



UNNExT workshop on Paperless trade facilitation for Small and Medium-sized Enterprises

2-4 February 2015
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Bangkok, Thailand



Innovative financing and ITC solutions

Inventory financing, value chain financing, crowd funding

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Access to Finance vs Trade Finance

Trade Finance

It refers to a wide range of tools that determine how cash, credit, investments and other assets can be used for trade¹

Access to Finance

It is defined as an absence of price and non-price barriers in the use of financial services²

SMEs have limited access to finance



Most SMEs are **start-up businesses** with **inadequate collateral**;



Lack of key financial management competencies;



Poor quality of business plans;



No clear understanding of **banking lending requirements**;



Lack of **time and the required resources** from Financial Services Providers (FSPs) to effectively address SMEs financial needs.

63% of the SMEs do not have access to finance

Some SME Financing Solutions

Besides equity/debt based financing, grants, government aid, and common trade finance instruments, the key financing solutions for SMEs are:

- ☒ **Inventory financing**
 - Purchase Order Finance
 - Warehouse receipt
- ☒ ***Value Chain Financing***
- ☒ ***Crowdfunding***

Inventory Financing: Purchase Order Finance

What is purchase order finance (POF) about ?

- Purchase Order Finance (POF) is a transaction-specific form of working capital/trade financing.
- It is an advance against the value of a purchase order or contract to enable the borrower/supplier to pay for inputs, raw materials, packaging, goods for resale, shipping, insurance, etc.

POF Case study: Moroccan hand bag firm

- In the framework of the ITC's EnACT Programme, a Moroccan hand bag firm was helped to sell to Lancel Paris
- Lancel-Paris issued a Euro 125,000 purchase order
- This purchase order was taken by the Moroccan firm to Attijari Bank and got a Euro 50,000 credit line to start making the handbags

Inventory Financing: Warehouse receipt

What is a warehouse receipt?

Document certifying the quality and quantity of a specified commodity placed into a secure storage environment

- It is issued by a licensed warehouse operator
- It should specify: location of warehouse, name of depositor, commodity type, quality and quantity, date of delivery, storage charges

Most warehouse receipts are issued in negotiable form

What is its key use ?

Warehouse receipts can be used as secure collateral for inventory financing

- When backed by a suitable legal framework, warehouse

Farmers, traders and millers can raise finance against them

- Thus increasing liquidity in agricultural markets

Finally, it allows transfer of ownership without physical delivery

Value Chain Finance (VCF)

Case VCF

Financial services and
high value chain
and alleviate

to three main

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gic alliances
ended by a
chain actors and

services to manage
marketing risks.

Case study: Santo Cristo de Bagazán Credit Union (SCBCU)

SCBCU provides VCF to coffee growers and growers' associations²

- *Production loans provide growers with finance to cover costs of production, resulting in increased quality and yield*
- *Short-term commercialization loans provide growers' associations with capital to buy more coffee from producers, which in turn, increases association's bargaining power with the buyer on behalf of the growers*

Under this arrangement coffee grower earnings have increased on average by 53%

https://www.yunbaogao.cn/report/index/report?reportId=5_4486

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