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PRESS RELEASE – ITFA'S WASHINGTON DECLARATION CALLS FOR URGENT ACTION ON TRADE FINANCE GAP AT HISTORIC SUMMIT – October 2024

*Contributed by the **TF COP event hosts**, 28 October 2024*

Washington, DC, 28 October 2024 – At the inaugural Trade Finance Conference of Parties (TF COP), the International Trade and Forfaiting Association (ITFA) introduced the Washington Declaration, a landmark call to action urging the United Nations (UN) to formally recognise the trade finance gap as a critical barrier to achieving the UN Sustainable Development Goals (SDGs), and proposing that the UN adopts the bold target of halving the global trade finance gap by 2030 and eliminating it completely by 2040, working with ITFA and the international trade finance community to achieve this ambition. The declaration also advocates integrating the elimination of this gap into the broader sustainability agenda.

Co-hosted by the ITFA and the International Finance Corporation (IFC), TF COP marked a historic milestone in efforts to address the global trade finance gap, estimated at US$2.5tn by the Asian Development Bank. This shortfall, which disproportionately affects SMEs in emerging markets, constrains international trade and economic growth, undermines employment opportunities and impedes infrastructure development.

With over 80 participants representing the entire trade finance ecosystem – including trade bodies and associations, development finance institutions (DFIs), commercial banks, insurers, fintechs, investment funds, and banks – the TF COP summit aimed to define practical, scalable solutions to bridge the gap. Attendees committed to aligning public and private sector efforts, focusing on DFIs underwriting risk and leveraging political capital, while the private sector contributes liquidity, technology, and expertise.

The following is the full text of the Washington Declaration, read to all TF COP participants by Duarte Pedreira, ITFA Board Member, at the close of the summit.

The Washington Declaration

Delivered by ITFA at TF COP, 28 October 2024

As an institution that is integral to facilitating the financing of world trade, at ITFA we recognize the significant barrier that the trade finance gap causes, especially for SME traders and their banks in Emerging Markets. It is time to recognize that this gap is a major hindrance not just to economic growth, but also to achieving the objectives of the UN SDGs.

Trade is included in SDG 17, with three specific targets (17.10, 17.11, and 17.12), including the aim to promote a multilateral trading system which is universal, rules-based, open, non-discriminatory and equitable. SDG 8 also includes a target to increase Aid for Trade support for developing countries, recognising the role that trade plays in driving socioeconomic development. And indirectly, trade supports the key SDGs – 1 (no poverty), 2 (no hunger) and 8 (Decent work and economic growth) – by providing employment and income for the millions who work in the global trade supply chain.

The UN's 2030 Agenda for Sustainable Development recognizes international trade as an engine for inclusive economic growth and poverty reduction, and an important means to achieve the SDGs. In parallel, the Addis Ababa Action Agenda proposes a new global framework for financing sustainable development by aligning all financing flows and policies with ESG priorities.

However, none of the above frameworks identify the trade finance gap as a major barrier to achieving the SDGs, nor do they recognize the impediment that this gap represents on economic development and value addition in EM. Additionally, global value or supply chains, which bring together Developed World buyers and, largely, small Emerging Market buyers, can be a vector for distributing finance better and more equitably. This possibility has not been fully exploited as a means of resolving the Trade Finance Gap.

Consequently, we call on the UN to recognize the trade finance gap as a critical obstacle to achieving the SDGs and to make the objective of closing this gap a priority for all stakeholders, public and private. Furthermore, we propose that the UN adopts the bold target of halving the global trade finance gap by 2030 and eliminating it completely by 2040, working with ITFA and the international trade finance community to achieve this ambition.

Once UN recognition of the trade finance gap is achieved, it will open up significant possibilities for new kinds of financing for EM trade, including the potential for trade finance gap bonds, based on the same principles as green/social bonds, and mandated capital from DFIs to close the gap. Working to close the trade finance gap will also bolster the stability of global supply chains which are overwhelmingly serviced by SMEs, contributing to financial stability and security.

In order to support this initiative, we are creating the TF COP Task Force to drive and coordinate collaboration between the public and private sector to close the trade finance gap, and we call on all interested parties to support and contribute to its work.

Resolving the Trade Finance Gap is a monumental undertaking and can only be achieved through the cooperation of public and private parties, each bringing their own expertise, liquidity pools and risk appetites to the same common objective. Our inaugural meeting will convene these parties under an overall stewardship.

The ITFA Board

As the summit concluded, ITFA called for the establishment of a permanent TF COP Task Force to coordinate efforts and elevate awareness of the socioeconomic benefits of closing the trade finance gap.

Commenting on TF COP, Sean Edwards, ITFA Chair remarked “The alleviation of the trade finance gap cuts across a swathe of issues that beset the global community such as supply chain resilience, the need to effectively harness our human and physical resources and the optimisation of trade. It also speaks to one of the sometimes-undervalued components of the ESG triangle, the need for social value creation in addition to action on climate change, especially in emerging and less developed markets. ITFA does not profess to have all the immediate answers but TCOP 1 has shown that a broad-based community, convened by an impartial but engaged association capable of bringing together all the different disciplines and a public-private partnership, can bring exciting and viable new approaches to solve this problem.”

Duarte Pedreira, TF COP Co-Chair and ITFA Board Member, added “The seed to TF COP was planted in 2023 when as the ITFA Board, we felt that it was our mandate to bring together the development financial institutions, trade associations and bodies, and all private sector trade finance industry participants, with the purpose of moving on from all the existing discussions about the quantum, causes and drivers of the trade finance gap, to a solutions-oriented, execution-focused agenda to finally put this problem behind us. I am delighted that TF COP was as aggregating as we intended it to be, and I am excited about what we can collectively achieve to close the gap by 2040.”

Nathalie Louat, IFC’s Global Director, Trade and Supply Chain Finance, added that “SME inclusion, which ultimately results in job creation, is a mandate for IFC. Trade finance often has a more pronounced impact on

SMEs when compared to traditional finance, yet almost half of trade finance requests made by SMEs are rejected. Trade finance gaps in emerging markets are large and persistent, and collaboration between the public and private sectors is paramount if we are to make meaningful progress. The gap is far beyond the financial capacity of IFC and other MDBs to fully address and we must innovate with our private sector partners to solve this challenge. This summit was a step in the right direction."

A full report on the TF COP Summit will be available on the ITFA website. For more information or to support this initiative, please contact the ITFA Secretariat.