
Murat Sultanov
Secured Transactions Specialist

February 09, 2017

Secured Transactions Programs: WBG Business and Delivery Model



BUSINESS AND DELIVERY MODEL – HOLISTIC APPROACH



OUR MODEL BASED ON INTERNATIONAL STANDARDS

- **UNCITRAL Legislative Guide on Secured Transactions/Model Law and the Registry Guide.**
- **World Bank Principles on Insolvency and Creditors Rights**
- **IFC Guide on Secured Transactions and Collateral Registries**

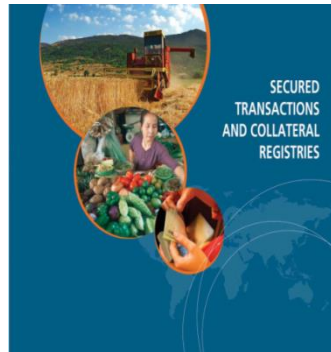


KNOWLEDGE MANAGEMENT TOOLS

Toolkits



Factsheets



Surveys

IFC International Finance Corporation
World Bank Group

SECURED TRANSACTIONS AND COLLATERAL SURVEY

Secured Transactions and Collateral Diagnostic Survey – Baseline Data

A. CREDIT MARKETS

A.I. Volume of Credit

Item no.	Item	USD or Percent		
1	Volume of consumer loans secured by movable property (C/S)			
2	Of which, volume of loans to women (C/S)			
3	Volume of corporate loans secured by movable property (C/S)			
4	Of which, volume of loans to MSMEs (C/S)			
5	Of which, volume of loans to large firms (C/S)			
6	Percent of all loans secured only by movable property (by loan value)			
7	Percent of all loans secured only by immovable property (by loan value)			
8	Percent of all loans secured by a combination of movable and immovable property (by loan value)			
9	Unsecured loans as percent of total loan value			
10	Which is closest:			
11	MSMEs as defined in the country where the survey is being done. If there is no definition in the country, the following proxy could be used as reference:			
12	Enterprise	Micro Enterprise	Small Enterprise	Medium Enterprise
13	Assets	<100,000	100,000-499,999	500,000-999,999
14	Employees	<10	10-49	50-99
15	Revenue	<100,000	100,000-499,999	500,000-999,999
16	Assets	<100,000	100,000-499,999	500,000-999,999
17	Employees	<10	10-49	50-99
18	Revenue	<100,000	100,000-499,999	500,000-999,999
19	Assets	<100,000	100,000-499,999	500,000-999,999
20	Employees	<10	10-49	50-99
21	Revenue	<100,000	100,000-499,999	500,000-999,999
22	Assets	<100,000	100,000-499,999	500,000-999,999
23	Employees	<10	10-49	50-99
24	Revenue	<100,000	100,000-499,999	500,000-999,999
25	Assets	<100,000	100,000-499,999	500,000-999,999
26	Employees	<10	10-49	50-99
27	Revenue	<100,000	100,000-499,999	500,000-999,999
28	Assets	<100,000	100,000-499,999	500,000-999,999
29	Employees	<10	10-49	50-99
30	Revenue	<100,000	100,000-499,999	500,000-999,999
31	Assets	<100,000	100,000-499,999	500,000-999,999
32	Employees	<10	10-49	50-99
33	Revenue	<100,000	100,000-499,999	500,000-999,999
34	Assets	<100,000	100,000-499,999	500,000-999,999
35	Employees	<10	10-49	50-99
36	Revenue	<100,000	100,000-499,999	500,000-999,999
37	Assets	<100,000	100,000-499,999	500,000-999,999
38	Employees	<10	10-49	50-99
39	Revenue	<100,000	100,000-499,999	500,000-999,999
40	Assets	<100,000	100,000-499,999	500,000-999,999
41	Employees	<10	10-49	50-99
42	Revenue	<100,000	100,000-499,999	500,000-999,999
43	Assets	<100,000	100,000-499,999	500,000-999,999
44	Employees	<10	10-49	50-99
45	Revenue	<100,000	100,000-499,999	500,000-999,999
46	Assets	<100,000	100,000-499,999	500,000-999,999
47	Employees	<10	10-49	50-99
48	Revenue	<100,000	100,000-499,999	500,000-999,999
49	Assets	<100,000	100,000-499,999	500,000-999,999
50	Employees	<10	10-49	50-99
51	Revenue	<100,000	100,000-499,999	500,000-999,999
52	Assets	<100,000	100,000-499,999	500,000-999,999
53	Employees	<10	10-49	50-99
54	Revenue	<100,000	100,000-499,999	500,000-999,999
55	Assets	<100,000	100,000-499,999	500,000-999,999
56	Employees	<10	10-49	50-99
57	Revenue	<100,000	100,000-499,999	500,000-999,999
58	Assets	<100,000	100,000-499,999	500,000-999,999
59	Employees	<10	10-49	50-99
60	Revenue	<100,000	100,000-499,999	500,000-999,999
61	Assets	<100,000	100,000-499,999	500,000-999,999
62	Employees	<10	10-49	50-99
63	Revenue	<100,000	100,000-499,999	500,000-999,999
64	Assets	<100,000	100,000-499,999	500,000-999,999
65	Employees	<10	10-49	50-99
66	Revenue	<100,000	100,000-499,999	500,000-999,999
67	Assets	<100,000	100,000-499,999	500,000-999,999
68	Employees	<10	10-49	50-99
69	Revenue	<100,000	100,000-499,999	500,000-999,999
70	Assets	<100,000	100,000-499,999	500,000-999,999
71	Employees	<10	10-49	50-99
72	Revenue	<100,000	100,000-499,999	500,000-999,999
73	Assets	<100,000	100,000-499,999	500,000-999,999
74	Employees	<10	10-49	50-99
75	Revenue	<100,000	100,000-499,999	500,000-999,999
76	Assets	<100,000	100,000-499,999	500,000-999,999
77	Employees	<10	10-49	50-99
78	Revenue	<100,000	100,000-499,999	500,000-999,999
79	Assets	<100,000	100,000-499,999	500,000-999,999
80	Employees	<10	10-49	50-99
81	Revenue	<100,000	100,000-499,999	500,000-999,999
82	Assets	<100,000	100,000-499,999	500,000-999,999
83	Employees	<10	10-49	50-99
84	Revenue	<100,000	100,000-499,999	500,000-999,999
85	Assets	<100,000	100,000-499,999	500,000-999,999
86	Employees	<10	10-49	50-99
87	Revenue	<100,000	100,000-499,999	500,000-999,999
88	Assets	<100,000	100,000-499,999	500,000-999,999
89	Employees	<10	10-49	50-99
90	Revenue	<100,000	100,000-499,999	500,000-999,999
91	Assets	<100,000	100,000-499,999	500,000-999,999
92	Employees	<10	10-49	50-99
93	Revenue	<100,000	100,000-499,999	500,000-999,999
94	Assets	<100,000	100,000-499,999	500,000-999,999
95	Employees	<10	10-49	50-99
96	Revenue	<100,000	100,000-499,999	500,000-999,999
97	Assets	<100,000	100,000-499,999	500,000-999,999
98	Employees	<10	10-49	50-99
99	Revenue	<100,000	100,000-499,999	500,000-999,999
100	Assets	<100,000	100,000-499,999	500,000-999,999

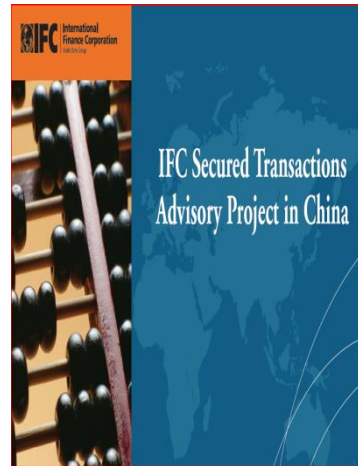
A.II. Client Competition

Item no.	Item	Number
1	Number of individuals with loans secured by movable property	
2	Of which, number of women with loans secured by movable property	
3	Number of individuals with loans secured by immovable property	
4	Number of MSMEs with loans secured by movable property	
5	Of which, number of women-owned enterprises with loans secured by movable property	
6	Number of large firms with loans secured by movable property	
7	Number of large firms with loans secured by immovable property	

Knowledge Sharing

SmartLessons
real experiences, real development

Impact evaluation



Events – Peer learning



Network Building



Publications



An Economic Case for Expanding Access to Secured Lending

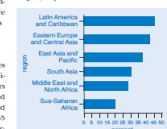
Dorcas Madani and Alejandro Alvarez de la Campa

Access to credit is crucial to economic growth and it is a major engine for private sector development. Removing barriers to financial services can unleash private productivity and help promote the informal sector. In developing countries, limited access to finance is among the top constraints to private sector growth. A large body of literature criticizes the lack of secured lending (especially movable secured lending) in developing countries and forecasts its negative impact on economic growth and the development of firms, particularly small and medium enterprises.

This note reviews the economic rationale for reforming secured lending systems. It summarizes the most recent findings and acknowledges that data and quantitative analysis are rare and fraught with qualifying assumptions.

Economic Rationale for Secured Lending Reform
In many developing countries, deficiencies in secured lending severely limit access to finance for many firms, often because lenders believe that the risks of borrower default and the costs of loan recovery are high (World Bank 2010) (Figure 1). Approximately 40-60 percent of formal small and medium enterprises (11-17 million) in the emerging markets have no access to formal institutional loans or overdrafts. The finance gap is far greater when considering the micro and informal enterprises in emerging markets (60-80 million) (Figure 1). Approximately 40-60 percent of formal small and medium enterprises (11-17 million) in the emerging markets have no access to formal institutional loans or overdrafts. The finance gap is far greater when considering the micro and informal enterprises in emerging markets (60-80 million) (Figure 1).

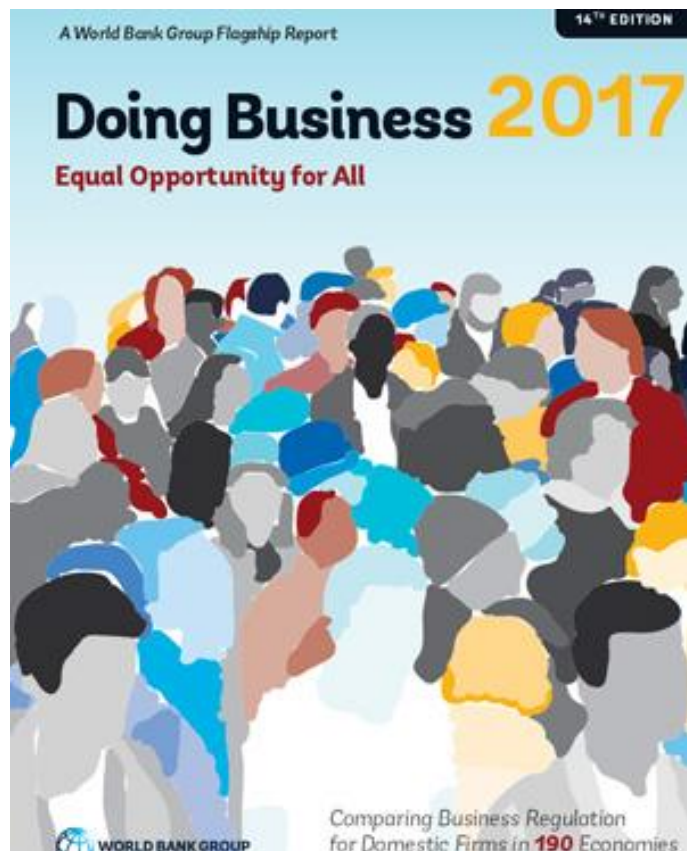
Figure 1. Percentage of Firms with a Line of Credit or Loan from a Financial Institution, by Region, May 2010



Source: World Bank Group Enterprise Surveys.

According to the World Bank Group's Enterprise Surveys, less than half of the world's small and medium firms (as defined by the

DOING BUSINESS GETTING CREDIT INDICATOR



Borrowers and Creditors Right Index (0-12)	
OECD high income	6
Europe & Central Asia	6.4
East Asia & Pacific	6.6
Latin America & Caribbean	5.3
South Asia	4.6
Sub-Saharan Africa	5.0
Middle East & North Africa	1.4

G20 ACTION PLAN ON SME FINANCING

The G20 should encourage G20 countries and non G20 countries to fully develop credit infrastructure for SMEs, improve SME financial capability through targeted learning and support interventions and enable competition through an enabling regulatory environment.

Lack of a sound financial infrastructure is one of the major problems in the credit market for SMEs. Having a solid financial infrastructure will help countries to reduce the information asymmetries and legal uncertainties that increase risk to lenders and constrain the supply of finance to SMEs.

The priority reform measures are:

- 1. Improvements of the credit reporting framework for SMEs*
- 2. Reforms that allow banks and non-banks to lend to SMEs against movable collateral***
- 3. Insolvency reforms*

Impact of Reforms Globally and Latest Developments



CURRENT GLOBAL PORTFOLIO STCR



AFRICA

Burundi
Cameroon
Cote d'Ivoire
Ethiopia
Ghana
Kenya
Lesotho
Liberia
Madagascar
Malawi
Nigeria
Sierra Leone
South Africa
Sudan
Zambia
Zimbabwe



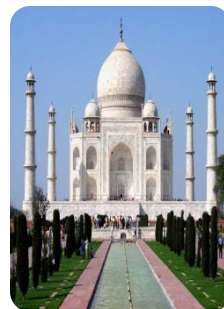
MENA

Afghanistan
Jordan
Lebanon
Palestine
Morocco
Egypt
UAE
Pakistan



EAST ASIA & PACIFIC

China
Lao PDR
Mongolia
Philippines
Vietnam
Indonesia



SOUTH ASIA

India
Sri Lanka
Bangladesh
Nepal
Bhutan



ECA

Azerbaijan
Belarus
Tajikistan
Uzbekistan
Kyrgyzstan
Armenia
Georgia



LAC

Belize
Chile
Colombia
Costa Rica
Dominican Republic
Haiti
Trinidad and Tobago
Mexico,
Paraguay
Peru
St Lucia

Pipeline

Kosovo, South Sudan, Uganda, Cape Verde, Cambodia

SOUTH ASIA



BHUTAN: The draft amendments to Movable and Immovable Property Act that was adopted by the Council of Ministers last year and is currently being discussed and reviewed within the Attorney General Office and will be submitted to the Parliament for enactment.



INDIA: Comprehensive amendments were enacted into SARFAESI Act to expand the scope of the movable properties included under the Act as well as to enhance the priorities and enforcement provisions to promote the use of movable property as a security for loans.



BANGLADESH: Central Bank and MoF have signed the Cooperation Agreement with IFC to start the implementation of a comprehensive secured transactions reform. The project team completed the legal diagnostic and presented the findings to BB and MoF.



SRI LANKA: The new Secured Transactions Act has been going through review process by various government counterparts. After the approval of the new law, CRIB (PCB) will launch collateral registry.

MIDDLE EAST AND NORTH AFRICA



JORDAN: Ministry of Industry and Trade completed the development of the leasing registry application. It is to be launched soon. Once the new Parliament approves the Secured Transactions Law, the registry will be opened to other creditors under the broad scope of this Law.



MOROCCO: The Ministry of Finance conducts the review of proposed draft amendments into the Code of Obligations and Contracts aimed at reforming secured lending legal framework in Morocco. In parallel, a work has commenced on drafting the Implementing Regulations.



PAKISTAN: In July 2016, Pakistan enacted the new Law on Secured Transactions. The MoF was appointed to host the Collateral Registry. The work is currently ongoing on assessing various registry operational models and on drafting and enacting necessary by-laws.



AFGHANISTAN: With the enactment of the secured lending law and the launch of collateral registry several years ago, the focus has been on building capacity of local stakeholders in secured transactions. Currently, all financial institutions are using the registry system and there are currently 5000 notices registered.

MIDDLE EAST AND NORTH AFRICA (Continued)



EGYPT: The new secured transactions law was enacted in Egypt in 2015. Egyptian Financial Supervisory Authority adopted executive regulations (enacted in December 2016) and started the work on establishing online collateral registry.



WEST BANK & GAZA: Palestine witnessed the enactment of the ST law and the launch of the modern collateral registry this year - a first country in the Middle East to achieve such a milestone. The focus now is on supporting the Ministry of National Economy to ensure usage of the new registry system by local stakeholders.

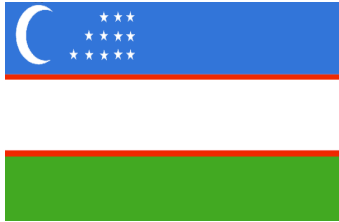


UAE: Secured Transactions Law was adopted in December 2016 and the work on enacting Regulations is ongoing. In parallel, the Ministry of Finance started the procurement for the collateral registry software.



TUNISIA: a new Secured Transactions Law has been drafted and is going through review in the government. MOJ is leading the reform. Institutional assessment is planned.

EUROPE & CENTRAL ASIA



UZBEKISTAN: The Law on Collateral Registry was enacted in 2014 and the Registry launched in 2015. Currently, the focus is on drafting amendments into the Civil Code to further reform secured lending legal regime in Uzbekistan.



AZERBAIJAN: The new draft law on secured transactions was developed in Azerbaijan in partnership with the Ministry of Economy which currently undergoes review in the President's Administration. It is expected that the new law will be enacted towards the end of this year and the work on building collateral registry can commence after that.



BELARUS: The Decree on Pledge Registry was enacted in 2016 and the Registry launched in September 2016 under a newly adopted Regulations of the Council of Ministers. A second legislative reform phase is underway.



TAJIKISTAN: Central Bank has been spearheading the efforts to reform secured lending legal regime in Tajikistan based on the number of changes to several acts. Currently reviewed by the MPs.

EUROPE & CENTRAL ASIA (Continued)



KYRGYZSTAN: Changes to the Law on Pledges were enacted this year paving the way for the creation of the on-line collateral registry. New registry system is completed and will be launched next month.



KOSOVO: The Law on Pledge of Movables was enacted in 2012 and the registry launched in 2014. WBG conducted a comprehensive review of the legal and institutional framework for secured transactions in Kosovo in August 2016. Reform is needed to fix the gaps.

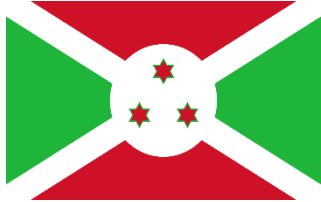


BULGARIA: The Law on Pledge of Movables has been amended in December 2016. The new changes have weakened the existing framework especially with respect to the registration system.



GEORGIA: The government of Georgia is considering a new reform of ST regime in Georgia with the view to bring the legal and institutional aspects in line with best practice.

AFRICA



BURUNDI: The project stalled in 2015 due to political instability, however recent engagement indicates a fresh start to the project may be likely in the near term.



GHANA: Established under the Borrowers and Lenders Act with go-live in 2012, over US\$12 billion in financing has been extended to in excess of 35,000 SMEs supported by registrations on the Collateral Registry. Phase 2 began June 2016 advancing amendments to the law, registry enhancements and further capacity building activities.



LIBERIA: Liberia's Collateral Registry went live in 2014, just days before the Ebola crisis was declared. The WBG has extended the project till the end of 2017 in order to reinvigorate awareness and capacity building activities to increase uptake.



MALAWI: The registry has been launched publicly in November 2015, and initial usage and feedback from the users has been excellent, including strong buy-in from the agricultural sector.


AFRICA (Continued)



NIGERIA: The National Collateral Registry System on 25 May 2016 with a further phase of reforms to the Secured Transactions in Movable Assets Bill undergoing public hearing in November 2016.



SIERRA LEONE: The collateral registry went live on 21 December 2016 based on the law adopted earlier.



ZAMBIA: The Movable Property (Security Interest) Act was enacted in April 2016 with the prototype register going live in October 2016. The WBG continues to support in awareness raising and capacity building activities with all key stakeholder groups.

AFRICA (Continued)



ETHIOPIA: The objective of the project is to increase access to credit for businesses (mostly SMEs) in Ethiopia by developing a sound legal, regulatory and institutional framework for movable assets based lending founded on international good practices. After conducting in-depth diagnostics, the government is working on the draft law.



UGANDA: To date the WBG has undertaken a feasibility study, supported the engagement of a legal consultant to draft a new Bill and assisted with informational visits. Donor funding to advance this project is expected in the near term.



KENYA: Kenya is actively working towards enactment of their legislation before the election in August 2017 with a registry go-live in close proximity.

REFORM IN AFGHANISTAN - EXCEEDING EXPECTATIONS

AFGHANISTAN COLLATERAL REGISTRY STATISTICS (As of May 2015)	Indicators
Commercial Bank Users	All
Government Account (FSD/DAB)	15
Micro Finance Institutions (MFIs)	1
Total Number of Registered Notices	5023
Total Number of Search	9318
Total Value of Registered Credit	\$ 800 million
Chargor Size (Less than 15 Employees)	2116
Chargor Size (Less than 30 Employees)	299
Chargor Size (Less than 50 Employees)	88
Chargor Size (Less than 100 Employees)	40
Chargor Size (More than 100 Employees)	42
Ownership Composition (Male)	2552
Ownership Composition (Female)	10
Ownership Composition (Male & Female)	23



REFORM IN JORDAN - A THORNY PATH

- Reform is ongoing since 2010;
- Law was enacted in 2012 falling short of every standard;
- New draft Law was passed by the Council in 2014 but has not been enacted by the Parliament;
- A registry for lessor's interests to be launched soon.



THANK YOU

ANNEXES

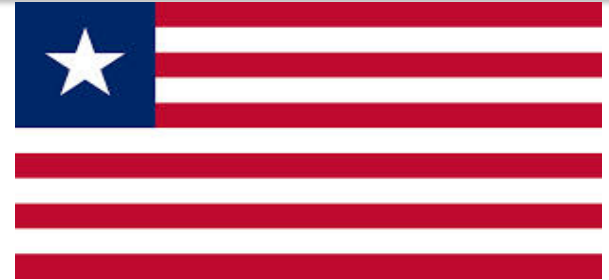
COLLATERAL REGISTRY IN LIBERIA

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Collateral Registry Of Liberia

The Liberia Collateral Registry is an initiative of the Central Bank of Liberia (with the support of IFC) to improve access to finance particularly for MSMEs. The Collateral Registry, which operationalizes Chapter 5 of the Liberia Commercial Code of 2010 (Secured Transactions Law) establishes a web based system that allows lenders to determine any prior security interests, as well as establish their security interests over movable assets pledged as collateral.

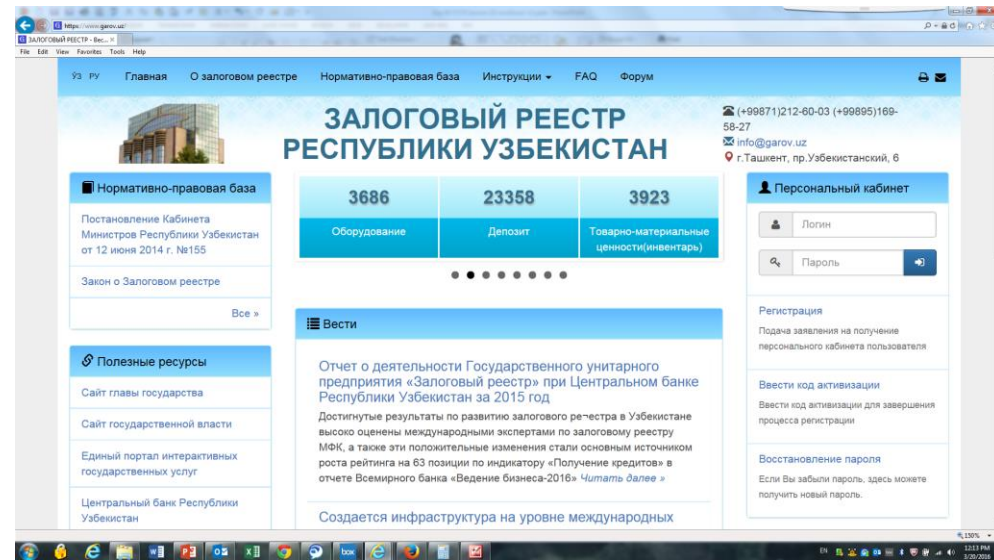
In exercise of its mandate to promote private sector lending, the CBL played a key role in the convening of a series of stakeholder meetings in 2009 and 2010 to identify a number of legislative and other reforms that would eliminate the principal barriers and constraints to private sector lending and access to capital, particularly for SMEs.



- Chapter 5 of Commercial Code (2010)
- Central Bank Registry Regulations (2013)
- Launch in June 2014, more than 500 registrations were made with almost 455 MSMEs benefiting (50% women entrepreneurs)
- Total value of new registrations is USD 237 million

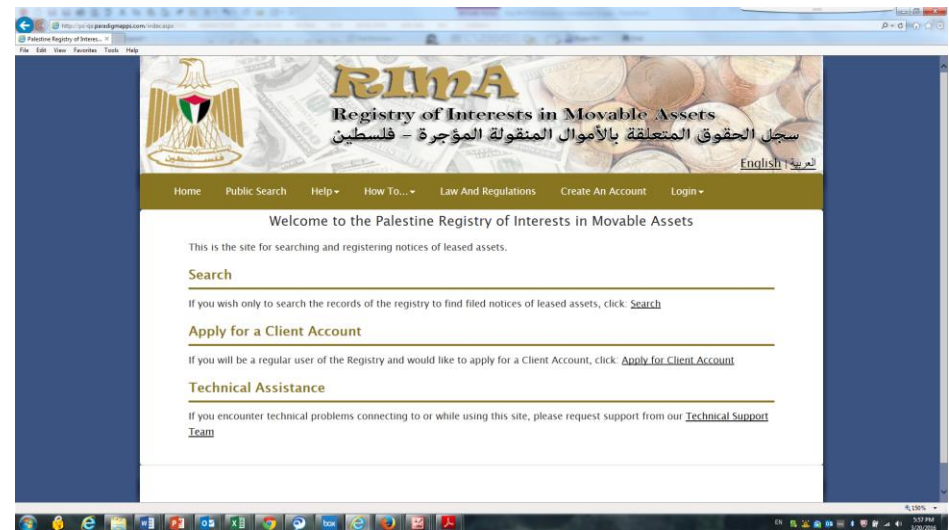
UZBEKISTAN COLLATERAL REGISTRY

- Law on Collateral Registry adopted in 2013
- Registry launched in 2014
- Currently more than 270,000 registrations
- New package of legislative amendments to be adopted



PALESTINE REGISTRY FOR INTERESTS IN MOVABLE ASSETS (RIMA)

- Launched in June 2016 (first in MENA)
- Operated by the Ministry of National Economy;
- Covers Interest of all types of secured parties and lienholders
- Functions under a modern Law on Secured Transactions and related by-laws (all enacted)

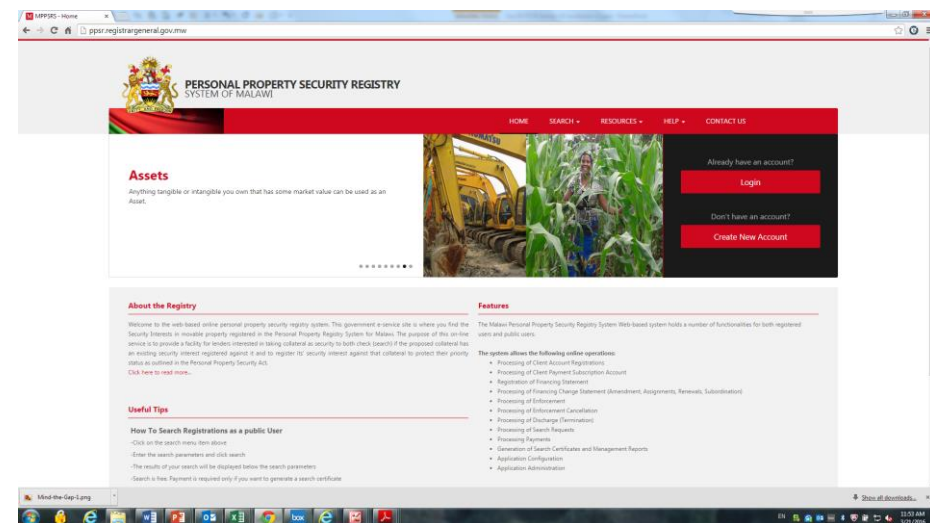


MALAWI PERSONAL PROPERTY SECURITY REGISTRY

- Personal Property and Security Act adopted in 2013;
- Registry launched in November 2015;
- Operated by the Department of Registrar General (DRG).



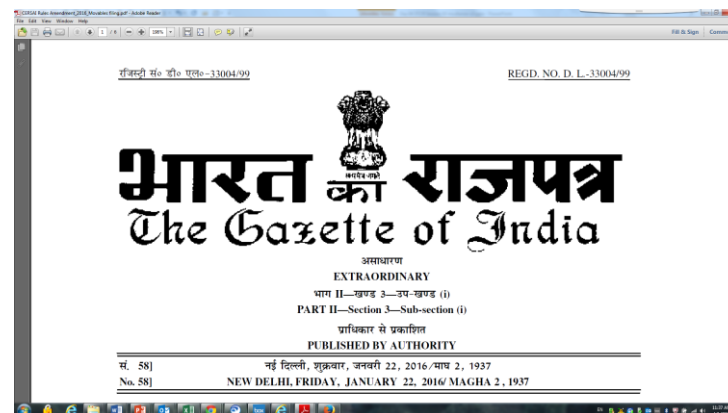
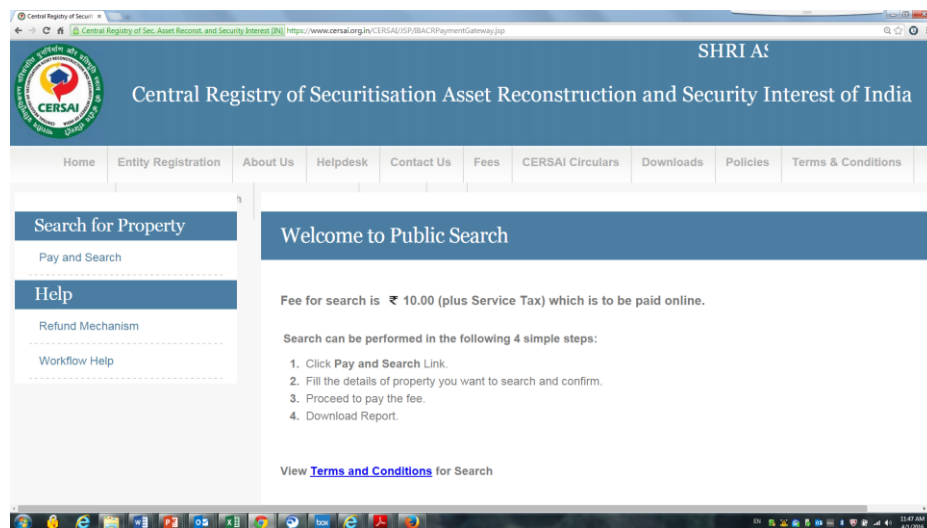
Country	Results to date (as of March 24, 2016)	
Malawi	Legal framework:	1. Personal Property Security Act (2013) 2. Personal Property Security Regulations (2015)
	Launch of collateral registry:	November 27, 2015
	Special characteristics:	None
	Number of registrations:	328
	Number of SMEs:	8
	Number of Micro:	0
	Number of women-borrowers:	19
	Total value of financing facilitated:	\$2,120,632
	Value of financing to SMEs:	\$32,111
	Value of financing to women-owned SMEs	\$0



INDIA IMPLEMENTED REFORM

Securitization and Reconstruction of Financial Asset and Enforcement of Security Interest Act for 2002 (revised in 2016)

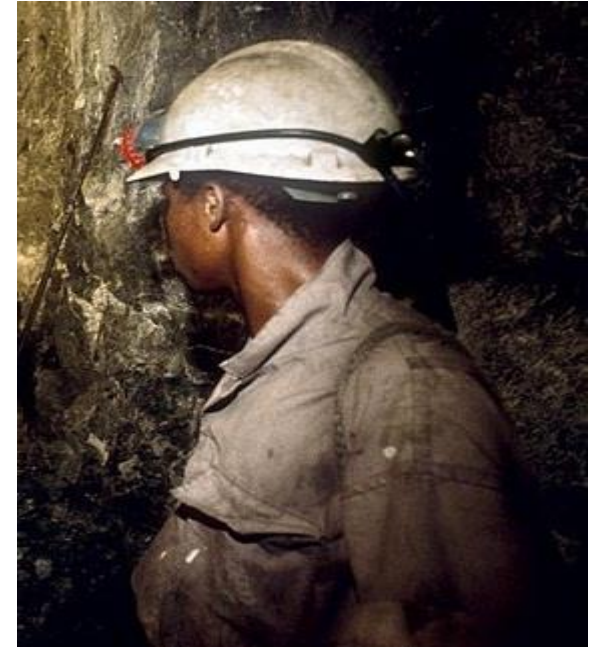
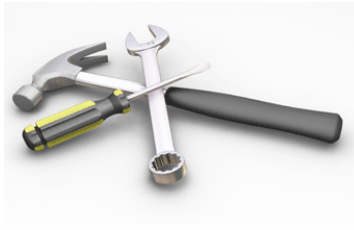
Ministry of Finance issued a notification to expand the scope of the security interests that can be registered in the CERSAI (Collateral Registry).



COLLATERAL REGISTRIES - GHANA: IMPACT ON SMEs THOROUGH SUPPLY CHAIN FINANCE

CAL BANK: Purchase Financing Scheme for Gold Mining

Developed a local supply chain for big mining corporations, through local SME service providers



More than 100 local SMEs have received more than US\$ 10 million. Created hundreds of new jobs.

SMEs use movable assets (contracts, receivables, equipment) as collateral

No defaults in the 30 months that program has been operating

OVERALL – 77,500 loans registered for a value of US\$12 billion. More than 8,000 SMEs and 30,000 Micro received loans. Collateral by type: Inventory & receivables (25%), Household goods (20%), vehicles (19%)

Reform Challenges and Lessons Learned



LESSONS LEARNED

1

Partner with a strong institution with strong political clout.
Public and private commitment is critical.

2

Reform based on international accepted standards can be done in **any legal system** but more difficult to accept in civil law countries

3

Local ownership is key: client monetary or in-kind contributions; local lawyers, local software solutions and IT support strengthen client ownership and sustainability

4

Solid legal regime is important but so is a **modern well designed registry and extensive training**

5

Financial institutions need to be willing to lend. If they don't you can have the best system in the world but the impact will be insignificant