

ADVANTAGES TO BECOME A PARTY TO THE MAC PROTOCOL

I. ECONOMIC AND LEGAL BENEFITS

A. Increased legal certainty for creditors, lower financing costs for debtors

1. From a legal perspective, the MAC Protocol will provide greater certainty regarding the rights of secured creditors and debtors. It will clarify a creditor's rights in relation to equipment using a predictable and uniform legal regime supported by an online international registry system. The international Registry clarifies the position of creditors and where they stand in the hierarchy of claims in the event of a default or insolvency. Furthermore, the new framework will provide for the right to recover assets rapidly and will offer creditors a set of efficient remedies.

2. By strengthening the position of the creditor, the Protocol will reduce the cost of raising finance for the acquisition of MAC equipment. The Protocol will increase the willingness of financiers to enter new markets and encourage banks to commit larger amounts to deals and to offer credit at a lower cost. These benefits will improve access to credit for debtors, which will allow them to acquire new equipment to improve their operations in the MAC sectors.

B. Who will benefit from the MAC Protocol?

- Farmers and other agricultural entities will benefit from increased access to modern agricultural equipment at a lower cost, thereby increasing their productivity and yields.
- Builders and other construction entities will benefit from increased access to modern construction equipment at a lower cost, thereby decreasing operating costs and risks.
- Mining entities will benefit from increased access to modern mining equipment at a lower cost, thereby increasing their productivity, profitability and extractive capacity.
- Manufacturers will benefit from higher demand for their equipment and increase output.
- Dealers and traders will be able to export and import an increased volume of equipment and begin operations in new markets.
- Financiers will benefit from greater legal protection in issuing credit, which will allow them to provide cheaper financing in existing markets and expand operations to new markets.
- Law firms will benefit from the legal work created by a global increase in cross-border financing transactions.

C. Impact on economic development, food security and infrastructure

3. The expected economic benefits are enormous for countries that ratify the Protocol. A 2018 independent report prepared by Warwick Economics and Associates notes that the MAC Protocol is predicted to have a positive impact of \$23 billion on GDP in developing countries and of \$7 billion in developed countries, for a total impact on GDP equivalent to \$30 billion a year.¹ It is also estimated that over a ten-year period, the Protocol may increase the stock of MAC equipment in developing countries by \$90 billion. As the scope of the economic assessment was limited to the 63 UNIDROIT Member States, the actual global economic impact is likely to be much higher.

¹ <https://www.unidroit.org/english/documents/2018/study72k/1808-final-mac-protocol-ea.pdf>.

4. From a development perspective, the MAC Protocol will be one of the most important commercial law instruments aimed at improving economic growth, food security and infrastructure. In emerging and developing countries, the MAC Protocol will not only result in cheaper financing and better access to modern MAC equipment, but will also serve as a modernisation tool that is simple to implement. In general, emerging and developing economies are often more reliant on primary industries such as agriculture and mining. The Protocol will stimulate greater global productivity in the MAC sectors, thereby boosting the GDP of States that support and ratify it. The Protocol can be implemented alongside domestic secured transaction legal reform, which would complement ongoing efforts in many regions.

5. Developed countries will benefit from the Protocol as it is likely to lower the cost of credit in their domestic markets. In addition, the harmonisation of their secured transaction laws with those of other countries will provide a uniform legal environment for the financing of MAC equipment, thereby substantially reducing legal risks and due diligence costs and creating new markets for the export of MAC equipment, financing and the provision of legal services.

II. WHY SHOULD STATES SUPPORT AND RATIFY THE PROTOCOL?

6. The economic and legal benefits of the Protocol will only be realised once countries implement the Protocol. For a country to take advantage of the MAC Protocol's legal framework and its economic benefits, it must ratify both the Cape Town Convention and the MAC Protocol.