



International
Trade
Centre

TRADE IMPACT
FOR GOOD

Sector and Enterprise Competitiveness Access to Finance and Investment (AFI) for SMEs



Experts Group Meeting on enhancing trade and trade facilitation for increased diversification and the structural economic transformation of LLDCs

Trade finance for MSMEs– Challenges and policy responses for LLDCs
30 November 2021

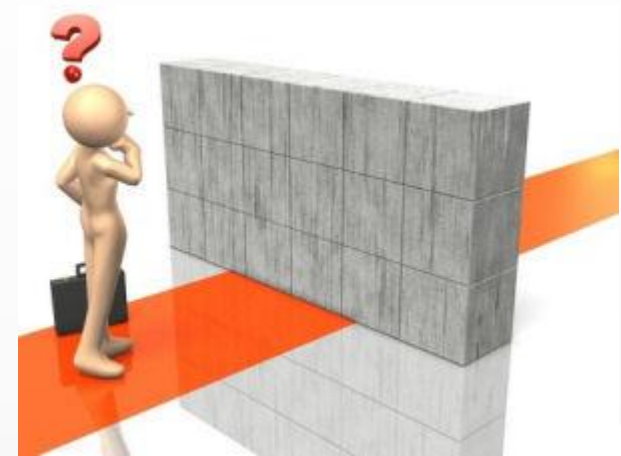


International Trade Centre (ITC)

1. **A joint technical cooperation agency** of the UN and the WTO created in 1964
2. **Priority countries** – Developing Countries
3. **Objective:** creating job opportunities, especially for women, young people, and poor communities by connecting SMEs to global value chains
4. **Focus** – Making SMEs internationally competitive and connecting them to global value chains by empowering TISIs and policy makers
5. **Priority interests** – development that is economically inclusive, social and environmentally sustainable

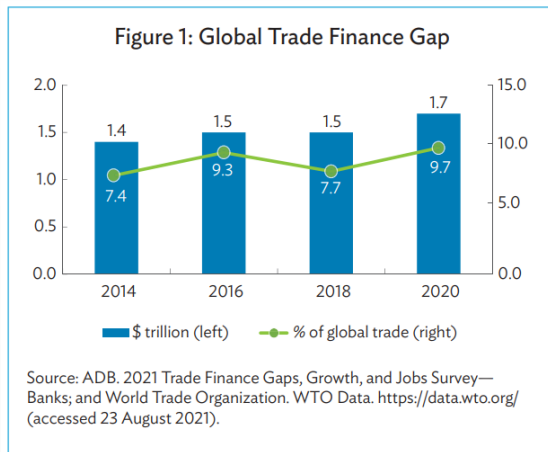
General SMEs Access to Finance Barriers

- ✓ Most SMEs are **start-up businesses** with **inadequate collateral**;
- ✓ **Lack of key financial management competencies**;
- ✓ Poor quality of **business plans**;
- ✓ No clear understanding of **banking lending requirements and financial products**;
- ✓ Lack of **time, motivation and the required resources** from Financial Services Providers (FSPs) to effectively address SMEs financial needs.



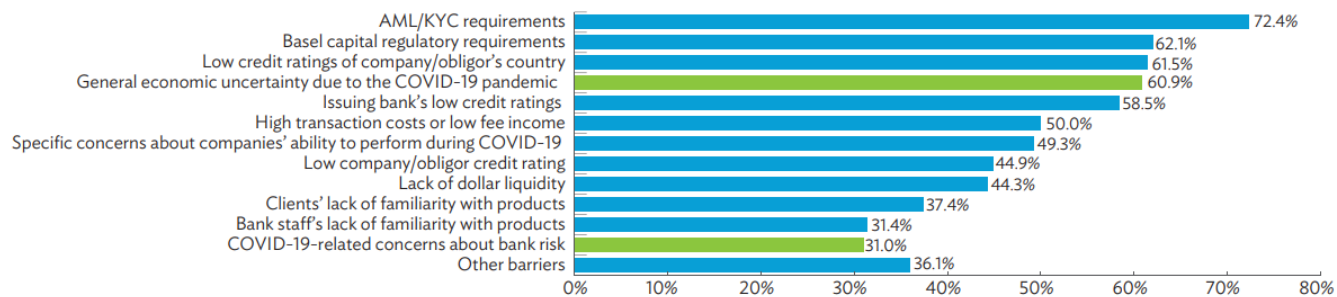
Source: <https://awesound.com/EmbraceYourADHD/009-add-couple-barriers-to-attention-part-2>

Trade Finance Gap and Barriers



- Trade Finance gap is estimated at \$1.7 trillion in 2020 vs \$1.5 trillion in 2018.
- Gap increased to 10% in 2020 from 8% in 2018.
- Firms' demand for trade finance declined as the COVID-19 pandemic dampened world trade and disrupted global value chains.

Figure 4: Barriers to Servicing Global Trade Finance Needs
(% of responses)



AML = anti-money laundering, COVID-19 = coronavirus disease, KYC = know your customer.

Source: ADB. 2021 Trade Finance Gaps, Growth, and Jobs Survey—Banks.

How to Address Gap and Barriers?

- Train fund managers in identifying, investing in, and promoting sustainable MSMEs
- Work with Governments to encourage GVC lead firms to respect basic international standards on decent work and environmental protection.
- Help MSMEs join sustainable global value chains
- Establish clear sustainability guidelines which would offer banks an incentive to monitor their borrowers' labour and environmental compliance.
- Improve the creditworthiness of MSMEs and help them to develop sustainability focused business plans.
- Leverage fintech to improve access to Sustainable Trade/Export Finance for MSMEs.

Improved Access to Sustainable Finance

ITC Capacity Building for MSMEs and FSPs: Steps



Sustainable Finance Products

- Equity
- Loans
- Grants
- - Guarantees /Insurance

DIAGNOSTICS

MSMEs

- Identify MSME types (Green Innovators or Green performers) and their respective financial needs
- Map out various Sustainable Finance products and providers

FSPs

- Assess FSPs awareness about ESG, SDGs and Sustainable Finance and identify their capacity building needs

TRAININGS AND COACHING

MSMEs

- Improve the credit profile of MSMEs and assist them to develop business plans that include sustainability information

FSPs

- Build the capacity of FSPs to strengthen their ESG risk management framework and become eligible for Sustainable, Green or Climate finance for climate smart, resource efficiency initiatives.

PARTNERSHIPS AND MATCHMAKING

- Partner with providers of Sustainable Finance interested in sustainability compliant MSMEs through local FSPs
- Connect eligible MSMEs to equity, concessional loans, grants, etc.

Sustainable Finance Conferences

Objectives:

- Discuss the funding of climate change mitigation and adaptation, climate conscious investments
- Discuss the risk climate change poses to a financial institution's portfolio, and the potential for climate change regulation to spur the development of new products and services for individuals and SMEs.

Participation:

- 150 participants in Zambia
- 280 participants in Kenya
- 250 participants in Ghana
- 300 participants in Cote d'Ivoire



Sustainable Finance Trainings for FSPs



Objectives:

- Educate on the challenges, opportunities best practices and the climate smart initiatives funding (Green Finance)
- Assist FSPs to strengthen their ESG frameworks and compliance.



Participants

- More than 300 CEOs, Senior Executives, Officers, Managers of Credit Operations of FSPs and BDS in three countries from 100 FSPs

Sustainable Finance Trainings for MSMEs

Objectives:

- Provide the opportunity for participants to share the challenges they face when applying for funding and solutions to mobilize the required funding
- Sensitize on Green Finance, the incentives and financial sources for environmentally friendly projects

Participation:

- 250 MSMEs made of 95% of Women Entrepreneurs



E.g. of Project: Promoting Ugandan Coffee Exports



- National Union of Coffee Agribusinesses And Farm Enterprises (NUCAFE)
- Funding sought for construction of processing plant and export of processed coffee
- 50 Coffee Farmers Associations (CFAs) from NUCAFE assisted to access finance for export.

CFAs ASSISTED

50

ACCEPTANCE RATE

70%

SUSTAINABLE FINANCE MOBILIZED

USD 2mn from Rabobank
Foundation for 5 years

MAIN PARTNERS

- NUCAFE

Thank You!

Access to Finance and Investment Programme

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