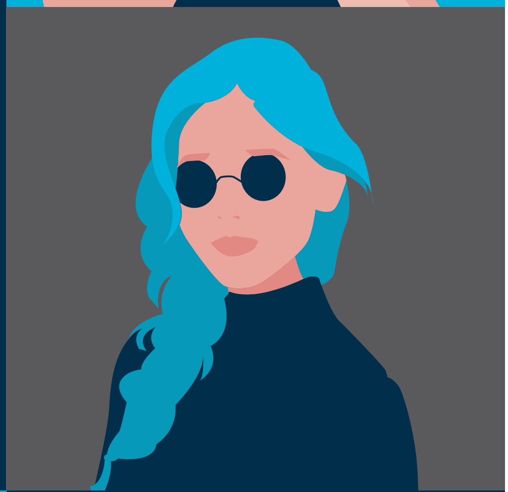
Multilaterals at work:
How IFC is supporting trade and supply chain finance in emerging markets



International Finance Corporation
WORLD BANK GROUP

TRADE FINANCE GLOBAL

THANKS TO

Dr. Marc Auboin
Ángel Bustos
Parvaiz Dalal
Tacko Baro Fall
Egidio Germanetti
Sergio Rodriguez
Azzizza Larsen
Nathalie Louat
Stephen Kay
Laura Farrell Smith
Priyamvada Singh
Makiko Toyoda

TFG EDITORIAL & MARKETING TEAM

Brian Canup
Carter Hoffman
Duygu Karakuzu
Kirtana Mahendran
Deepesh Patel
Nigel Teoh

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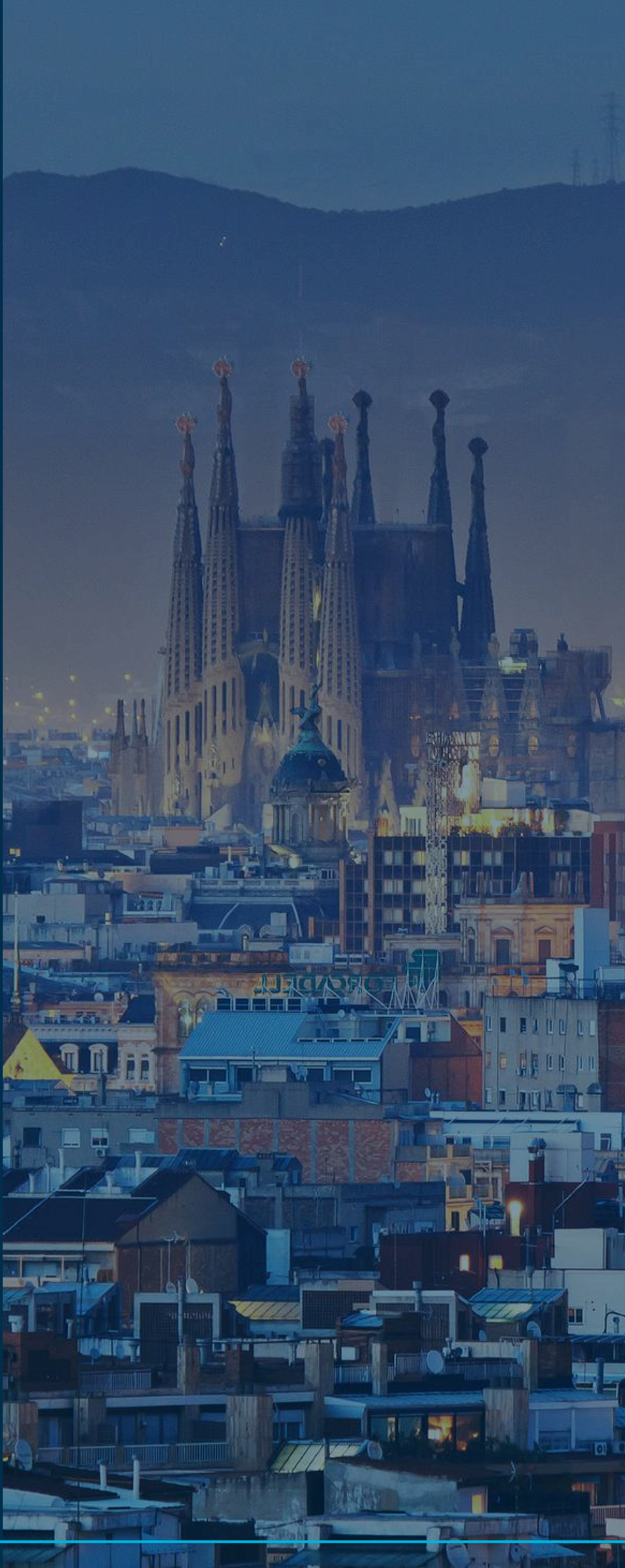

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TRADE FINANCE GLOBAL

Deepesh Patel
Editorial Director
Trade Finance Global (TFG)

Brian Canup
Assistant Editor
Trade Finance Global (TFG)

1

Banking on women: How IFC supports female entrepreneurs in international trade

IFC's whitepaper, "Banking on Women Who Trade Across Borders", highlights the need for gender equality in international trade & trade finance.

Women's participation in international trade is substantially lower than their male counterparts.

Only about **15%** of exporting firms worldwide are led by women, and these entrepreneurs face higher trade barriers and limited access to finance, which further restricts their business growth and participation in international markets.

To address these disparities, the **International Finance Corporation** (IFC) has been actively involved in programmes designed to empower women in trade.

One notable initiative is the Banking on Women Global Trade Finance Program (BOW-GTFP), launched in mid-2019, which focuses on providing financial support and resources to women-owned businesses involved in international trade. Since its launch, the programme has facilitated over **$260 million** in transactions. Through these efforts, the IFC aims to enhance women's participation in global trade, thereby promoting gender equity and economic inclusivity.

In IFC's whitepaper, "Banking on Women Who Trade Across Borders", the IFC highlights the need for gender equality in international trade and trade finance while emphasising its importance for sustainable development in emerging markets.

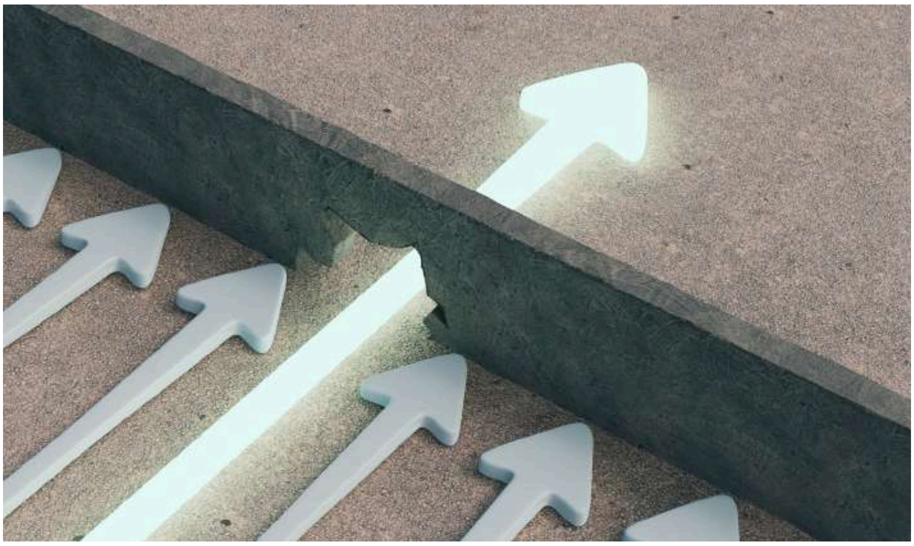
Barriers across borders: major challenges for access to finance

Often when we hear about trade barriers, we think of government-imposed measures like tariffs or quotas that impede the free flow of goods from one nation to another.

For many small and medium entrepreneurs – particularly women – the reality is that the real barriers to international trade have very little to do with intergovernmental posturing and they strike well before goods come anywhere near a border.

All too often the true culprit is a lack of financial support.

Accessing global markets usually requires longer payment terms, and dealing with different parties in different



jurisdictions. Therefore trade finance becomes a necessity for firms to stay in business and grow.

Yet, despite the relatively safe nature of trade finance as a whole, due to its short-term tenor, trackable nature and often self-liquidating character, accessing such financing proves difficult for many businesses, especially those helmed by women entrepreneurs.

One reason is the level of collateral required by financiers.

In Africa, **90%** of commercial banks cite the absence of collateral as the primary reason why trade finance applications are rejected. Unsurprisingly, this disproportionately impacts newer and smaller businesses such as women-led enterprises, that simply don't have a large enough asset base to use as collateral against a loan.

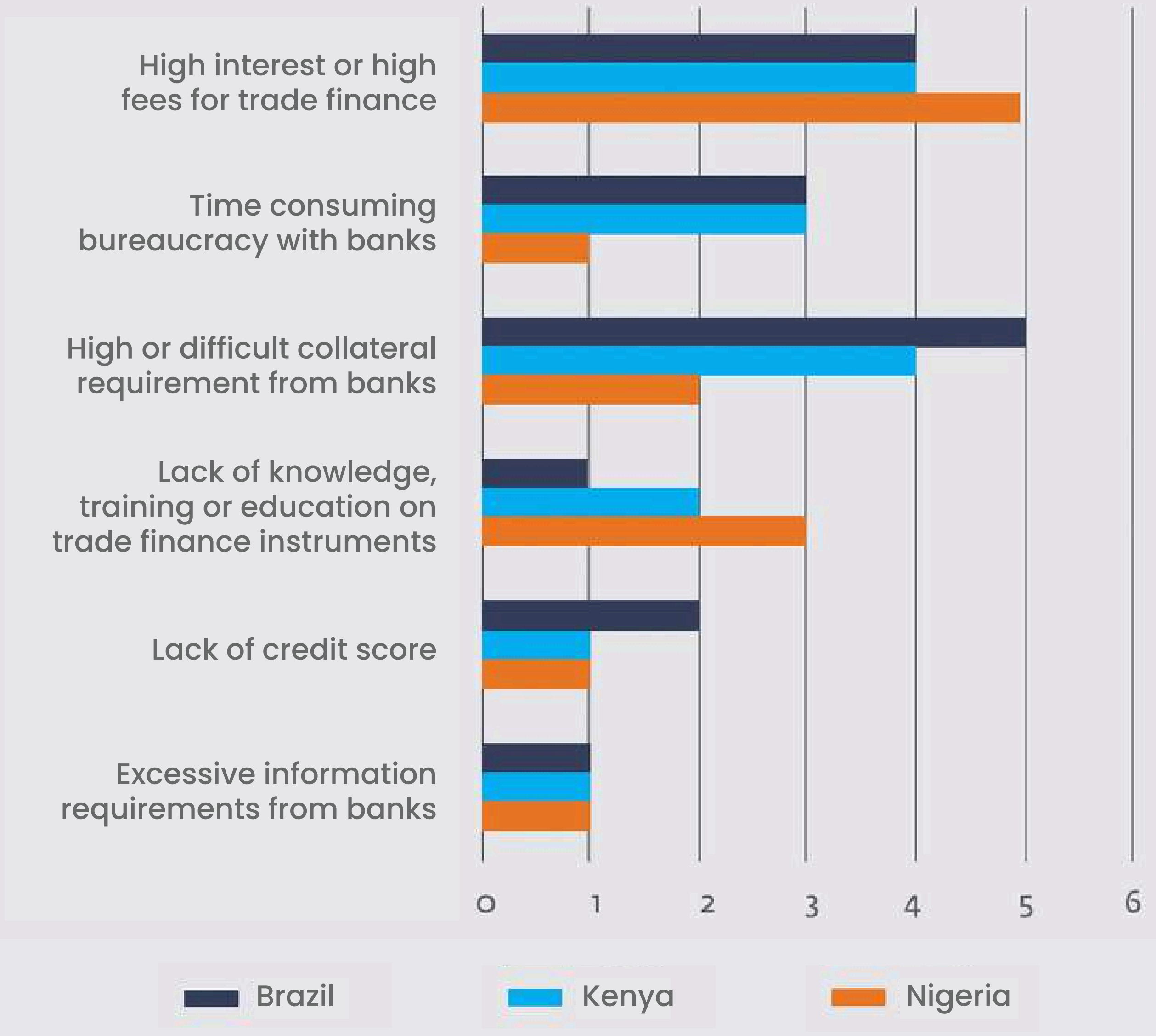
The nature of trade financing costs further incentivises financiers to pursue larger ticket traders in lieu of smaller players, since their fixed costs can be spread across a larger commission size, leading to more profit for the financiers.

On aggregate, the average size of a letter of credit in Africa is around $2 million, a figure that is heavily impacted by larger traders, since smaller firms simply don't need this much money. The average size of a general-purpose loan is **$1,250**, **$21,500**, and **$133,000**, respectively for micro, small, and medium-sized enterprises (MSME).

These financial figures still don't touch on the complexity of applying for trade finance, which can require up to 100 documents and specific knowledge.

The challenges faced by women entrepreneurs in accessing trade finance, based on interviews with **70 women in Brazil, 60 in Kenya,** and **85 in Nigeria**

(**1** = least important, **5** = most important)



These challenges are common for all SMEs requiring trade finance, as identified in the IFC-World Trade Organization 2022 and 2023 reports. However, these barriers are more prominent and potentially have a greater impact for women-led business, as there is a convergence of obstacles for women to participate in trade

Source: *IFC interviews with women entrepeneurs in Brazil, Kenya, and Nigeria*

Take the example of a micro-enterprise that needs a mere $1,250 in financing to grow. The time and costs of gathering any required documents and employing staff with the requisite skills to submit an application for funding can eat away at nearly all of the financing that the firm hopes to receive.

Why bother?

And this isn't just a theoretical problem. The IFC's research shows that these issues stand in the way of real businesses every day.

Case studies: Brazil, Kenya, and Nigeria

The IFC interviewed female entrepreneurs and financial institutions in Brazil, Kenya, and Nigeria to try and better understand the actual challenges women-owned firms face in accessing trade finance.

The results reveal a series of shared difficulties, underscoring gender-specific barriers in global trade financing.

In Brazil, the main barrier is the stringent requirement for collateral that banks impose on women-led businesses. This challenge is not unique to Brazil but is also prevalent in Kenya and Nigeria, where it is similarly cited as a major impediment.

Women entrepreneurs in these countries struggle to meet these demands, which

often exceed their available resources, effectively locking them out of necessary financial services to expand their trade activities.

One Brazilian businesswoman said, "Some of us found our way in digital banks as they are less bureaucratic than the traditional ones."

Additionally, the cost of accessing trade finance – manifested through high interest rates or fees – is another significant barrier, particularly highlighted as the top challenge in Kenya. These financial constraints reflect broader, non-gender-based disparities that pervade the economic landscapes of these countries.

An entrepreneur from Kenya said, "I was told you need to bring collateral – a title. However, this piece of land was not very valuable, but I brought it. Then, I need to bring an [appraiser] which is a big cost.... Then was told I need to bring in documentation for my car. The amount of money for the car valuation was also high. The sad thing is, I still won't be given the money! I have spent so much of my own money, and they still won't [lend] it to me."

Adding to these structural and financial challenges is a knowledge gap among women entrepreneurs regarding trade finance instruments.

This lack of understanding, alongside inadequate training or education on how to navigate these financial tools, points to a critical need for tailored capacity-building initiatives.

A Nigerian businesswoman said, “I rely more on friends, family and e-commerce platforms for financing my business, as I have limited understanding on trade finance products offered by banks.”

The collective experiences from Brazil, Kenya, and Nigeria highlight systemic issues in accessing trade finance, critical for integrating women into global markets yet largely unattainable due to these barriers.

However, as these challenges are identified, there is hope that the international trade industry can provide solutions to make it more feasible and accessible for smaller, women-led organisations to get the financing they need to access global markets and grow their businesses.

The challenges are identified, but what next?

Recognising the barriers that many smaller, women-led businesses face when securing trade finance, the IFC has outlined a variety of recommendations.

To help women entrepreneurs in general who lack physical assets for collateral, the IFC will strengthen its Banking on Women program under its Global Trade Finance Program (GTFP) and will continue promoting more access to trade finance for women entrepreneurs in emerging markets. IFC will also facilitate more training programmes for financial institutions and women SMEs to share knowledge on trade finance as well as warehouse receipts financing and supply chain finance.

Nathalie Louat, Global Director, Trade and Supply Chain Finance, IFC said, “IFC is committed to further strengthening the existing Women in Trade program under its Global Trade Finance Program to support more women-led businesses in trade in emerging markets. To underscore our commitment, we are launching the Women in Trade Network which will serve as a learning platform where our partners share best practices with one another.”

From a financial perspective, the IFC's report highlights the importance of blended finance, which seeks to combine public, private, and philanthropic funds to reduce the financial risks associated with lending to women-led businesses in trade that any one investor must take on.

By providing concessional funding, lending to these entrepreneurs will be a more attractive prospect for banks and investors, ideally increasing liquidity in the ecosystem.

On the strategic side, the IFC is strengthening its impact through strategic partnerships with other development agencies. These collaborations leverage external expertise in gender-focused programmes and will help to support the specific needs of women in business.

The challenges outlined in IFC's Banking on Women Who Trade Across Borders whitepaper are very real for women worldwide, but they are not insurmountable.

The IFC has numerous success stories from women across different countries and industries, beating the odds with their respective initiatives. To see more about IFC's success stories, visit IFC's Women in Trade website.

Makiko Toyoda
Global Head of the Global Trade Finance and Global Supply Chain Finance Programs
International Finance Corporation (IFC)

Tacko Baro Fall
Waemu Head Financial Institutions And International Organizations
Ecobank

2

Empowerment through trade: IFC and Ecobank on tackling the gender disparity in global trade

IFC's whitepaper "Banking on Women Who Trade Across Borders", speaks to the gender disparity that still exists in the international trade space, particularly in emerging markets.

Only 15% of exporting firms are led by women.

This finding, from the IFC's whitepaper "Banking on Women Who Trade Across Borders", speaks to the gender disparity that still exists in the international trade space, particularly in emerging markets.

To learn more about the challenges that women entrepreneurs face when trading across borders and some of the initiatives in place to offer support, Trade Finance Global (TFG) spoke with **Makiko Toyoda**, Global Head of the Global Trade Finance and Global Supply Chain Finance Programs at the International Finance Corporation (IFC), and **Tacko Baro** Fall, Waemu Head Financial Institutions And International Organizations at Ecobank.

The challenges facing women in trade are daunting

Women in trade face significant challenges that hinder their ability to participate fully and equally in the global market.

Toyoda said, "In emerging markets, many women face difficult collateral requirements, they often don't have a credit history, and there is a high cost of trade finance transactions"

These high costs associated with trade finance transactions can be disproportionately burdensome for women-led firms, which might already be operating with thinner margins compared to their male counterparts.

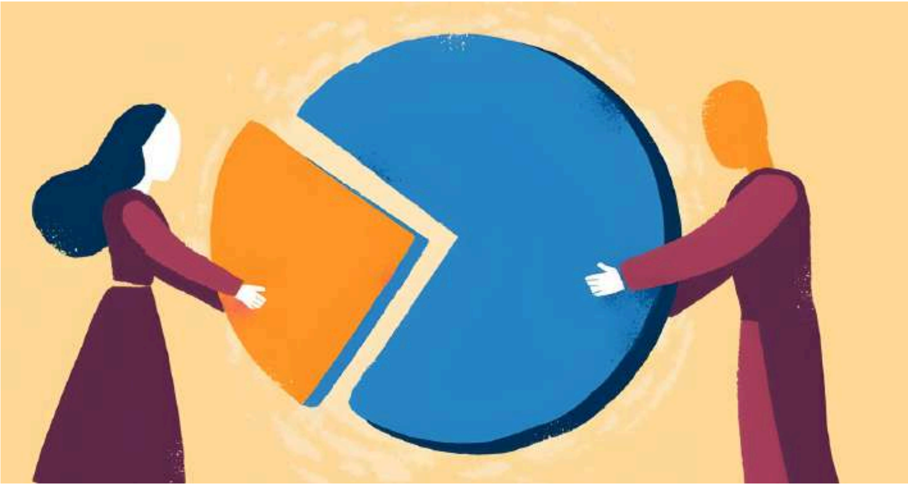
Furthermore, the complexity of trade finance products themselves poses a substantial obstacle, particularly for those who are not well-versed in navigating the financial landscape, which disproportionately includes women due to historical and systemic educational and professional gaps in finance.

These challenges collectively contribute to a discouraging environment for women entrepreneurs in trade, limiting their growth opportunities and reducing their competitive edge in the global marketplace.

Recognising these challenges, organisations like the IFC and Ecobank are working to put initiatives and programmes in place to help change the status quo. Baro Fall said, "It is imperative that we support women. We simply cannot ignore them as they constitute a significant number of our population and integral to the entrepreneurial landscape."

Changing the status quo for gender equality in trade

Several initiatives and programs are actively addressing the challenges faced by women in trade, spearheaded by institutions like the IFC and Ecobank. The IFC has launched efforts through its **Global Trade Finance Program (GTFP)**, which has been instrumental in supporting financial institutions in emerging markets to facilitate access to global markets. A notable part of this initiative is the collaboration with the Goldman Sachs Foundation to provide price discounts for women importers and exporters, aiming to increase the financial participation of women in trade.



Despite these efforts, however, the volume of transactions involving women remains disappointingly low.

Toyoda said, "Since 2019, we have only booked **$260 million** in transactions for women-led businesses. While that is not a small number, over the same period we booked a total of **$40 billion** in trade finance transactions, which means that only **0.65%** of the total value went to women. **This is not acceptable**."

To help overcome this disparity, the GTFP has been partnering with financial institutions to provide training programs on the importance of gender awareness with the ultimate aim of helping provide incentives for banks to book more women-related transactions. Some banks, like Ecobank, have embraced this mindset and launched programs to that end - a positive sign that change is coming. For example, Ellevate, a gender financing program launched by Ecobank, is designed to provide both financial and non-financial support to female business owners, ensuring a holistic approach to supporting women entrepreneurs.

Baro Fall said, "We recognise three basic needs: the access to credit, the access to markets, and the capabilities development."

The programme leverages key partnerships with non-profit organisations, government agencies, and development institutions to enhance its offerings and reduce the need for traditional collateral requirements, making finance more accessible to women entrepreneurs.

Together, these initiatives represent a robust effort to integrate women more fully into the global trade environment by reducing financial barriers and increasing their business capacities through strategic support and training programs.

With gaining momentum, it is time to begin putting together innovative solutions for the years ahead.

Levelling the gender playing field in the years to come

The future innovations in improving access to finance for women in trade involve a blend of digital solutions and strategic partnerships, one of which is the increased adoption of digital platforms and tools that enhance financial inclusion.

Baro Fall said, "At Ecobank, we have launched a Trade Hub platform to help our women clients access markets in around 33 countries, where they will be able to sell and buy their goods and services."

This platform is part of a broader movement towards digitalisation that was accelerated by the COVID-19 pandemic, leading to greater adoption of digital financial services. Such digital solutions are especially beneficial for women, who are more likely to engage in online transactions and can benefit from mobile money payment services that facilitate easier and more accessible trade transactions.

Another approach on the horizon is the use of blended finance, which combines concessional funds from donors or development finance institutions with commercial capital, aiming to motivate stakeholders to commit to gender-inclusive development goals. The idea is to use blended finance as a tool to encourage banks and other financial institutions to alter their traditional financing models, which often exclude women due to stringent collateral and credit history requirements.

Furthermore, there's a push for multilateral development banks (MDBs) to play a more coordinated role in promoting access to trade finance for women.

Toyoda said, "We don't have a task force for gender trade, which is pretty embarrassing. In the future, this is something that we can propose to have underMDB's working groups so that we can think about collective actions."

Such a task force would potentially advocate for regulatory changes to support women-owned businesses, amplifying the impact of financial and developmental initiatives.

These future directions signify a holistic approach to addressing the systemic barriers that women face in trade, emphasising the role of technology, innovative financing structures, and collaborative efforts among global financial institutions and development agencies.

Download the whitepaper here!

SCAN ME

3

Women who trade: Strategies for empowerment across borders

At the International Finance Corporation's (IFC) Global Trade Partners Meeting, this room full of female international trade experts discussed the challenges that female entrepreneurs face in the global trade market and strategies for changing the status quo.

In a room full of trade finance professionals, only one had a client base comprised of at least 50% women.

Only one.

Gender equality remains a pressing issue in international trade, where significant barriers hinder women's economic opportunities and impact their ability to compete and thrive in global markets.

At the International Finance Corporation's (IFC) Global Trade Partners Meeting, this room full of female international trade experts discussed the challenges that women entrepreneurs face in the global trade market and strategies for changing the status quo.

The roundtable discussion revealed insights into the obstacles faced by women, as well as innovative strategies that could enhance their participation in trade.

The status quo: Female-led businesses struggle to access trade finance

One major obstacle for women-led businesses accessing trade finance is the stringent collateral requirements imposed by financial institutions. Due to the smaller average scale of the businesses they run, women often lack the requisite assets to meet these demands, which disproportionately affects their ability to secure trade finance.

One participant in the roundtable said, "Collateral requirements for trade finance are a major barrier to trade finance for women. In Africa, but also beyond, an overwhelming majority of commercial banks said the absence of collateral is the primary reason for rejecting trade finance applications."

Moreover, the complexity of documentation processes in trade finance poses another formidable challenge, with a single transaction sometimes requiring up to 100 documents.

Another participant said, "I was shocked to learn that 50 to 60% of the transaction costs come from that 100-document process. That documentation process is really, really burdensome for women and SMEs."

These barriers manifest differently across regions, reflecting varying cultural, economic, and regulatory environments. In emerging markets, particularly in Africa, legal and societal norms further complicate women's access to resources and financial services.

For instance, women often encounter significant gender bias, as financial institutions perceive them as higher risk than their male counterparts.

This perception persists despite evidence suggesting that women-led firms often have lower non-performing asset ratios. This issue partially stems from a lack of information on both sides of a potential transaction.

One participant said, "There's an information deficit: Women and SMEs often don't know how trade finance products work, while banks and financiers are missing data about women, their creditworthiness, and their business history. These information asymmetries create a perception of risk which leads to hesitancy and some reluctance."

Another added, "We need to start tracking data around women-led businesses in order to see what the trajectories of these companies are. Once we start having data the industry will be better able to focus on overcoming the barriers."

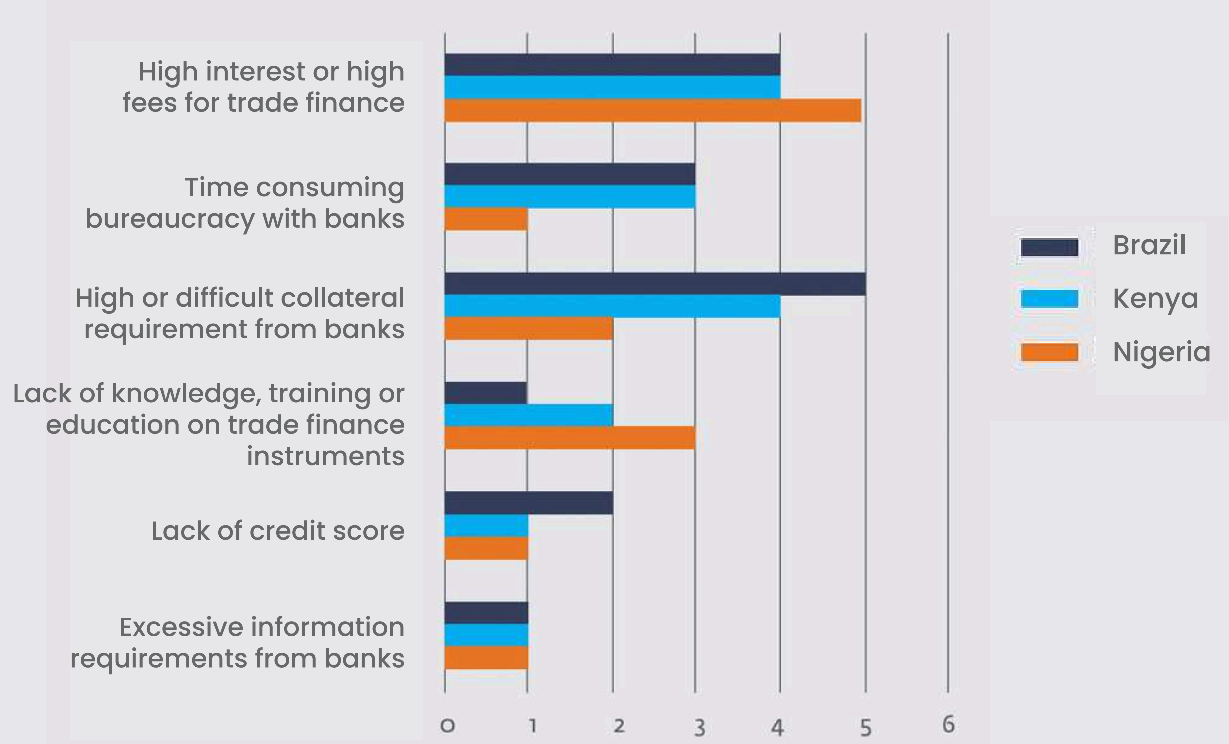
The impact of these barriers on women's economic activities is profound. Limited access to trade finance directly constrains women entrepreneurs' ability to expand their businesses, enter new markets, and increase their economic footprint.

These financial constraints also have broader economic implications, reducing potential job creation and economic growth in their communities. One participant in the roundtable said, "If women participated in the economy at the same rate as men, economic output could rise by as much as a third."

The scale of this impact warrants investment into innovative financial solutions to help promote gender inclusion in trade.

The challenges faced by women entrepreneurs in accessing trade finance, based on interviews with **70 women in Brazil, 60 in Kenya,** and **85 in Nigeria**

(**1** = least important, **5** = most important)



These challenges are common for all SMEs requiring trade finance, as identified in the IFC-World Trade Organization 2022 and 2023 reports. However, these barriers are more prominent and potentially have a greater impact for women-led business, as there is a convergence of obstacles for women to participate in trade

Source: IFC interviews with women entrepeneurs in Brazil, Kenya, and Nigeria

Innovative financial solutions for gender-balanced trade

The financial world is constantly evolving, and the latest round involves approaches that are designed to tackle traditional gender barriers, providing more tailored and inclusive financial solutions for women entrepreneurs.

One significant innovation is the development of financial products that do not rely on traditional collateral but instead, use alternative forms of collateral or methods to evaluate creditworthiness.

One participant said, "There needs to be a move away from collateral because these women are often more in a startup position. The big question then becomes: how can you assess risk? We need a whole new way of thinking."

Some institutions are exploring the use of receivables as collateral, allowing women who may not own property or other traditional assets to still access funding.

Programmes offering blended finance – a new approach that combines concessional and commercial finance – are another promising initiative. They can provide financial resources as well as valuable training and mentorship, addressing both the capital and knowledge gaps that many women face.

These solutions, as part of a broader effort to transform how financiers interact with women-led businesses, signify a shift towards more inclusive financing that addresses the unique challenges faced by women.

Many of these financial innovations, which enhance the visibility of women-led businesses, are being made possible by technological advancements, such as digital platforms and big data.

Technology and digitalisation as catalysts of change

Digital platforms and the integration of big data analytics can transform how women access trade finance by increasing accessibility while reducing costs, which will benefit women, who often run smaller operations and can be more impacted by high transaction costs.

One roundtable participant said, "Technology is helping us to know our customers more intimately and to better understand the credit history of otherwise informal enterprises.

Digitisation of trade finance can lower the cost of documentation and make women entrepreneurs visible, which is key."

Another added, "One great way for technology to help is to enter in credit and risk information that isn't ordinarily available. So it can substitute or enhance or add to credit information."

By leveraging data analytics and artificial intelligence, financial institutions can gain previously unavailable insights into the transaction histories and financial behaviours of women entrepreneurs.

These technological advancements represent a shift towards a more inclusive financial system that recognises and caters to the needs of women entrepreneurs, enabling them to compete more effectively globally.

Technology, however, can only go so far. For many women entrepreneurs, building strong networks that can advocate for their unique needs on a larger scale is also need to have a strong impact.

Equal opportunities through strong networks and advocacy

Many businesses are fuelled by the power of their professional networks.

For women entrepreneurs seeking to enter new markets, having supportive networks and advocacy groups can provide critical platforms

for mentorship and education in the global trade environment.

Networks can provide a mechanism for women to collectively address common barriers such as access to finance, legal restrictions, or market entry challenges, enabling them to trade more effectively.

One participant said, "We really think that we need to find a way to reach these women, offer them opportunities because they will drive productivity, they will support economic growth,

Regular engagement and the sharing of knowledge and best practices will help build a continuous learning environment that supports women's growth and addresses their immediate challenges.

Advocacy groups can also play a crucial role by highlighting the specific needs of women in trade, advocating for policy changes, and pushing for institutional support at both local and international levels. Clarifying some of these goals and the steps needed to progress them in the next year was one of the objectives of this roundtable discussion.

Setting the goals for the year ahead

Continuing to promote education and standardisation will be major steps on the road towards promoting gender equality in trade in the year ahead.

For many, however, basic education may have the most significant impact.

One participant said, "We are talking about educating women on trade finance, but it needs to start before trade finance. If you don't have the basic financial knowledge, you can't really understand what a letter of credit is."

On the standardisation side, developing a clear idea of what it means to be a women-led business will allow institutions to collect better data, which will provide critical insights into the challenges women face and the progress being made to overcome them.

Another participant said, "We need to get a clear definition of what a woman-led business is to make sure that everyone looks at this the same way to have a norm across the businesses."

But for now, the main goal is to test how many of these programs will work in the real world, with real women entrepreneurs, who are running real businesses. "Maybe the goal is to find 50 women between now and July," one participant said.

"We don't need to know everything about them yet. Just find 50 women who own enterprises who might be candidates for your trade programs. Find out where their situation today so we can learn the impact, and figure out how to scale these programs."

If this happens, by the time of the next IFC Global Trade Partners Meeting next year, we may have a solution to level the gender trading field and increase the number of female decision-makers in international trade.

Nathalie Louat
Director of Trade &
Supply Chain Finance
International Finance Corporation (IFC)

4

IFC's Nathalie Louat on Banking on Women Who Trade Across Borders

Deepesh Patel interviewed Nathalie Louat at the IFC Global Trade Partners Meeting in Barcelona.

The International Finance Corporation, a member of the World Bank Group, has released a whitepaper, "Banking on Women Who Trade Across Borders", exploring the gender disparity in international trade.

To learn more about this research and its implications for women-led traders, Trade Finance Global (TFG) spoke with **Nathalie Louat**, Global Director of Trade and Supply Chain Finance at the IFC.

Lack of research creates a lack of understanding

The IFC has been active in financing businesses led by women for 15 years, financing **$4.5 billion** of loans to these businesses. The organisation also has a Global Trade Finance Program (GTFP) aimed at reducing the trade finance gap, which has financed **$100 billion** worth of trade since its inception.

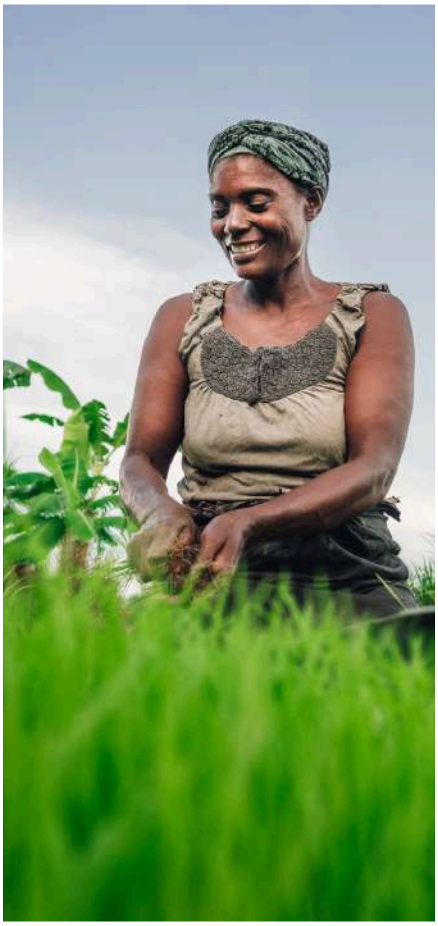
Louat said, "At some point, we brought our heads together and thought that we should focus on supporting more women-led exporters and importers. That's where the idea of this program was launched."

Five years after its launch, the IFC had financed **$260 million** of transactions for women-led businesses. While that is a large figure, it pales in comparison to the **$40 billion** of total financing the organisation provided for the same product class over the same time period.

When IFC tried to uncover the reasons why they were unable to reach more women-led businesses, they found there simply was not much research available.

Louat said, "We found a lot of research on why trade finance is important for trade. We found lots of research on why it is important to support SMEs, specifically. But there was no research on women-led businesses."

With that realisation, the Banking on Women Who Trade Across Borders whitepaper was born.



The Banking on Women Who Trade Across Borders whitepaper

The white paper explores some of the barriers that disproportionately impact women in trade, including cultural barriers and lack of financial literacy and it ultimately discovers that the barriers are on both the demand and supply side.

Financial institutions tend to perceive that women-led businesses bear a greater risk profile, likely because they lack specific knowledge of these businesses, due to their generally shorter history.

Further, **90%** of commercial bank respondents identified the absence of collateral as the primary reason for rejecting trade finance applications.

Louat said, "The lack of collateral is a problem in general for SMEs who are trying to access financing, but we found that the women businesses lack the assets to provide as collateral."

On the demand side, companies seeking financing tend to have less financial experience and a smaller network.

Louat added, "Trade finance is complex. It requires a lot of documentation. It's a little distracting for women to have to focus on these administrative aspects when they're looking to grow their business."

However, it is not just these characteristics that hinder access to finance. Trade finance also has structural barriers that prevent women from joining the industry, but there are measures that governments and financial institutions can take to help change the narrative.

Blended collaboration drives business growth for women in trade

Financial institutions should explore specific solutions to look out for women who face those challenges and put programs in place to help them develop their businesses.

Louat said, "We would like banks to focus on facilitating access to credit for women-led businesses. We want them to consider a variety of payment options and to offer a variety of trade solutions to these women-owned businesses."

Multilateral development banks can also support these businesses by enhancing financial literacy and working with banks to simplify complex trade finance instruments. Promoting blended finance may be another way to catalyse interest and help drive support for women-led businesses.

Blended finance combines funds from donors or development finance institutions with commercial capital, providing an incentive for banks to look for ways to better support women entrepreneurs access global markets.

Many of these innovative approaches will be strengthened by government support and institutions that can underpin the changes needed, such as credit bureaus and collateral registries. Louat said, "With more credit bureaus, more collateral registries, financiers will be able to provide financing with less need for formal collateral, which these women often don't have access to."

There have been successful case studies for these ideas, providing a roadmap for future implementation across different regions.

Louat said, "In Vietnam, it is clear that once we got the government and the private sector to collaborate, the banks were able to pick up on those commercially attractive opportunities and work on focusing on these segments to increase access to trade finance for women-led enterprises.

"What we have seen is that the women, in turn, are able to take advantage of these opportunities and really grow their businesses."

To learn more about the case study in Vietnam and the factors impacting women in trade, read the IFCs full white paper here.

Azzizza Larsen
Senior Vice President, Lenders Solutions Group Leader and Credit Specialties Growth Leader for North America
Marsh

Stephen Kay
Managing Director, Structured Credit and Political Risk
Marsh

5

Market to mobilise: How can credit insurance bridge the trade finance gap in emerging economies?

Credit insurance can help bridge this gap by improving access to trade finance and facilitating better financing terms for women-led firms.

The Asian Development Bank (ADB) reported that the trade finance gap expanded to **$2.5 trillion in 2023**, up from **$1.7 trillion in 2022**.

Despite efforts to mitigate this growth, the gap continues to widen, posing challenges for global trade, particularly in emerging economies.

Businesses are navigating an increasingly volatile environment, with significant geopolitical and geo-economic shifts.

Over **40%** of the global population will participate in elections in 2024, likely resulting in further political unrest and policy uncertainty.

Since 2005, the frequency and duration of conflicts have doubled, further complicating the trade landscape.

The prioritisation of globalisation and business-friendly policies is waning, giving way to regionalisation and protectionism.

Climate events exacerbate food insecurity and water scarcity, prompting more governments to adopt protectionist measures.

Concurrently, record inflation and persistently high interest rates are making borrowing and trade finance more costly.

To discuss how multilateral development banks can help and the role that credit insurers play, Trade Finance Global (TFG) spoke with **Azzizza Larsen**, Senior Vice President, Lenders Solutions Group Leader and Credit Specialties Growth Leader for North America, and **Stephen Kay**, Managing Director, Structured Credit and Political Risk at Marsh, at the International Finance Corporation's (IFC) Global Trade Partners Meeting, held in Barcelona, 7-9 May 2024.

Multilateral support for trade and supply chain finance

Multilateral development banks (MDBs) are crucial in supporting trade and supply chain finance programs, especially during such turbulent times.

Larsen said, "We see many lenders, regardless of how much they want to support the real economy, turning to traditional risk assessment methods – like collateral and balance sheets – instead of other performance measures.

This limits how much financing many businesses can receive and disproportionately impacts micro, small, and medium enterprises (MSMEs)."

Larsen highlighted the importance of facilitating access to financing as emerging markets seek to bolster resilience against climate change and promote economic development for women, low-income households, and MSMEs.

These sectors are often the hardest hit by economic volatility and require targeted support to thrive.

Role of private credit insurers

Private credit insurers play a pivotal role in mobilising finance to support trade banks, particularly in emerging markets.

Kay explained that the private credit insurance industry often partners with MDBs to venture into high-risk markets.

He said, “The credit insurance market follows multilateral development banks into developing markets, leveraging the preferred creditor status that these institutions can offer. This arrangement benefits insurers through the multilateral’s diligence and scrutiny, which is more comprehensive than what private banks or clients can undertake.”

This collaboration allows entities like the International Finance Corporation (IFC) to mobilise commercial insurers’ risk-taking capacity.

He said, “This is reflected in IFC’s great track record of negligible losses unblemished over 20+ years of supporting trade, including the last 15 years with risk sharing from private market credit insurance.”

By doing so, they support trade in high-demand, challenging markets, maintain trade flows, and keep emerging economies connected. Kay noted that this involvement is crucial for

maintaining access to critical imports such as food and medicines.

Managing limit pressures and resource allocation

MDBs often face limit pressures due to their extensive engagements with emerging market banks, which can include guarantees for trade finance, equity holdings, and medium-to long-term credit.

Sharing these risks with private credit insurers allows MDBs to expand their support without overextending their resources.

“Private credit insurers typically do their own credit review of emerging market issuing banks when approving support for IFC,” Kay said, “but they also rely on IFC’s extensive review and screening of these names.”

The limits provided by private insurer partners are additive to IFC’s own credit limits, enhancing IFC’s capacity to support trade for specific banks.

Local banks in difficult jurisdictions benefit from this cover, which might otherwise be unavailable.

Independent support from private credit insurers

Private market credit insurers have a long history of mobilising trade capital in emerging markets by insuring risks for commercial banks.

This support has evolved from short-term trade finance instruments like cross-border letters of credit (LCs) and trade advances to a variety of trade finance structures.

Banks can optimise capital and expand lending limits in various jurisdictions by partnering with credit insurers and brokers.

This partnership has allowed credit insurers to develop deep expertise in underwriting emerging market risks and establish a strong track record of paying claims.

Kay said, "Banks have been able to not only free up lending limits but also optimize capital in many jurisdictions enabling them to lend more or take additional risk. As a result, credit insurers have developed deep pools of expertise in underwriting emerging market risks and a proven track record of paying claims, but their appetite varies dependingon the country of risk and creditworthiness of the counterparty, amongst other factors."

However, their appetite for risk varies depending on the country and the counterparty's creditworthiness. In volatile or economically challenged countries, multilateral support remains crucial.

Bridging the gender gap in trade finance

According to the IFC's report "Banking on Women Who Trade Across Borders," women-led firms account for only 15% of exporting businesses globally.

Credit insurance can help bridge this gap by improving access to trade finance and facilitating better financing terms for women-led firms.

Larsen said, "Credit insurance can help women-led businesses feel more confident in exporting, knowing they can mitigate non-payment risk."

Credit insurance can help women-led businesses make more informed decisions by providing access to valuable market intelligence, such as buyer payment terms and country risk analysis.

This information empowers women entrepreneurs to expand their export activities and play a more significant role in the global economy.

However, while credit insurance can be part of the solution, it is not a panacea. The current focus in underwriting has predominantly been on the environmental aspect of ESG, with less emphasis on social factors.

The industry should consider using the criteria developed for environmental risks as a blueprint to support social factors, such as women-led businesses.

Shifting the narrative to include more social considerations in underwriting can help better support these businesses and the risks they undertake.

By partnering with MDBs and supporting businesses, particularly MSMEs and women-led firms, the industry can mobilise the necessary resources to foster global trade growth.

This collaborative approach ensures that trade flows continue, even in the most challenging environments, ultimately supporting economic development and resilience in emerging economies.

Makiko Toyoda
Global Head of the Global Trade Finance and Global Supply Chain Finance Programs
International Finance Corporation (IFC)

Dr. Marc Auboin
Counsellor
WTO

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20 years of successful marriage: IFC, WTO on multilateral cooperation and trade finance facilitation

For over two decades, the International Finance Corporation (IFC), the World Trade Organization (WTO), and multilateral development banks (MDBs) have been partners in enhancing global trade finance.

For over two decades, the International Finance Corporation (IFC), the World Trade Organization (WTO), and multilateral development banks (MDBs) have been partners in enhancing global trade finance.

This collaboration shows how coordinated multilateral efforts can bolster trade, particularly in times of crisis.

By leveraging their collective strengths and resources, these institutions have addressed immediate financial challenges and laid the groundwork for long-term trade development.

To discuss the collaboration at the IFC Global Trade Partners Meeting in Barcelona, **Makiko Toyoda**, Global Head of the Global Trade Finance and Global Supply Chain Finance Program at IFC, spoke with **Dr. Marc Auboin**, counsellor at the WTO.

Bridging the gender gap in trade finance

The partnership was born out of necessity during the financial crises of the late 1990s and early 2000s and has continued adapting to new economic challenges.

Toyoda said, "We have been working together for the past 20 years and it has been going really well."

Initially, the focus was on improving the availability of trade finance during periods of crisis, like the 2007-2008 financial crash, when the G20 mandated international organisations to devise a support plan for trade finance.

The collective effort of these organisations provided a lifeline to the trade finance community, ensuring liquidity and support for traders, particularly small and medium-sized enterprises (SMEs).

Auboin said, "There were several stages of this work when different institutions - particularly the WTO, IFC and other MDBs operating trade finance programmes - have shown togetherness and ramped up their programs to support trade and traders at a critical time."

The partnership is not merely about crisis response, but also about long-term development. By working together, the IFC, WTO, and other MDBs have enhanced many countries' capacity to support their trade by improving diagnostics to identify gaps in trade finance and directing resources more effectively.

Auboin said, "The cornerstone is our Enhanced Cooperation Agreement of 2021, where our leaders have worked together to recognise that trade finance is largely a development issue centred on increasing the countries' ability to support their own trade."

Such efforts are crucial in building resilient and self-sustaining trade finance ecosystems in developing economies.

The role of MDB working groups and supply chain finance initiatives

These partnerships, along with the working groups and task forces that exist through them, strive to address the broader market needs by identifying and bridging gaps in supply chain finance.

Toyoda said, "We appreciate the MDB working groups where we have created many different task forces. The IFC also enjoys working on the supply chain finance working group task force."

This work includes creating an enabling legal environment and other necessary infrastructure for market development. Focusing on these areas ensures that banking and non-banking solutions are available to support all businesses, including SMEs, that are integral to global trade networks.

These institutions are making significant strides in reducing global trade finance gaps by pooling resources, sharing knowledge, and working towards common goals. Their efforts are critical in ensuring that trade finance remains accessible and efficient, fostering inclusive economic growth and development.

The partnership between IFC, MDBs, and WTO, supported by the strategic initiatives of the working groups, plays a crucial role in the global trade finance ecosystem.

These collaborations ensure that trade finance is available, efficient, and supportive of SMEs worldwide, equipping the trade finance community to handle future challenges and support sustainable economic growth.

Toyoda said, "We are very happy to do the work we are consistently doing over time so that we can all together reduce the global trade finance gaps."

Deepesh Patel
Editorial Director
Trade Finance Global (TFG)

Brian Canup
Assistant Editor
Trade Finance Global (TFG)

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Panel perspectives: Navigating the new waves of supply chain finance

Supply chain finance (SCF) has always been critical to global trade, in fact, there are examples of ancient versions of bills of exchange carved into clay tablets in Mesopotamia in 3000 BC.

Supply chain finance (SCF) has always been critical to global trade, in fact, there are examples of ancient versions of bills of exchange carved into clay tablets in Mesopotamia in 3000 BC.

But the industry has yet again increasingly gained attention over the past few years.

The COVID-19 pandemic, coupled with rising geopolitical tensions and economic volatility, has reshaped the SCF landscape, prompting rapid adaptation and innovation.

At the International Finance Corporation's (IFC) Global Trade Partners Meeting in Barcelona,

Trade Finance Global's (TFG) Deepesh Patel moderated the panel discussion "Nearshoring and Friendshoring: Navigating the New Waves of Supply Chain Finance" with:

- **Ángel Bustos**, Managing Director, Global Head, Supply Chain Finance at Santander CIB;
- **Parvaiz Dalal**, Global Head, Trade Payables at Citigroup;
- **Sergio Rodriguez**, Europe Head, Products and Propositions – Trade Finance at HSBC;
- **Priyamvada Singh**, Managing Director and General Manager, Global Head, Supply Chain Finance at SMBC

Digitalisation and automation

The COVID-19 pandemic has acted as a catalyst for digital change in many industries, and supply chain finance is no exception.

The urgency to update manual, paper-heavy processes as the pandemic closed offices around the world drove the adoption of digital tools and automated processes, transforming SCF operations.

Digital signatures, for instance, have replaced the cumbersome process of collecting physical signatures in several jurisdictions, allowing transactions to be completed securely online.

Dalal said, "We now have 58 locations globally where we can take a client's DocuSign or digital signature and with the enforceability of opinions backing that, we can go to the court of law and call against that document."

Machine reading tools have further streamlined SCF operations. In North America, the process of filing Uniform Commercial Code (UCC) documents, which previously required extensive legal review and weeks of waiting, has been reduced to a few minutes through automation that can analyse and process documents.

The pandemic also highlighted the necessity of resilience and adaptability in supply chains, prompting many companies to reconfigure their sourcing strategies and move production closer to their markets to mitigate disruptions.

This reconfiguration has been supported by digital SCF platforms that offer real-time services like currency conversion and self-origination for clients. These platforms, designed with microservices architecture, provide the flexibility needed to cater to diverse client needs and integrate with existing systems.

By simplifying access to finance and reducing bureaucratic hurdles, digital tools are helping to democratise SCF, enabling more players, especially small and medium enterprises (SMEs) and those in emerging markets, to participate in and benefit from global trade.

Challenges and opportunities in emerging markets

Emerging markets hold the key to addressing the trade finance gap, which has widened from $1.7 trillion to $2.5 trillion according to the latest figures from the Asian Development Bank's research in 2023.

These markets, characterised by rapid economic growth and dynamic conditions, are crucial in bridging the financing divide that affects many SMEs in global supply chains, however, the journey is not always easy.

One of the primary hurdles is the regulatory environment. Often, the necessary laws and frameworks to facilitate SCF are either underdeveloped or non-existent, creating significant barriers.

Additionally, even when there are existing regulations, standardisation is not where it needs to be.

Bustos said, "It is very difficult to create global standards for regulations and procedures. The reality that we have in Europe has nothing to do with the reality that we have in Latin America, which is not the same as the reality that we find in Asia."

Singh said, "There's a lot of work that still has to be done in emerging markets around laws protecting title and assignment of a receivable. It's critical to enable banks to offer post-shipment confirmed invoice discounting at scale. Further, this classic payables finance structure is possible only at the very end of the trade cycle for suppliers, while their needs are for financing all along the value chain, not just the confirmed invoice discounting. This is where partnerships with local banks and multilaterals could be useful. They would allow suppliers to access financing earlier in the value chain, which could really make an impact when coupled with confirmed payables finance."

Addressing these regulatory gaps requires concerted efforts from governments, international organisations, and public-private partnerships, which have emerged as a powerful tool to overcome these challenges.

Another innovative strategy being deployed is deep-tier supply chain finance.

In contrast to traditional SCF, which typically only benefits the first-tier suppliers that are directly linked to large and creditworthy buyers, deep-tier SCF goes deeper down the chain where smaller suppliers often struggle to access financing.

Rodriguez said, "We need to consider that a material portion of the trade finance gap is in the deeper levels of the supply chain, away from those top-tier suppliers."

In regions like China, regulatory frameworks have evolved to support deep-tier SCF, allowing financing to permeate several layers of the supply chain. This model facilitates financing for even the smallest suppliers by enabling the receivables from first-tier suppliers to be split and transferred digitally, reaching those most in need.

By ensuring that even the smallest players in the supply chain have access to necessary financing, emerging markets are enhancing their economic resilience and contributing to the stability and efficiency of global trade networks, something that is more pressing amid rising geopolitical tensions.

Geopolitical and economic impact on supply chains

Global supply chains have always been susceptible to macroeconomic volatility, however, escalating geopolitical tensions have amplified these challenges, disrupting traditional supply routes and compelling companies to rethink their resilience strategies.

The pandemic exposed the fragility of supply chains that spanned multiple continents and relied heavily on distant manufacturing hubs.
As shipping routes were constricted and the physical flow of goods was hampered, businesses realised that the existing models of globalisation, which often prioritised cost efficiency over resilience, were no longer sustainable.

Geopolitical tensions have further underscored the need for such strategic shifts. For instance, the trade war between the United States and China prompted companies to diversify their supply chains to mitigate the risks associated with political instability.

businesses can navigate geopolitical uncertainties with greater confidence.

The move towards regional centres of sourcing and sales aims to create more localised and resilient supply networks. For instance, a significant portion of fashion executives are now considering moving manufacturing closer to their primary sales markets in the United States and Europe.

Singh said, “Mexico is now the USA's largest trade partner, overtaking China. However, if you look at the amount of investment in Mexico by China, it tells a different story.”

This shift is not merely about relocating production but also about forging stronger trade partnerships with politically stable and economically reliable countries—an approach referred to as friendshoring.
By establishing supply chains within allied or friendly nations,

This trend highlights a broader reconfiguration, with the focus shifting from cost optimisation to supply chain robustness and reliability.

By bringing production closer to home and aligning with politically and economically stable partners, companies are better equipped to withstand the uncertainties of the modern world, ensuring a steady and reliable flow of goods in an increasingly unpredictable environment.

ABOUT TFG

TRADE FINANCE GLOBAL

TRADE & RECEIVABLES FINANCE

Trade Finance Global (TFG) is the leading B2B fintech in trade finance.

TFG's data-led origination platform connects companies with innovative trade and receivables finance solutions from over 300 financial institutions.

We assist specialist companies to scale their trade volumes, by matching them with appropriate financing structures – based on geographies, products, sector and trade cycles. Contact us to find out more.

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TFG also hosts the International Trade Professionals Programme with LIBF, and funds the Accelerate Scholarship, a grant to help students to pursue a career in trade. Others know us through our Annual International Trade Awards, celebrating outstanding players and contributors in the trade ecosystem.

Through these activities, TFG is democratising trade finance.

CONTACT

Magazine and Advertising
talks@tradefinanceglobal.com

Editorial and Publishing
media@tradefinanceglobal.com

Enquiries
info@tradefinanceglobal.com

Telephone
+44 (0) 20 3865 3705

Website
www.tradefinanceglobal.com

OUR LONDON OFFICES

TRADE FINANCE GLOBAL
14 Hatton Garden
Third Floor
London
EC1N 8AT

TRADE FINANCE GLOBAL
201 Haverstock Hill
Second Floor
London
NW3 4QG

TRADE FINANCE GLOBAL
73 New Bond Street
London
W1S 1RS

tradefinanceglobal.com