



ITFA ARC EDUCATIONAL WEBINARS

Written by Tedd George, Kleos Advisory UK, April 2023

On March 28th ITFA's Africa Regional Committee (ARC) launched the first in a series of educational webinars aimed at financial professionals working in Africa. These webinars form part of ITFA's outreach to African FIs and explore topical issues in African trade, as well as the basics of trade finance, with insights and learnings drawn from ITFA's network of experts. The first two webinars discussed the topical issue of sustainable trade finance and how to structure commodity and trade finance deals.

The first webinar, hosted by Dr Tedd George (Kleos Advisory), explored the findings of the [ITFA White Paper](#) on sustainable trade finance and African trade that was published last September. In his opening presentation, Dr George explored the drivers of Africa's trade finance gap, especially for SME traders, and the mismatch between the global sustainability agenda and African priorities. Why should Africa focus on decarbonisation when the continent produces less than 3% of global greenhouse gas emissions (and most of these concentrated in a handful of countries)? Shouldn't Africa's sustainability focus be on other environmental issues – such as forestry protection – and social issues, notably the scourge of child labour in Africa's cash crop sector?

These themes were picked up in the expert discussion with ARC Chair, George Wilson (Investec), Anne-Marie Woolley (African Global Trade Finance) and Edmund Bala-Gbogbo (Afreximbank). George noted that Africa's USD liquidity squeeze stems from the fact that international trade is conducted in USD and African markets don't generate enough USD from their exports to fund their import bill. He called for Africa to look beyond climate change and focus on the broader sustainability objectives of the UN Sustainable Development Goals (SDGs), recognising that trade is a driver of economic and social development in its own right. Anne-Marie noted that the high rejection rates for African trade finance reflect not just the the lack of financial skills in African SME traders, but also the lack of understanding of African markets by lending banks. She also questioned what credibility of sustainability frameworks and standards that have been developed by Western-focused institutions for multinational traders, not for African SMEs. Edmund seconded this point, noting the mismatch between international standards and the practical realities of trading in Africa and he expressed the hope that the Africa Continental Free Trade Area (AfCFTA) could break this logjam and boost intra-regional trade by 50%.

The second webinar was delivered by two seasoned experts in trade finance, Duarte Pedreira (Crown Agents) and Simon Cook (Sullivan & Worcester), drawing on their wealth of experience to explain how to structure commodity and trade finance deals. Using the example of Rwandan coffee deal, Duarte walked us through the cash conversion cycle, tracking how financing matches the different phases of the commodity conversion cycle, from the production and purchase of raw materials, through the processing of raw coffee beans into roasted coffee, to the sale of inventory. Duarte recommended a useful acronym for assessing a trader's operational assets – GRC (Goods, Receivables and Cash) – and he urged financiers to go the extra mile to understand their client's business model and identify the gaps in their cash conversion cycle

Simon then offered what Duarte described as '30 minutes of free legal advice', walking us through the legal considerations for taking security on the financing of African trade. These ranged from legal systems & jurisdictions, through key issues like insolvency protection, contractual rights and due diligence processes, to the types of security available and the labyrinth of formalities and procedures to navigate in order to get a deal over the line.



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ITFA members can access recordings of both webinars via the members area of the ITFA website:
<https://itfa.org/member-area/itfa-webinars/>

The next batch of webinars will take place on Wednesday May 10th, exploring the range of trade finance instruments available on the market and what it takes to make a good deal. You can register for these webinars [HERE](#).