



International
Trade
Centre

TRADE IMPACT
FOR GOOD

Access to financing for sustainability 2020



We help small and growing enterprises to expand their businesses sustainably and inclusively – through a pathway to clean trade

Date: Geneva, 15 October 2019



2019 global snapshot of a global challenge

How to get more MSMEs ready for financing of sustainable business growth

Capital & equity financing

\$3.8Tn: Estimated global SDG **SME** financing gap (*IFC*)

\$500Bn Assets under management for long term sustainability projects **globally**
< ~1 in 20 capital expenditure applicants get financed

\$500Mn Impact funds globally Invested @ 20% return (2019)

But, since 2015¹:

< 7% allocated to **SMEs globally**

< 2% for **EDE SMES**

Only < 1% for **Women-led enterprises**



Trade & supply chain financing

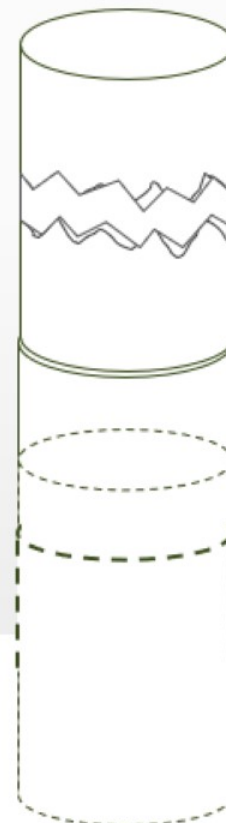
\$1.5Tn: Trade finance gap (*ADB Brief, 2019*)

\$95Bn pa EDE Supply chain financing: Leasing, factoring...

Top 10 TF Banks Short-term Trade financing: **\$159Bn Per Annum with EDEs alone**

Banks estimate ~50% of financed Trade to the value ~120Bn pa can improve sustainability with de-risking incentives, capacity building & regulatory change

Low Default rate: ~1% in EDEs
TSCF Potential for Rapid impact
Packaged for investors

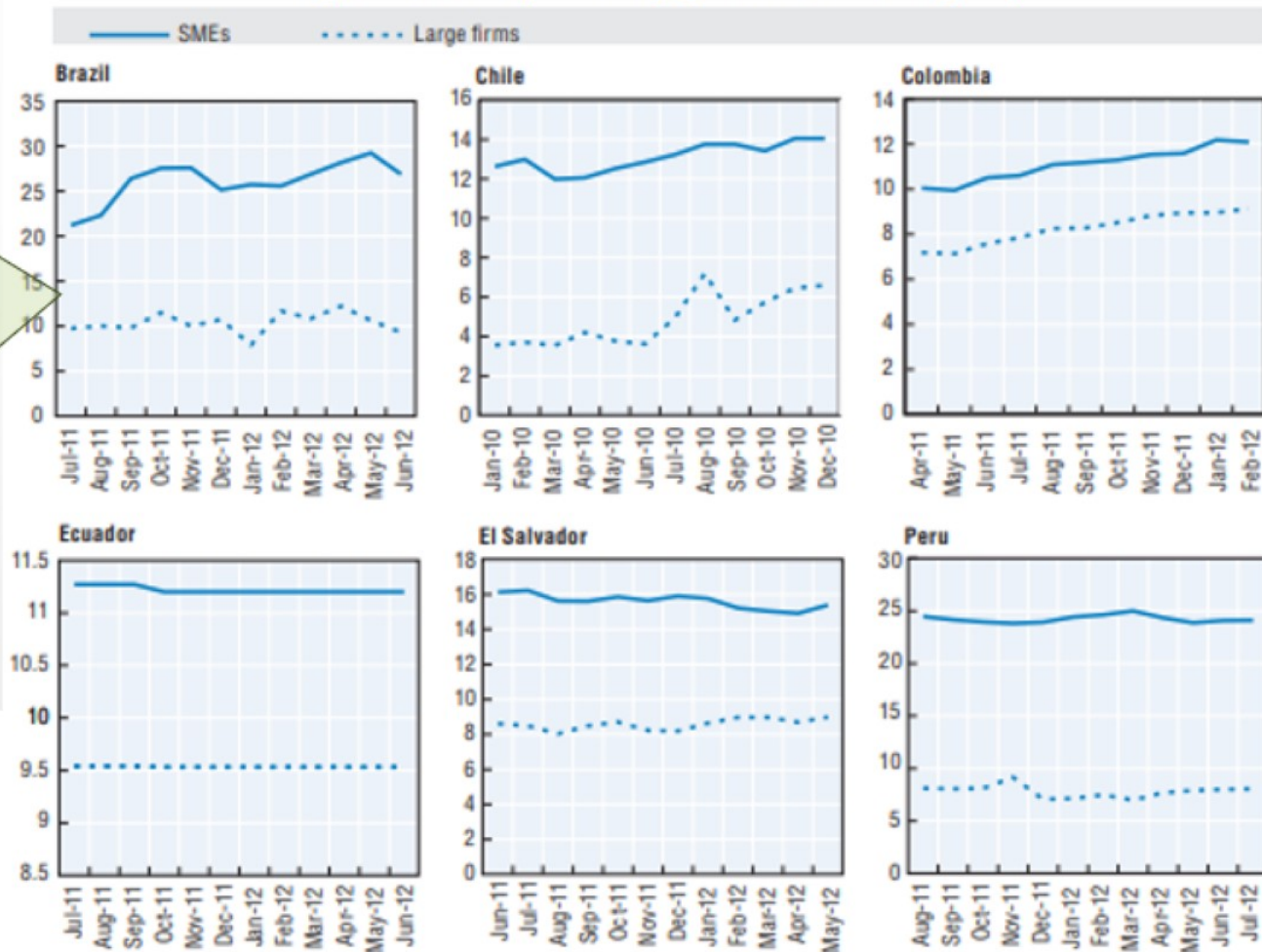


Note: These percentages do not including BMG / GAVI Health allocations or Microfinance. EDE = Emerging & Developing Economies

MSME risk-adjusted premiums are typically $>+15\%$ above large company interest rates

Objective 2: Reduce the risk differential cost of MSME financing for sustainability by $>5\%$

Figure 3.2. Interest rates for SMEs and large firms:
long-term loans (maturity greater than one year)



AFI de-risks SMEs & motivates banks to reduce the SME risk-adjusted rate differential and publicly engage in sustainability actions

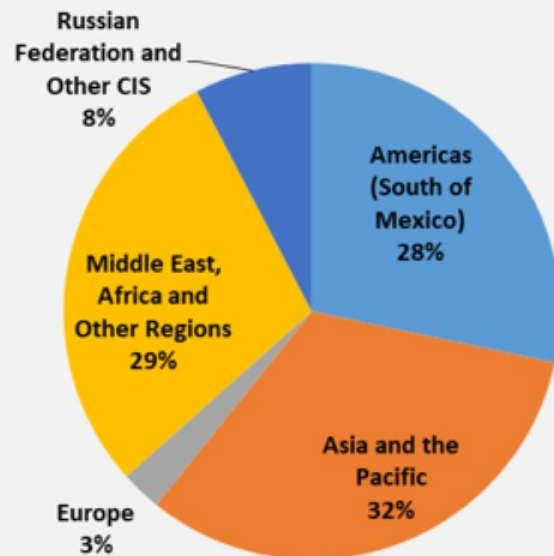
* OECD Report:
Financing SMEs in
Latin America, 2014

ADB-ITC-CBI Trade finance survey & Trade finance Brief 2019 Highlights



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Joint ITC, ADB, CBI trade & supply chain financing survey explains MSME needs in 2018 - Initial results:



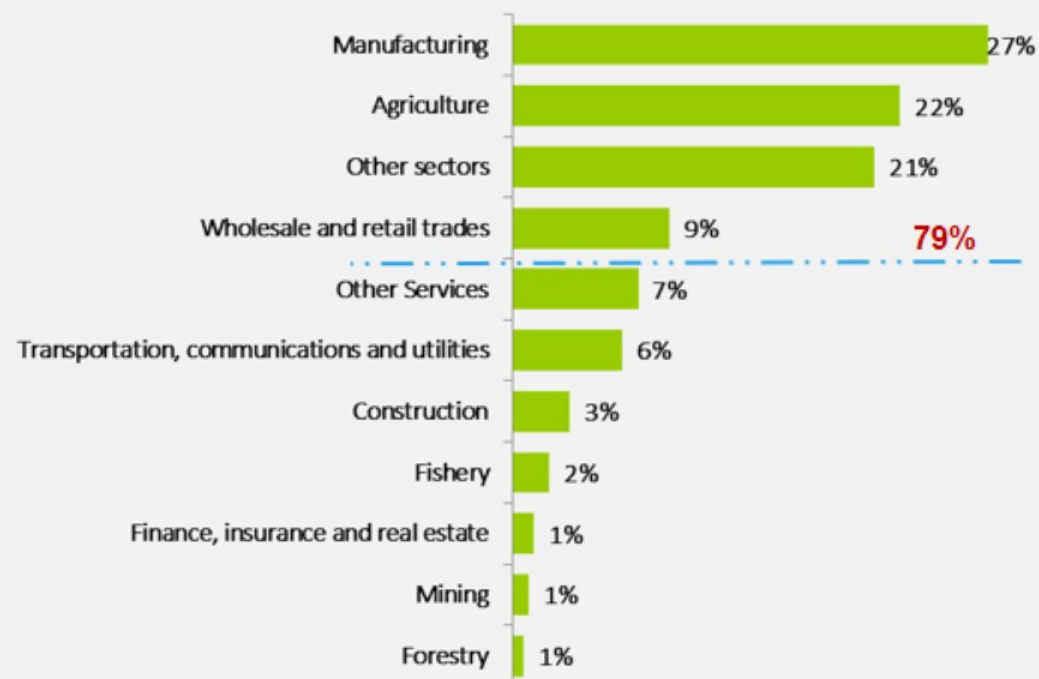
*1,500 MSME respondents:
399 direct,
53% women-led enterprises
(USA & Europe excluded)*

90% of respondents: 3 to 30 years in business

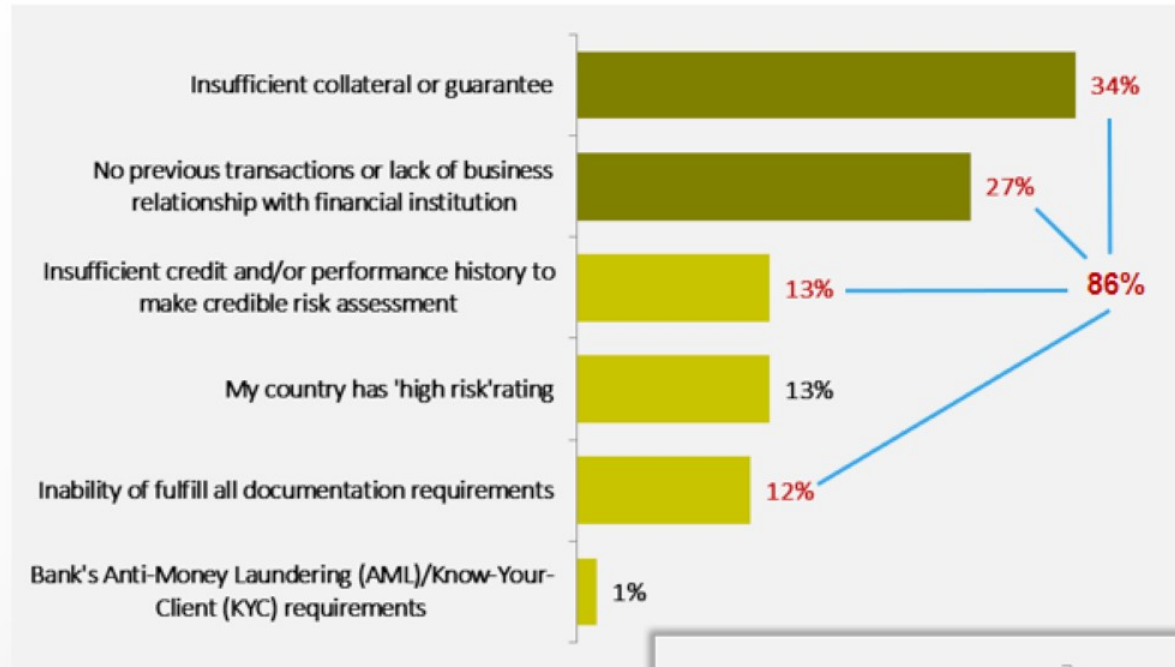
55% SMEs

37% Micro enterprises

Average: US\$ 5.5Mn Annual exports



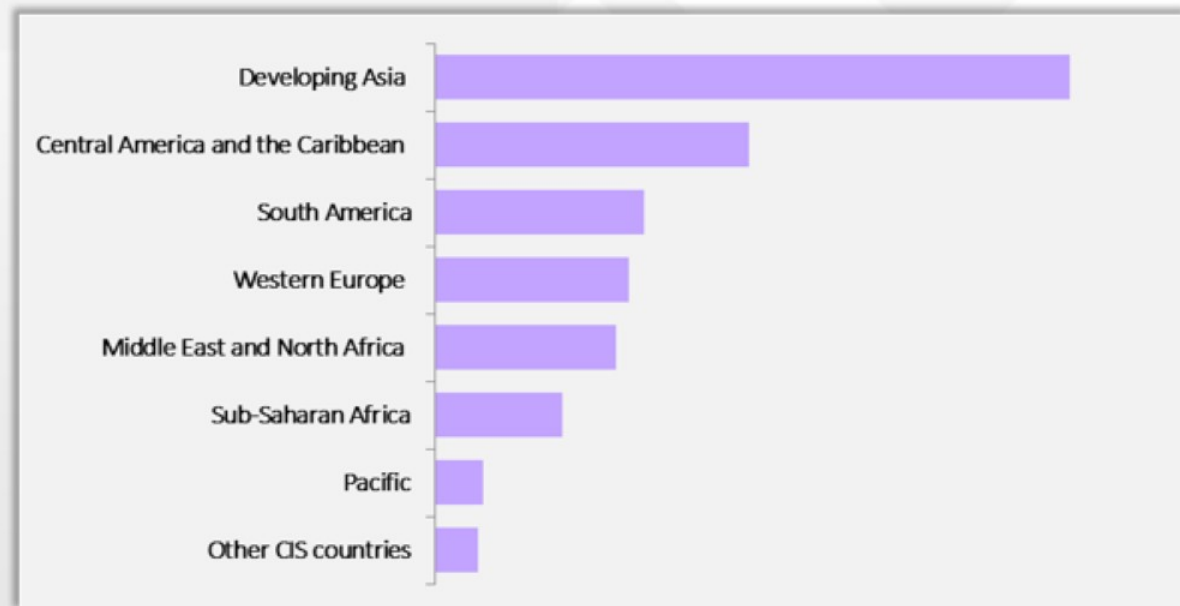
Priorities for MSME and bank assistance



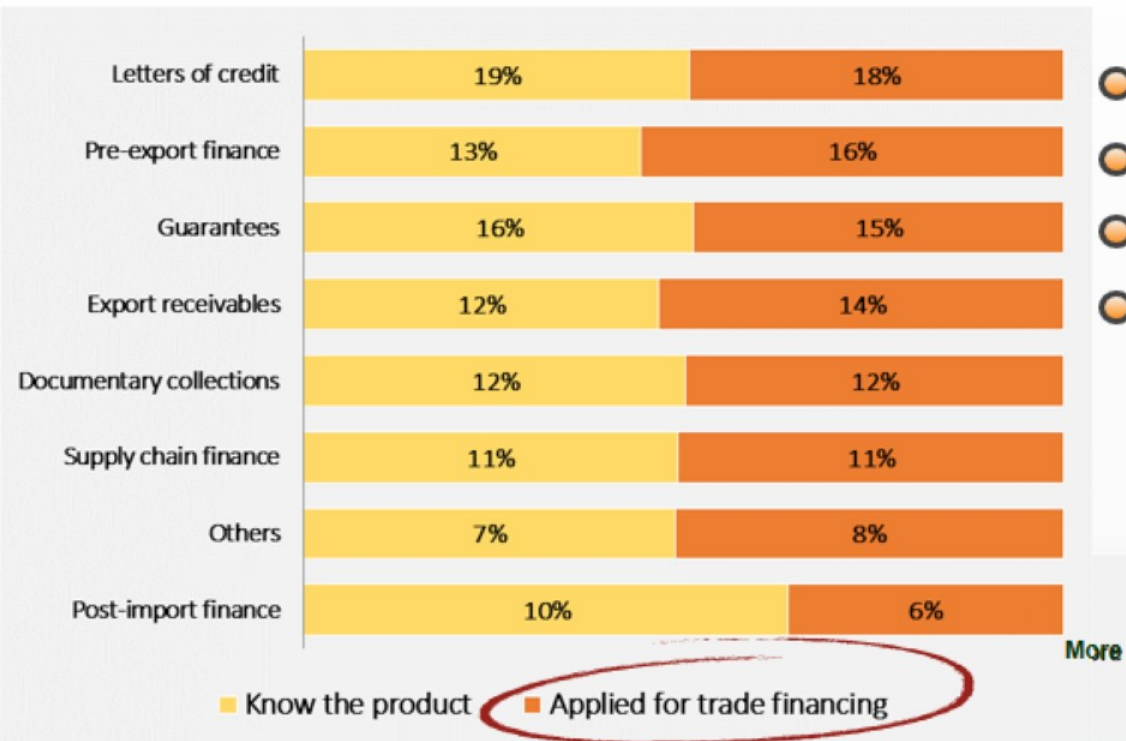
~86% of rejection reasons may be addressed through technical assistance to MSMEs and financing providers

46% of rejected MSMEs subsequently sought non-bank financing

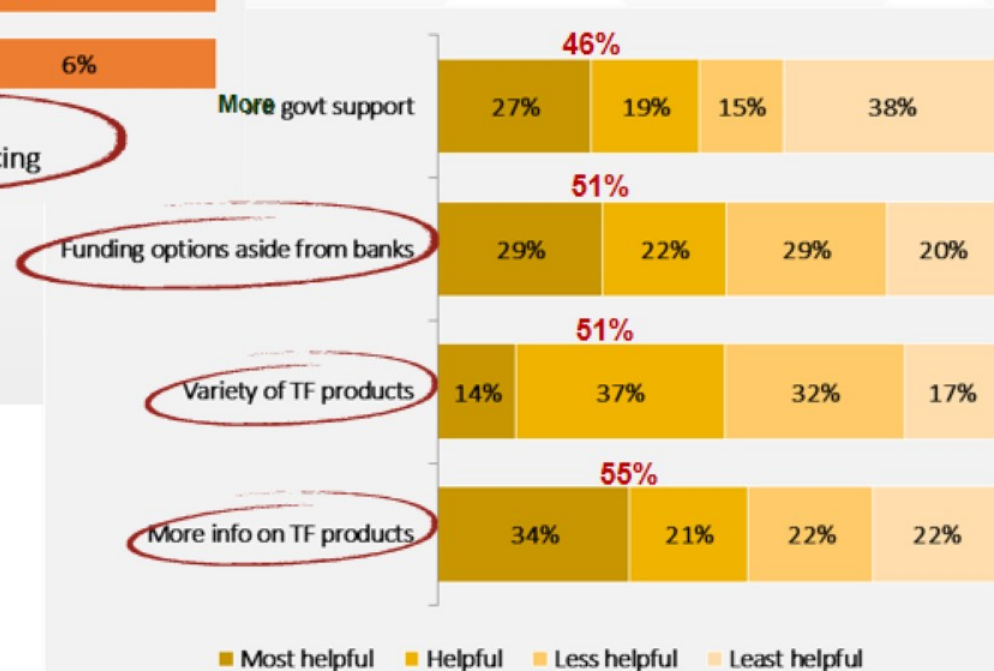
*Average amount of T & SCF applied for by region (\$,000)
~10% down on 2017 figures*



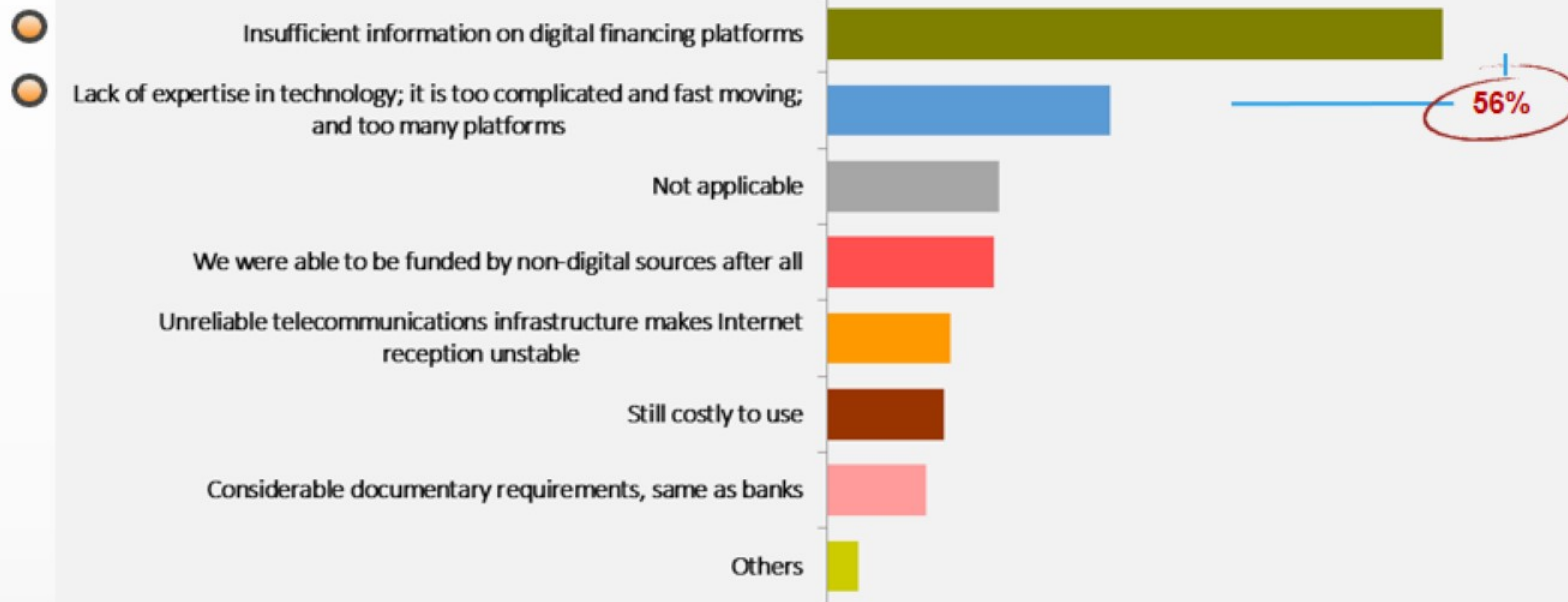
<20% of MSMEs know and use financial instruments



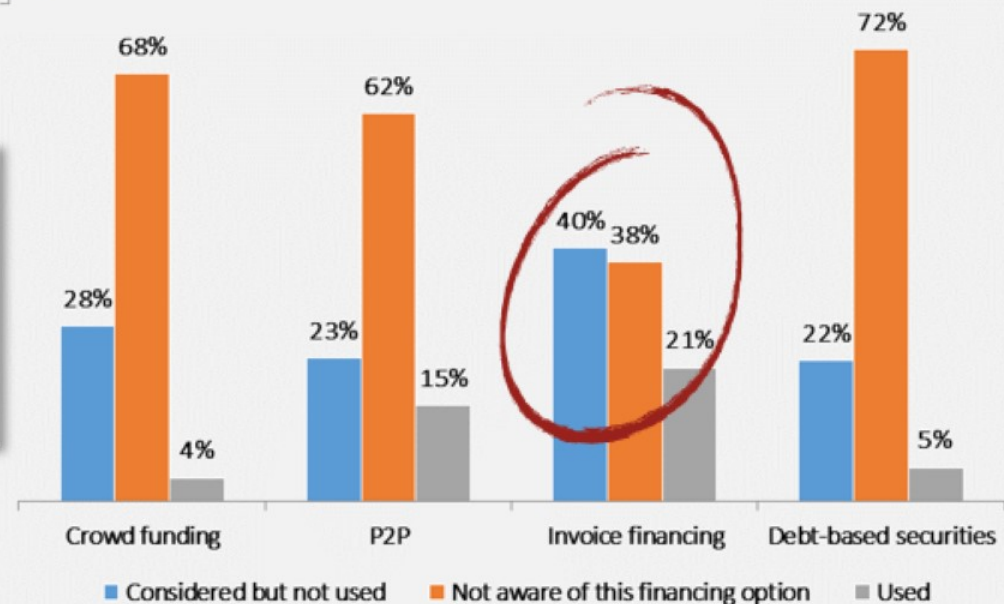
*MSMEs need:
Information,
More flexible bank sources or,
More Non-bank financing sources*



56% MSMEs are uncomfortable using digital financing platforms



Results reinforce the need for impartial information, training and advisory activities to build awareness, trust and standards, gain small business & regulatory confidence in new systems



The opportunity for financing more sustainability actions:

ITC currently works directly with >2,600 new enterprises per year and claims > 10,000 farmers, community enterprises & single entrepreneurs as indirect beneficiaries¹

Global



<7% of available global MSME investment funding is being used in ITC target EDE countries and < 1% for women-led enterprises



1,000s of MSMEs cut off from Trade & supply chain financing due reduction in correspondence banking, lack of normal financing facilities and bank motivation
= 80% of future EDE growth potential

ITC Beneficiaries



>15% trade financing higher rate risk differential charged to MSMEs compared to LEs even though default rate is only ~1%



86% of rejections in trade & supply chain finance due to poor knowledge of options, MSME records & financial management

ITC results 2018¹



From 2017 to 2018 ITCs AFI facilitated capital financing for **56 enterprises for > \$28Mn**
 = ~0.3% of total ITC MSME beneficiaries



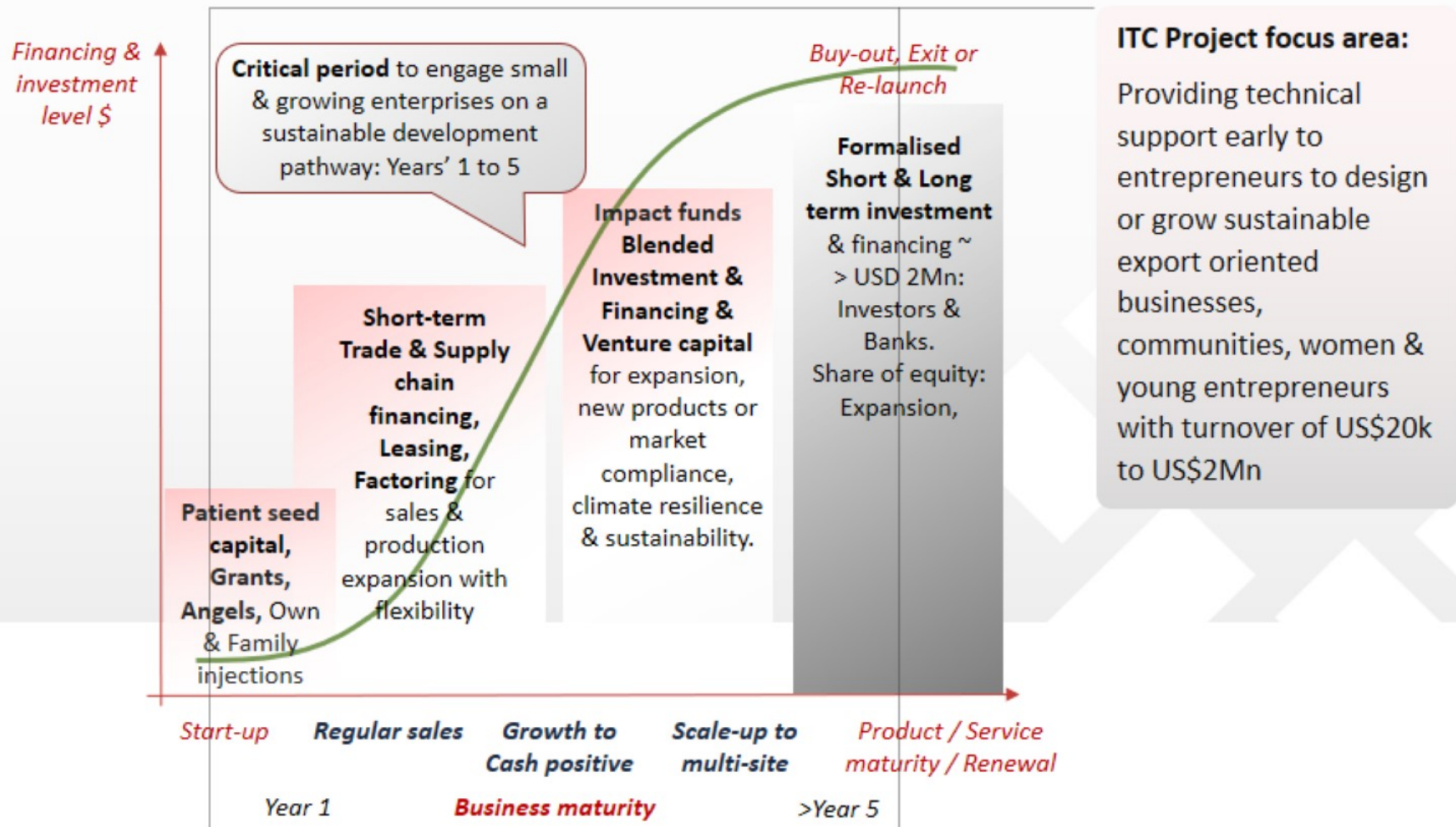
2017 to 2018: AFI directly trained and coached **> 2,600 MSMEs & > 50 Financial management counsellors in 15 countries**

Objective 1: At least 10% of ITC enterprise beneficiaries should be linked to financing by 2020

1. ITC annual reports 2017/2018

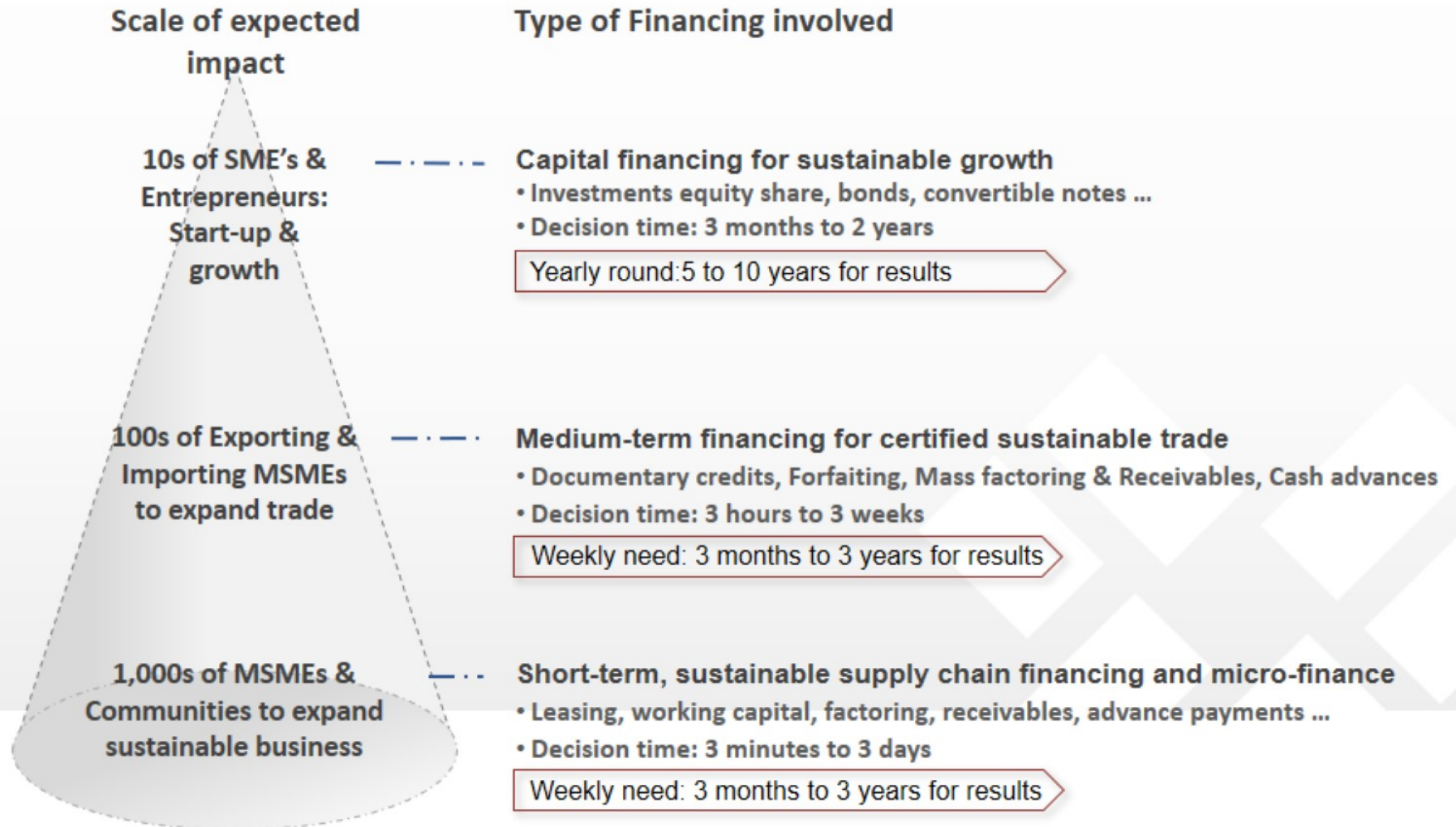
ITC target: clusters of growing enterprises in export value chains

Affordable money, financial advisory support and technical help accelerate early growth rates, positive cash flow and sustainability



All financing is needed but Not all financing has the same needs

Different types of financing have a different periodicity and scale of impact



ITC portfolio of methodologies and tools to meet financing for sustainability objectives, enterprise & entrepreneur needs



SDGs addressed:

- 
- 1: No Poverty,*
 - 2: Zero Hunger,*
 - 5: Gender Equality,*
 - 7: Affordable & Clean Energy,*
 - 8: Decent work & Economic growth,*
 - 9: Industry Innovation & Infrastructure,*
 - 12: Responsible Consumption & Production,*
 - 13: Climate Action,*
 - 17: Partnerships for the Goals*

*Recorded as NDCs**

Catalyzing financing for enterprises that can really use it for sustainable development

**NDC's: "Recorded nationally determined contributions" to sustainability and the SDGs submitted to the UN GA as recorded contributions and results*

Capital financing preparations can be intensive



Project-funded: Preparing businesses to attract financing

Business design for Sustainability/Productivity Technical Ops upgrading

Vulnerability assessment, Advice on Resilience, Sustainability, Inclusion

MSME Governance, Financial management Markets & Compliance

ITC Tailored Boot camp processes

Components of MSME Preparation for financing for sustainability delivered through ITC-trained business development services (BDS)

Project/Industry-funded: Matching MSMEs to financing providers

Proposal reviews & Coaching. Bankable Presentations > \$\$

- Mentorship & Business Angels
- Pitching & Communications perfection, Islamic Financing
- Top team review & Financing matching advice
- Financing Gateway search
- Investor & financing provider linking / origination support
- Digital identity AML/KYC/CFR compliance advice (WTO, etc)
- Readiness assessment, Prospectus & Short-listing (DLT)
- National Scaling-up Road map

With comprehensive capacity-building

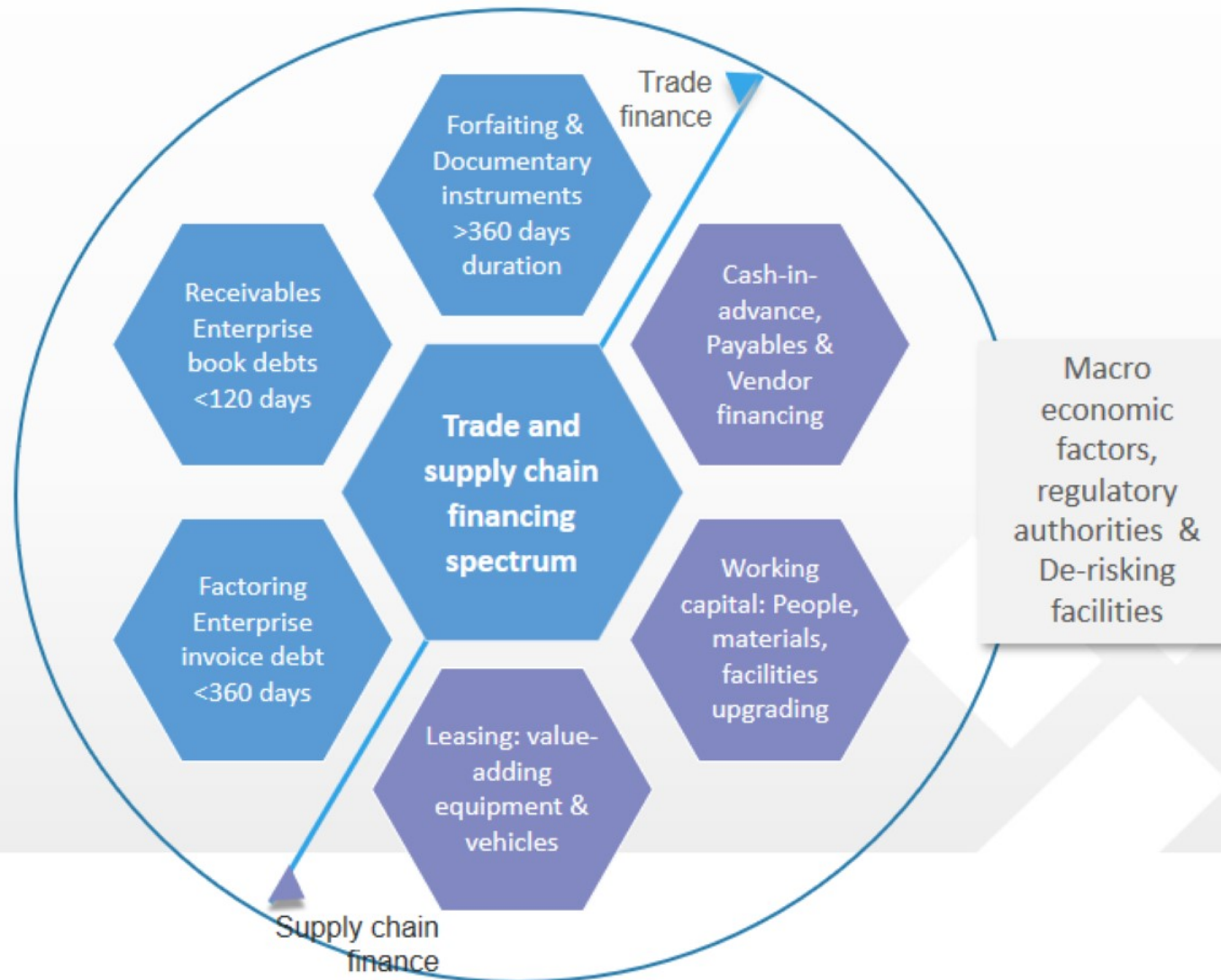
Mainstreaming of design for sustainability across enterprise operational development at the earliest opportunity needs multi-stakeholder engagement

More than just financing ...



ITC, or its in-country partners, can provide a comprehensive range of technical operations support to render more MSME's eligible for short and long-term financing to improve their business resilience and sustainability

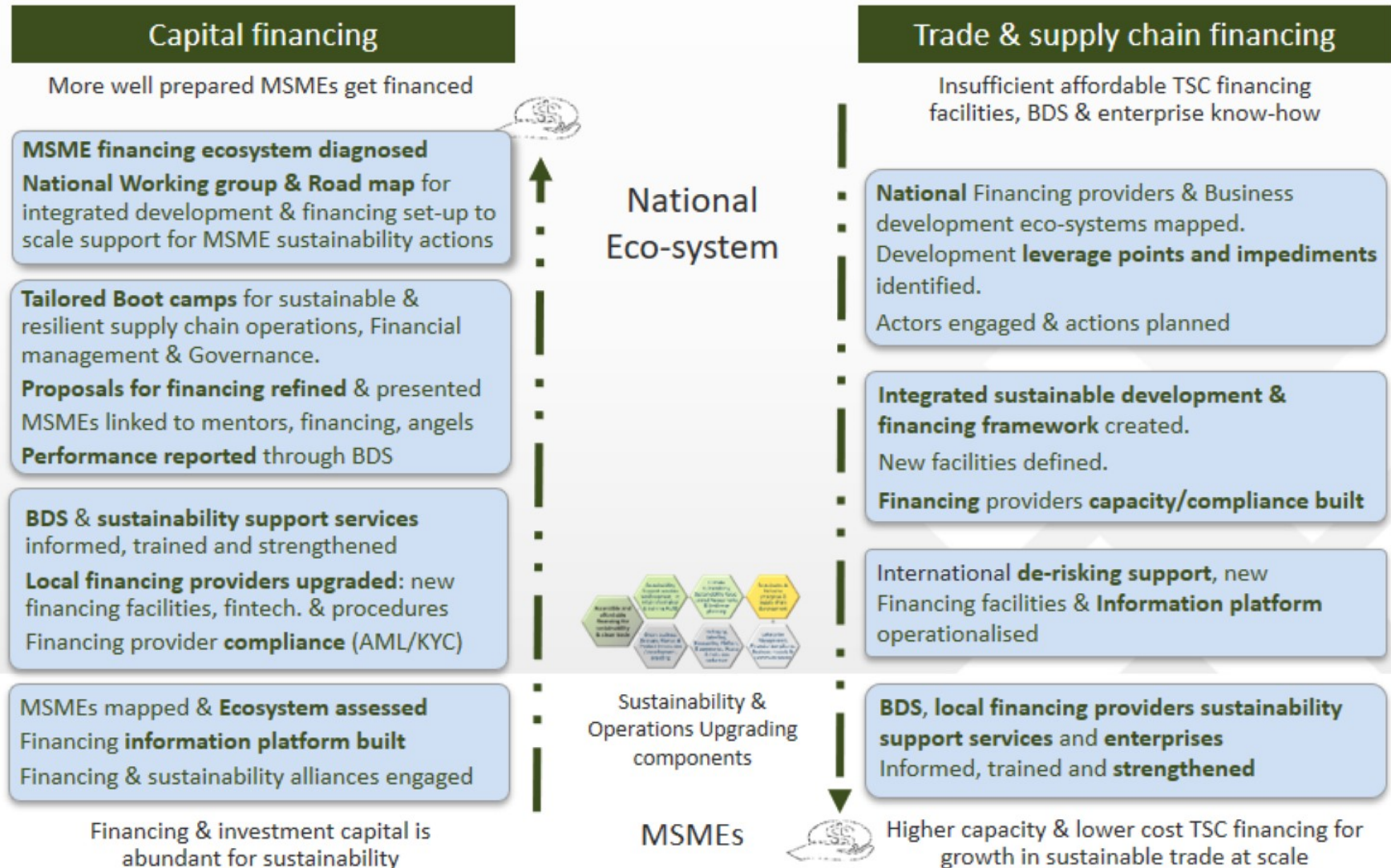
Trade & supply chain financing includes diverse actors



Requiring a national integrated approach to development and financing built for export value chains, across support services and financing providers

Capital and Trade financing approaches start differently

Capital financing is enterprise-centric, Trade & supply chain financing (TSCF) needs national macro-economic, financing ecosystem and regulatory factors to be in place



Key ITC tools to support scaling-up access to financing for sustainable enterprise growth and trade

MSME Financing Information Gateway platform

Trade Pointers National financing ecosystem & value chain impact assessment

Public-Private Committee & Road map

Regulatory-Policy-Development-Financing alignment working groups

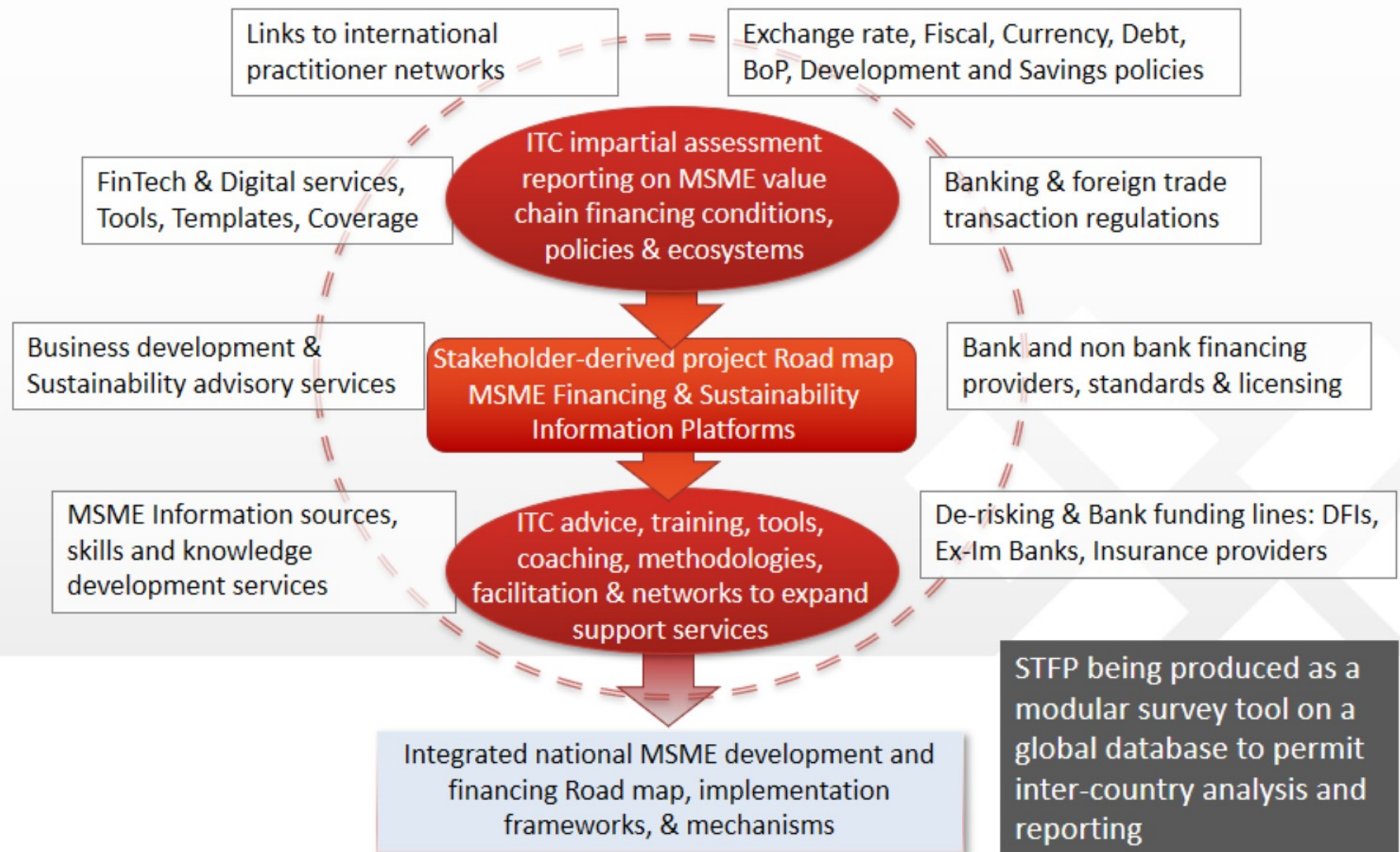
De-risking alliances, Mini-grants, Mini loans, Guarantees, Ex-Im Bank support

New financing facilities, adapted for MSMEs, women and young entrepreneurs

Expansion of training, advisory & coaching services and efficient MSME upgrading
(Tailored 2-stage Boot camps)

Promotion of an Integrated sustainable development & financing mindset

Sustainable Trade Financing Pointers survey macro-economic components



Integrated national financing and development framework for MSMEs

Implicated Support Services & Beneficiary representatives

- Accelerators & Incubators
- Chambers of Commerce, SheTrades
- Sustainability Technical and vocational training services (T4SD Hubs)
- Education & Academia
- Innovation Centres
- Market, Enterprise, Supply chain, Support services,
- Producer development partners
- Sustainability networks

Financing providers, Government & Enterprise representatives



Levelling the playing field for MSMEs and Foreign Investment Facilitation

WTO Investment Facilitation Framework “African countries reluctant to engage..”

2017 IFC SME Finance gap report:

Developing markets' SME Credit Gap: US\$ 4.6Tn, 85% of which is between \$ 50k to \$ 2Mn

2019 ADB-ITC-CBI reports:

US\$ 1.5Tn Trade finance gap persists since 2017

“Afreximbank confirms intentions to raise \$250m USD on the London Stock Exchange to boost African trade finance offering ”**

We need to engage with stakeholders across the economy to improve national enterprises' attractiveness for financing so they can put available funds to good work improving sustainability & clean trade



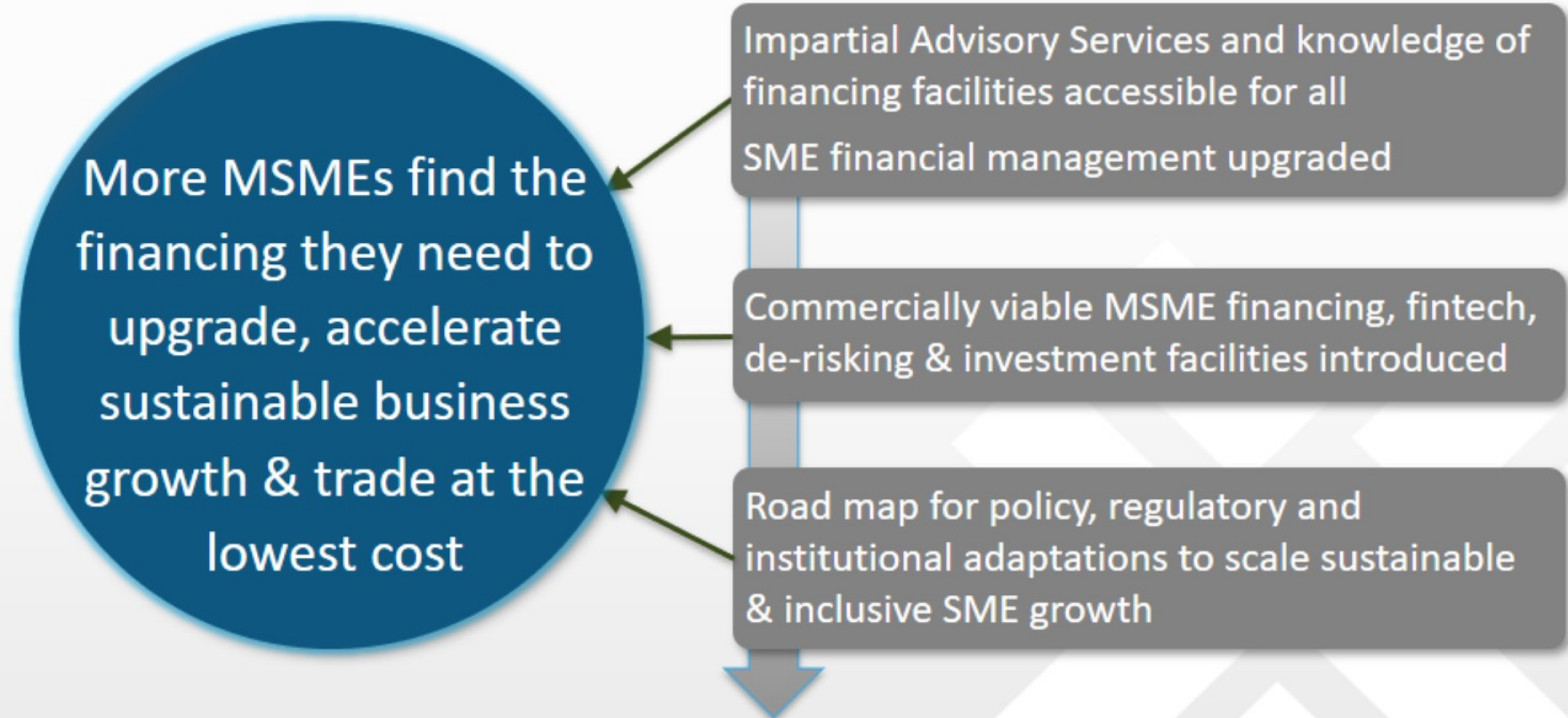
CONFÉRENCE
INTERNATIONALE
SUR LE
FINANCEMENT DE LA
CROISSANCE VERTE
EN AFRIQUE

12 JUIN 2018

SOFITEL HOTEL HUISE
ABIDJAN CÔTE D'IVOIRE



ITCs comprehensive access to finance approach can respond to financing for sustainability challenges at scale



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Thank you

Ian Sayers

Head, Access to finance and enterprise sustainability
International Trade Centre, Geneva

E: sayers@intracen.org

T: +41 79 135 9562



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