Leasing - an alternative instrument for financing the purchase of equipment

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IFC: 30 Year experience promoting leasing worldwide

IFC Investments

– Financed 190 leasing projects in 57 countries for $1.3 billion
– Helped establish first leasing company in 26 countries

IFC Advisory

– Assisted governments in 35 countries to improve legislative regimes for leasing
– Currently implements 28 leasing projects worldwide ($14+ million)
IFC is a leader in MENA as well

- **ALGERIA:** Investment and capacity building for the first private Leasing Company (Arab Leasing Corporation)

- **EGYPT, PAKISTAN, SAUDI ARABIA and OMAN:** Investment in private Leasing Co. ORIX Leasing

- **JORDAN, YEMEN, AFGHANISTAN AND WEST BANK & GAZA:** Long term Advisory Program to develop leasing market in place since late 2005

- **AFGHANISTAN:** Capacity building for Afghanistan Finance Company – first leasing company in the country
What is Financial Leasing? (Definition)

Lessor
(Leasing Company/Bank)

Lessee
(Company)

Supplier

Payment
Ownership
Transfer of Equipment
How does credit differ from leasing?

**Borrowing, typically requires:**
- Established banking relationship
- Credit history (not start-ups)
- Additional assets for collateral

**Leasing:**
- Often available even when no credit history
- Usually does not require additional collateral
- Up to 100% financing
- Many countries offer tax-advantages
- Shari’a “friendly”
Key conditions for effective regulatory framework

• Light regulation;
• A clear definition of what leasing is;
• An appropriate balance of rights and responsibilities among parties to a lease;
• Limits to the responsibilities of the lessor;
• An unconditional obligation of the lessee to make the lease payments;
• The lessee’s direct recourse against the equipment supplier;
• Fast and efficient repossession procedures;
• An accurate system to register leased assets; and,
• Fair tax treatment.
We Focus on:

• Supporting regulatory and tax reform for leasing;
• Building capacity of banks and FIs;
• Raising awareness about leasing and its benefits.
• Investments in the leasing sector;

IFC’s potential assistance

Leasing Program Delivery Model

- Developing Legislative Environment
- Building Stakeholders’ Capacity
- Increasing Public Awareness
- Facilitate Investments to Sector
CONTACT INFORMATION

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Thank you for your participation