

Integrating Trade Finance & Supply Chain Finance into Trade Facilitation

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other

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2014-09-19	2016-03-04	6	Official	Integrating Trade Finance & Supply Chain Finance into Trade Facilitation

Project Purpose

The purpose of this project is to recommend the explicit integration and inclusion of Trade Finance and Supply Chain Finance (for the sake of simplicity defined hereon as Trade and Supply Chain Finance) into current frameworks and practices related to Trade Facilitation.

Trade and Supply Chain Finance supports the vast majority of world trade today, some estimates suggesting that 80-90% of trade flows require some form of trade finance-related liquidity or risk mitigation support.

Trade Facilitation programs and practices, including Single Window initiatives, have concentrated on a variety of “mission-critical” elements in both public sector and private sector, from education to logistics, infrastructure to regulatory considerations and many more, however, the role of financing has historically been viewed as “out of scope” for a variety of reasons.

The role of small-medium enterprises (SMEs) in global trade flows and economic value-creation is now widely acknowledged, as is the critical need of SMEs for access to timely and affordable financing – including trade financing. At the same time, post-crisis market dynamics and increasing regulatory pressures have combined to motivate trade financiers to be far more open about their business, even actively seeking new sources of capital and investment to ensure adequate supplies of trade finance in the global system.

These factors and others combine to suggest that the timing is excellent, for the explicit and systematic inclusion of Trade and Supply Chain Finance into the practices of trade facilitation and development-related international trade activity.

The financing of international trade has, as a direct result of the global economic crisis, gained an unprecedented level of profile and visibility among political and business leaders, as those leaders came to see robust global trade as one of the major mechanisms to enable economic recovery. Those same leaders also realized the critical importance of trade finance in enabling the required trade flows, to the extent that the subject of Trade Finance and Supply Chain Finance has been discussed by several world leaders and has made it onto the agenda at IMF, WTO and G-20/B-20 meetings.

There is an imperative for a clearly articulated top-level vision related to the evolution of global Trade Finance and Supply Chain Finance, and there is an urgent need for a well-placed, trusted facilitator to identify and gather key stakeholders and to oversee the execution of a medium-term program aimed at helping ensure that all-important international commerce can be supported and enabled through a well-matched global system of Trade Finance and Supply Chain Finance, explicitly integrated into established practices and disciplines in trade facilitation and trade-related international development.

Project Scope

It is proposed that international institutions, regulators, regional and national governments and other stakeholders collaborate to build on the momentum established over the course of the global crisis to help ensure a robust, sustainable and innovative global architecture for Trade Finance and Supply Chain Finance. This architecture must be aimed at enabling increased trade, increased international development and the creation of economic value through support of real economy commercial activity that is inclusive of developing markets and allows SMEs to engage successfully in international markets.

- Taking steps to actively and explicitly integrate Trade Finance and Supply Chain Finance into well-established disciplines and practices around trade development and facilitation, including inclusion of access to Trade and Supply Chain Finance as part of the “Single Window” model of trade facilitation
- Explicitly adding a Trade and Supply Chain Finance dimension to (selected) existing programs aimed at facilitating and enabling enhanced trade flows.
- Devise a global program, in collaboration with IFIs and industry associations, aimed at raising awareness and technical competencies in Trade Finance and Supply Chain Finance in light of a looming shortage of this skill set, and as a complement to existing technical assistance programs in this area
- Design and facilitate a process to assess the adverse/unintended consequences of regulatory requirements on trade-related liquidity, ensuring that the economic cost of such consequences is objectively measured and that political authorities are engaged to achieve an appropriate balance between prudential regulation and the ability to conduct legitimate business
- Identify and deploy an international and cross-functional working group to assess and make recommendations relative to the impact of the global trade finance gap, on international development and trade-based poverty reduction. This initiative can include assessment of the applicability of innovations such as the ICC/SWIFT Bank Payment Obligation, to finance, trade and development
- Identify opportunities for UN and other international agencies to contribute to industry efforts aimed at attracting additional financial capacity to the business of Trade and Supply Chain Finance, through information, education and legal and regulatory changes that would allow additional capital to flow into trade finance activity

The scope of Phase I of the broader project is limited to the development of a roadmap aimed at integrating Trade Finance and Supply Chain Finance into the practices around trade facilitation,, given that access to financing can be a critical enabler for businesses of all sizes seeking to enter new international markets. The broader scope of activity will be articulated and explored in a subsequent phase of the project, based on results achieved and support secured following the completion of Phase I.

UNECE and UN/CEFACT in particular is perhaps uniquely positioned to act as facilitator of a project with such global reach and implications, given the

organization's extensive experience in trade facilitation and its key role in developing, articulating and expanding the notion of "Single Window" strategies to facilitate efficient market access to innovative instruments of trade and supply chain finance.

UN/CEFACT is well-placed to access and engage key stakeholders in international development and trade facilitation as well as trade and supply chain finance, given its network and ability to access domain experts across the universe of activities that will link together in the proposed project. Additionally, the recent and long-overdue shift in trade and supply chain finance to electronic, data-driven business models and transaction flows (admittedly still in infancy) tie in very well with the electronic business dimension of UN/CEFACT's remit. Collaboration and/or information-sharing with other projects that may overlap or link in some way, will be proactively pursued as an element of project strategy and execution.

Leadership of the proposed initiative by UNECE will enable the engagement of or consultation with key stakeholders, including:

- UN Agencies and entities across the globe
- The World Trade Organization
- The International Trade Centre
- The International Chamber of Commerce
- International Financial Institutions including the IFC, ADB and others
- The World Economic Forum
- The Fung Global Institute

Additionally, private sector specialists from banks, non-bank providers of trade finance, domain experts and consultants and others may be contacted to assist in framing and/or delivering the proposed project.

Project Deliverables

The project deliverables are:

- a) Background Paper on Trade Finance and Supply Chain Finance
- b) Paper identifying "touch points" and potential linkages for financing within existing trade facilitation and single window practices and processes
- c) Roadmap for integration of Trade Finance and Supply Chain Finance into trade facilitation activities
- d) Sample case study based on an agreed exemplar market

Exit Criteria

- a) Background Paper
 - Internal and external review logs showing how comments have been addressed
 - Final draft text ready for publication
- b) Touch Point Analysis
 - Project team review logs showing signoff from nominated trade facilitation and trade and supply chain finance experts on the completed analysis
- c) Roadmap
 - SMART plan for integration of trade and supply chain finance into trade facilitation practices and disciplines
 - Project team review logs showing signoff from project chair and sponsor
- d) Case Study
 - Signoff from project team members and from authority in exemplar jurisdiction validating the feasibility and impact of integration of financing into facilitation

Project Team Membership and Required Functional Expertise

Membership is open to experts with in-depth knowledge of trade facilitation and preferably "Single Window" market access practices and/or demonstrated expertise in Trade Finance and Supply Chain Finance, as well as competency in international development linked to trade. In addition, Heads of Delegations may invite technical experts from their constituency to participate in the work. Experts are expected to contribute to the work based solely on their expertise and to comply with the UN/CEFACT Code of Conduct.

Head of Delegation Support

TBA

Geographical Focus

The geographic focus is global.

Initial Contributions

The Project should be planned for execution over a twelve-month period, with monthly team conference calls and potentially, team meetings on the periphery of a high-profile trade and supply chain facilitation or trade and supply chain finance event perhaps at the bi-annual UN/CEFACT Forums scheduled for October 2014 in India and April 2015 in Geneva.

Resource Requirements

The Project should be planned for execution over a twelve-month period, with monthly team conference calls and potentially, team meetings on the periphery of a high-profile trade and supply chain facilitation or trade and supply chain finance event perhaps at the bi-annual UN/CEFACT Forums scheduled for October 2014 in India and April 2015 in Geneva.

Project Leadership

Sponsoring Vice Chair: Raffaele Fantetti

Project Lead: Harm Jan van Burg

Project Editors: Enrico Camerinelli (Italy), Alexander R. Malaket (Canada), Peter Potgieser (Netherlands)

Milestones

DELIVERABLE NAME	Project Inception	Expected Completion Date	Requirements Gathering	Expected Completion Date	Draft Development	Expected Completion Date	Public Review	Expected Completion Date	Project Exit	Expected Completion Date	Publication	Expected Completion Date	Maintenance	Expected Completion Date
PHASE I	YES	2014-11-03	YES	2014-11-03	YES	2016-03-28	NO		NO		YES	2016-03-28	NO	
PHASE II	YES	2014-11-03	YES	2016-03-28	YES	2016-04-29	YES		YES		YES	2016-04-29	YES	

Project Proposal Files

File	Modified
Microsoft Word Document 160314-3b Trade Finance project proposal v4.docx	May 27, 2016 by Gianguglielmo
Microsoft Word Document 160314-3b Trade Finance project proposal v6 clean.docx	May 27, 2016 by Gianguglielmo

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