WORLD TRADE BOARD

Connecting Markets and People

TRADE, TECHNOLOGY & FINANCE

ADVANCING INCLUSION IN DEVELOPING MARKETS

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CONTENTS

The financing of international trade is often perceived to be – and can be – quite complex, and a specialized area of international finance.

80% of global merchandise trade flows, worth US $15-18 trillion annually, depends on trade financing and would not take place without some form of trade finance, including various forms of risk mitigation.

Trade financing encompasses both long-established techniques like documentary letters of credit, and more recently evolving techniques covered under an umbrella term, "Supply Chain Finance" (SCF) which aims to address the large majority of international trade today. Supply chain finance can cover the short-term extension of credit from export at one end of a supply chain as far as advance payments for harvest campaigns at the other end of a supply chain. Shari'Ah compliant forms of SCF exist.

The financing of international trade can be understood on the basis of a framework that is referred to as the "Four Elements of Trade Finance". Trade financing, whether the traditional variety or the techniques covered under SCF, involves some combination of the following:

- Secure and timely payment across borders
- Mitigation of a variety of risks
- Financing
- Information flow, related analyses and reporting

Importers and exporters doing business together, or buyers and suppliers conducting business in the context of global supply chains, generally agree together to the terms under which trade is to be conducted, including modes of payment, available financing options and required risk mitigation solutions. Information related to the transaction, including the state of the physical shipment and its position in transit, can be directly relevant to the financing options available.

Payment	Financing	Risk Mitigation	Information
▪ Secure ▪ Timely & Prompt ▪ Global ▪ Low-cost ▪ All leading currencies	▪ Available to importer or exporter ▪ Several stages in the transaction ▪ No impact in Operating Line for exporters	▪ Risk Transfer ▪ Country, Bank and Commercial Risk ▪ Transport Insurance ▪ Export Credit Insurance	▪ Financial flows ▪ Shipment Status ▪ Quality of Shipment ▪ L/C systems include web & desktop solutions

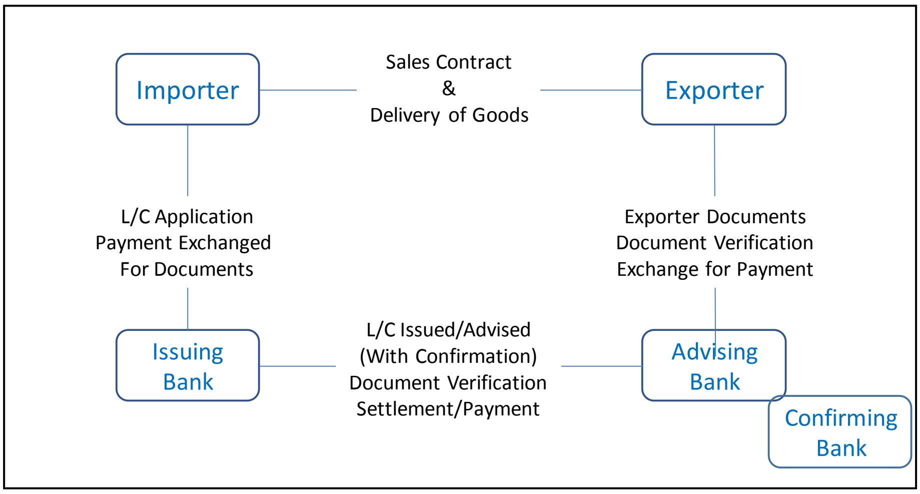
"Four Elements of Trade Finance", Financing Trade and International Supply Chains,

Malaket, 2014

Traditionally, trade finance and settlement options can be looked at in terms of the relative risk to the importer versus the exporter - payment in advance involves maximum risk to the importer and maximum security to the exporter, whereas payment on delivery implies the reverse scenario, where the exporter faces maximum risk in sourcing elements of production, shipping the goods and assuring delivery without receiving any funds. Between these extremes are several settlement options that distribute risk between the importer and the exporter.

In any of the foregoing scenarios, the Four Elements Framework can be applied to understand the nature of the trade financing solution applied. The nature of trade can vary significantly - involving established and trusted commercial relationships in low-risk markets at one extreme, and new, untested relationships with commerce across high-risk markets at the other. In the former instance, focus may be on prompt payment and some form of financing; in the latter case, the risk mitigation element may be so critical, that the transaction (and the relationship) cannot proceed without it.

Trade financing can be illustrated by the nature and process flows related to the use of a documentary letter of credit one of the most common banking instruments.



Documentary Credit Flow, "Financing Trade and International Supply Chains", Malaket, 2014

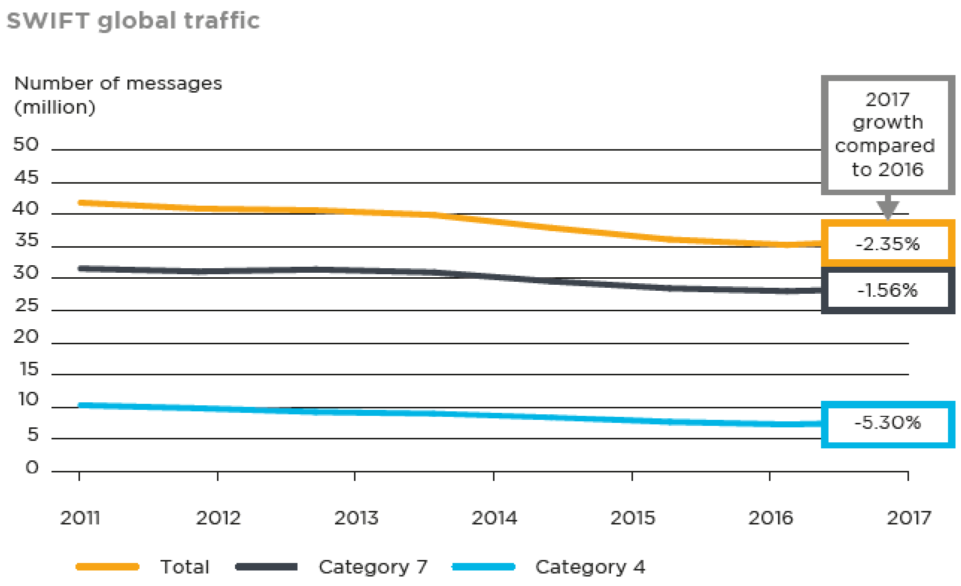
Documentary Credits involve a payment undertaking by the Issuing Bank, on the basis of an exporter demonstrating that all agreed terms and conditions have been met. Documents provided by the exporter serve to demonstrate that terms and conditions have been fully complied with, and enable the transfer of ownership from exporter to importer.

These instruments allow for the transfer of various forms of risk - for example, use of a Documentary Credit (also known as a Letter of Credit or L/C) enables an exporter to rely on the payment promise (and capability) of the Issuing Bank in lieu of a buyer in a market somewhere in the world. At the same time, L/Cs provide some assurance to the Importer that payment will only be effected, once there is substantiation that all agreed terms and conditions were met as agreed.

L/Cs include a variety of features, such as the option to "Confirm" an L/C - that is, the option for another financial institution to add a separate and independent payment undertaking to that instrument. A Confirmation enables the exporter to rely on the payment promise (and potentially a financing solution) from what is typically a locally-based bank, usually the exporter's own bank. Confirmation of an L/C eliminates the need for the exporter to depend upon the payment undertaking of the Issuing Bank, located in the home market of the importer. This feature also protects the exporter from any risks related to political instability or other risks associated to the importing market.

Traditional trade financing now accounts for only about 10% of merchandise trade globally. The use of traditional instruments like L/Cs, transmitted through the Belgium-based Society for Worldwide Interbank Financial Telecommunication (SWIFT) system remains important to international trade, with developing economies still material users of the system.

SWIFT is a bank-owned cooperative that facilitates global payments and the secure transmission of a range of trade financing instruments like Documentary Credits (MT 700 Messages, a Category 7 below) and Documentary Collections (MT 400 Messages, a Category 4 below) which have been trending flat to downward for several years.



ICC Annual Survey and Report - Global Trade: Securing Future Growth, 2018

Supply Chain Finance (SCF) encompasses a range of techniques aimed at addressing trade activity that takes place on open account terms - an option where payment is triggered when an agreed milestone in the transaction is achieved, such as the loading of cargo onto the ship that will deliver it to its destination.

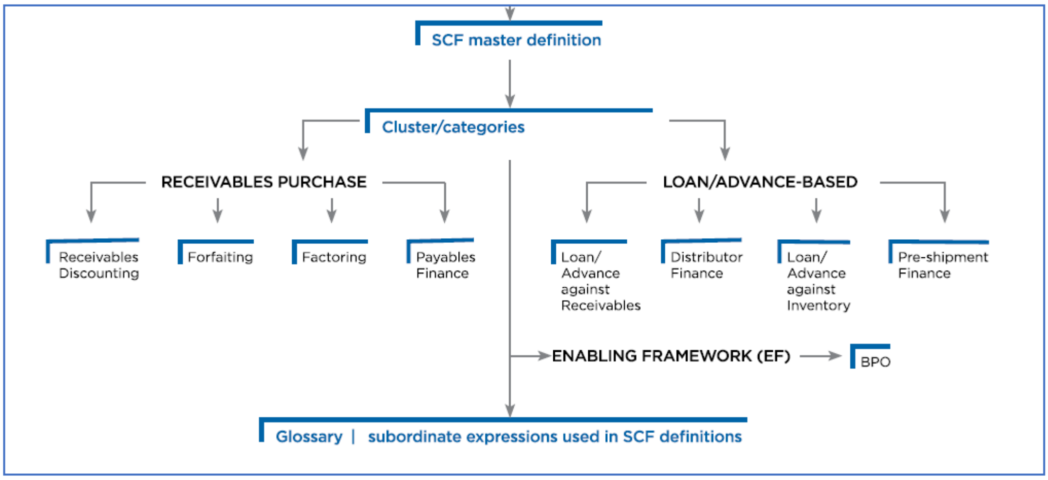
Supply Chain Finance is sometimes used incorrectly to reference a single technique, where it should be used to describe a "program" of techniques that apply to the financing of global supply chains; a holistic approach that is also reflected in the use of the term "Supply Chain Financial Management".

Supply chains actually involve multiple layers of activity: the physical supply chain that covers the production, shipment and delivery of goods; the financial supply chain, that addresses payment and financing flows across supply chains, and the information supply chain which refers to data and information related to the physical and financial supply chains.

In SCF, the most common and widely adopted technique to date is Payables Finance, where a buyer and the buyer's bank in a low-interest rate regime collaborate to make cost-effective financing available to a qualified group of suppliers in a higher interest-rate regime. Financing is advanced against the buyer's borrowing capacity and credit standing. This approach can allow a buyer to extend payment terms (delay payment) and enable SME suppliers invited to such a program to access funds through discounting.

While SCF techniques initially emphasised financing and payment elements, the risk mitigation element has gained profile and priority over the past several years, and will continue to do so, as SCF increasingly supplants traditional mechanisms like L/Cs, which are seen to be too paper and process-intensive and prone to error.

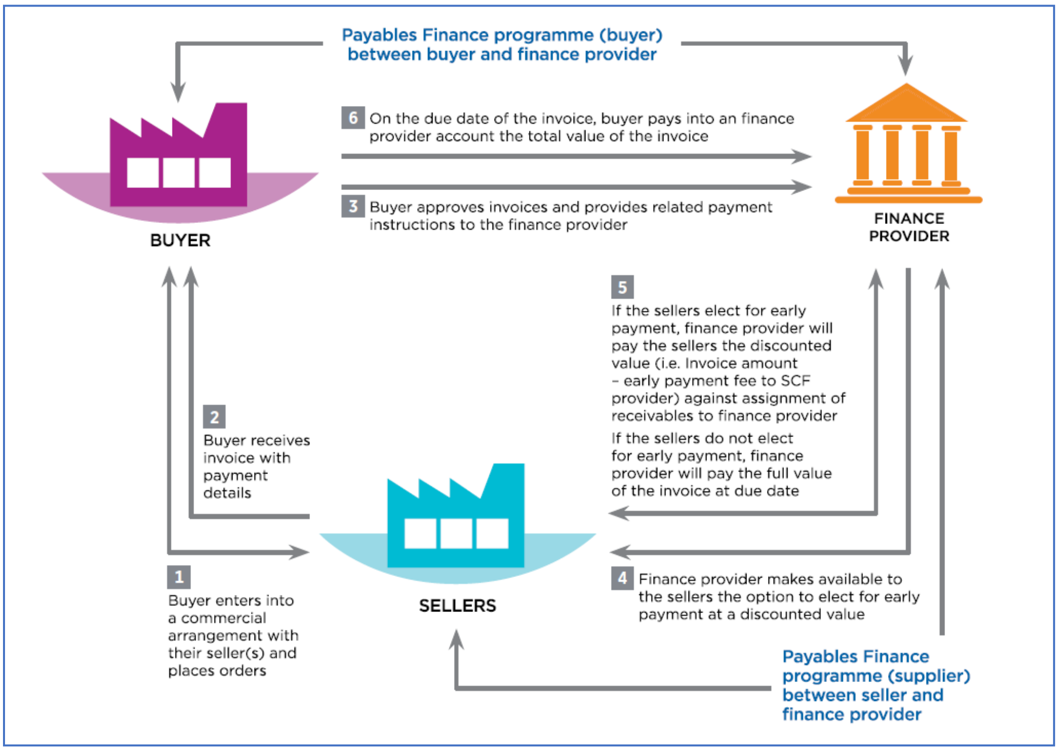
SCF is growing fast and is being widely adopted in trade financing, by banks, non-bank alternative financiers, technology-enabled platform providers or e-retailers such as AliPay, ANT and WeChatPay. The scope of SCF techniques and solutions is illustrated by the following graphic, which presents SCF in a programmatic form.



Standard Definitions for Techniques of Supply Chain Finance, ICC and Partners, 2016

As noted earlier, the most common technique in SCF today by market adoption rates is Payables Finance. Factoring is a mature technique with fast-growing international volumes, commonly provided through bank affiliated factoring businesses outside of trade financing business units.

Certain parts of the world are further along in the SCF journey; market education is an important aspect of advancing the adoption of SCF and the deployment of liquidity across supply chains. In the roll-out of SCF some standard definitions have been adopted as illustrated below:



Standard Definitions for Techniques of Supply Chain Finance, ICC and Partners, 2016

Payables Finance allows qualified suppliers - including SMEs often based in developing or emerging markets - to access financing at significantly lower cost than might be available locally, or might be made available based on the credit risk profile of those suppliers. Large buyers, at times with supply chain ecosystems involving multiple thousands of suppliers around the globe, can choose to make their low interest rate borrowing capacity available to a subset of strategically important suppliers. Deployed properly, these programs are win/win in character, allowing buyers as well as suppliers to enhance their working capital position. Payables Finance programs can be abused, but at their best, they aim to drive affordable financing into global supply chains, thus enhancing the health and robustness of these complex commercial communities. One US-based multinational refers to their Payables Finance solution as a "Supplier Wellness Program".

In the end, trade financing, whether traditional or SCF, is the key to enabling international commerce and to the growth of SMEs. The economic value generated through international trade depends upon access to adequate levels of affordable trade financing.

UNDERSTANDING THE TRADE-FINANCE-DEVELOPMENT LINKAGE

Practitioners in international development, from UN agencies to multilateral development banks to entities like the International Trade Centre, all recognise, within their Aid for Trade Programmes (A4T), the importance of international trade to advance enterprise and social development.

A4T has been in operation for many years, and trade-based international development is integral to supply chains like those linked to tea, chocolate, tropical fruit, coconuts, natural resources and any number of other products and services.

We have established that the successful conduct of trade, and the related creation of economic value, depends on trade financing of one form or another. One form of trade that promotes development of suppliers and their communities is called Fair Trade where sourcing is done on a sustainable basis and with a view to the longer-term benefit of society and, when the conduct of trade explicitly involves driving paying a premium or supplement (over current pricing) that recognises the "fairer value" of a product or service at each stage of a supply chain.

Fair trade programs and initiatives aim, among other things, to ensure that producers at the "tail end" of often complex and far-reaching supply chains are assured a fairer portion of the value of the products they produce or source, that find their way to affluent consumers around the globe.

Sustainable trade goes further than pure Fair Trade and encompasses climate mitigation, climate adaptation, pollution, energy use and waste reduction and improvement of enterprise efficiency. The related concept of sustainable trade finance - as a mechanism to promote sustainability practices - is increasingly gaining momentum in the market.

Background information

Sustainable trade finance defined

The ICC Banking Commission defines this as "finance which supports goods or services produced in a manner that minimises adverse environmental or social impacts or risks, or that promotes environmental protection or social benefit."

In its 2015 Charter for Sustainable Development, the ICC set forth guidelines to achieve sustainable development in a business context, described as "a process whereby companies seek to manage their financial, societal (including governance) and environmental risks, obligations and opportunities." This is commonly referred to as a triple bottom line approach where business connects to healthy and balanced economic, societal and environmental systems. In order to do so businesses must be aware of the principles of sustainable development such as outlined in this Charter, and consider their impacts on the environment in which they operate."[3]

The Charter recognizes the importance of implementing this approach with distributors, service providers, and other relevant partners, and collaborating with all actors in the value chain to achieve responsible behavior across the entire product or service life cycle. Applying this approach to the context of traditional trade and supply chain finance products, our working group has defined "Sustainable Trade" as "the business and activities of buying and selling commodities, goods and services that meet environmental, social and economic criteria capable of benefitting all actors involved and minimizing adverse impact while fostering sustainable global development."

ICC Annual Survey and Report - Global Trade: Securing Future Growth, 2018

ADVANCING INCLUSION THROUGH ACCESS TO TRADE FINANCING

With the critical role of trade finance as an enabler of international trade now gaining visibility, the discourse can extend to a discussion and analysis of the linkages between trade financing, social and economic development, particularly trade-based economic inclusion.

JOB CREATION IMPACTS

It is tricky to distill the real economic impact of trade finance gaps. However, firms (86% in the 2017 survey) have consistently reported that additional trade finance would enable their businesses to grow and generate more employment. This perception is level across regions, with the strongest results among African and South American firms (90% of firms report that additional trade finance would enable them to create jobs).

ADB Briefs: Trade Finance Gaps, Growth and Jobs Survey 2017

There are clear opportunities to advance inclusion through trade and through trade financing. SCF, and Payables Finance in particular enables SME access to affordable trade financing for SMEs, many of them suppliers in complex supply chains and many based in developing markets. Micro enterprises can also gain access to trade financing through this technique, reaching the deepest parts of global supply chains.

SMEs are acknowledged globally as fundamentally important creators of economic value, whether in developing markets or in OECD economies. At the same time, SMEs experience the greatest challenges in accessing trade financing.

Payables Finance programs by their nature drive liquidity into international supply chains and facilitate access to trade financing for SMEs in emerging markets. The benefits of doing so include assuring the health and sustainability of important arteries of global commerce. To ensure that trade finance and SCF really do lead to inclusive development a number of recommendations have been developed:

RECOMMENDATIONS

1. Advocate for and facilitate a global coordination of efforts, knowledge management, and policy recommendations around trade and SCF through sessions at the annual Davos meeting and the ICTSD.
2. Engage with the ICC, the WTO, the multilateral development banks, and others to add further to the deliberations around appropriate but non-stifling regulation of bank intermediated trade financing, including capital adequacy, compliance, due diligence, and related areas. Advocate in support of appropriate treatment of on- and off-balance trade financing as well as emerging propositions in SCF. Support the adoption of a global solution to due diligence and "Know your Customer" requirements, such as the SWIFT KYC Registry.
3. Undertake specific analysis on the potential for SCF and emerging solutions like the BPO to address the needs of SMEs in developing and emerging markets, and to assist those markets in better linking to global supply chains and value chains.
4. Conceive, design, and engage in an exploratory dialogue with industry experts and policymakers around innovations in trade financing to address specific, strategically important categories of trade activity, such as high-value services sector trade flows, commodity flows, and others deemed important to international development.
5. Conceive and lead analysis aimed at identifying innovative ways to address the global gap in trade financing, including through a variety of non-traditional sources and providers, and considering developments in mobile finance, microfinance, and similar areas relevant to SMEs and developing economies.

Leveraging Supply Chain Finance for Development, E15/WEF, 2015

The potential for trade financing to advance development is perhaps best brought to life by the activities and impact of the various multilateral development banks that have trade financing (both traditional and SCF) programs. These programs address gaps in service, financing costs and financing availability from banks in suppliers' countries in particular. They include various guarantee and financing programs, risk mitigation solutions and programs aimed at enabling emerging market banks to engage in trade financing.

Many banks, including developing country banks, perceive that providing trade financing for MSMEs is a low margin, high management activity that adds a disproportionate amount of risk to balance sheets compared to the profitability of other bank activities. In addition, these banks often lack systems and connectivity to enable trade-financing solutions of the sophistication offered by international providers. Technical Assistance activities are provided by development banks to provide comprehensive training and advisory services in trade financing, delivered in developing markets around the globe. Some examples are provided below:

	ADB	AfDB	EBRD	IDB INVEST	IFC	ITFC
Program Title	Trade Finance Program (TFP)	Trade Finance Programme (TFP)	Trade Facilitation Programme (TFP)	Trade Finance Facilitation Program (TFFP)	Global Trade Finance Program (GTFP)	ITFC Trade Finance Program (TFP)
Number of Countries of operation	22	49	26	21	85	51
Organization structure (Staff, outside consultants...)	17	1 Division Manager plus 8 staff and 1 consultant	7 trade finance bankers and 5 administrative staff	10	42	74
Program Commencement	2004	2013	1999	2005	2005	2008
Program total limit (authorized exposure ceiling)	US$1 billion	US$1 billion (for guarantees only)	US$ 1.8 billion	US$1.5 billion	US$5 billion	No limit
Value of Transactions since Commencement	US$ 30 billion (2009-2017)	US$ 6.65 billion	US$ 18.5 billion	US$ 5.9 billion supporting US$ 9.1 billion underlying transactions	US$ 64 billion	US$ 40.2 billion
Number of Transactions in 2017	3,505	330	1,905	178	5,750	53
Value of Transactions in 2017	US$ 4.5 billion	US$ 1.76 billion	US$ 2.3 billion	US$ 750.3 million supporting US$ 929.8 million underlying transactions	US$ 6.7 billion	US$ 4.9 billion
Number of Correspondent Banks	240	14	800	100+	1400	NA
Number of Issuing Banks	150	365	95	105	285	NA

TECHNOLOGY, PLATFORMS AND MSME ENGAGEMENT IN TRADE

Technology is enabling a completely new model of direct, global trade by Internet-enabled, independent, MSMEs. Traditionally, the costs associated with conducting commerce over distance were so high that they impeded MSMEs from making direct connections with global customers and limited their trade activity to participating in global value chains. Under this model of trade, MSMEs may have gained greater market access than they had before, but their fortunes are closely tied to the success of larger firms.[1] However, the online platform-based trade model - which combines Internet, commerce, payments, and logistics platforms - has dramatically reduced the cost of distance and is empowering MSMEs to directly engage with international customers at unprecedented levels. In-depth research conducted by eBay has revealed that nearly every MSME on its platform is an exporter that reaches numerous markets across multiple continents. Trade figures show that this technology provides for a more inclusive model of development as figures are similar across advanced and developing countries.[2]

Internet-enabled MSMEs are a relatively new phenomenon in the context of the trading system. Therefore, it is not surprising that their unique interests and methods of business have largely not been taken into account as a meaningful part of trade policy discussions at the national level, or in trade negotiations at the multilateral level.

To the extent trade financing is discussed in those contexts, the specificities of independent, internet-enabled, small yet global enterprises are not well studied. For instance, a simple survey of the women entrepreneurs participating in the joint eBay and ITC project as part of the SheTrades program found that the large majority of the respondents indicated that they need additional financing to export.

The most sought-after forms of financing were equity financing and commercial loans. This illustrates how the changes required to accommodate these new traders might be driven by new actors, and not by policymakers or banks.

Banks, especially those in emerging economies, no longer have the trade and supply chain financing fields all to themselves. There were at least eight different international consortia developing SCF technology systems in 2018. PayPal has been providing cross-border working capital loans based on payment volumes and patterns and in China, e-retailers have been most prominent, with Alibaba providing access to trade finance directly through its platform.

Ant Pay launched SME banking services through an entity called "MyBank" that uses spending habits, sales and logistics data from the AliPay network to evaluate working capital and supply chain finance requests within minutes and for rates below 7% in total. WeChat Pay, FastTrack Trade and CUY China Bank have similar offers for SMEs using their e-commerce, financing, credit insurance, logistics and payment partnerships.

Some operators have extended their networks into South Africa and certain Asian countries already. The regulatory compliance measures (mainly "Know your Customer" or KYC and Anti money laundering or AML) are considered as onerous by many developing country banks. Such regulatory requirements, most commonly addressed at the start of a banking relationship linked to trade financing can be seen as a reason not to engage in trade financing.

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[1] UNCTAD describes how an economic crisis may lead to a domino effect within GVCs: the main enterprise faces difficulties, the first-tier suppliers are strongly affected, the second and third tier suppliers end up suffering from serious financial difficulties with their survival threatened. “Integrating Developing Countries’ SMEs into Global Value Chains”, UNCTAD (2010), http://unctad.org/en/Docs/diaeed20095_en.pdf

[2] eBay (2017) *Small Online Business Growth Report*. Available at: https://www.ebaymainstreet.com/policy-papers/state-small-online-businesses-worldwide-results-ebays-5-year-study

Technology is available to assist financial institutions and regulated financiers in meeting AML/KYC requirements, complementing collection of transaction data, periodic relationship and credit reviews in the overall process of risk and credit management.

Developing market banks may lack access to such technology, or even to other sources of data or analysis that could assist in reducing the cost of addressing regulatory and compliance requirements. The need to rely on manual or semi-manual processes introduces both risk or error and greater cost in compliance activity, discouraging local banks from engaging in trade financing.

Banks find themselves at another disadvantage as further risks and verification costs are incurred due to a lack of cross linkages between themselves and logistics operators. This means that most banks engaging in trade finance are still at "arms length" with the underlying business and logistics providers, and rely on exchanges of original, or certified paper shipping documents, physical inspections and invoices especially in providing traditional trade financing solutions like documentary letters of credit.

Logistics operators are now so global and financially sound that they can offer trade-financing activities of their own based on the depth of information they hold on freight at every step of its journey, including, for example, fully-electronic detailed information in real time of changes in temperature, pressure or humidity within each container. Banks remain blind to this information, which when fed into semi-automatic robotized systems, reduce human interventions, costs and time to approve trade payments.

Other new systems being tested at this time include We. Trade (formerly Digital Trade Chain - focusing on corporate clients with large numbers of SME suppliers), Marco Polo - offering open, SME to SME facilities, GT Nexus (linking physical and financial supply chains) and VAKT (Pure commodity trades). The current batch of new systems make use of Blockchain, Cloud, AI and Robotics technologies together to bring efficiency and new levels of trust between SME counterparties that do not know each other.

IBM and Maersk are collaborating in the development and deployment of a Blockchain-based solution around logistics and shipment-related data. This may include a financing component to its proposition or integrate with one or more of the evolving financing platforms.

Technology-enabled trade offers an unprecedented opportunity but also a technical challenge for entrepreneurs and SMEs. Few entrepreneurs currently in business are sufficiently knowledgeable of the benefits of information technology systems, good financial management practices, legal entity identification and electronic banking.

Bringing processing and exporting SMEs into new technology is particularly important to assure the "last Km or mile" of traceability of payments, movements of supplies for farmers and suppliers to gain the most efficiency from technology systems. A provision for the funding of widespread technical assistance will be required to upgrade knowledge and expand the use of such systems for to smaller operators to see the benefits.

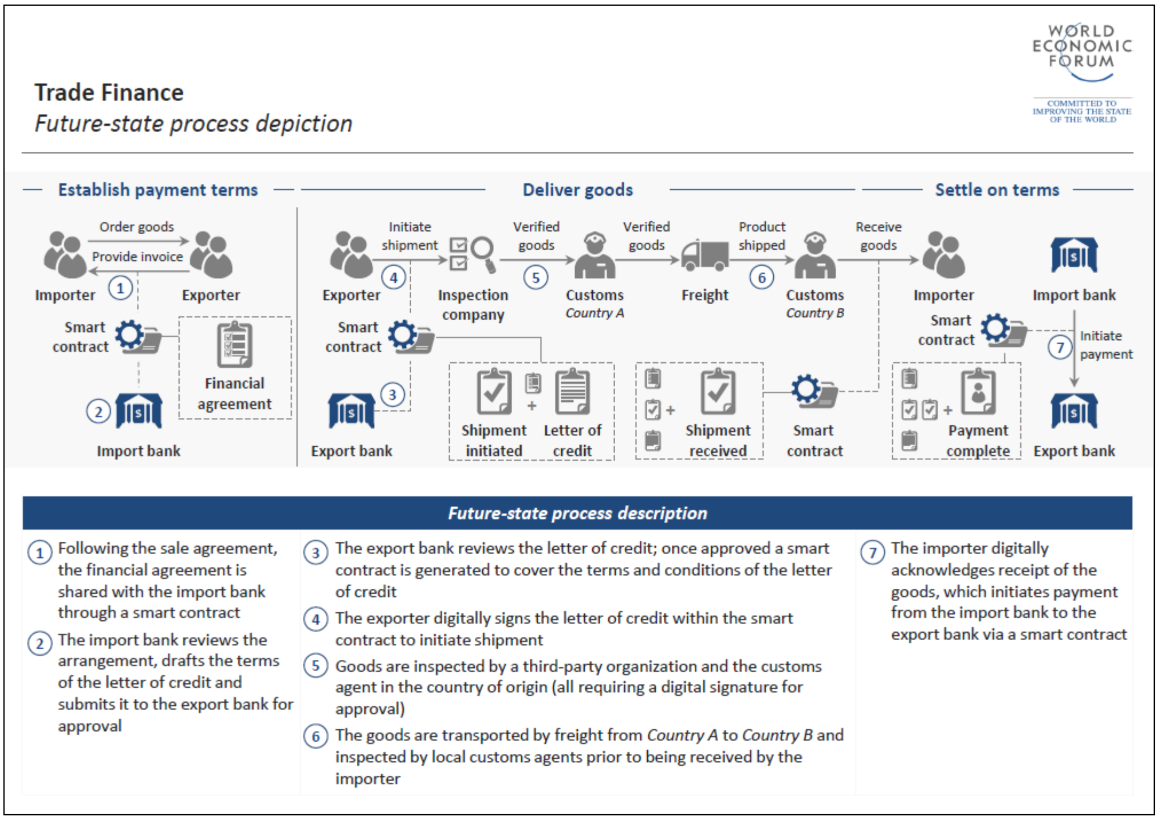
This is where multilateral development banks and the UN agencies involved in the development of trade have a role to play, for example: The International Trade Centre's Access to Finance services impartially advise SMEs, and financial institutions about upgrading financial management practices, available sources of financing, new technologies and their use. ITC also provides impartial in-country information platforms, and financial management advisory capacities, affordable for SMEs.

The EMPRETEC programme of the UN Conference on Trade and Development (UNCTAD), raises enterprise skills through other channels such as group workshops, training and advisory centres. Trusted local advisory services like these can play a significant role in convincing entrepreneurs of the business value, efficiency and security of new technologies and systems, accelerating their adoption.

Working with thousands of SMEs across the world each year, ITC can bring unique insights to developers and banks on what will motivate trading SMEs to take up new systems in their pursuit of opportunities in international markets.

In a similar way, the UNCTAD holds periodic meetings to inform leaders and policy makers on the advantages and challenges of implementing new technologies and to link them to more "inclusive" trade - a term that links both trade and social development.

As the quality and traceability of trade finance short-term debt improves with access to new systems, banks may be more able to package the transactions for securitisation on a secondary market with investors. This facility alone could tip the balance for developing country banks to take more interest in SME trade financing as an asset class for local investors -freeing up capital for economic and trade expansion. This is a medium-term option given the state of such structures even at the upper end of the trade finance market. In the end, this also still requires banks to become more engaged in SME trade financing.



The Future of Financial Infrastructure: An Ambitious Look at how Blockchain can Reshape Financial Services, August 2016

In a world reeling from IT enabled fraud one aspect is fundamental to the use of new technology for the benefit of SMEs. This is the assurance that a supplier or payee are who they say the are - in other words the validation of a legal entity's identity, ownership and business. A cost effective unique global identifier is necessary for an individual and a business, in the same way that internationally standard bar codes enable control of inventory and logistics down to the level of individual stock-keeping units.

The Global Legal Entity Identifier Foundation has set up such a scheme in 2013. It is now being rolled out across the world through a system of authorised local country validation offices (called Local Operating Units (LOUs) to enable identity verification, particularly for smaller businesses. Obtaining an LEI or Legal Entity Identifier assists a business in meeting KYC and AML compliance requirements - reducing the costs of on boarding and of trade finance transactions for banks.

Technology has the potential to dramatically transform the business of trade financing. Developing country and emerging market leaders and practitioners should encourage adaptation of policies and regulations to support new financing ecosystems that are proven to be robust and of support to SMEs and individual entrepreneurs. This will go a long way to support economic inclusion and growth.

ILLUSTRATIVE CASE STUDY

Many of the International Trade Centre's (ITC's) development projects focus on value addition to commodities and improving the competitiveness of SMEs in developing countries and emerging markets. "This has shown us how improved access to trade and supply chain financing for small market operators can accelerate development", says Ian Sayers, ITCs Head of Access to Finance and Enterprise Sustainability, and former Head of Sector Development.

The negative impact of a lack of access to short-term financing and insurance options evolves as a function of commodity price volatility, climate change affects on crop quality and volume, interest and exchange rate fluctuations and changes in market trends. In many countries, the financing element makes or breaks businesses, affecting thousands of jobs and livelihoods.

For many years across Africa, international cotton, coffee and cocoa buyers battled with each other to lock in farmer suppliers through advance financing of harvest campaigns. Whilst this practice may have solved an immediate issue of how to pay small farmers when their harvest is collected way before payment for the shipped commodity is received, it has done little to encourage local value addition and employment.

Now that new forms of financing are opening up from development financing institutions, new technologies and impact financing providers we are seeing the development of much more local value addition. For example: cooperatives of ginners, spinners and handloom weavers making exquisite textiles for national and tourism consumers, locally torrefied and blended coffee and chocolate products. These developments come just in time. With the expansion of Africa's urban populations, many city dwellers were weaned on imports rather than excellent locally produced goods. Earlier access to more independent forms of supply chain and trade financing could have opened up more opportunities for local value addition a decade ago.

The spices trade out of East Africa provides a different example.

For years, spices traders from Antwerp and Amsterdam scouted for farmers and bulk exporters in Ethiopia, Zanzibar and Kenya to export basic raw or dried spices to India and Europe for processing and packaging - locking in suppliers with advance payments. The business is often triangular between East African spice producing countries, Indian blenders and packers and European or USA retailers.

ITCs technical development and access to finance projects in ginger, turmeric, black pepper, ylang-ylang and cloves, for example, brought together buyers, processors, farmers and financial institutions to raise the management practices and know-how of farmers and local processors. Several banks, including local cooperative banks, joined ITC to support SME processor exporters to also upgrade their financial management practices and join new platforms to improve financing efficiency. As a result, value adding semi-processed products and essential oils from hundreds of producers are now exported as well as raw spices. The production of both has grown in parallel.

In Fiji, ITC's technical assistance activities have stimulated a number of new supply chain financing facilities for farmers, processors and exporters of root crop products. Through geo-localisation mapping and profiling, the identity, location, ownership, farm size and qualifications of more than 30,000 farmers and processors have been entered onto a Google Map and ICloud based application.

This provided buyers, banks and wealthy diaspora with the confirmations they required to extend financing for harvest, farm inputs, collections and container stuffing prior to shipment to Australia and New Zealand.

QR codes on the retail packaging labels linked the end products to a web site showing farmers' profiles, farm and rural processing locations on Google map. This appealed to diaspora customers and from the increased sales buyers paid a small premium to processor exporters that was passed directly onto the farmers. The Fiji Development Bank is also now piloting diaspora financing of communities' harvest and trading based on an identification scheme implemented by the Government.

In the Caribbean, a similar scheme is being extended to more than 3,000 coconut farmers and processors in 11 countries through an alliance between ITC, FAO, CARDI (The Caribbean Agriculture Research and Development Institute) and SAFIN (a consortium of agricultural banks and investors). One feature of all of these schemes is the resulting increase in rural value addition and poor community incomes.

Despite these excellent examples, development agencies still struggle to convince local banks to become involved in SME trade and development. In countries where interest rates are relatively high, local banks can make ample profits in other less labour-intensive ways such as bond trades and large-scale construction projects.

Banks are being encouraged to change their perspective through training performed by agencies like ITC and by the arrival of new sovereign and MDB guarantees, green financing and technology. ITC is joining with partners such as the African Development Bank, African Guarantee Fund (AGF), African Trade insurance, business development organisations and leading technology providers to expand the knowledge of local financing providers about new facilities and technologies, how they can be harnessed and promoted.

Following a series of seminars and training workshops conducted in 2018 by ITC alongside AGF, the number of successful applications for SME guarantees in four countries targeted in Africa doubled, drawing-in more than 600 new SME business expansion applications for financing. As Trade finance applications like those discussed earlier become ready for mainstream use in these countries ITC stands ready to support their roll-out with the SME business community and local financial management advisors.

Great products come from some of the poorest countries in the world. It is time now for trade financing to play its role in encouraging local value addition and access to international trade partners.

HOW THE WORLD TRADE BOARD & WORLD TRADE SYMPOSIUM CAN HELP

The World Trade Board (WTB) and the World Trade Symposium (WTS) has taken ownership of a unique position at the juncture of trade, financing, technology and inclusion.

There is no entity, organisation or event today that explores these four topics concurrently, and in particular, that seeks to convene stakeholders and drive thoughtful discourse at the intersection of these topics.

Equally notably, the WTS in particular has organised a series of presentations, roundtables, keynotes and panel discussions with a specific view to identifying concrete, actionable ways to contribute to the advancement of selected initiatives, including greater support for technical assistance linked with new financing facilities

The WTB/WTS can and should take specific measures to advance the leveraging of trade financing - both traditional and SCF - to address an important gap in trade, financing and inclusion/development.

Members of the WTS community have identified an opportunity to address a critical need for low-cost, low-value financing solutions aimed at SMEs and entrepreneurs passing through the proof of concept business growth stage.

This will involve investment in local technical assistance and communications to reach, in face-to-face meetings, SME owners and entrepreneurs. For even smaller businesses such as community value addition and micro-entrepreneurs, new forms of grants, peer-to-peer funding, credit unions and e-retailer financing should provide efficient facilities for such small-scale financing.

Whilst lack of IT and mobile infrastructure or IT skills were problems in the past, these issues are now receding with the arrival of a new generation of computer and telephone literate people and a massive expansion of affordable mobile applications.

Other key intervention areas requiring investment in technical assistance are supporting countries to scale the take up of Legal Entity Identifier registrations and national product bar-coding - both of which improve traceability, compliance and risk reduction.

Partnerships between local banks and international consortia engaged in providing digital and Blockchain solutions will further encourage the expansion of trade finance accessibility to the world's 450 million SMEs - enhancing their capacity to expand international business.

The case studies articulated in this paper, and the examples cited from the E15 paper authored for the WEF and the ICTSD bring into clear focus, the variety of opportunities for the WTS to advance inclusion through trade and trade financing.

Credits

- Alexander R. Malaket
- Ian Sayers
- Hanne Melin
- Anastasia McAlpine
- Tina Malcolm

About World Trade Board
The World Trade Board, initiated by Finastra, is made up of global leaders, innovative thinkers, industry influencers and subject matter experts from the different corners of trade, finance and commerce. The members are the co-creators of an organisation that has the objective of shaping the future and of being an enabling force for global trade, inclusion and prosperity. The Board shares a common vision which is a collaborative, connected, inclusive trade and finance network enabled by the latest business technologies, allowing the world to prosper. The Board, together with Finastra, is the driving force behind the annual World Trade Symposium and manages a number of working groups and programs to turn its vision into reality.