



ITFA'S ARC/SERC WEBINAR - HOW TO MITIGATE RISK AND REALISE THE OPPORTUNITIES IN AFRICAN TRADE – December 2024

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On November 12th ITFA's African Regional Committee (ARC) held its final educational webinar of 2024 in partnership with ITFA's Southern Europe Regional Committee (SERC). These webinars are aimed at African financial professionals and anyone financing or underwriting trade in Africa and explore topical issues in trade, as well as the basics of trade finance, with insights and learnings drawn from ITFA's network of experts.

In this joint webinar, entitled 'How to mitigate risk and realise the opportunities in African trade finance', the ARC and SERC explored the differing perceptions of risk in Africa trade finance, both real and imagined, focusing on how to make trade finance deals 'work' in these markets. The webinar was well attended by African and European ITFA members, with 87 registrations and 47 attendees on the day.

The webinar opened with a short presentation by Dr Tedd George (ARC Secretariat) exploring the trade flows between Europe and Africa, the trends and outlook, as well as the opportunities and risks for growing trade between the two regions.

Tedd emphasised the strong historical, cultural and trade ties between Europe and Africa, especially in the Mediterranean Basin. Germany, France, Italy and Spain account for nearly half of European exports to Africa, which have fluctuated between USD180 billion and USD220 billion over the past decade. The same four countries take the lion's share of African exports to Europe, which have surged to over USD250 billion per year, enabling Africa to run a large trade surplus with the region. Most European exports to Africa comprise fuel, tech and industrial raw materials, while commodities such as crude oil, gas and gold dominate Europe's imports from the region. However, there has been progress in building value addition industries to Africa, notably in Morocco (e.g. frozen berries or car manufacture), which is slowly changing the make-up of trade flows. The maturing of the Africa Continental Free Trade Area (AfCFTA) could accelerate this process, enabling the construction of cross-border value chains exporting goods to Europe and beyond.

Next up was a keynote presentation by ITFA Board member, Simon Cook (Sullivan & Worcester), on 'Understanding and mitigating risks in African trade finance'. In this session Simon discussed how we can understand risk in African trade finance, dispelling the negative image held by many European banks and insurers, and recommending tools to mitigate this risk and distribute it. He explored the different legal regimes across Africa, which range from common law (influenced by English law), civil law (e.g. Francophone & Lusophone countries) and mixed systems (e.g. Rwanda, North Africa). He noted that OHADA is a big help in harmonising legal regimes across Francophone West & Central Africa and that English law dominates in international trade finance.

Simon also looked at taking security and how what is available varies greatly between markets, noting the barriers such as the high costs for stamp duty, low enforcement rates and lack of legislation in some jurisdictions (e.g. for warehouse receipt financing). His key message was that structuring is all about risk: identifying it, evaluating its potential impact, and then seeking to eliminate, reduce, mitigate or allocate this risk. This means ensuring you carry out comprehensive DD, especially in the markets themselves. The ultimate aim is to balance the different parties' expectations and needs.



The final session of the webinar was an expert panel discussion, moderated by Tedd, involving Simon, Alberto Carrion (SERC Chair & Executive Director PDM, Santander) and Marcellin N'Da (Head Coverage Africa, CACIB).

The panellists all agreed that European perceptions of risk in African markets do not match the reality on the ground. As the saying goes: 'Africa can seem scary from afar; but when you get there, it's far from scary.' They recognised that when it comes to risk assessment, SME traders are considered the highest risk, especially if they have had a relationship with the bank for less than one year. This brought up the classic chicken-and-egg conundrum: how can SMEs build trust and track record with banks if they won't lend to them in the first place?

This is why receivables financing, notably factoring, holds great potential for unlocking working capital for SMEs so that they can grow their trade volumes. DFIs and multinationals have come to realise that their vast Trade Facilitation Programmes (TFP) have mostly bypassed the SMEs who are most in need of financing and as a result they are now putting increased focus on serving the SME sector. The key blockage to financing is lack of information about the SMEs, their operations and finances, and lack of meaningful relationships with their banks to build trust and comfort in lending.

The panel also discussed the wave of derisking by multinational banks from Africa, which has made it almost impossible for African banks to set up new CBRs. But Alberto pointed out that it has been a mixed picture: some banks have pulled out of trade finance altogether (e.g. Stan Chart), while others have come back in (e.g. JP Morgan in Cote d'Ivoire and Kenya). There is increasing interest in Morocco as a trade partner, given its political stability in a time when 'friendshoring' is a priority to ensure the strategic stability of Europe's trade relationships. Morocco has been identified by the WTO as one of a handful of 'connector countries', acting as a bridge between developed and developing markets, and the country is already an important source of agri products (e.g. frozen berries) and manufactured goods (e.g. cars) for Europe, with huge potential to grow further.

Thank you to all the speakers for contributing to a very interesting discussion and for helping foster ties between ITFA's different Regional Committees.

If you were unable to attend this webinar, or would like to watch it again, the recording is available [here](#) on the members area of the ITFA website, along with recordings of the nine previous webinars in the series, with topics ranging from sustainable trade finance, trade finance instruments and insurance to a discussion on what makes a good deal.

Look out for next year's series of educational webinars which will start in late January with an outlook for political and security risk across Africa and its impact on trade finance. The ARC also plans to host joint webinars with other ITFA Regional committees. Full details will be posted soon.