



## MULTILATERALS EAGER TO COLLABORATE WITH ITFA ON ESG, POLICY AND ACCESS TO FINANCE

*Written by Rebecca Spong, Editorial Consultant, November 2023*

Trade-focused multilaterals have welcomed closer cooperation with ITFA on ESG issues, policy dialogue, regulation and increasing access to trade finance in emerging markets.

Speaking on a panel at ITFA's annual conference in Abu Dhabi last month, representatives from the largest multilaterals discussed key areas of potential collaboration with the association and what they can all learn from one another.

"ITFA plays a very important role in raising awareness about topics that concern the trade finance world – and all these topics are relevant for our countries of operation. For our countries and for our partner banks, there is a possibility to learn from ITFA members, to adopt policies that have been developed by ITFA and increasingly connect our countries and partner banks with members of ITFA," said panellist Rudolf Putz, head of the trade facilitation programme at the European Bank for Reconstruction and Development (EBRD).

The discussion follows the creation of a new ITFA Multilaterals Advisory Panel in February this year, which was set up to enable multilaterals to provide guidance and feedback to the ITFA board on the way the association pursues its global trade finance initiatives. The panel met for the first time in March.

"When I attended that first meeting with ITFA – it brought a realisation of how broad the scope of work that ITFA is doing," said panellist Gwen Mwaba, director, and global head of trade finance at Africa Export-Import Bank (Afreximbank) noting how the association is involved in market education, producing research papers, and lobbying regulators.

Looking to the future, the panel participants outlined the challenges facing today's market and key areas for collaboration with ITFA.

### **1) Education & Research**

The multilaterals praised ITFA's education function and its array of seminars and workshops – highlighting how this kind of learning is acutely needed in the emerging markets they operate in.

However, Mwaba said ITFA needs to increase its membership in the emerging markets to ensure its educational offerings reach the people who most need it. "We need to drive up that membership as that type of training will benefit members in the emerging markets – that type of training is not so easily accessible now," she said at the conference.

Mwaba went on to recognise the benefits ITFA's research and publications could have in emerging markets – in particular highlighting [the ITFA Guide to Structured Letters of Credit](#) -whitepaper published in 2021, that she said, "demystified" structured letters of credit (LCs) and would be useful for some banks who depend on structured LCs to raise liquidity.



Panellist Clarine Stenfert, global trade finance head at the Multilateral Investment Guarantee Agency (MIGA), also said there was potential for ITFA to widen its educational offering. “International trade, compliance – it needs a lot of education. ITFA needs to spread the word a little further,” she said.

## 2) ESG Focus

The multilaterals recognised the challenges of managing environmental, social and governance (ESG) issues within the trade finance market and see an opportunity for closer partnership with ITFA.

Mwaba welcomed efforts by ITFA to invite participation from African companies and banks in its ESG-related discussions and research papers, including the [‘Regulatory Reality of Making Trade Sustainable’](#) paper published in May. This paper outlined the regulatory obstacles that are inadvertently failing to encourage banks and financial institutions to finance and report ESG-related financing.

“For many years there have been conversations around ESG – and Africa is not part of the decision-making process on the outcome of these conversations. Yet, African banks are expected to be at the same level of readiness as other parts of the world. For the first time, ITFA invited Africa’s voice to be part of that conversation. So that was a really refreshing takeaway,” Mwaba said.

Makiko Toyoda, global head, Global Trade Finance Programme & Global Supply Chain Finance – trade and supply chain at the International Finance Corporation (IFC), explained how the main challenge for ITFA and the multilaterals was how to measure, define and report climate transactions.

“If we don’t do that now then the trade finance gap will become bigger and bigger,” she said.

She explained that multilaterals were already working together on creating definitions and had published some general guidelines in 2021 called the [‘Common Principles for Climate Mitigation Finance Tracking’](#) for development finance. She said they were now trying to finalise a new paper outlining ‘common principles’ specific to trade finance.

“We are trying to harmonise definitions among multilaterals,” she explained, adding that she hopes the new guidelines will be published in December this year to coincide with the COP28 meeting in Dubai.

Toyoda also echoed Mwaba’s comments that ITFA ought to have greater engagement with emerging markets given the increased share such markets now have in global trade. “ITFA is at a turning point – you can’t ignore emerging markets anymore,” she said.

## 3) Policy dialogue and regulatory advocacy

Panellists also outlined potential for collaboration on regulatory advocacy issues, where multilaterals and ITFA can join forces to lobby for changes to regulations or trade policies.

Putz identified de-risking as one of the biggest obstacles in the emerging markets, where commercial banks are “silently” withdrawing from certain markets due to reputational risk. He said many banks in EBRD’s areas of operation have lost access to commercial correspondent banking, meaning that the availability of trade finance is limited.

“ITFA is important as it can inform us about the constraints facing commercial banks in lending to emerging markets – whereas we can inform policymakers of the unintended consequences of regulations on trade with emerging markets,” he explained.



He noted that ITFA's potential ability to collect data from its members would be an important part of building a convincing case to present to regulators.

#### **4) Access to trade finance**

Panellists also discussed how to collaborate to increase access to trade finance – specifically for smaller businesses in emerging markets.

“What we can do together is data collection,” said Stenfert at MIGA.

She added that multilaterals play a role in taking on some of the risk of operating in emerging markets, explaining how MIGA provides guarantees for regional or local development banks to on-lend to SMEs.

IFC's Toyoda added: “Financial inclusion is really a big agenda for all of us – ITFA and multilaterals can work together to piggyback on each counterparty's expertise and see if we can provide more benefit to the emerging markets,” she said.

Bleming Nekati, chief trade finance officer at the African Development Bank (AfDB) spoke of the opportunities the new African Continental Free Trade Area could offer ITFA members.

The FTA was launched in 2021 with 54 signatories – opening up previously closed borders to create one consolidated marketplace on the continent. Nekati said AfDB's role is to help “pave the way” for commercial banks to work in this new market.

AfDB started its own trade finance programme in 2013 and has a database of more than 300 African issuing banks. “We see an opportunity for ITFA members to work with us more closely so we can get these issuing banks to improve their networks and get the support they require... that will help support trade on the African continent,” he said.

#### **5) Digitisation**

Digitisation is a key area of opportunity for multilaterals and ITFA to work together, according to panellists. They see ITFA continuing to provide information and education on what tech solutions have worked in some markets that could then be replicated in emerging markets.

“Organisations like ITFA are really useful as they are trying to streamline and standardise some of these processes by offering their help and expertise to emerging market banks,” Mwaba said.

Mwaba added that she was keen to learn more about ITFA's fintech committee's work on new tech-driven distribution models.

Afreximbank is beginning to explore how to package up short-term trade assets to be sold to investors, she said, suggesting that ITFA could play a role in advising on how to digitise this process to make it as easy as possible.

#### **Looking to a collaborative future**

ITFA board member Duarte Pedreira, who is overseeing the new multilateral advisory panel initiative, reflected positively on the collaborative efforts made to date - recognising the importance of dialogue with public sector organisations to tackle market challenges such as the gap in trade finance.



“As the global trade finance industry body, ITFA recognises its responsibility to drive an agenda that is inclusive of the views of all its members, and that incorporates the real priorities of the trade finance industry,” he said.

“The public sector has and will continue to have critical input in the way the industry develops and has played a critical role in bridging the trade finance gap, offering much needed support either on a standalone basis or in conjunction with the private sector. As such, their priorities need to be considered and amplified, and that is exactly what ITFA is doing and will continue to do, especially in the context of the ITFA Multilaterals Advisory Panel.”