

C ■ E ■ A ■ L

# Center for the Economic Analysis of Law

WASHINGTON, DC

## Strengthening the legal framework for access to credit

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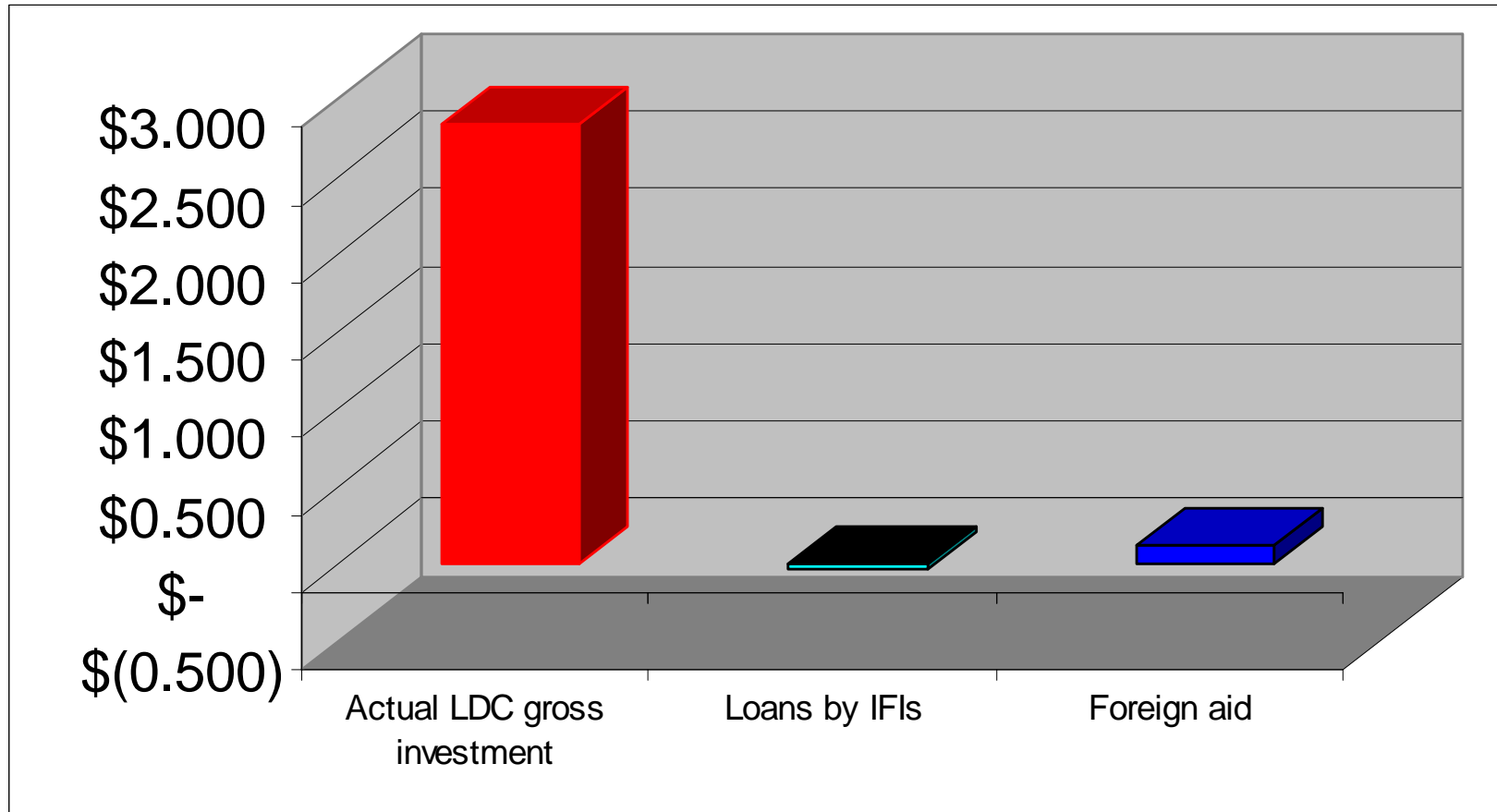
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# Funding LDC Investment

- Source and amounts?

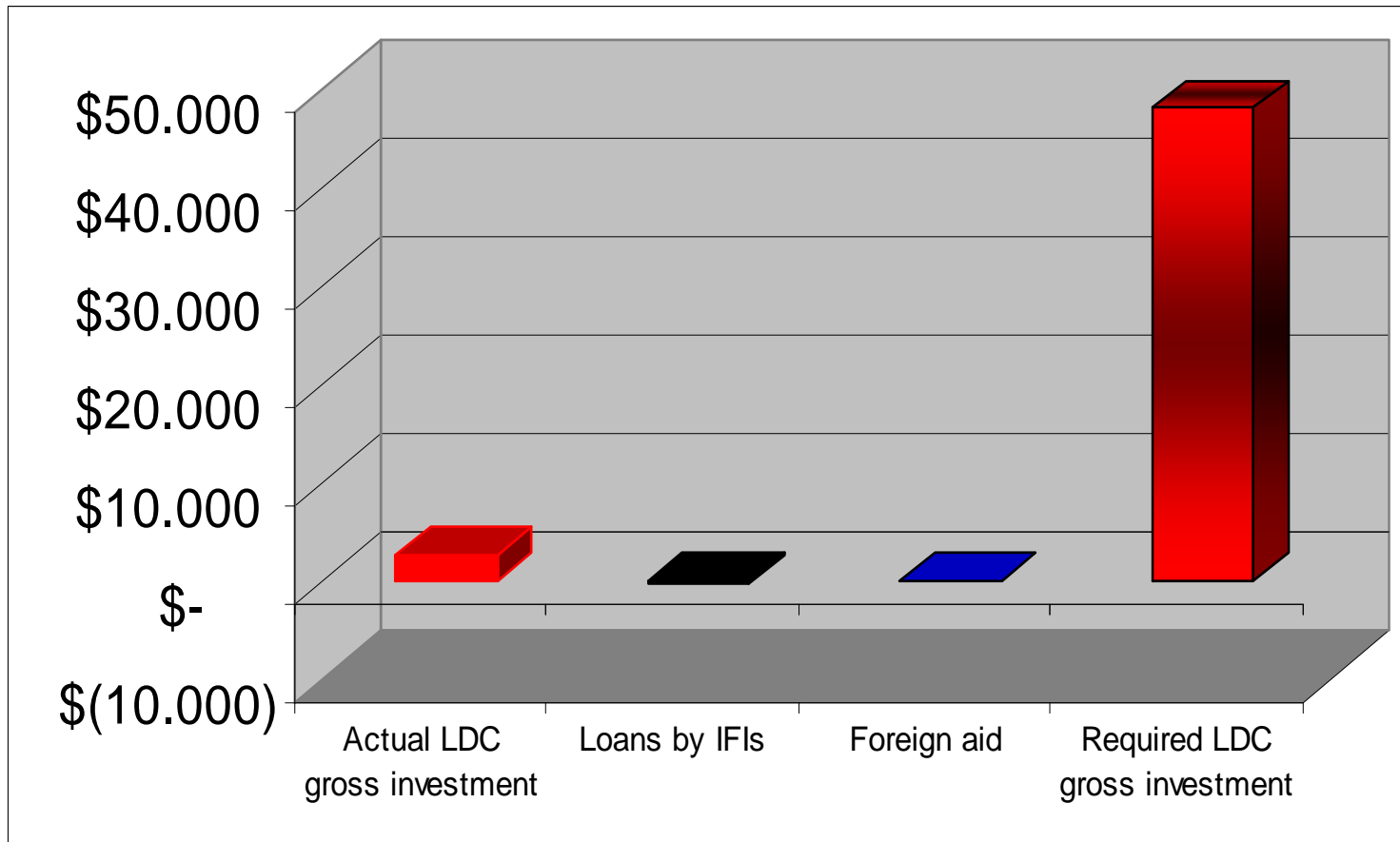
# More private than donor

Investment, IFI lending, foreign aid  
(\$ trillion 2005)



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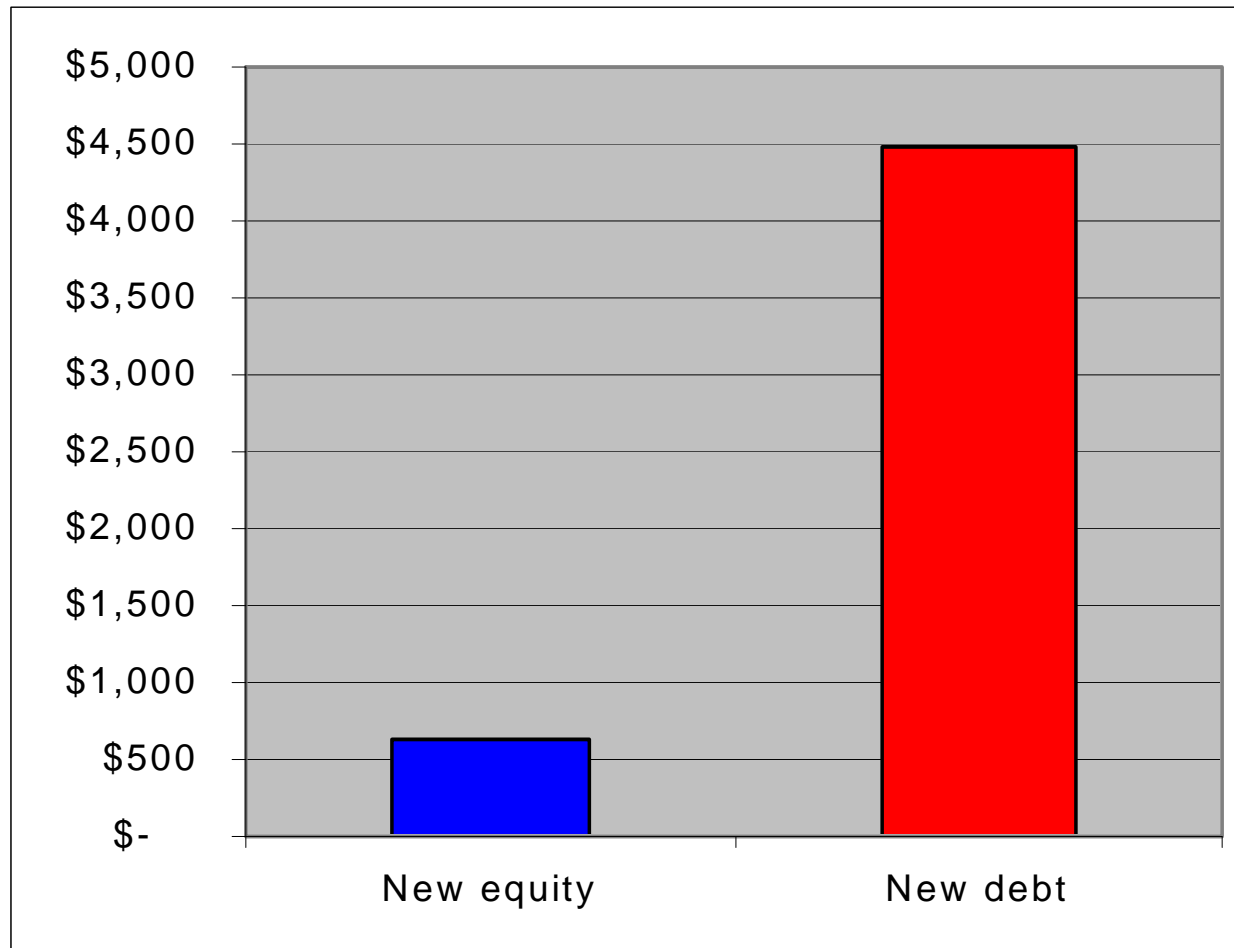


# Funding LDC Investment

- Debt or equity?

# More debt than equity

US new equity issues and debt finance, 2001-2006



# Encouraging Private Lending

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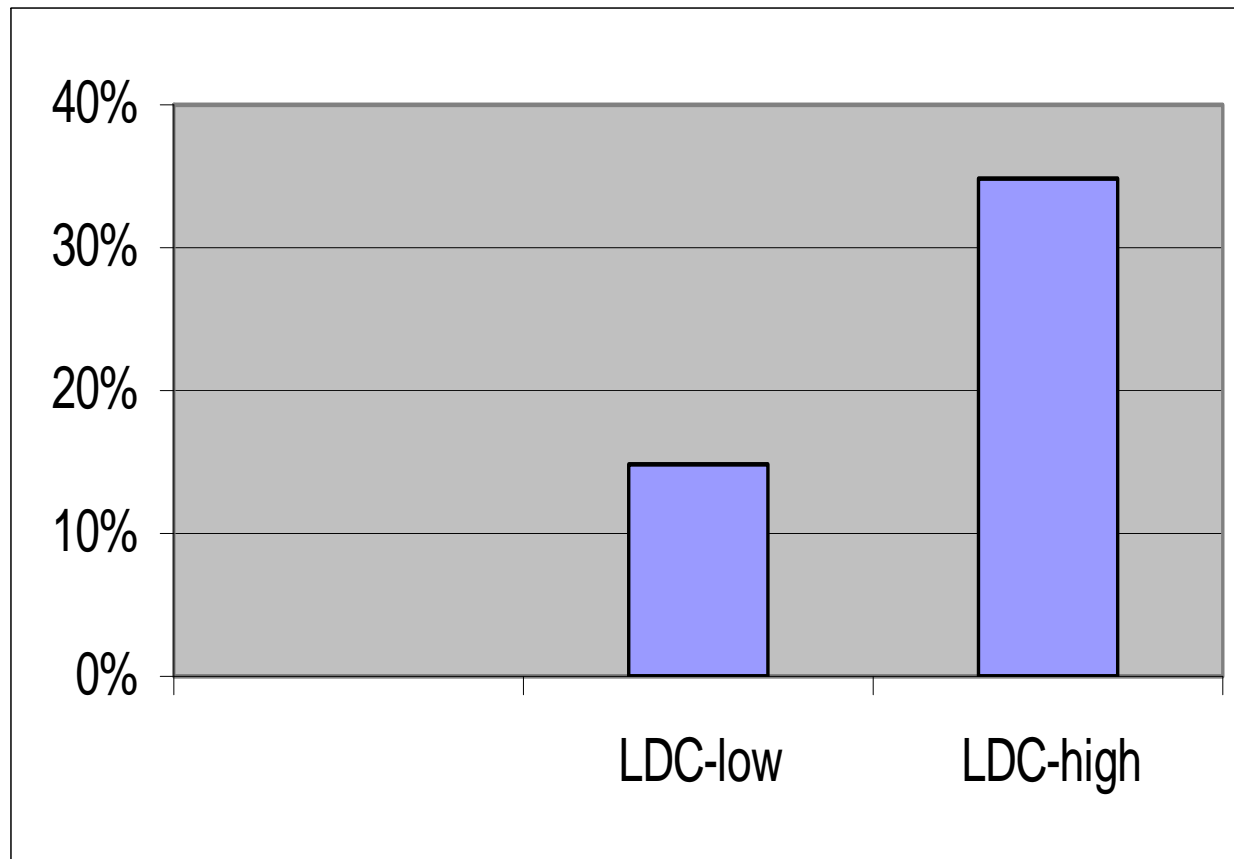
- “How do I get my money back?”

# Encouraging Private Lending

- “How do I get my money back?”
- Market responses:
  - Unsecured lending
  - Secured lending
    - Secured by movable property
    - Secured by immovable property

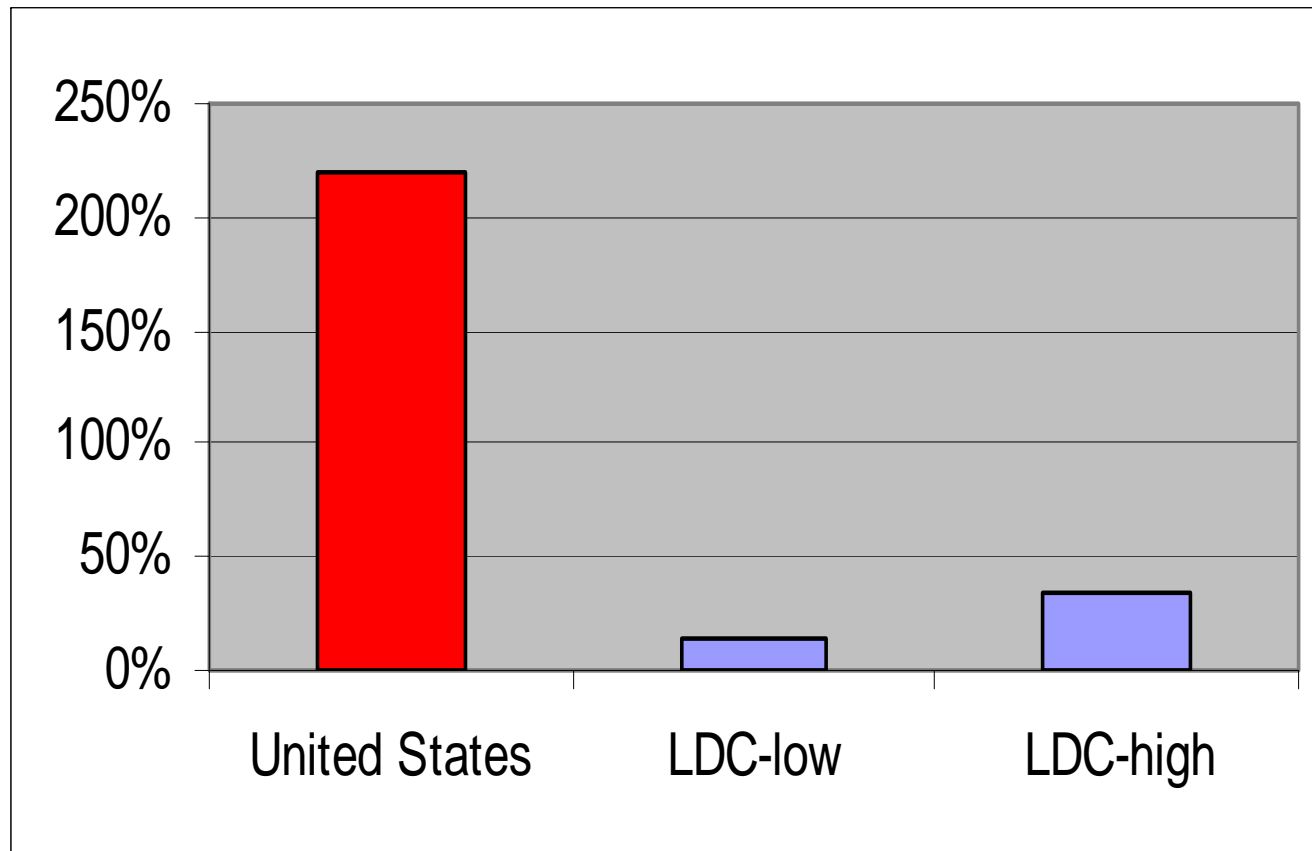
# Private Credit/GDP

United States and Developing Countries 2005



# Private Credit/GDP

United States and Developing Countries 2005



# Unsecured lending

- Legal and institutional requirements for
  - Seizing salary
  - Seizing property
  - Credit information systems

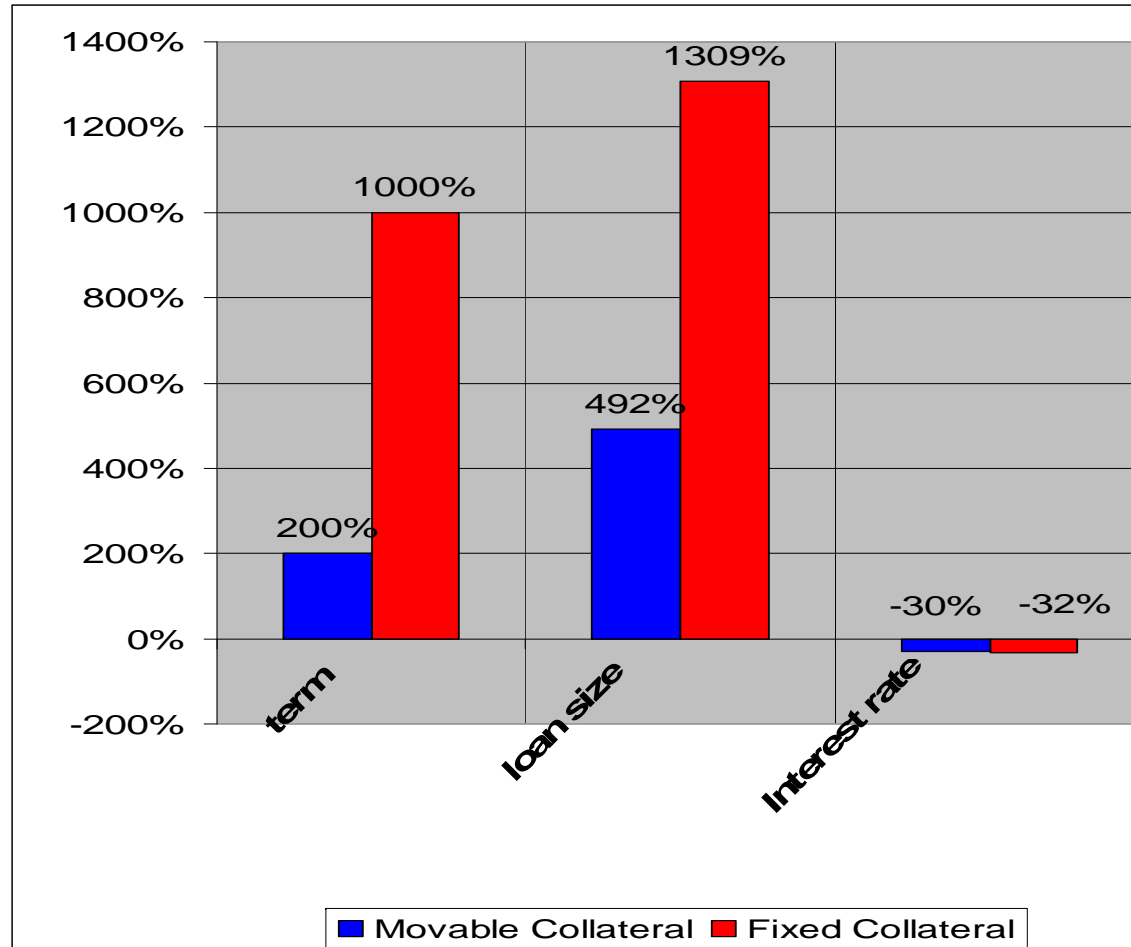
# Secured lending

- Different path to taking property
- Priority

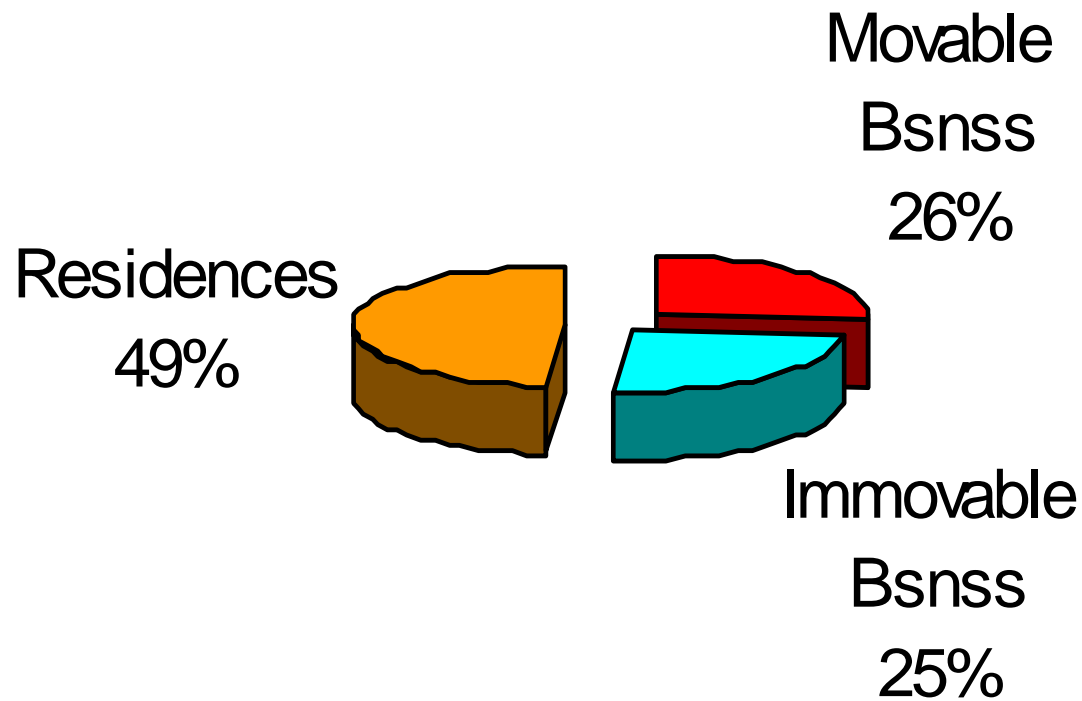
# Power of collateral

## Loan terms at a US federal credit union

secured loans as a percentage of an unsecured loan, same borrower, September 2007



# What serves as collateral?

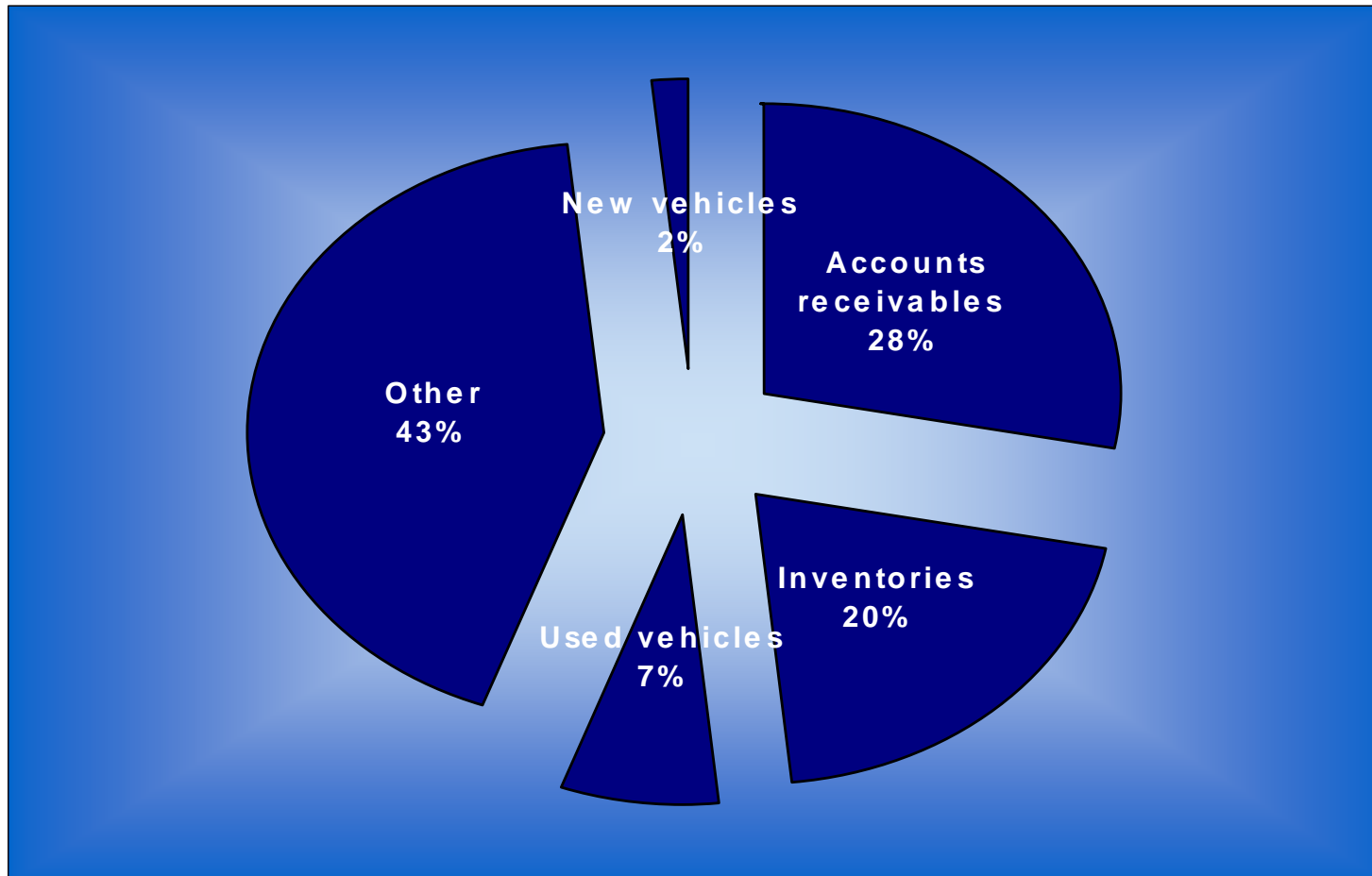


# Lending secured by immovable property

- Legal and institutional requirements for
  - System of land rights
    - Creation, priority, publicity (registry) and enforcement of land rights
  - Using land rights as collateral
    - Creation, priority, publicity and enforcement of security interests in land rights

# Movable property

Composition of movable property, United States, 2006



# Lending secured by movable property

- Legal and institutional requirements for
  - Ownership and possession of movable property
    - Creation, priority, publicity and enforcement of ownership and possession of movable property:
  - Security interests in movable property
    - Creation, priority, publicity and enforcement of security interests in movable property

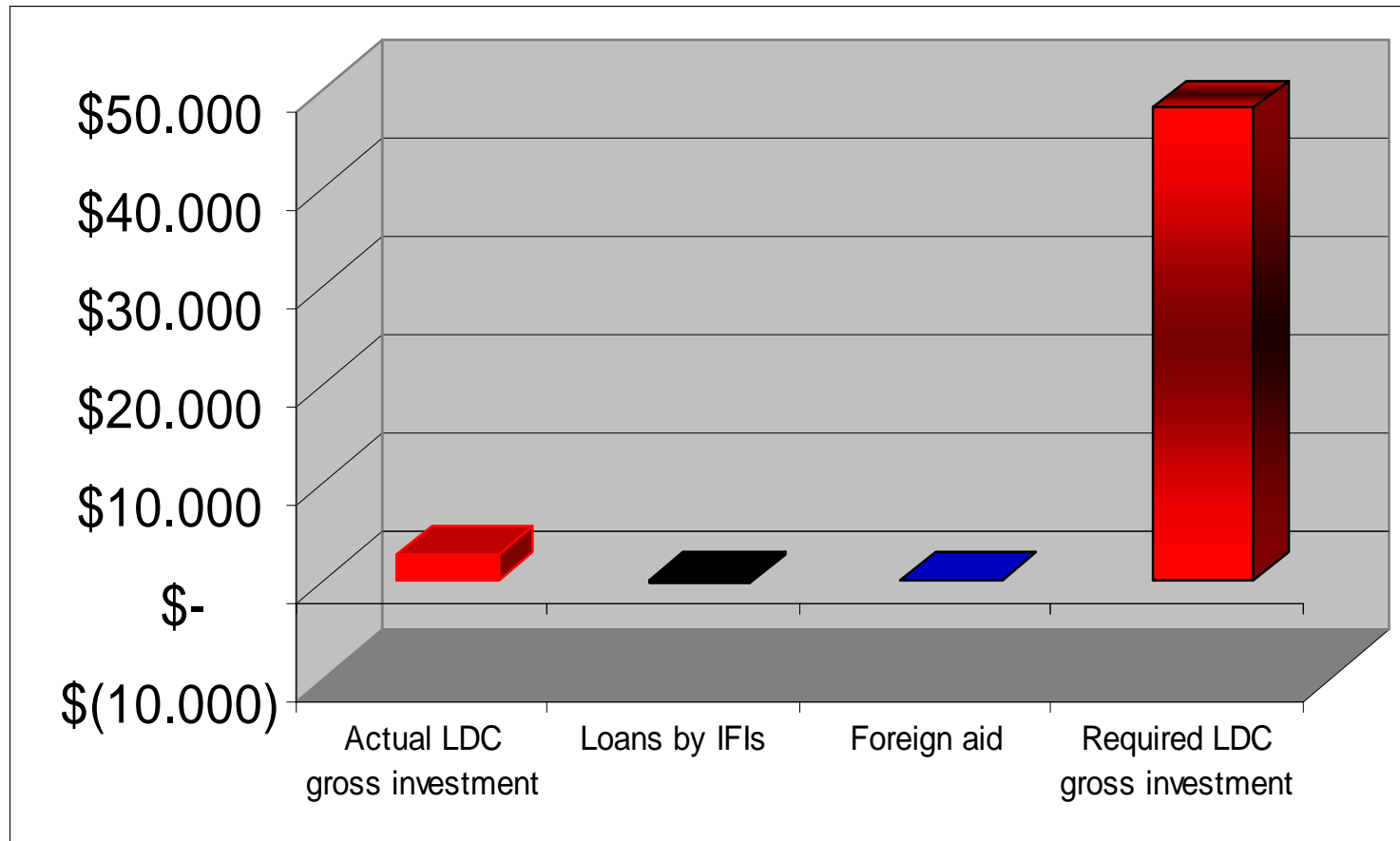
# Debtor protection

- Legal and institutional requirements for
  - Bankruptcy
  - Truth in lending
  - Rules on sale of collateral
- Economic importance of debtor protection

**Bottom line:**

# Resource transfer not enough

Investment, IFI lending, foreign aid  
(\$ trillion, 2005)



# Details Matter

Economic gain as percentage of GDP, secured transactions reforms

