Presentation to the 19th UNECE- UN/CEFACT Forum

Agriculture, Trade Facilitation and Trade Finance

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OUTLINE

- Introduction to ITC
  - Division of Market Development (DMD) - Sector Development Programmes eg Agriculture and Commodities
  - Division of Business and Institutional Support (DBIS) - Business Environment
  - Division of Country Programmes (DCP)
- Business Environment Practice
  - Trade Law
  - Trade Finance
  - Trade Facilitation
- Perspective on inter-sectoral linkages – trade finance, trade facilitation + agriculture
- Discussion
International Trade Centre (ITC)

1. A joint technical cooperation agency of the UN and the WTO - created in 1964

2. Funding - parent bodies + donors

3. Priority countries - LDCS, LLDCs, Small and Vulnerable Economies and Countries in Transition

4. Priority market - exporting and export ready SMEs and MSMEs

5. Priority interests - regional integration, women and youth, agriculture and services sectors
AID FOR TRADE

Aid for Trade Agenda

- Trade Policy and Regulations
- Trade-Related Adjustment
- Trade-Related Infrastructure

Trade Development

- Building Productive Capacity

ITC’s Strategic Objectives

- Strengthen policymakers’ ability to integrate business into the global economy
- Strengthen trade support institutions
- Make enterprises more competitive
ITC Builds SME capacities on three levels

**Trade Support Institutions**
- Strengthen SME capacities following ITC criteria
- Advise policymakers
- Improve networks

**Trade Policy**
- Develop and implement strategies
- Establish an adequate institutional framework
- Build capacity for trade negotiations

**Enterprises**
- Formulate strategies for exports
- Prepare for exports
- Conclude commercial transactions

**Export Strategy**
- Exporter Competitiveness

**Trade Intelligence**
- Trade Support Institution Strengthening (and the Business Environment)

**Business and Trade Policy**
- ITC Builds SME capacities on three levels

**ITC**
- ITC Builds SME capacities on three levels

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**Export Impact for Good**
**Business Environment** provides the skills and the tools needed by TSIs and SME exporters to be competitive and respond to challenges in the form of regulatory regimes which impact export activity “at the border and behind the border”.

**Enabling Business Environment**
Trade Law Unit

- Assistance at pre-transaction, transaction and post-transaction steps of doing business....

• Negotiating and drafting international commercial model contracts and guides for exporting SMEs (Sale of Goods, distribution, agency, services, conflict of laws, e-commerce, etc)
• Contractual and institutional support to Cooperatives in the agricultural sector, including fresh fruits and vegetables
• Protecting intellectual property at sectoral level: e.g. Geographical Indications
• Supporting dispute resolution centres (Arbitration and Mediation)
Trade Law Unit

- Improving countries’ accession to 250 key Multilateral Trade Treaties - LegaCarta (non WTO treaties);
- Networking of company lawyers and Jurists to facilitate B2B legal services;
- Regional harmonization of business law (OHADA, etc.)
- Capacity building on trade related issues and ‘Training of Trainers’
ITC’s Model Contracts for Small Firms

WHAT DO THESE CONTRACTS COVER

• International contractual alliance
• Corporate joint venture
• Commercial sale of goods (short version)
• Commercial sale of goods (long version)
• Commercial sale of perishable goods
• Long-term supply of goods
• Contract manufacture
• Distribution of goods
• Commercial agency
• Supply of services

See: www.intracen.org
Access to (Trade) Finance Unit

1- Strengthening the overall management capacities of SME managers in financial management

2- Enhancing financial institutions’ understanding of SME needs and risks

3- Building better links between international and regional financial institutions and commercial banks

4- Broadening the range of financial services targeting SMEs
Access to Finance for SMEs

**ITC**

- **SME Competence Building**
  - Trade-Related Technical Assistance Services & Finance
  - Private Sector Development
  - SME Financing

**SMEs**

- Credit & Guarantee Lines

**Regional & International Financial Organizations**

**Commercial Banks & Micro Financial Institutions**

**LOANCOM & other tools**
Building the Capacity of MSMEs in Financial management and services

Analyzing and mapping value chains to identify the most promising chains and the respective financial needs of actors
- Following a pineapple value chain analysis in Benin, those with good export potential to Maghreb and neighboring countries (Nigeria, Niger, Burkina Faso, Senegal) were selected.

Enhancing financial management skills of TSIs, BDS providers and (M)SMEs
- In Zambia 16 BDS providers trained and certified by ITC to provide coaching to 70 (M)SMEs.
- In Benin, ABePEC (a TSI) has been provided with financial management self-checkers and 100 associations, cooperatives, micro enterprises are provided coaching by 30 counselors.

Assisting value chain (M)SMEs in making bankable business plans
- SME Company ABC Ltd in Zambia was provided with coaching by a trained BDS provider, who carried out a business diagnostic study. ABC Ltd, has received assistance to prepare a ‘bankable’ business plan.
Partnering with FIs to facilitate access of (M)SMEs to Financial services

Analyzing and identifying the most promising financial institutions interested in increasing their (M)SME portfolios
A thorough analysis of financial institutions in Benin helped to select Bank of Africa (BOA) and Société Générale des Banque du Bénin (SGBBE) who are interested to increase their SME portfolio and in the agricultural sector (pineapple)

Providing to the FI a risk mitigation methodology
A risk mitigation methodology has been tailored to the specificities of the pineapple sector and the parameters of BOA and SGBBE in Benin and Investrust for various sectors in Zambia

Negotiating a credit line / guarantee funds with a development agency/bank
In Benin, a partnership has been created with the French AFD for a credit line/guaranty funds for BOA and SGBBE to cover loans granted to associations, cooperatives and micro enterprises

Facilitating a close partnership between TSIs and FIs
In Benin and Zambia, ITC has facilitated a close partnership between TSIs (ABePEC and ZDA) and FIs (BOA, SGBBE and Investrust) for an appropriate response to (M)SME financial needs
Access to Finance Projects in the Agricultural Sector

**Benin**

- Finnish funded – aims to develop the pineapple sector in Benin through increased access to finance and the use of mobile solutions to enhance exports to neighbouring countries and the Maghreb region. Objective is to help export-ready and exporting MSMEs, cooperatives and associations obtain access to finance.

- 30 financial management counsellors trained and able to provide coaching to 70 MSMEs, cooperatives and producer associations.

- 70 business plans submitted to financial institutions (Bank of Africa, Banque Régionale de Solidarité and Fonds National de Microfinance); 41 SMEs are pre-approved for loans and are being assessed for guarantee funds of the French Development Agency (AFD) and Fonds GARI (West African Development Bank).
Access to Finance Projects in the Agricultural Sector

Uganda

- Netherlands funded – aims to “Create Sustainable Exporter Competitiveness in the Coffee Sector in Uganda”

- ITC (along with others), is building the capacity of the National Union of Coffee Agribusinesses and Farm Enterprises (NUCAFE) to better assist its coffee farmer associations (FAs) to access finance

- In close partnership with 20 trained financial management counsellors and NUCAFE, ITC’s Access to Finance Programme is helping some 40 NUCAFE’s coffee farmer associations and their members become financially sustainable.

- Once made ‘bankable’, the farmers’ associations will be able to approach financial institutions and get access to finance
Access to Finance Projects in the Agricultural Sector

Senegal

- Netherlands funded - aims to create a sustainable and competitive mango sector for exports. Partnering with ASEPEX, the export promotion board of Senegal, the Access to Finance Programme’s role in this project is to help MSMEs in the mango sector to have access to finance and increase their exports.

- Financial management counsellors will be hired and trained on ITC’s Access to Finance methodology to coach some 30 export ready and exporting MSMEs that are members of Coopérative Fédérative des Acteurs de l’Horticulture au Sénégal (CFAHS), the mango support institution.
Access to Finance tools

- Credit Scoring Software for Financial Institutions

- Self-checkers for TSIs and SMEs:
  - Loan Calculator and Amortization Table
  - Financial Management Self-Checker
  - How to Approach Banks
  - SME Audit Tool
  - Stethoscope

For more information:

http://www.intracen.org/exporters/obtaining-export-credits/
Trade Facilitation Unit

Building on ITCs’ Competencies …

- Non-Tariff Measure (NTM) surveys (regulations, quality standards)

- All ACP Agricultural Competitiveness Programme (empirical data on sector competitiveness esp. agri-foods issues)

- National export strategies (assessment of key export sectors)

- Other e.g. collaborative initiatives with partners and donors
TRADE FACILITATION UNIT

Two areas of focus:

- Supporting exporting SMEs to comply with customs, border and transit formalities

- Developing private sector capacity in trade facilitation and trade logistics services to support exporters’ compliance with international requirements
ITC’s Trade Facilitation practice helps export ready and exporting SMEs reduce trade transaction-related costs and the time to move goods and services across borders by:

- Improving the capacity of **SMEs to comply** with export procedures and customs formalities

- Improving the capacity of TSIs **to help exporting SMEs** address compliance issues

- Addressing **non-tariff measures** (NTMs) such as logistics chain bottlenecks by facilitating financing to upgrade the capabilities and facilities of logistics service providers, e.g. collection centres, cold chains, refrigerated trucks
TRADE FINANCE FOR TRADE FACILITATION – ISSUES TO BE RESOLVED

- Inadequate access to financing for facilities upgrading
- Border transit, inspections and export compliance
  - Unnecessary and unavoidable costs
- Operators’ exploitation of perishable goods transporters
- Uncertain transit times
- Uneven application of regulations and protocols
- Supply bottlenecks
- Weaknesses in infrastructure
EXPECTED BENEFICIARIES

- SME exporters and smallholder growers of fresh produce who are part of the export supply chain and export-ready SMEs who meet certain criteria.

- Actors in the agriculture and fresh produce export trade logistics chain (e.g. support services, transporters and distribution). Producers, handlers, brokers and buyers of perishable and fresh food which are most vulnerable to wastage and damage are also included.
EXPECTED BENEFITS FOR COLLABORATIVE TA APPROACH

- Minimization of costs to export
- More efficient intra-regional trade and improved export competitiveness of targeted regions
- Reduction of illicit payments at border crossings and other points in trade corridors
- Lowering of existing inefficiencies in the agriculture and fresh produce export trade logistics chain
- Contribution to increased regional exports and reduced wastage
- Improved prospects for the integration of export grower and smallholder associations such as the ESA regional and international value chains
EXPECTED RESULTS OF TECHNICAL ASSISTANCE

- Increase in the number of accessible financing options
- Fewer shipments rejected at regional, US and EU ports
- Simplified regional customs and export related formalities
- Case studies to share best practices and potential applications in other settings
- Reduced supply chain bottlenecks and wastage
- Increased flow of high quality agricultural goods
SUGGESTED PRIORITY AGRICULTURAL PRODUCTS?

- Processed, fresh, chilled and frozen food
- Vegetables, horticulture and legumes
- Fruits, tree crops, roots and tubers

The list could be modified in consultation with the RECs, relevant SME stakeholder groups as well as policymakers.
FUNDING MODELS AND POSSIBLE INSTRUMENTS?

- Loans
- Financing grants plus ....
- Technical assistance to exporting SMES
- Equity investments for ‘infrastructure improvement’
DISCUSSION

- Target beneficiaries?
- Beneficiaries’ selection criteria?
- National intermediary institutions?
- Implementing institutions and respective roles?
  - ITC
  - UNECE +(UN/CEFACT)
  - Other UN agencies
  - Multilateral partners
  - Bilateral partners
  - National stakeholders
Thank you!

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