

Trade finance for MSMEs– Challenges and policy responses for LLDCs

Focus on Africa

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Trudi Hartzenberg
trudi@tralac.org

LLDCs in Africa

- Africa - a fragmented continent: 16 LLDCs; 33 LDCs
- African integration is an imperative
- Dominant business category – **MSME** – key role of **women**
- Challenges of trade and transport connectivity: to other African markets and global markets
- Digital connectivity challenges (access to e-commerce platforms: B2B, B2C, payment systems/platforms)
- Perennial and pervasive problem: **ACCESS to FINANCE** in various manifestations
- Trade transaction costs: more costly to trade with neighbours than global partners; NTBs associated with customs and border management (dwell time at borders) – tralac study (20% reduction in time in transit - greater gains than elimination of **all** tariffs on continent) – **TRADE FACILITATION MATTERS (key contribution of AfCFTA)** – **Importance of WTO Trade Facilitation Agreement**
- Trade and value chain connections (imports and exports matter) – Africa's productive capacity (industrialisation) development agenda

Role of Trade finance for MSMEs

- Trade facilitation
- Cross-border value chain development
- Women's economic empowerment (not only start-ups, but growing businesses)

NOTE: financial services one of the 5 priority services sectors in the AfCFTA (our discussion links to trade in services agenda)

Afreximbank Trade Facilitation Programme (AFTRAF)

We see financial institutions, including development finance institutions, engaging beyond their core business areas

The Afreximbank Trade Facilitation Program enhances the confidence of counterparties in the settlement of international trade transactions and improves correspondent banking relationships. It supports critical imports into Africa, boosts intra-African trade and facilitates the purchase of equipment for the production of export goods. It provides trade confirmation services, trade confirmation guarantees and irrevocable reimbursement undertakings.

AFTRAF is designed to counter the recurring trend of reduction or withdrawal of trade lines to African banks by the international banks following the de-risking process. The program is offered to African financial institutions in response to the increasing de-risking of African banks as a result of the stringent compliance and regulatory requirements imposed by international banks.

It enables local banks to use the trade confirmation guarantee facility to expand their correspondent banking relationships.

Afreximbank Begins Construction of Africa Quality Assurance Centre in Nigeria

Commercial bank and DFI responses

→ What is needed

- The importer will need the data from the sales contract as well as the required documentation that is required to bring the goods into the importing country in order to be able to complete the LC application form.
- The exporter will need to present the documents called for by the LC in the condition and time period required by the LC.

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Logistics

Move raw materials, capital equipment or third-party goods with the appropriate cover

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Tradeshows

Enjoy invitations to virtual and physical tradeshows and events, both internationally and locally

Land or sea

Cover loss or damage to cargo being stored or moved from one point to another

Risk and insurance **management** services to support traditional service offerings. (value added services development)

Commercial bank and DFI responses cont'd

COMESA's TDB and Afreximbank

Commercial Banks have focused mainly on existing, larger customers whilst SMEs and new clients have been side-lined

COMESA's Trade and Development Bank (previously PTA Bank) 2020 Newsletter - re COVID experience

Egyptian Women Entrepreneurs Seek Afreximbank's Support to Expand Into Other African Countries

Two key focus areas in Africa are on women in business and the Green Revolution. As a result, a portion of the package will target businesses owned or managed by women. In addition, at least 25% of the funds allocated under the partnership will be earmarked for green projects, such as renewable power, energy efficiency and climate change adaptation measures. Afreximbank is currently appraising renewable energy projects in excess of circa EUR 100 million for which the EBI facility will support. In addition, part of the funds will support the re-purposing of factories to manufacture PPE and other COVID-19 materials, through the African Medical Supplies Platform, a digital platform promoted by Africa CDC, Afreximbank, UNECA and Au Envoy, Mr. Strive Masiyiwa.

EIB and Afreximbank direct EUR 300m of support to African COVID response

Afreximbank launches MANSA, Africa's Digital Due Diligence Repository

08/05/2020

Categories: [Press](#)

11/30/2020

Categories: [Press Releases](#)

Cairo, 30 November 2020: – African Export-Import Bank (Afreximbank) today in Cairo officially launched the operations of 'MANSA', a pan-African customer due diligence repository for financial institutions, corporate entities and SMEs, developed to address the perceived risk of doing business in Africa and with Africans.

MANSA is a single source of the primary data required for Customer Due Diligence (CDD) and Know Your Customer (KYC) checks on African entities, including financial institutions, corporates and SMEs, in accordance with best practices. The Platform will also serve to address key trade related challenges facing the continent, including, the lack of market information, the high cost of doing business in Africa and discovering African counterparties.

The launch of MANSA operations was announced at a virtual event hosted by Afreximbank that featured a panel discussion involving Prof. Benedict Oramah, President of Afreximbank; Mr. Ade Ayeyemi, Group CEO of Ecobank; Stefan Nalletamby, Director – Financial Sector Development Department at the African Development Bank; Dr. Naglaa Nozahie, Governor's Advisor, African Affairs, Central Bank of Egypt and Engr. Mansur Ahmed, President, Manufacturers Association of Nigeria.

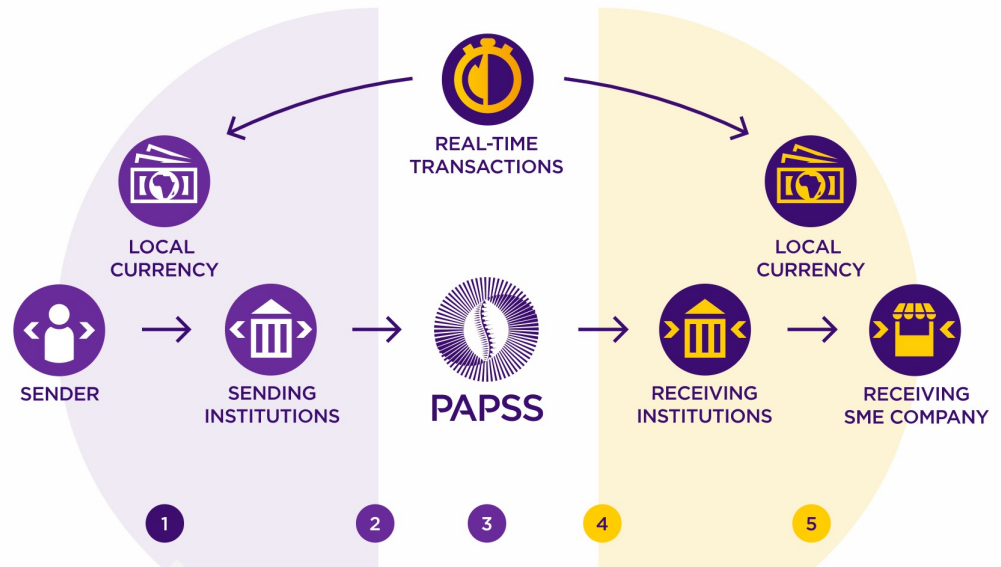
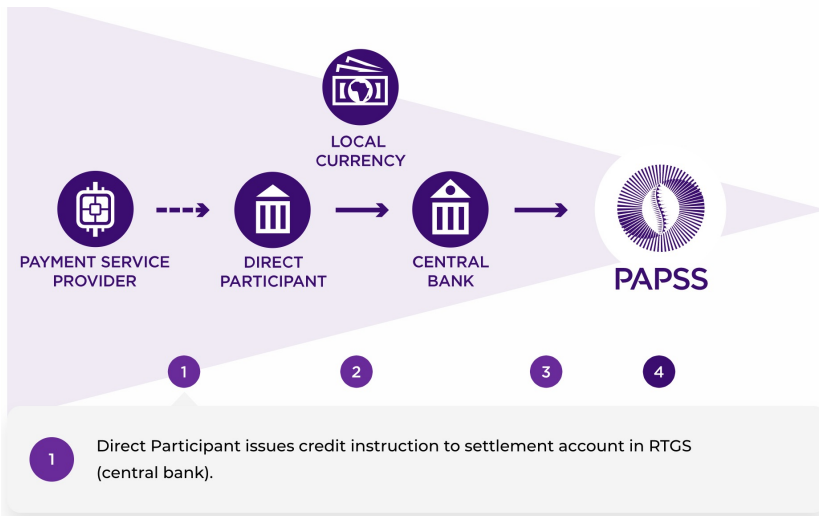


Connecting Payments. Accelerating Africa's Trade.

Payment and Settlement Systems

How instant payments work

With Instant payment, participants no longer need to convert local currencies into hard currencies which then entailed the funds leaving Africa to be converted before being sent back again to the beneficiary bank – adding days to the transaction time. In addition, compliance, legal and sanctions checks are performed instantly within the system. Near-instant payments process within 120 seconds.



Direct Participants integrate directly with PAPSS and the real-time gross settlement (RTGS) systems of central banks in the pre-funding process. Participants without an RTGS account – **Indirect Participants** – are able to fund or defund their clearing accounts on PAPSS with the aid of a **Direct Participant** providing the required liquidity.