



# MARKETLINKS

Exploring USAID's New Finance Wiki:  
*What It Is And How You Can Contribute*

April 28, 2020



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### Facilitator

Autumn Gorman, USAID

### Speakers

Lawrence Camp, USAID

Wade Channell, USAID

Steve Watkins, Deloitte

Francesca Cavalli, Deloitte

# Autumn Gorman



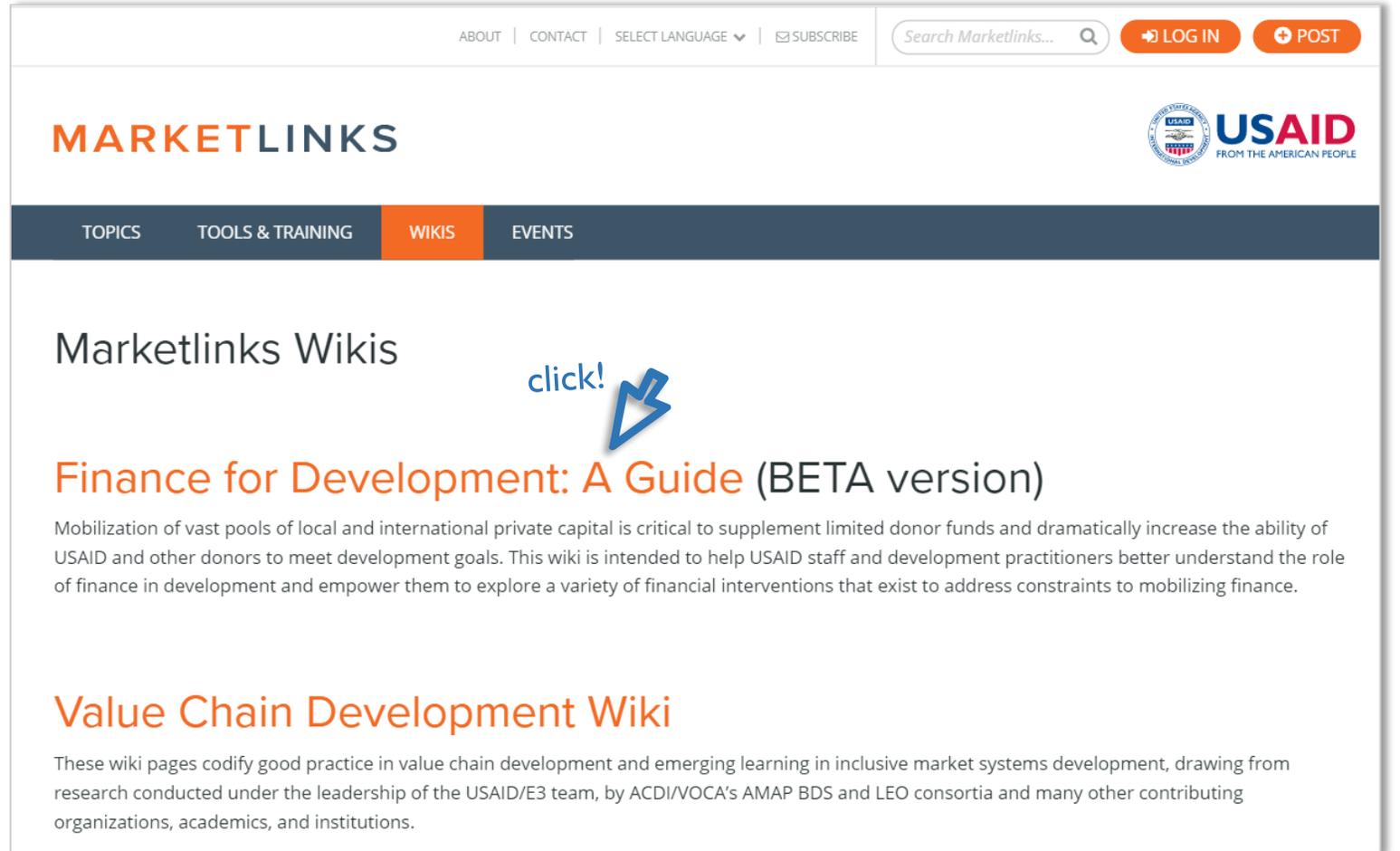
Autumn is a Development Finance Specialist with the Private Sector Engagement (PSE) Team at USAID. Her work includes supporting the Partnership to Accelerate Entrepreneurship (PACE) program, co-developing the Mobilizing Finance for Development course, and advising Missions on access to finance, market systems, PSE, and impact investing. She holds a BA in Psychology from the University of Colorado at Boulder, an International MBA in Emerging Market Trade and Finance, and an MA in International and Intercultural Communications from the University of Denver.

# What is a wiki?

A wiki is a user-driven online collection of resources that provides information in an easy-to-follow format and promotes collaboration among users.

The new Finance wiki contains an overview of more than 50 finance interventions – or ways to catalyze private financing in development.

Each intervention page contains its own description, set of advantages/disadvantages, examples, and more.



The screenshot shows the Marketlinks website interface. At the top, there is a navigation bar with links for ABOUT, CONTACT, SELECT LANGUAGE, and SUBSCRIBE. A search bar labeled "Search Marketlinks..." is on the right, along with "LOG IN" and "POST" buttons. The Marketlinks logo is prominently displayed in the center. Below the logo is a dark blue navigation menu with tabs for TOPICS, TOOLS & TRAINING, WIKIS (highlighted in orange), and EVENTS. The main content area features the heading "Marketlinks Wikis" with a blue arrow pointing to the "click!" text. Below this, the "Finance for Development: A Guide (BETA version)" is highlighted in orange. A descriptive paragraph follows, explaining the guide's purpose. The "Value Chain Development Wiki" is also listed in orange, with a paragraph describing its content.

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US AID FROM THE AMERICAN PEOPLE

TOPICS TOOLS & TRAINING **WIKIS** EVENTS

Marketlinks Wikis

click! 

**Finance for Development: A Guide (BETA version)**

Mobilization of vast pools of local and international private capital is critical to supplement limited donor funds and dramatically increase the ability of USAID and other donors to meet development goals. This wiki is intended to help USAID staff and development practitioners better understand the role of finance in development and empower them to explore a variety of financial interventions that exist to address constraints to mobilizing finance.

**Value Chain Development Wiki**

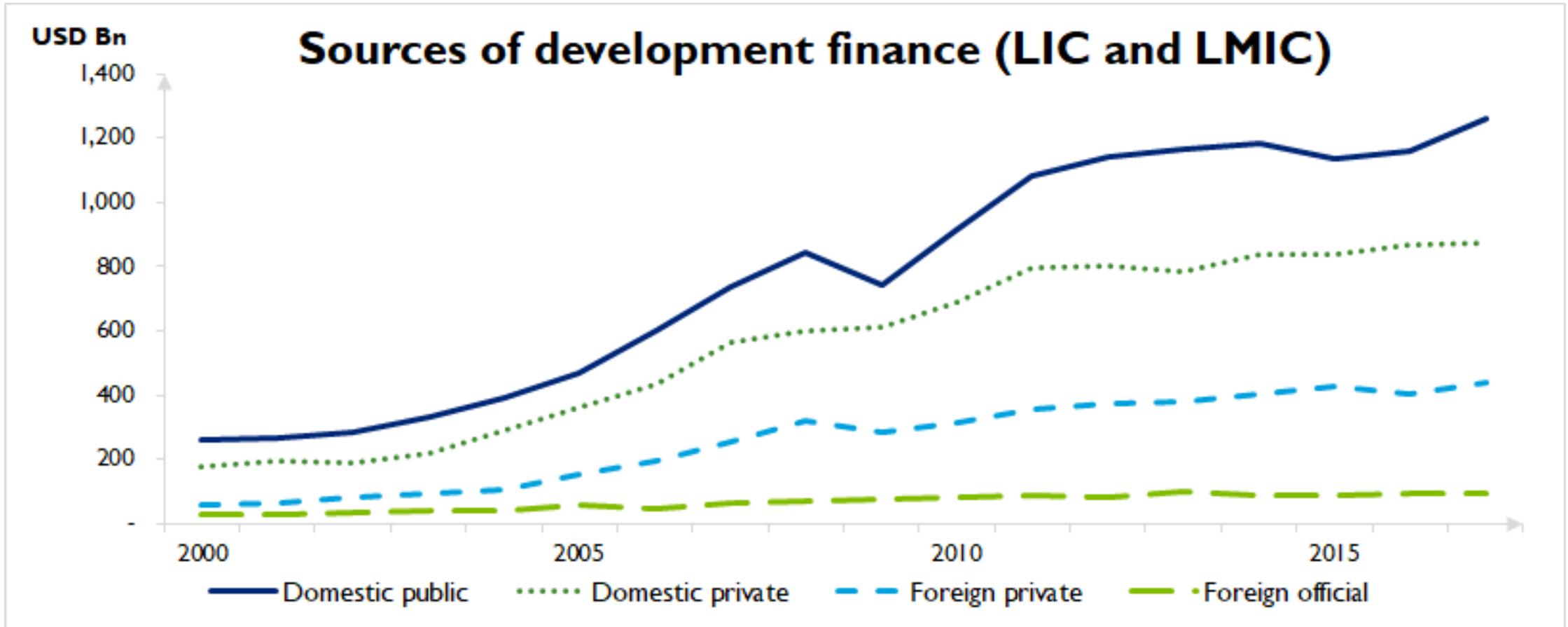
These wiki pages codify good practice in value chain development and emerging learning in inclusive market systems development, drawing from research conducted under the leadership of the USAID/E3 team, by ACIDI/VOCA's AMAP BDS and LEO consortia and many other contributing organizations, academics, and institutions.

# Lawrence Camp



Lawrence is a Senior Adviser with USAID's Private Capital and Microenterprise Office, primarily focused on innovative strategies for mobilizing private financing for development objectives. He has long experience in commercial banking and structured finance as Vice President and Group Head, and subsequently as Chief of Party of USAID projects. He is a graduate of Princeton University and the American Graduate School for International Management.

# The world has changed: Developing world finance trends

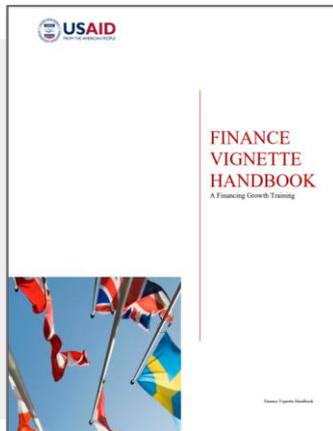


Sources: OECD, World Bank Remittances Data, International Monetary Fund (IMF) World Revenue Longitudinal Database (WoRLD), UNCTADStat and World Bank World Development Indicators (WDI). Exact country coverage varies by series and year. Tax revenue and Private GFCF were converted from percentage GDP to current USD using World Bank WDI. For 11 countries, 2016 GFCF formation was used to estimate 2017. Income groups reflect the World Bank's 2018 classifications. Domestic public is tax revenue (minus grants where data available). Domestic private is private GFCF Foreign private is FDI and remittances. Foreign official is ODA and OOF.

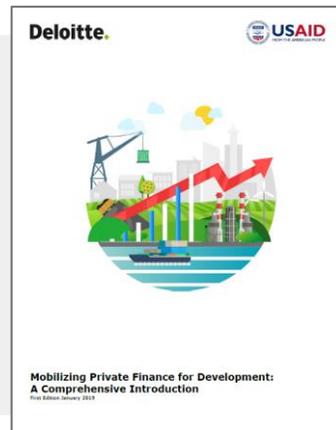
# USAID/W PSE Team

## An introduction to our work

- Conduct analysis and assessment of investment opportunities
- Build staff competencies in finance for development
- Identify and structure deals for private capital mobilization
- Advance learning on financing approaches



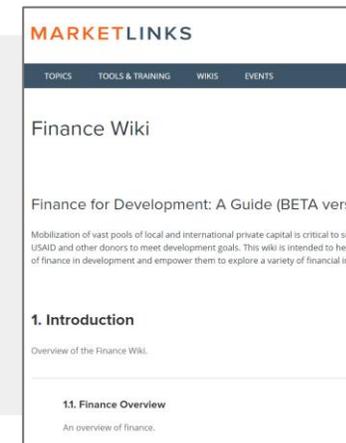
Finance Vignette Handbook



MF4D: A Comprehensive Introduction



MF4D: 5-Day & 2 Day Courses for USAID Staff



Marketlinks Finance Wiki

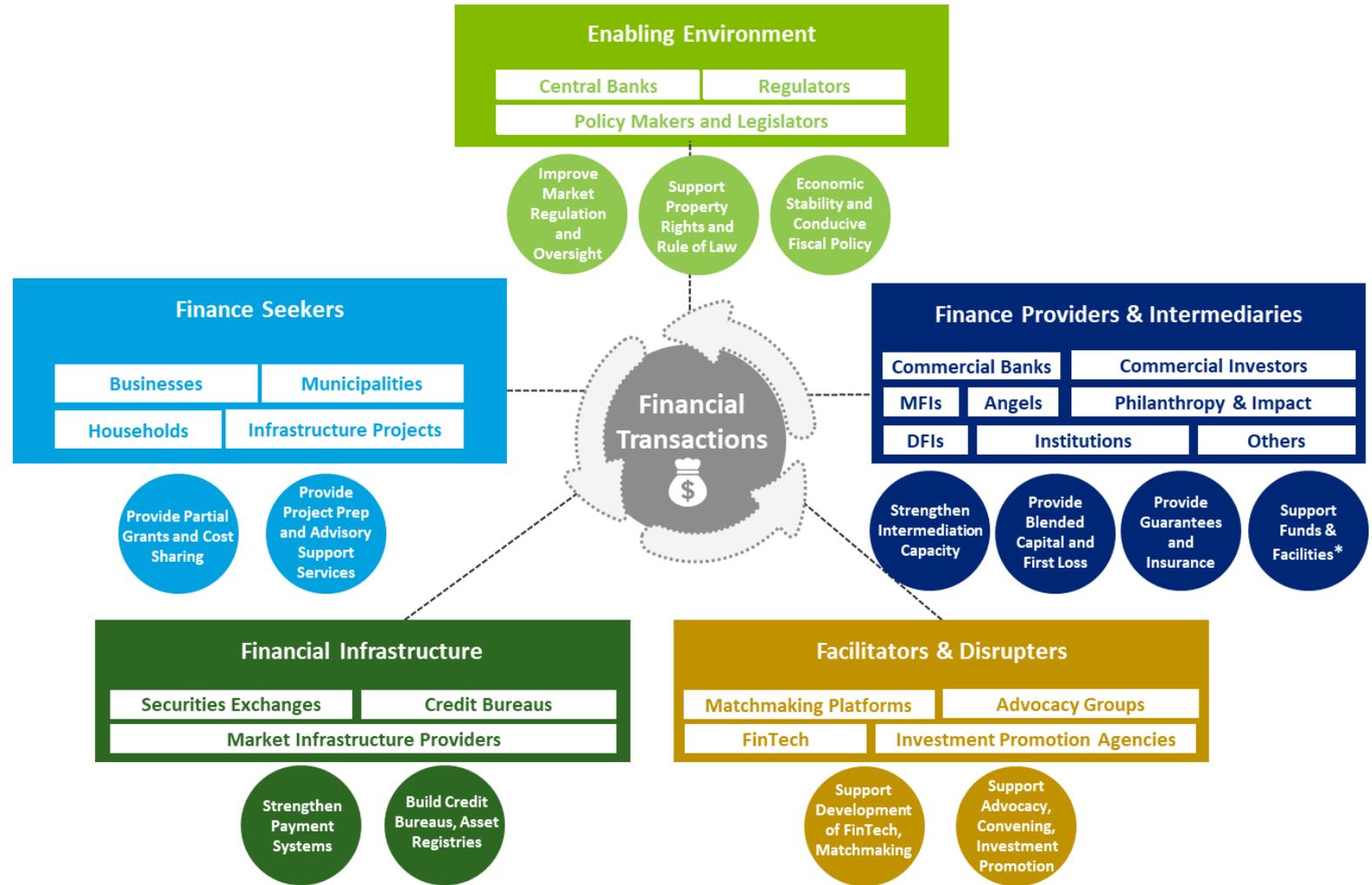
# Francesca Cavalli



Francesca is a Senior Consultant at Deloitte Consulting. Since joining the firm in 2017, she has supported private and public sector clients navigate complex business challenges that lie at the intersection of finance and strategy. She has over five years of experience working in the financial sector where she garnered expertise in financial management and modeling, data management, cost estimation, cost allocation, budgeting and forecasting. Francesca has a Bachelor's of Arts in International Studies and a Bachelor's of Sciences in Economics from American University.

# The Five-Point Framework

The Five-Point framework is the organizing framework for the wiki



# Chapter 2: Framework & Interventions

Explore the framework  
further on this introductory  
page

ABOUT | CONTACT | SELECT LANGUAGE | SUBSCRIBE | Search Marketlinks... | LOG IN | POST

## MARKETLINKS

TOPICS | TOOLS & TRAINING | WIKIS | EVENTS

1. Introduction *click!*

2. Framework and Interventions

### 2.1. Finance Seekers

2.2. Finance Providers & Intermediaries

2.3. Enabling Conditions

2.4. Financial Infrastructure

2.5. Facilitators & Disrupters

### 2. Framework and Interventions

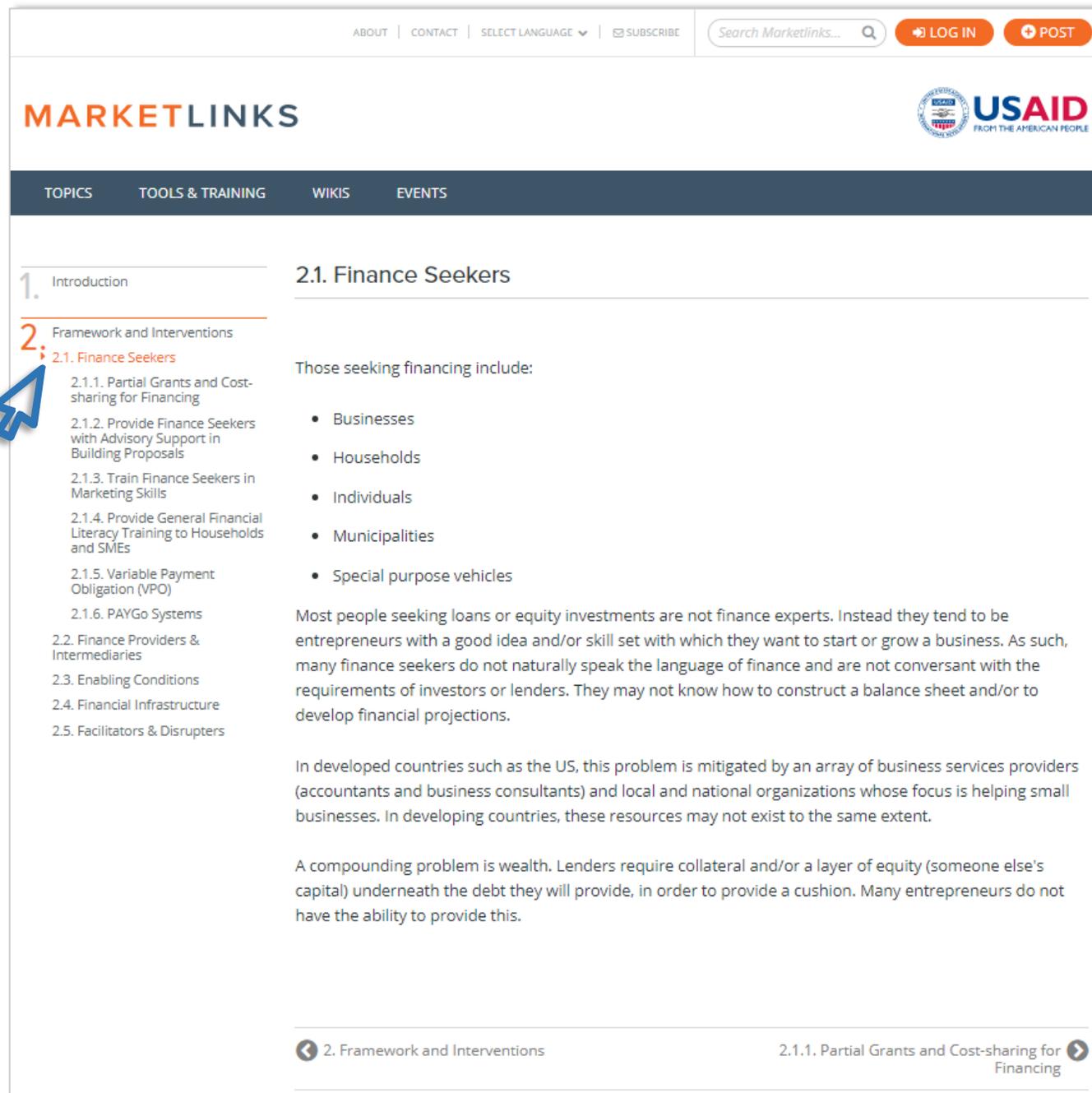
#### Introduction to the Five-Point Strategic Framework

The Five-Point Strategic Framework is used to explain and organize the complexities of finance in developing economies. All five elements work together to influence the nature of each and every financial transaction, as indicated at the center of the framework.

```
graph TD; EE[Enabling Environment] --- FT((Financial Transactions)); FP[Finance Providers & Intermediaries] --- FT; FI[Financial Infrastructure] --- FT; FD[Facilitators & Disrupters] --- FT; FS[Finance Seekers] --- FT;
```

# Chapter 2.1: Finance Seekers

Learn more about  
interventions within each  
element of the framework



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MARKETLINKS

USAID FROM THE AMERICAN PEOPLE

TOPICS TOOLS & TRAINING WIKIS EVENTS

1. Introduction

2. Framework and Interventions

2.1. Finance Seekers

2.1.1. Partial Grants and Cost-sharing for Financing

2.1.2. Provide Finance Seekers with Advisory Support in Building Proposals

2.1.3. Train Finance Seekers in Marketing Skills

2.1.4. Provide General Financial Literacy Training to Households and SMEs

2.1.5. Variable Payment Obligation (VPO)

2.1.6. PAYGo Systems

2.2. Finance Providers & Intermediaries

2.3. Enabling Conditions

2.4. Financial Infrastructure

2.5. Facilitators & Disrupters

## 2.1. Finance Seekers

Those seeking financing include:

- Businesses
- Households
- Individuals
- Municipalities
- Special purpose vehicles

Most people seeking loans or equity investments are not finance experts. Instead they tend to be entrepreneurs with a good idea and/or skill set with which they want to start or grow a business. As such, many finance seekers do not naturally speak the language of finance and are not conversant with the requirements of investors or lenders. They may not know how to construct a balance sheet and/or to develop financial projections.

In developed countries such as the US, this problem is mitigated by an array of business services providers (accountants and business consultants) and local and national organizations whose focus is helping small businesses. In developing countries, these resources may not exist to the same extent.

A compounding problem is wealth. Lenders require collateral and/or a layer of equity (someone else's capital) underneath the debt they will provide, in order to provide a cushion. Many entrepreneurs do not have the ability to provide this.

◀ 2. Framework and Interventions

2.1.1. Partial Grants and Cost-sharing for Financing ▶

# Navigating to an intervention

Each intervention page contains its own description, set of advantages, disadvantages, examples, and more.

- 1. Introduction
- 2. Framework and Interventions
  - 2.1. Finance Seekers
    - 2.1.1. Partial Grants and Cost-sharing for Financing
    - 2.1.2. Provide Finance Seekers with Advisory Support in Building Proposals
    - 2.1.3. Train Finance Seekers in Marketing Skills
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    - 2.1.5. Variable Payment Obligation (VPO)
    - 2.1.6. PAYGo Systems
  - 2.2. Finance Providers & Intermediaries
  - 2.3. Enabling Conditions
  - 2.4. Financial Infrastructure
  - 2.5. Facilitators & Disrupters

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## MARKETLINKS

TOPICS TOOLS & TRAINING WIKIS EVENTS

### 2.1.1. Partial Grants and Cost-sharing for Financing

**DESCRIPTION**

Giving a grant to a business to fund operations or covering part of the business' costs to overcome the business' lack of access to capital (inability to attract equity, get a loan). An example of this would be grants and prizes awarded through the [Development Innovation Venture \(DIV\)](#).

**CONSTRAINTS ADDRESSED**

1. Appropriate capital to meet borrower needs
2. Cash flow uncertainty
3. Off-take risks associated with target sector/region
4. Production costs associated with target sector/region

**ADVANTAGES**

Increases the effective equity of finance seekers, thereby reducing the amount of debt needed by the borrower, making he/she more attractive to finance providers, simple to execute, fast-acting

**DISADVANTAGES**

May not reflect the actual amount of USAID funds needed to catalyze the transaction. For example, USAID may provide a large grant for \$80,000 to a business when the actual shortfall between earnings and debt service is only \$20,000. In this scenario, the Agency could have also supported 3 other firms like the one that received the grant with the \$80,000 for 4 times the development impact.

**MUST HAVE'S, CRITICAL POINTS, OR QUESTIONS TO CONSIDER**

Coming soon.

**VIGNETTE: FINANCING AND FRANCHISING CLEAN WATER IN EAST AFRICA**

**SITUATION**

Lack of access to clean water is a critical problem in the developing world—3.4 million people die each year from preventable water-borne illnesses. Yet half of all water projects in the developing world fail within two years, primarily because of a lack of local ownership and proper incentive. Jibu—a social enterprise operating in Uganda, Rwanda, and Kenya—wanted to find a way to deliver affordable water to underserved urban populations at scale by unleashing the latent economic potential of emerging market entrepreneurs. However, insufficient local investment resources make it difficult or impossible to grow their business. Jibu applied to USAID's [Partnership to Accelerate Entrepreneurship \(PACE\)](#) initiative for support.

**Resources**

- [Development Innovation Venture](#)

Have your own resource that would fit well?  
[Submit it here](#)

“Submit it here” allows users to contribute their own content and ideas.

# Contributing content

The screenshot shows the Marketlinks website interface. At the top, there are navigation links for ABOUT, CONTACT, SELECT LANGUAGE, and SUBSCRIBE, along with a search bar and LOGIN/POST buttons. The Marketlinks logo and the USAID logo are also visible. The main content area is titled "2.1.1. Partial Grants and Cost-sharing for Financing". A blue callout box with the text "Submit it here" allows users to contribute their own content and ideas. A blue arrow points to the "Submit it here" button in the Resources section. The page content includes sections for DESCRIPTION, CONSTRAINTS ADDRESSED, ADVANTAGES, DISADVANTAGES, and MUST HAVE'S, CRITICAL POINTS, OR QUESTIONS TO CONSIDER.

“Submit it here” allows users to contribute their own content and ideas.

click!

## Finance Wiki content submission form

Please use this form to submit content for addition to the Marketlinks Finance Wiki. Your submission will be reviewed and vetted before posting. We may contact you for additional information.

\* Required

Email address \*

Your email

Contact name \*

Your answer

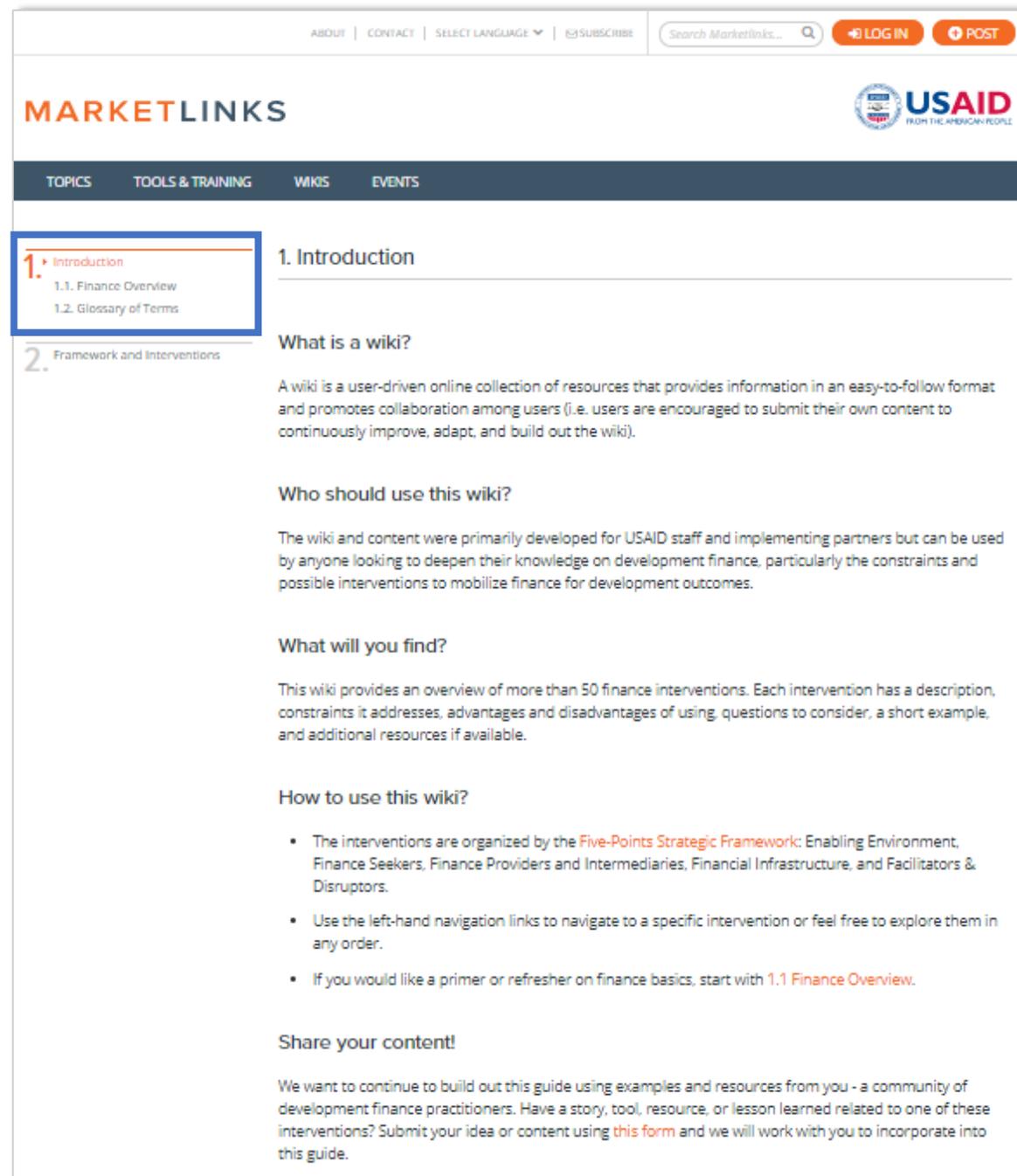
Submitting organization

Your answer

Next

# Chapter 1: Additional Resources

Find additional resources,  
a glossary, primers, and  
more.



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TOPICS TOOLS & TRAINING WIKIS EVENTS

1. Introduction

- 1.1. Finance Overview
- 1.2. Glossary of Terms

2. Framework and Interventions

## 1. Introduction

### What is a wiki?

A wiki is a user-driven online collection of resources that provides information in an easy-to-follow format and promotes collaboration among users (i.e. users are encouraged to submit their own content to continuously improve, adapt, and build out the wiki).

### Who should use this wiki?

The wiki and content were primarily developed for USAID staff and implementing partners but can be used by anyone looking to deepen their knowledge on development finance, particularly the constraints and possible interventions to mobilize finance for development outcomes.

### What will you find?

This wiki provides an overview of more than 50 finance interventions. Each intervention has a description, constraints it addresses, advantages and disadvantages of using, questions to consider, a short example, and additional resources if available.

### How to use this wiki?

- The interventions are organized by the [Five-Points Strategic Framework](#): Enabling Environment, Finance Seekers, Finance Providers and Intermediaries, Financial Infrastructure, and Facilitators & Disruptors.
- Use the left-hand navigation links to navigate to a specific intervention or feel free to explore them in any order.
- If you would like a primer or refresher on finance basics, start with [1.1 Finance Overview](#).

### Share your content!

We want to continue to build out this guide using examples and resources from you - a community of development finance practitioners. Have a story, tool, resource, or lesson learned related to one of these interventions? Submit your idea or content using [this form](#) and we will work with you to incorporate into this guide.

# Wade Channell



Wade is the Senior Economic Growth Advisor for the USAID Office of Gender Equality and Women's Empowerment (GenDev). In 2013, he turned his focus to addressing barriers to women's economic empowerment and leads USAID's work on this topic, with a particular focus on women's financial inclusion and on gender equality within the business enabling environment. Wade also supports USAID's involvement in the Women's Global Development and Prosperity Initiative (W-GDP). Wade has served as a guest lecturer at George Washington University, George Mason University, Georgetown Law School, and Catholic University.

# Putting the Wiki to Work: Learning about movable property lending

1. Introduction
2. Framework and Interventions
  - 2.1. Finance Seekers
  - 2.2. Finance Providers & Intermediaries
  - 2.3. Enabling Conditions
  - 2.4. Financial Infrastructure
    - 2.4.1. Build Credit Bureaus
    - ▶ 2.4.2. Build Collateral Registries
    - 2.4.3. Alternative Credit Scoring and Rating
    - 2.4.4. Build Payment Systems
    - 2.4.5. Digital Plus for Financial Products other than Mobile Money (e.g. loans, insurance, agrovouchers)
    - 2.4.6. Charter a New Bank or Bank Restructure
    - 2.4.7. Alternate Exchanges and SME Windows
  - 2.5. Facilitators & Disrupters

## 2.4.2. Build Collateral Registries

### DESCRIPTION

A collateral registry is a record of legal claims to personal property used as collateral for a loan. Transparent collateral registries allow lenders to check if collateral being offered as security for a loan has already been pledged to another lender. Modern collateral registries are often computerized, improving the timeliness, accuracy, and accessibility of collateral information to avoid disputes over rights to property.

Some USAID presence countries have recently implemented registries that allow banks to accept movable property as collateral, rather than immovable property land and buildings alone. Movable collateral registries open up the range of borrowers able to provide security and access lending to include those who do not own land or buildings. Movable collateral registries tend to be positive for gender issues because women are disproportionately likely to have movable assets but no immovable assets to pledge.

### CONSTRAINTS ADDRESSED

1. Ability of borrowers to register assets as collateral
2. Ability of finance providers to ensure that assets are not already pledged to other parties
3. Ability to enforce financial transactions
4. In the case of movable collateral registries, ability for women or smaller borrowers to access finance

### Resources

- ✔ [Successful Efforts to Improve Credit Access for SMEs in Mongolia](#)
- ✔ [Bringing More Dead Capital to Life From Laws to Loans: Opportunities and Challenges in Achieving the Promise of Secured Lending Reforms](#)
- ✔ [From Laws to Loans: Opportunities and Challenges in Achieving the Promise of Secured Lending Reforms Summary](#)
- ✔ [From Laws to Loans: Opportunities and Challenges in Achieving the Promise of Secured Lending Reforms Summary - Spanish](#)
- ✔ [Moveable property lending facilitates women's access to finance](#)
- ✔ [Moveable property lending facilitates women's access to finance - Spanish](#)
- ✔ [Profit, purpose and collateral: The market opportunity for movable property lending in Colombia](#)
- ✔ [Profit, purpose and collateral: The market opportunity for movable property lending in Colombia - Spanish](#)
- ✔ [USAID Jordan Competitiveness Project Fact Sheet](#)
- ✔ [Strengthening Access to Finance for Women-Owned SMEs](#)

Have your own resource that would fit well?

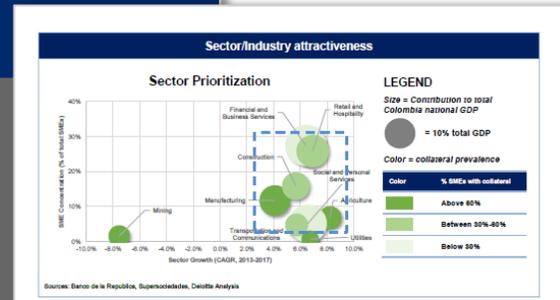
[Submit it here](#)



## Profit, purpose and collateral The market opportunity for movable property lending in Colombia

December 2018

This report is made possible by the support of the Amer Agency for International Development (USAID). The responsibility of Deloitte Consulting LLP and its impleme reflect the views of USAID or the United States Govern



## 4.0 OVERCOMING MARKET BARRIERS

In our interviews with Colombian institutions (see [Appendix C](#), for a list of interviewees), those considering investment in MPL commonly refer to three key barriers: valuation, repossession, and resale of moveable assets pledged as collateral. While these point to areas of the Colombian economy that are less developed than in some mature markets, our research suggests that these challenges can be overcome through strategic focus, partnerships and investment. Success, moreover, can create a pathway to market leadership for early pioneers.

### 4.1 VALUATION

When interviewed, most financial institutions cite valuation of collateral as a key obstacle to MPL, pointing to the lack of valuation standards; the payment of fees for valuation services; and the cost and technical challenge of monitoring an asset's value over the term of the loan.

While Colombia's valuation industry is less developed than others in more mature MPL markets, there are clear paths to overcoming this barrier. A market entry decision to focus on a specific asset class or industry sector will enable a lender to develop the knowledge, capacity and relationships to effectively judge the value and condition of assets pledged. Similarly, strategic partnerships between banks and other actors that know a sector well (for example, asset manufacturers, distributors, retailers, and servicing / maintenance companies) can overcome near-term gaps in valuation skills, and in turn stimulate demand that will ultimately encourage market maturity.

A focus on accounts receivable and invoice financing similarly presents a clear path around valuation barriers. These assets come with assigned dollar values, thereby negating the need for valuation beyond discounting for attrition/non-payment rates.

# Steve Watkins



Steve is a leader in Deloitte's Emerging Markets practice, focusing on economic growth and innovative financing. Steve's professional experience includes working as a journalist and in international economic development. Over his 10 years at Deloitte, Steve has led the firm's development finance and development strategy work. Steve also co-leads Deloitte's public sector Behavioral Insights practice. He has a BA (Hons) and an MA in economic development from the University of Cambridge and an MBA from the Kellogg Graduate School of Management.

## 1. Introduction

## 2. Framework and Interventions

### 2.1. Finance Seekers

### 2.2. Finance Providers & Intermediaries

### 2.3. Enabling Conditions

### ▶ 2.4. Financial Infrastructure

#### 2.4.1. Build Credit Bureaus

#### 2.4.2. Build Collateral Registries

#### 2.4.3. Alternative Credit Scoring and Rating

#### 2.4.4. Build Payment Systems

#### 2.4.5. Digital Plus for Financial Products other than Mobile Money (e.g. loans, insurance, agrovouchers)

#### 2.4.6. Charter a New Bank or Bank Restructure

#### 2.4.7. Alternate Exchanges and SME Windows

### 2.5. Facilitators & Disrupters

# MARKETLINKS



## 1. Introduction

## 2. Framework and Interventions

### 2.1. Finance Seekers

### 2.2. Finance Providers & Intermediaries

### 2.3. Enabling Conditions

### ▶ 2.4. Financial Infrastructure

#### 2.4.1. Build Credit Bureaus

#### 2.4.2. Build Collateral Registries

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## 2.4. Financial Infrastructure

The financial marketplace is supported by the financial sector infrastructure, which enables efficient payments and transactions. Key elements within the financial sector infrastructure include:

- Payment systems that can strengthen the financial sector by reducing the time, risk and cost of transferring funds. Modern systems can facilitate digital payments, including mobile money, which enable more people to pay bills and transfer money electronically.
- Credit reporting bureaus and rating agencies which efficiently provide objective information on the creditworthiness of bonds, stocks and borrowers (individuals or businesses), thereby reducing the time and cost associated with due diligence and determining whether to extend the financing.
- Collateral registries which provide a means for finance providers to record a security interest in collateral pledged by a borrower. A number of countries have recently implemented “movable property” registries which allow banks to take collateral other than land and buildings (immovable property), and thus opens up the range of borrowers able to provide security and thus access lending to include those who do not own land or buildings.

# 1. Introduction

## 2. Framework and Interventions

### 2.1. Finance Seekers

### 2.2. Finance Providers & Intermediaries

### 2.3. Enabling Conditions

### 2.4. Financial Infrastructure

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### 2.5. Facilitators & Disrupters

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**MARKETLINKS**

TOPICS | TOOLS & TRAINING | WIKIS | EVENTS

1. Introduction

2. Framework and Interventions

2.1. Finance Seekers

2.2. Finance Providers & Intermediaries

2.3. Enabling Conditions

2.4. Financial Infrastructure

2.4.1. Build Credit Bureaus

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**DESCRIPTION**

A collateral registry is a record of legal claims to personal property used as collateral for a loan. Transparent collateral registries allow lenders to check if collateral being offered as security for a loan has already been pledged to another lender. Modern collateral registries are often computerized, improving the timeliness, accuracy, and accessibility of collateral information to avoid disputes over rights to property.

Some USAID presence countries have recently implemented registries that allow banks to accept movable property as collateral, rather than immovable property (land and buildings) alone. Movable collateral registries open up the range of borrowers able to provide security and access lending to include those who do not own land or buildings. Movable collateral registries tend to be positive for gender issues because women are disproportionately likely to have movable assets but no immovable assets to pledge.

**CONSTRAINTS ADDRESSED**

1. Ability of borrowers to register assets as collateral
2. Ability of finance providers to ensure that assets are not already pledged to other parties
3. Ability to enforce financial transactions
4. In the case of movable collateral registries, ability for women or smaller borrowers to access finance

**ADVANTAGES**

For finance providers, collateral registries lower the risk of default and fraud by increasing transparency and formalizing the lender's claims. Online registries also tend to have lower costs and speedier processes than older paper-based procedures. In the case of movable property lending, for finance seekers, collateral registries increase flexibility and access to finance for SMEs and businesses with movable assets. For finance providers, introduction of moveable property lending opens up new markets—borrowers unable or unwilling to pledge immovable property.

**Resources**

- ✓ [Successful Efforts to Improve Credit Access for SMEs in Mongolia](#)
- ✓ [Bring More Dead Capital to Life: From Laws to Loans, Opportunities and Challenges in Achieving the Promise of Secured Lending Reforms](#)
- ✓ [From Laws to Loans, Opportunities and Challenges in Achieving the Promise of Secured Lending Reforms Summary](#)
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- ✓ [USAID Jordan Competitiveness Project Fact Sheet](#)
- ✓ [Strengthening Access to Finance for Women-Owned SMEs](#)

Have your own resource that would fit well?  
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### DISADVANTAGES

In the case of movable property lending, even with collateral registries in place, finance providers and seekers may require additional technical assistance or incentive to engage in movable property lending, which while commonplace in developed countries is a relatively new practice in many developing countries.

### MUST HAVE'S, CRITICAL POINTS, OR QUESTIONS TO CONSIDER

The introduction of a collateral registry should be enabled by suitable laws and regulations, and accompanied by stakeholder sensitization, technical assistance to finance providers and seekers on the use of movable property lending, and the development of supporting industries such as insurance, property/business valuation, and resale markets.

### VIGNETTE: MOVABLE COLLATERAL REGISTRY IN JORDAN

#### SITUATION

Jordan is teeming with small- and medium-sized enterprises (SMEs), many women-owned. SMEs are an important driver of economic growth and often the largest contributor to job creation. SMEs need access to financial services—like affordable credit—to invest in their businesses and take risks that may be easier for larger companies to hedge against. At the same time, citing those risks, banks traditionally have been reluctant to lend to SMEs, which often lack the kind of assets that can act as collateral for credit applications. The **Jordan Competitiveness Program's** work pushing passage of Jordan's Secured Lending Law as well as its design and production of the collateral registry are poised to unlock this potential.

#### STRUCTURE

Working with the Jordanian Ministry of Industry, Trade, and Supply (MoITS), the project implemented an online Movable Collateral Registry and trained ministry staff. Combined with a recent Secured Lending law, the online registry allows banks to lend to SMEs using their movable assets (equipment, inventory, receivables, etc.) as collateral.

#### IMPACT

As a result, banks' lending to SMEs is expected to increase by seven percent annually, representing a more than \$1 billion per year increase in available financing and translating into approximately 30,000 jobs over four years.

# 1. Introduction

## 2. Framework and Interventions

### 2.1. Finance Seekers

### 2.2. Finance Providers & Intermediaries

### 2.3. Enabling Conditions

#### 2.3.1. Establish a System to Record and Protect Property Rights

#### 2.3.2. Improve Government Financial Management Systems and Record Keeping

#### 2.3.3. Facilitate Shareholder Rights

#### 2.3.4. Support a Strong Rule of Law and Security & Governance

#### 2.3.5. Collaborate with Authorities and Law Enforcement to Identify Gaps in Market Oversight, Supervision, Compliance, and Consumer Protection

#### 2.3.6. Provide Governments with Advisory Support for Tax Policies and Collection Systems

#### 2.3.7. Support Bankruptcy Law

#### ▶ 2.3.8. Establish Legal and Procedural Foundation for Secured Transaction Regimes

### 2.4. Financial Infrastructure

### 2.5. Facilitators & Disrupters



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TOPICS TOOLS & TRAINING WIKIS EVENTS

- 1. Introduction
- 2. Framework and Interventions
  - 2.1. Finance Seekers
  - 2.2. Finance Providers & Intermediaries
  - 2.3. Enabling Conditions
    - 2.3.1. Establish a System to Record and Protect Property Rights
    - 2.3.2. Improve Government Financial Management Systems and Record Keeping
    - 2.3.3. Facilitate Shareholder Rights
    - 2.3.4. Support a Strong Rule of Law and Security & Governance
    - 2.3.5. Collaborate with Authorities and Law Enforcement to Identify Gaps in Market Oversight, Supervision, Compliance, and Consumer Protection
    - 2.3.6. Provide Governments with Advisory Support for Tax Policies and Collection Systems
    - 2.3.7. Support Bankruptcy Law
    - ▶ 2.3.8. Establish Legal and Procedural Foundation for Secured Transaction Regimes
  - 2.4. Financial Infrastructure
  - 2.5. Facilitators & Disrupters

### 2.3.8. Establish Legal and Procedural Foundation for Secured Transaction Regimes

#### DESCRIPTION

Legal reform to enable modern secured transactions increases the availability of credit and reduces its cost by codifying the provisions that ensure that lenders can collect debt and enforce their rights in collateral. USAID has supported numerous countries in establishing secured transaction regimes. Reforms include clarifying the lender's rights against the collateral with respect to the borrower and third parties, simplifying the process of granting secured credit, and providing procedural mechanisms for simple publication and effective enforcement of these rights.

Secured transaction reform may include regulation that allows for the pledging of movable property rather than just real estate as property. Allowing movable property to be used as collateral allows for more flexible loan products and for finance to reach those who may not own land or other assets, often women.

#### CONSTRAINTS ADDRESSED

1. Ability for finance providers to legally enforce collateral rights and collect debts
2. Ability to file/record a security interest on real estate (land and buildings) pledged as collateral
3. Transaction costs associated with originating and managing loans to target sector/region
4. For reforms that include provisions for movable property lending, ability to file/record a security interest on moveable property pledged as collateral

#### ADVANTAGES

Secured financing reform reduces risk and creates more flexibility in the collateral used for financial transactions. A sound system prevents conflict between property claimants and allows providers to better calculate and reduce the risks of lending, thereby lowering costs and increasing availability of credit. Allowing different forms of collateral enables a broader range of finance seekers to participate in the financial system.

#### Resources

- Establishing Modern Secured Financing Systems in Developing Economies
- UN Model Law on Secured Transactions
- Effects of Secured Lending Reforms for Women
- Final Study Assessment Getting Credit Frameworks According to International Best Practices
- Status of Secured Transaction Reform in the MENA Region
- Secured Transactions Collateral Revisions and Movable Asset-Based Financing

Have your own resource that would fit well?  
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### EFFECTS OF SECURED LENDING REFORMS FOR WOMEN-OWNED MSMEs

Creating More Inclusive Legal Frameworks to Stop Leaving Money on the Table

Secured transactions reforms have had a measurable impact on a number of economies that have experienced growth in access to secured credit, particularly for micro, small and medium-sized enterprises (MSMEs). In many developing economies, MSMEs are unable to access credit because they do not have collateral that financial institutions expect, i.e., immovables. Movable assets rather than land often account for most of the capital stock of MSMEs. According to the World Bank, in the developing world, 78 per cent of the capital stock of businesses is typically in movable assets such as machinery, equipment or receivables, and only 22 percent in immovable property. But in many economies, movable property is unacceptable to lenders because the law does not provide sufficient protections. These challenges are not only faced by women-owned MSMEs, but they are generally greater for women than men. Women's access to collateral and property rights can be hindered by property, contract, identity, inheritance, marriage and other laws that frequently reduce women's access to assets by reinforcing discriminatory traditional stereotypes and norms. Globally, financial institutions' portfolios of loans with women-owned MSMEs tend to be significantly lower than the overall number of women-owned MSMEs in their target markets would suggest.

An efficient secured transactions and collateral registry regime can help overcome some of these hurdles for MSMEs and can be a particular advantage for women-owned MSMEs. Modernized collateral regimes expand the types of assets that can be used as security to all tangible (inventory, crops and livestock, vehicles, machinery and equipment) and intangible (accounts receivable, shares, deposit accounts, intellectual property rights) assets.

USAID.GOV EFFECTS OF SECURED LENDING REFORMS FOR WOMEN-OWNED MSMEs 11

#### DISADVANTAGES

1. Countries with strong civil law tradition can be difficult to reform
2. Political instability and challenging security situations can also impact the speed and simplicity of reform
3. Even if provisions for movable property lending are included in secure transaction reform, finance providers may not be willing to use this form of lending without significant sensitization

#### MUST HAVE'S, CRITICAL POINTS, OR QUESTIONS TO CONSIDER

Prior to engaging in secured financing reform, donors should consider completing a diagnostic to collect baseline data on secured and unsecured lending, assess the legal and institutional framework, and consider how reforms should align with the institutional context. Organizing support from business associations and finance providers can speed government engagement.

#### VIGNETTE: SECURED TRANSACTION REFORM IN BOSNIA AND HERZEGOVINA

##### SITUATION

In Bosnia and Herzegovina, the country's legal tradition in commercial law did not recognize modern concepts of secured financing law. For example, the use of future property as security for credit and modern priorities schemes were foreign to the legal system.

##### STRUCTURE

USAID facilitated the reform of several aspects of Bosnia and Herzegovina's legal system. The most challenging part of the reform was to create unified secured financing legislation for the whole country. This required an exception to the constitutional division of power provisions between sub-national units. Moreover, a unified legal system required revocation of earlier laws enacted with the support of the international community, essentially reversing earlier reforms. Finally, the proposed secured financing regime had to accommodate Bosnia and Herzegovina's civil law tradition without sacrificing its efficacy.

# 1. Introduction

## 2. Framework and Interventions

### 2.1. Finance Seekers

#### 2.1.1. Partial Grants and Cost-sharing for Financing

#### ▶ 2.1.2. Provide Finance Seekers with Advisory Support in Building Proposals

#### 2.1.3. Train Finance Seekers in Marketing Skills

#### 2.1.4. Provide General Financial Literacy Training to Households and SMEs

#### 2.1.5. Variable Payment Obligation (VPO)

#### 2.1.6. PAYGo Systems

### 2.2. Finance Providers & Intermediaries

### 2.3. Enabling Conditions

### 2.4. Financial Infrastructure

### 2.5. Facilitators & Disrupters

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TOPICS TOOLS & TRAINING WIKIS EVENTS

1. Introduction

2. Framework and Interventions

2.1. Finance Seekers

2.1.1. Partial Grants and Cost-sharing for Financing

▶ 2.1.2. Provide Finance Seekers with Advisory Support in Building Proposals

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2.2. Finance Providers & Intermediaries

2.3. Enabling Conditions

2.4. Financial Infrastructure

2.5. Facilitators & Disrupters

### 2.1.2. Provide Finance Seekers with Advisory Support in Building Proposals

**DESCRIPTION**

Banks and other finance providers often claim they are eager to increase their portfolios and make investments, but they rarely receive financing requests from prospective borrowers in an actionable form, with the data and analysis needed for them to make a financing decision. Individual entrepreneurs and small and medium-sized enterprises (SMEs) may have limited experience communicating financial analysis and projections. As such, USAID has a long history of providing Business Advisory Services (BAS) to enterprises to assist with financial proposal development.

**CONSTRAINTS ADDRESSED**

1. Ability of borrowers to provide the details/documentation needed to get a loan
2. Appropriate capital to meet borrower needs
3. Cash flow uncertainty
4. Off-take risks associated with target sector/region
5. Production costs associated with target sector/region
6. Rate of return on lending in target sector/region

**ADVANTAGES**

If borrowers are able to provide more complete and accurate information in their proposals to lenders, requests for capital may be more successful; proposal support also provides foundational training to finance seekers that can be utilized in future.

**Resources**

ABADE Factsheet

Have your own resource that would fit well? Submit it here

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# Q&A



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