There are no translations available.

Recently, the World Trade Organization (WTO) raised on several occasions the problem of Africa's trade finance gap, indicating it as a major constraint to African industrialization and to the export development of companies in the continent. The latest WTO Annual Report reminded that the trade finance market in Africa barely covers 40 percent of total merchandise exports and imports (which is almost half of the global average), while a precedent report dated October 2022, made in collaboration with the International Finance Corporation (IFC), found that trade expansion in four West African economies (Côte d'Ivoire, Ghana, Nigeria, and Senegal) was severely constrained by the limited and costly access to finance by local firms, noting that the cost incurred by West African companies for obtaining bank funding to cover their trade operations is disproportionately higher than in other regions in the continent.

Speaking at the annual meeting of the World Bank Group and International Monetary Fund in Marrakesh, Morocco, on 13 October, the WTO Director-General reminded the result of the WTO-IFC study of October 2022, arguing that in Africa (and in Southeast Asia), the high costs for trade finance applications and the high rejection rates by banks (amounting to over 40% of demands), discourage traders from seeking financial assistance pushing them to count exclusively on their own resources for business expansion. A situation this, that obviously does not favour their growth.

There is therefore an urgent need to dismantle trade finance barriers to make global supply chains more inclusive and diverse. Highlighting that 50% of global trade is conducted via supply chains, the WTO DG underscored the urgent need to work in concertation to improve the availability of supply chain finance, inviting international financial institutions to launch initiatives aimed at increasing access to this kind of finance by traders. In other words, if private banks and financial institutions do not fill this gap in the financial market in Africa, development finance should come in.

The UNCTAD report titled ' The Potential of Africa to Capture Technology-Intensive Global Supply Chains ', published only a few months ago, pointed out the presence of a gap in the banking system in Africa, where big companies and microenterprises have access to financial instruments that address their needs, while similar financial tools are not available for middle-size companies. Again, the key recommendation given by UNCTAD in the study is to increase the availability in African countries of supply chain finance.

Supply chain finance is a type of supplier finance that helps both buyers and suppliers to optimize their working capital by speeding up cash flow. It therefore focuses on working capital financing, bridging the payment time gap between buyers and sellers to manage the cash levels and needs of suppliers in daily operations in an efficient manner and reduce stress to the balance sheet.

The importance of trade financing, especially in low-income countries, was reiterated also by the Managing Director of the IFC, which pointed out how sometimes its impact is even superior to that of (both foreign and indigenous) direct investments.