



## ITFA ARC WEBINAR NO.7 HELD IN SEPTEMBER

*Written by Tedd George, Kleos Advisory UK, September 2023*

On September 13<sup>th</sup> the ITFA Africa Regional Committee (ARC) hosted the next educational webinar in its series aimed at financial professionals working in Africa. These webinars 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 seventh webinar, hosted by Dr Tedd George (Kleos Advisory), explored one of the most innovative but least understood financing models – supply chain finance – and in particular how it can unlock trade opportunities in African markets.

The webinar started with a detailed overview of supply chain finance delivered by ITFA Chairman Sean Edwards (SMBC UK), who shared his expert insights on the uses in supply chain finance and the challenges and the opportunities it brings for traders and their financiers. Sean broadly divided supply chain finance into two categories: receivables purchasing techniques and loan-based techniques, and he explored how physical and financial flows are intertwined throughout the global supply chain.

Sean noted how there has been a surge in open account supply chain financing in recent years, especially of transactions with small tenors. According to an ITFA study in 2015-16, nearly 40% of supply chain finance deals were worth less than USD 5 million, a deal size that most large banks have little appetite to finance with traditional trade finance and lending. Sean also explored the determinants for working capital optimisation and the typical cash conversion cycle (CCC) funding gap, which is heavily dependent on the delay between purchasing raw materials and payment by the client. Sean finished with a series of case studies, including a satellite business, Abengoa and Carillion, illustrating both the good and the bad of supply chain finance in action.

Sean's presentation was followed by two African case study delivered by ARC member Louis du Plessis (Rand Merchant Bank) and Prince Wadie (Citi Kenya). For his case study Louis walked us through a benchmarking exercise which assesses the feasibility and impact of extending a client's days payable, demonstrating how they can benefit from cashflow at an earlier date and a significant reduction in interest costs. Prince's case study explored a supply chain finance solution offered to suppliers making sales to Citibank clients, building on the bank's existing client relationships and resulting in better ratings for the bank and more favourable lending rates for their clients and suppliers.

This webinar ended with a lively Q&A session involving all three speakers, with questions around the openness of different markets to supply chain finance, consumer protection and supplier onboarding.

If you would like to watch this webinar, ITFA members can access recordings of all the webinars in this series on the members area of the ITFA website: <https://itfa.org/member-area/itfa-webinars/>

Look out for future webinars and please contact the [ITFA Secretariat](#) with suggestions for topics we could cover in the series.