Financing for development

Using European funds to leverage private finance for sustainable development

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Financing for small firms

ARANCHA GONZÁLEZ, Executive Director, International Trade Centre

In September 2015, the international community gathered at United Nations Headquarters to adopt the 2030 Agenda for Sustainable Development. An important component of ensuring the Sustainable Development Goals (SDGs) are achieved is the financing behind them. The Addis Ababa Action Agenda, agreed at the Third International Conference on Financing for Development in July 2015, aimed to place the spotlight on the need to mobilise the necessary financing.

The Addis Ababa Action Agenda contained broad commitments on financing and creating an enabling environment for sustainable development at all levels. For micro, small and medium-sized enterprises (MSMEs) in developing countries – long known as drivers of prosperity – access to finance remains an ongoing challenge. In this issue of Trade Forum, we look at the financing landscape for MSMEs in developing countries given that this year's United Nations General Assembly convenes its first High-level Dialogue on Financing for Development since the adoption of the Addis Ababa Action Agenda.

In that landmark document, the international community committed to “exploring ways to use market-oriented incentives to expand WTO-compatible trade finance and the availability of trade credit, guarantees, insurance, factoring, letters of credit and innovative financial instruments, including for micro, small and medium-sized enterprises in developing countries.”

That financing questions are one of the many priorities at the 74th General Assembly is a clear signal of the economic realities facing countries in the decade remaining before the Sustainable Development Goals must be met. Despite current trade tensions and signs of a global slowdown, ITC research highlights that there is indeed enough money in the system to make a difference to the financing needs of MSMEs in developing countries – but only if the structures to mobilise it are activated.

We now know that MSMEs have tremendous potential to make an impact on the SDGs with the employment they generate, the business practices they choose to adopt, the sectors in which they operate and their effect on innovation and diversification in the economy. ITC’s Small and Medium-Sized Enterprises Competitiveness Outlook (SMECO) 2019 suggests that these small firms can have a positive impact on 60% of the 169 specific targets within the 17 SDGs.

A striking feature of the new discussions taking place in New York in September is the extent to which the development agenda is now also a climate change agenda: here too finance to MSMEs can play a role. The leverage that investors bring to smaller enterprises as backers means that newer, cleaner forms of economic activity can be germinated and propagated as part of their commercial growth.

A prospective investor’s most basic expectation is a reasonable return. While some SDG-related investments may only deliver so-called social returns – not a bad return – there are also incredible opportunities for private-sector development projects to deliver social and financial returns. Developing countries are full of MSMEs with commercially viable business ideas. This second issue of Trade Forum 2019 is equally full of new ideas for unblocking the financing they need.
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Editor
Vittorio Cammarota

Contributors
Anders Aeroe
José Luis Cancela
Cristina Collado Martín
Natalie Domeisen
Alexandre Epalle
Amar Goel
Jarle Hettland
Stefano Manservisi
Waqs Rafique
Raashi Riza
Ruslan Spivak
Sadiq Syed
Mujinga Tambwe
Ndeye Thiaw
Judith Ueberschaer

Copy editor
Michael Kelley

Photography, art direction and design
Laurena Arribat
Kristina Golubic
Iva Stastny Brosig

Printer
ITC Digital Printing

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Women thought leaders share views on economic challenges in new book

A new book from the Centre for Economic Policy Research (CEPR), the European University Institute and the International Trade Centre (ITC) unites leading women thinkers across the political, academic and financial spectrum in focusing on global economic governance.

Contributors to ‘Women Shaping Global Economic Governance’ include incoming European Central Bank President Christine Lagarde, outgoing European Commissioner for Trade Cecilia Malmström and CEPR President Beatrice Weder di Mauro among many others. They discuss how to respond to three major shifts in the global economy, the digital, environmental and social revolutions and the accompanying return of geopolitics. A central theme is how to restore trust in global economic governance at a time when millions of voters are losing faith in the system.

Download ‘Women Shaping Global Economic Governance’: intracen.org/publication/womengovernance

New version of Market Access Map provides boost to transparency in trade

The International Trade Centre (ITC) unveiled a new version of Market Access Map, its popular online trade analysis tool. The revamped portal will further enhance market transparency and facilitate the analysis of trade-related policy issues.

Market Access Map responds to users’ specific needs depending on their profile and will continue to provide free and user-friendly access to market information. The tool is particularly vital for micro, small and medium-sized enterprises (MSMEs) in developing countries, which have limited access to reliable information about foreign markets.

The revamped portal allows exporters, importers, policymakers, trade and investment support institutions, researchers and trade negotiators to better understand and analyse market-access conditions, explore new markets, develop better trade policies, or negotiate better outcomes in trade agreements.

Visit and register to Market Access Map: macmap.org
UEFA Foundation and the International Trade Centre team up to support social inclusion of youth

The UEFA Foundation for Children and ITC have announced a new initiative – Kick for Trade – that will embrace football to ensure greater inclusive development and boost youth employment. The first projects of the new initiative will kick off in Guinea and the Gambia.

‘Through Kick for Trade, ITC and the UEFA Foundation aim ensure that youth are part of the game and are resources to be taken seriously,’ said ITC Executive Director Arancha González in announcing the programme. ‘In Guinea and the Gambia we will demonstrate that it is possible to have fun while learning new skills and that vocational training, entrepreneurship and football can be a winning formula.’

UEFA Foundation Secretary-General Urs Klauser said: ‘Football for development has proven to be a catalyst in order to convey messages, methodologies that reinforce youth social and economic inclusiveness in many countries. This partnership will allow both the UEFA foundation and ITC to keep the ball rolling for the benefit of the youth.’

Trade-restrictive measures remain at historic highs, WTO says

Trade flows hit by new restrictions implemented by World Trade Organization (WTO) Members continued at a historically high level between mid-October 2018 and mid-May 2019, according to the latest WTO Director-General’s mid-year report on trade-related developments.

The trade impact of import-restrictive measures implemented during the review period is estimated at $339.5 billion, the second-highest figure on record after the $588.3 billion reported in the previous period, the report said. Those results represent a dramatic spike in the trade coverage of import-restrictive measures.

The report, released 22 July, showed trade tensions continued to add to uncertainty surrounding international trade and the world economy, with G20 economies accounting for the overwhelming share of the trade coverage of import-restrictive measures during the review period.

It also provided evidence that turbulence is continuing after the previous period (between mid-October 2017 and mid-October 2018) showed a record level of new restrictive measures introduced ($588.3 billion). Most of these measures remain in place and have been augmented by a series of new measures in the current period, which are also at a historically high level.
Global growth to slow to 2.6% in 2019, World Bank says

Global economic expansion is forecast to ease to a weaker-than-expected 2.6% this year before inching up to 2.7% in 2020, a report by the World Bank said. Growth in emerging market and developing economies is expected to stabilize next year as some countries move past periods of financial strain but economic momentum remains sluggish, it said.

Emerging- and developing-economy growth is constrained by investment, and risks are tilted to the downside, according to the bank’s June 2019 global prospects report. These risks include rising trade barriers, renewed financial stress, and sharper-than-expected slowdowns in several major economies. Structural problems that misallocate or discourage investment also weigh on the outlook, the report said.

Growth among advanced economies as a group is expected to slow in 2019, especially in the euro area, due to weaker exports and investment. Growth in the United States, the world’s largest economy, will slide to 2.5% this year and decelerate to 1.7% in 2020, the report said.

The rate of gain among emerging market and developing economies is projected to fall to a four-year low of 4% in 2019 before recovering to 4.6% in 2020, the report said. Some economies are coping with the impact of financial stress and political uncertainty. Those drags are anticipated to wane and global trade growth – projected to be the weakest in 2019 since the financial crisis a decade ago – is expected to recover somewhat, it said.

Ethiopian Airlines becomes the official carrier of the World Export Development Forum

Ethiopian Airlines has become the official carrier of the World Export Development Forum, the International Trade Centre’s flagship event to take place in Addis Ababa, Ethiopia on 18-22 November 2019. The forum attracts business leaders, policymakers, entrepreneurs, international organisations, trade and investment promotion agencies, business associations and media from all over the world.

Under the partnership, Ethiopian Airlines will feature an in-flight promotional video about the forum on 43 planes. Forum participants can also enjoy a 20% discount on business and 15% discount on economy class fares from Ethiopian Airlines.

The International Trade Centre and Ethiopian Airlines are committed to connecting African countries to each other and Africa to the world, part of the “Trade and Invest in One Africa” vision behind the World Export Development Forum.

The forum supports micro, small and medium-sized enterprises and trade and investment support institutions as implementation of the African Continental Free Trade Area, which is essential to achieve Africa’s inclusive and sustainable development, gets underway. Likewise, Ethiopian Airlines is committed to strengthening intra-African transport links.

Ethiopian Airlines has become the largest and fastest growing airline in Africa, combining both cargo and passenger operations, since it was founded 70 years ago.
EU to invest over 100 million euros in African economic integration

The European Commission will support African economic integration by spending 101.5 million euros ($111.7 million) on initiatives focused on infrastructure, intellectual property rights and improving the investment climate.

The new projects are the first batch of 2019 actions financed by the Pan-African Programme, the European Union’s executive body said. The bulk of the funding for this year, 90 million euros, will go towards blended projects, which are part of the European Union (EU) External Investment Plan. They will support continental and cross-regional connectivity through dedicated projects aimed at improving sustainable trans-regional transport and energy infrastructure.

ITC and Visa join hands to empower women-led businesses

ITC and financial-services firm Visa Inc. have launched a partnership to increase the participation of micro, small and medium-sized enterprises (MSMEs) and women-led businesses in international trade. The announcement was made at the 28th World Economic Forum Africa in Cape Town, South Africa.

‘Small businesses are the backbone of our economies,’ said González. ‘When we invest in MSMEs, especially women-owned businesses, we see multiple development, growth and job creation dividends at the local, regional and international level. The private sector plays a pivotal role in advancing progress on the United Nations Sustainable Development Goals and ITC is extremely pleased to partner with Visa to achieve this.’

Identifying and activating opportunities for women-led business is at the heart of the partnership. Visa and ITC will seek solutions for overcoming the distinct cultural, regulatory and financial impediments to the success of women-led enterprises and enable their integration in global trade. As part of its ongoing commitment to support female entrepreneurs, Visa will work with ITC to provide access to its global platform and strong network of women business owners, advancing ITC’s objective of connecting 3 million women to international markets by 2021 as part of its SheTrades initiative. ©

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Women and e-commerce in Central America

JUDITH UEBERSCHAER and CRISTINA COLLADO MARTI, International Trade Centre

Women-owned enterprises in Central America catering to the global gifts and home-decor industries are becoming export competitive using e-commerce tools

Some 200 women-led businesses from Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama are to export their handicrafts through e-commerce channels.

Segmented into newcomer, intermediate and expert categories, the companies are being equipped with knowledge and skills through training programmes related to export business management, product design and development, and e-commerce.

Under a project funded by the European Union (EU) and implemented by ITC in collaboration with the Secretariat for Central American Economic Integration (SIECA) and national implementing partners, the training is linking Central American women-owned enterprises with demand for their products.

1. Claudia Inés de León González, Textiles Waykan, fashion and jewellery.
2. Ana Sophia Reyes, Achiote, home decoration (carpets).
4. Laura Soto Loaiza, Ticas Viajeras, ceramic dolls.
5. Gloria Yolanda Buc Saquil, IXOQI S.A., bags, fashion and home decoration.
6. Sandra Valdez, Nan Guatemala, bags and jewellery.
The trend is now clear: integrating environmental, social and governance factors into investment portfolios is becoming a major challenge; the green bond market continues to grow; and numerous governments are developing national strategies while financial regulators envisage integrating environmental risks into market oversight.

The Swiss financial market has a historic opportunity to accelerate the transition towards more sustainable forms of development and it is essential to mobilize financial centres to accelerate the transition towards a sustainable economy. The 17 United Nations Sustainable Development Goals (SDGs) cannot be financed only by public funds, so it is imperative to generate private capital. We believe in joint action by the public and private sectors to take advantage of the opportunities associated with sustainability. In this context, the role of the financial sector is key.

The Swiss city is making great strides in becoming a hub for sustainable finance

ALEXANDRE EPALLE, Director General, Directorate General for Economic Development, Research and Innovation, Republic and State of Geneva

Geneva could become the international centre of sustainable finance
We are working closely with the University of Geneva, which has incorporated courses in sustainable finance into various curricula, to equip the next generation of financial-market actors with the proper tools.

also to benefit from associated market opportunities. Inaction would incur significant risks to the Swiss economy, notably in terms of stability of the financial system.

Geneva, thanks in particular to its internationally recognized knowledge of finance and the presence of numerous international organizations integrating this notion of sustainability, has some remarkable assets enabling it to position itself as an important centre for sustainable finance. Geneva is also the technical and operational centre of the United Nations for achieving the SDGs. Furthermore, as the birthplace of microfinance, it may already have among the best specialists in the field.

The presence of a state-of-the-art academic sector also helps create fertile ground for the development of sustainable finance. We are working closely with the University of Geneva, which has incorporated courses in sustainable finance into various curricula, to equip the next generation of financial-market actors with the proper tools. The Geneva Tsinghua Initiative, a partnership between the University of Geneva and Tsinghua University in Beijing, offers training opportunities associated with the SDGs on both campuses for students and professionals.

However, the nascent knowledge of sustainable finance still needs to be developed and promoted, as may be seen from the fact that Geneva’s classification in the Global Green Finance Index is far from the top ranks.

To achieve this aim, awareness is needed on the part of our financial institutions. Effectively, the shift to sustainable finance must come from within. In addition to the challenges associated with sustainable development, there are also significant economic opportunities to be seized. The role of the state in this regard is to alert these actors to the importance attached to the development of financial tools, products and concepts in accordance with the sustainability criteria. To this end, since 2010 we have been supporting Sustainable Finance Geneva (SFG), an association promoting sustainable finance.

We consider that the work to raise awareness of SFG has achieved its objectives. Although we cannot say that this phase is complete, we are currently aiming to move on to the implementation phase. Two flagship projects may be identified.

Firstly, we would like to reinforce and broaden our support for SFG to be able from now on to mobilize actors both in the world of finance and in international organizations with a view to collaboration and synergy. The Sustainable Finance Week in October 2019 in Geneva is a key stage in achieving our objective. This week, which will bring together a number of events on this topic, includes the presence of international names in finance as well as representatives of international organizations and governments.

The other working priority is to develop what might be termed a social enterprises stock exchange, forming a link between investors and undertakings with the same objectives. A study is underway to determine the broad outlines of this project.

In order to make Geneva a sustainable finance hub, we have also recently incorporated an international dimension into our strategy, which notably includes the arrival of the Secretariat of the International Network of Financial Centres for Sustainability. The purpose of this initiative, which brings together the largest financial markets in the world, is to create a network for discussion, best practices and common principles fundamental to developing sustainability in finance. Integrating this network will enable us to position Geneva clearly on the world map of sustainable finance.

As a government, we also strive to lead by example. Not only was Geneva a pioneer in Europe when it adopted a law on public action for sustainable development in 2001, it was also the first Swiss canton to successfully issue green bonds for the financing of high energy performance buildings in 2017. The operation has attracted numerous investors and made it possible to raise 620 million Swiss francs ($626 million). The current objective is to renew this type of operation regularly.

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Using European funds to leverage private finance for sustainable development

STEFANO MANSERVISI. Director General, International Cooperation and Development, European Commission

How is the EU enabling small businesses in Africa and the European neighbourhood to flourish, and societies to reap the benefits?

Micro, small and medium-sized enterprises (MSMEs) are the engines of growth, jobs and innovation in all economies. They have vision. They generate new business ideas. And they are the lifeblood of communities. In the European Union (EU), they account for 99% of all businesses, and 85% of all jobs. In Africa, they make up 90% of companies and 50% of output. MSMEs play an invaluable role in attaining the Sustainable Development Goals and tackling inequality.

Building on success in Europe every year, the EU makes funding available to more than 200,000 businesses in Europe, including entrepreneurs, start-ups, micro-companies, and SMEs.

These investments will also target businesses led by women, young people and members of countries’ poorest communities. One such guarantee is the Nasira Risk-Sharing Facility, for which the EU has allocated €75 million.
FOCUSING INNOVATIVE FINANCIAL INSTRUMENTS ON MSMEs

Much of this financing will benefit MSMEs, enabling them to contribute more effectively to sustainable development. Of the 28 EIP guarantees approved, 13 target small firms, accounting for almost a quarter of the EIP’s guarantee financing. They are expected to create or support some 2.7 million jobs, many in countries affected by irregular migration.

These investments will also target businesses led by women, young people and members of countries’ poorest communities. One such guarantee is the Nasira Risk-Sharing Facility, for which the EU has allocated €75 million. The lead financial institution for this guarantee, the Dutch Development Bank FMO, estimates that it could create and support up to 800,000 jobs, many in countries affected by irregular migration.

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TO THRIVE, ACCELERATORS NEED TO OPERATE WITHIN A ROBUST ECOSYSTEM

Accelerators are heavily dependent on other business support organizations. Although they offer start-ups a range of services, these are often outsourced to third parties. Thus, business management training is often provided by the nearest business school. Alumni may offer pitching classes. Technical expertise for specific enterprises is brought in from local universities. Grants and prizes may be funded by the state. These organizations, along with many others, make up a business ecosystem that is essential to the accelerator. The ecosystem helps the accelerator provide growth funds. The final beneficiaries are start-ups and innovative small firms that use novel technology and have the potential to grow fast and create jobs.
start-ups with the knowledge and tools they need to become a viable business, allowing the accelerator to focus on its mentoring and matching activities. Capacity building from other institutions can help accelerators improve their ability to pick winners, add significant value and enable their firms to contribute to economic development.

**Online investment platforms:** Traditionally, SME managers and investors had to meet in person to establish contact and exchange company information ahead of reaching an agreement. This meant that the greater the distance between the firm and financer, the lower the likelihood of a deal. Geography led to a pattern of financial exclusion that had a particularly adverse effect on SMEs in developing countries and remote regions. Online investment platforms help to address this problem by making it easier to search and connect via the internet in pursuit of tailored investment opportunities around the globe. Since the first online crowdfunding platform was launched in 2003, companies can provide their basic information online and be connected with interested investors regardless of their location. While there are a variety of online investment platforms, they function in a similar way to dating websites. Entrepreneurs and investors create profiles on the online platform, and the website selects SMEs that match the investor’s interests and proposes a few of them each day to the investor via email or an online news feed. Investors choose the projects they are interested in and transfer the amount they wish to the online platform, which then transfers the amount to the SME. Some platforms provide additional services, such as managing loan repayments, but the emphasis is on identifying matches and connecting investors and investees.

There are four main types of online investment platforms (also known as crowdfunding):

**Donation-based:** Individuals give money to a project they believe in, often for humanitarian or philanthropic reasons, without any material return expected. Examples include Kickstarter.

**Reward-based:** Supporters provide funds on an online platform at an early stage of the project in return for a gift, such as a handwritten note or the product (once it has been made). Examples include Indiegogo and Thundafund.

**Equity-based:** Funds invested through the platform are funnelled towards efforts to create long-term value for the investors, which are rewarded through equity (shares in the SME). Examples include Crowdfunder.

**Loans-based:** Many individuals lend small amounts, which are put together in a total that is loaned to the SME by a peer-to-peer (P2P) platform. Examples include Kiva and BlueBees. Online investment platforms generate revenue from fees charged to borrowers and from a portion of the interest payments to investors. Most operate across borders, connecting firms and investors in different countries. Crowdfunding campaigns

Although most crowdfunding platforms established to date have been based in developed countries, online investment platforms could be most useful in developing countries where start-ups and SMEs tend to need smaller amounts of capital, strong business support organizations are relatively scarce and face-to-face meetings can be difficult to arrange for geographical reasons.
1. European Union in Brussels.
The current work plan of the WTO Informal Working Group on MSMEs

JOSE LUIS CANCELA, Permanent Representative of Uruguay to the World Trade Organization in Geneva

Recognizing trade financing as a decisive factor in achieving economic growth and Sustainable Development Goals

The Informal Working Group on MSMEs, as micro, small and medium-sized enterprises are known, outlined three key objectives for 2019: 1) to achieve concrete deliverables; 2) to expand the Group’s membership; and 3) to secure commitment by ministers at the twelfth World Trade Organization ministerial conference (MC12) in Kazakhstan and aim for a ministerial declaration.

The next World Trade Organization (WTO) Ministerial Conference in Kazakhstan is only one year away, so we are focusing on concrete outcomes, including the development of recommendations or guidelines and putting together the various elements of a ministerial declaration. Two types of recommendations are envisaged: recommendations to be taken at the level of the WTO, which could be of an operational or of a policy nature, and those addressed to national policymakers, which could aim at ensuring MSME-friendly implementation of WTO agreements.

In our transparency cluster we began working this year on a proposal that recommends all WTO members voluntarily provide the MSME-related information during their trade policy review process in a checklist, which includes: background information; marketplace framework; and government programmes and policies. Members may provide such information either in their own government reports, by asking the Secretariat to request the information for inclusion in its reports or a combination of both. Members expressed strong support for the proposal and agreed to move forward with voluntary and

The Think Small First Principle requires legislative projects to undergo an MSME check with consultation of MSME representatives to assess the impact of new trade legislation on MSMEs. It provides for an active involvement process and the monitoring of trade regulations already enacted with regard to friendliness towards small and medium-sized enterprises (SMEs).

flexible principles for addressing MSMEs more systematically in trade policy reports.

Moreover, the group is working on a proposal to create an online platform that would provide information and links to useful resources to help MSMEs and one
Globally, over half of trade finance requests by MSMEs are rejected against just 7% for multinational companies. Global liquidity tends to be concentrated within the biggest institutions and their clients.

section for policymakers with information on best practices, national support programmes and MSME-related databases.

Regarding access to information, members continue to call on all WTO Members to contribute to the success of the Global Trade Helpdesk initiative. There is a clear role for all of us to collectively help keep the information accurate, complete and up to date and to ensure that such information can be easily fed from our national repositories into the Global Trade Helpdesk. There is a clear beneficiary to all of this: every single MSME.

Discussions under the conceptual cluster focused on the small business lens. The Think Small First Principle requires legislative projects to undergo an MSME check with consultation of MSME representatives to assess the impact of new trade legislation on MSMEs. It provides for an active involvement process and the monitoring of trade regulations already enacted with regard to friendliness towards small and medium-sized enterprises (SMEs). In this regard, several Members are taking the lead in developing language that could then be inserted in a ministerial declaration.

On trade facilitation, representatives of the Organisation for Economic Co-operation and Development (OECD) presented the key findings of a report titled ‘Helping SMEs internationalise through trade facilitation.’ The findings showed trade facilitation reform can help reduce both fixed and variable costs and that SMEs benefit twice as much from reforms than large firms. The group stressed the importance of sharing good practices and develop possible recommendations for the ministerial declaration.

At the request of the group, the Secretariat prepared a compendium of MSME-related language in regional trade agreements (RTAs). The study shows that out of 312 RTAs notified to the WTO Secretariat, 166 included MSME-related provisions that are featured in 15 different RTA chapters. The idea of this document is to serve as a source of inspiration and to provide a concrete basis from which to start developing recommendations on issues of interest.

Furthermore, Members agreed to develop language for inclusion in a ministerial declaration encouraging members to add firm-size information to their input-output tables used to calculate trade in value-added to increase understanding of MSMEs role in value chains.

On trade finance, group members expressed an interest in mapping trade finance programmes at the national level to help identify best practices and the Secretariat prepared a questionnaire at the request of the group. Data on trade finance programmes could be useful information to add to the Global Trade Helpdesk.

On the whole, members are taking the lead on different topics through informal meetings before the next group meeting in October. Inputs would then be consolidated in a chair’s text to be discussed at the November meeting with the aim of developing draft language of recommendations or guidelines for a ministerial declaration.

What role does improved trade finance, including buttressing the correspondent bank network, play to improving the participation of SMEs in international trade?

The availability of finance is crucial for a healthy trading system. Nowadays, up to 80% of global trade is supported by some sort of financing or credit insurance. However, there are significant gaps in provision and therefore many companies cannot access the financial tools that they need. Globally, over half of trade finance requests by MSMEs are rejected against just 7% for multinational companies. Global liquidity tends to be concentrated within the biggest institutions and their clients. The trade finance gap equals $1.5 trillion nowadays and the estimated value of unmet demand for trade in Africa was $120 billion in 2012, a report of the WTO and the International Finance Corporation has said.

The availability of trade finance is often cited by MSMEs as a major barrier to their capacity to trade. In a context of inadequate trade finance and declining access to correspondent banking services in emerging markets (especially in Africa), opportunities for growth and development are missed and businesses are deprived of the fuel they need to trade and expand. While trade is an important factor of development, adequate financing and capacity building assistance is needed for it to be effective. Credit and credit insurance help to oil the wheels of trade by bridging the gap between exporter and importer expectations.

It is therefore important to identify and address financing gaps. Some actions that can be taken include: enhancing existing trade finance facilitation programmes; helping local banking sectors to grow by improving training programmes; better monitoring of problems with provision; and maintaining a closer dialogue with regulators. At the same time multilateral development banks should examine institutional limitations in existing trade finance facilitation programmes to provide remedies for geographical disadvantages or working with certain operators.

At WTO level, the Working Group on Trade, Debt and Finance (WGTDF) has been working on trade facilitation programmes developed by multinational development banks, as well as connecting local banks with international banks to reduce trade finance gaps for MSMEs, particularly in least developed countries. The WGTDF also supported capacity-building programmes for trade finance, such as the ICC training academy.

Hence, trade financing can be a decisive factor in determining MSME contributions to economic growth and the achievement of the Sustainable Development Goals. Efforts are therefore needed to strengthen developing countries’ capacity to finance their trade and build knowledge for handling trade finance instruments.

1. Participants attending session on MSMEs at WTO.
2. José Luis Cancela, Permanent Representative of Uruguay to the World Trade Organization in Geneva.
In the Ghanaian Akan language, the phrase ‘kaeme’ (pronounced /ˈkai.me/) means ‘forget me not.’ It embodies the feeling I wanted each Kaeme product to evoke when I started the company in May 2016. What started as a delightful hobby for me evolved into a business venture I could never have seen coming, one whose potential for growth continues to amaze me. For over a decade before, I had been making and gifting my own skincare products, made with love from wholesome Ghanaian ingredients. They were distinct from other commercial offerings because of their improved textures and scent profiles; these handcrafted cosmetics were not like anything available on the local or international market.

I started Kaeme much like many entrepreneurial ventures: with a burning passion to solve a problem, make an impact and improve the status quo. Within a few months of operation, it was clear we could achieve these objectives as a sustainable, indigenous Ghanaian business. However, in order for any start-up to scale up profitably, it requires a healthy balance of not only visionary leadership and effective strategy but also of adequate funding. Some 41% of micro, small and medium-sized enterprises (MSMEs) in developing countries have unmet financing needs worth approximately $5 trillion and women-owned businesses like mine make up 32% of these financing needs, the SME Finance Forum has said.

Bridging financing gaps has proven to be Kaeme’s biggest challenge, yet our experience has led to valuable, first-hand perspective on how funding can be made more accessible to growing businesses.

Three strategic approaches to support micro, small and medium-sized enterprises

Bridging the MSME financing gap for sustainable development

FREDA OBENG-AMPOFO, Founder and Chief Executive, Kaeme, Ghana
Fostering collaborations between MSMEs and relevant stakeholders is a crucial way to implement global goals on a more direct local scale that benefits many people who might otherwise be overlooked.

Here are three key insights I would like to share with anyone willing to support MSMEs.

UNDERSTAND AN MSME’S PROFILE BEYOND ITS NUMBERS

Access to affordable credit enables MSMEs to invest in machinery and equipment, purchase production inputs in bulk and at competitive prices, and to acquire the resources to attract the best talent. However, even when such credit is available MSMEs are often restricted by an endless list of requirements.

Many start-ups are bogged down by application formalities that do not recognize the fledgling nature of their operations. In our quest for additional funding, we have come across two particular prohibitive conditions: exorbitantly high interest rates and collateral conditions the company simply cannot meet. We have discovered there is a dearth of finance products tailored for MSMEs, perhaps owing to the fact that banks and investors do not seem to fully comprehend the many challenges MSMEs face.

Our growth and expansion thus far have solely relied on the prudent application of personal savings and business income to fund capital investment, raw material purchases, business development and operating costs. Although we have encountered several enthusiastic venture capital firms, they seem more eager to sponsor our growing success on inequitable terms than to give us the needed foundation to thrive in the long term.

It is important for MSMEs to be weighed beyond tangible assets and understood beyond income projections. There is a critical communication gap that must be overcome by entrepreneurs and investors to ensure partnerships that are more fruitful. Although many MSMEs are engaged in viable business, they lack the luxury of additional manpower (such as a company accountant) and the technology to generate the information required by standard credit applications. It is important to offer a more flexible approach that allows MSMEs to obtain the needed funding without ploughing through a mountain of paperwork with no guarantee of success, thereby compromising on the time needed to focus on their core business. Financial support to MSMEs must also be cost-effective and ideally complemented by financial advisory services to lay a solid framework for increased lending in the future to support further expansion.

CREATE PLATFORMS THAT PARTNER MSMEs WITH STAKEHOLDERS TO PURSUE SHARED VALUES

In line with our commitment to United Nations Sustainable Development Goals 1 (No Poverty), 5 (Gender Equality) and 8 (Decent Work and Economic Growth), Kaeme sources its raw materials from a women’s co-operative in Ghana. This eliminates middlemen and ensures that the hardworking women who produce these raw materials receive a fair price for their labour.

We also offer career-building internships to high school and undergraduates and retail our products via a network of female entrepreneurs to give broader expression to our sustainable business ethos. Still, there is so much more we could do with larger corporations whose mission and values align with ours and we continually seek such partnerships to multiply our efforts.

Small businesses like mine account for more than 80% of the jobs created in developing countries, the International Finance Corporation estimates. Creating opportunities for MSMEs in emerging markets consequently has the potential to improve economic development and reduce poverty through better livelihoods.

MSMEs are a vital connection to everyday people: we make numerous personal connections along our value chain. Imbedded in these interactions is the potential to affect significant positive change. Fostering collaborations between MSMEs and relevant stakeholders is a crucial way to implement global goals on a more direct local scale that benefits many people who might otherwise be overlooked.

I look forward to seeing MSMEs like Kaeme go beyond national and regional recognition to compete in new global territories, nurtured by a supportive community of trade agencies, finance corporations and venture capitalists. That way we can make monumental strides in building stronger businesses to achieve more inclusive economic development.

1. Freda Obeng-Ampofo, Founder and Chief Executive, Kaeme, Ghana.
2. A product from KAEME skin-care.
Bringing global finance to small businesses

NDEYE THIAW, Managing Partner, Venture Capital, Brightmore Capital, Senegal

Facilitating SMEs in West Africa through impact investment funds

Fledgling businesses in Francophone West Africa need nothing so much as access to financing in order to grow and thrive. Their problem in many cases is twofold: finding a knowledgeable, affordable source while wading into unfamiliar loan and credit processes. Local banking procedures might be opaque or strewn with red tape, while accountability and collateral demands create new headaches for managers struggling under their day-to-day workload.

Intentions won’t translate into success without proper tools. Developing customized applications can simplify due diligence, bypassing the business-plan model.
These solutions provide working capital for growth and investment, allowing a budding business owner to expand while basing repayments on future cash flow projections. We provide initial investment packages as low as 150,000 euros ($165,000) while many financiers only offer minimums in the millions of euros.

Meanwhile, those reviewing applications from small and medium-sized enterprises (SMEs) in the region face a daunting task to identify worthy prospects by traditional means. It’s hard to find SMEs with established credit profiles. High default rates and uneven record-keeping are the general state of play. Data on the condition of local markets and comparable businesses might be spotty or non-existent, making decisions more difficult and time-consuming.

Put the two together and the results are nothing short of dismal. Just 1% of applicants win approval and 80% of new businesses in the region fail within the first five years. Potential angel or green investors could be forgiven for shying away, while entrepreneur pitches could fall on deaf ears no matter how economically stimulating or environmentally sustainable they are.

The solution, as we see it at Brightmore Capital, is making the process more transparent at both ends of the financing process while delivering an outcome that generates growth and conforms with the United Nations Sustainable Development Goals (SDGs). We’ve identified eight specific SDGs likely to align with our intended targets:

Our investments – in at least a dozen companies – will be made across the economic spectrum, including the agricultural and food value chain; financial inclusion; renewables and clean technologies; and essential services. We want to nurture high-potential SMEs and start-ups with the end goal of transforming them into effective enterprises in a region with a growing base of 130 million low- to middle-income consumers.

However, intentions won’t translate into success without proper tools. Developing customized applications can simplify due diligence, bypassing the business-plan model. Local incubators, agencies and trade and investment support institutions (TISIs) can offer workshops on standards, best practices and investment readiness. A tracking system could provide early-stage data to identify leads while creating a network of contact points on a country-by-country basis.

Once identified, we believe the best way to understand a prospect’s potential for growth is to show them we share and understand their passion. We try to treat them how we would wish to be treated by respecting confidentiality; being approachable; being candid; and seeing the challenges they face through their eyes.

Once a SME is ready to move forward, Brightmore Capital is ready to help with a range of financing options, such as issuing shares or convertible debt. These solutions provide working capital for growth and investment, allowing a budding business owner to expand while basing repayments on future cash flow projections. We provide initial investment packages as low as 150,000 euros ($165,000) while many financiers only offer minimums in the millions of euros.

Crucially, Brightmore also provides multi-stage financing, an ace in the hole for any new business. Growth by a SME often requires larger financing rounds to sustain it as it enters new markets or develops new products. However, raising additional rounds of adequate capital in a timely manner can be difficult as investment funds flow less freely in emerging markets.

We position ourselves as local investors providing growth capital to SMEs that reach set milestones. We believe in living, breathing and embracing diversity every day, all day, with a special emphasis on our local presence. By doing this we work to promote trust and encourage others to become trustworthy intermediaries.

We also seek effective partnerships with local investors and financiers to help broaden the scope of available options while engaging with support networks across Africa and beyond. Gaining commitments from limited partnerships, a kind of fund investor, is essential to financing more local intermediaries in developing and frontier markets. The use of every available option is required to make our vision a reality.
Angel investing is on the rise in Africa

ANDERS AEROE, Director, Division of Enterprises and Institutions, International Trade Centre

Turning big dreams into reality through entrepreneurial finance

African early-stage investing has been growing tremendously in the last five years. Of the 22 Africa-based venture capital funds, 41% were launched after 2016. African start-ups raised more than $725 million in 2018 alone across 458 deals from early stage investors. Recent initial public offerings like the one by Nigeria-based e-commerce company Jumia, catalysed world interest in the African start-up ecosystem and managed to attract more capital for high-growth local businesses than few years ago.

However, this capital is mostly dedicated to venture capital and does not fully address the funding needs of many African startups. More than $133 million was invested by venture capitalists in Nigeria, the top continent’s investment destination, in 2018. In the same period, Lagos Angel Network, the country’s most active network, invested only $1.5 million.

On one side, promising businesses across the continent keep mentioning lack of access to adequate capital as one of their main challenges during their start-up phase, putting budding ventures in a difficult situation when the lack of seed capital hinders growth and ultimately kills

Angel investment could solve a problem by bridging the gap between the idea phase and the growth phase of a venture and by helping enterprises fulfil their mission of creators of jobs and innovative solutions for local social challenges.
Successful African start-ups such as Jumo, Kobo360 and Jumia also generated great financial returns to their angel investors. The combination of investor education and public incentives for angel investors could drastically increase the number of HNWIs investing in start-ups. This is definitely an area where public- and private-sector actors and international organizations could collaborate.

The International Trade Centre (ITC), African Business Angel Network (ABAN) and the Gambia Investment and Export Promotion Agency (GIEPA) have worked for the past year to establish the Gambia’s first angel investors’ network. The initiative brings together 15 local and diaspora-based HNWIs with a common goal of investing in high-potential local businesses.

The network was launched in July 2019 with a pitch session and a masterclass on angel investing delivered by Adrame Ndione, its new managing director, and Tomi Davies, president of the ABAN. Gambia Angel Investors Network is the latest West African angel investor network, following those established in Mali, Benin and Senegal.

The network provides investments of up to $300,000 and helps develop the nascent Gambian start-up and investment ecosystem by empowering hubs, incubators and accelerators and providing an entry point for international investors interested in investing in high-potential local businesses.

So, what would be the reasons for HNWIs to consider investing in early stage start-ups with unproven operations, new technologies and limited exit opportunities?

Start with the premise that angels do not have the same time constraints of traditional fund managers. Venture capitalists must return their capital to their limited partners by strict dates. By investing their own funds, angels can be more flexible and patient. This is very important across all emerging markets as businesses take on average longer to grow and timeline for exits do not adapt well with venture capital funds’ traditional life cycle.

Next, angels cover a wide geographical footprint while venture capitalists tend to invest in urban start-ups. Many venture capitalists in Africa focus on Johannesburg and Cape Town in South Africa, the Nigerian capital Lagos and Nairobi, Kenya. On the other side, angel investors are bringing needed capital to start-ups in smaller capital cities such as Kampala in Uganda, Accra in Ghana and Banjul in the Gambia, helping entrepreneurs build successful ventures and creating pipeline opportunities for larger funds.

Lastly, angel investors are often more comfortable taking huge risks in the short run because they know that in the medium term they will achieve higher returns than those from less risky asset classes. An investor who put just $1,000 into Facebook Inc. at its seed stage would have made $2 million when the company was listed in 2012. This is not an isolated case. Successful African start-ups such as Jumo, Kobo360 and Jumia also generated great financial returns to their angel investors.

Angel investments are generally made by high net worth individuals (HNWIs) investing their own time and money in start-ups. Usually they invest as part of a local network of angels. Luckily, Africa does not lack for HNWIs; South Africa alone has more than 40,000 millionaires. That number increases if we consider diaspora-based Africans investing in their home countries.

However, there are two main reasons that prevent such people investing in start-ups.

First, most investors already obtain solid financial returns from more traditional asset classes. Second, most of the wealth in the continent does not come from innovative businesses - only one out of the 10 richest Africans made their fortune in a tech-related space.

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Creating the right business environment for SMEs

RUSLAN SPIVAK, Ph.D. Director, Corporate Business, Raiffeisen Bank Aval, Ukraine

Bringing SMEs and the banking system closer to each other by fine-tuning rules and approaches

There is nothing new in the concept that small and medium-sized enterprises (SMEs) are the backbone of every economy, especially in developing countries. While being one of the main contributors to employment and providing sufficient share in GDP and trade balance, SMEs are highly dependent upon macroeconomic conditions. They represent the most vulnerable part of the business environment, although the most adaptive. Thus, financing of SMEs relies on specific factors that can sufficiently improve bank readiness for providing needed resources.

During the decade that was framed as one of the longest world economy growth periods, developing countries including Ukraine suffered several deep crises and recession periods. Negative impact undermines the appetite for risk in financing SMEs because of their low survival rate.
Based on this I have figured out four main pillars for creating an SME financing readiness index that can reflect financial opportunities for the sector:

- Macroeconomic and internal market dynamics
- Regulatory environment
- Institutional capability
- Customer readiness and corporate culture

### MACROECONOMIC AND INTERNAL MARKET DYNAMICS

The majority of developing countries demonstrate moderate GDP growth of 3%-4%, have quite high inflation of over 10% and conduct tight monetary policy reflected in a high interest rate environment. The last factor triggered low access to finance since EBITDA/total sales only in selected booming industries can provide positive advantage out of using external financing, especially in long-term projects. This also explains why the share of mid- and long-term loans in total is usually less than 30%, bringing down working capital injections. Hence, the regulator’s key rate policy is one of the most crucial, motivating or limiting tools for SME lending in the country.

### REGULATORY ENVIRONMENT

#### THE BANKING SECTOR

Currently more than 52,000 regulations all over the world are stipulating banking sector activity with a one-size-fits-all approach. Rarely do developed national regulations favor banking policy for SMEs. In the vast majority, special programmes aimed at SME sector support the remain in name only and do not come to fruition. This forces financial institutions to apply standard, restrictive approaches on collateral, financial ratios, reserves and so on.

Although bank lending remains the prevalent form of external SME financing, unfavourable regulations has brought about

- State and international financial organizations
- Institutional capability
- Customer readiness and corporate culture

### STATE AND INTERNATIONAL FINANCIAL ORGANIZATIONS

Here we can observe tangible progress in the last decade. Usually with substantial assistance from United Nations bodies, World Bank Group, the European Bank for Reconstruction and Development, the European Investment Bank and so forth, local authorities develop national strategies to improve SME development, with a separate clause dedicated to better access to finance and preferential interest rates.

However, such programmes are limited in their resources and cannot meet the demand while still providing real value to beneficiaries desperately seeking capital. Still despite all efforts the regulation complexity legacy is extremely high in developing countries, especially touching start-ups, license and permit systems and tax regime. Thus, the Regulatory Impact Analysis (RIA) should be implemented as an effective regulatory environment or health-check tool.

In those countries where the share of black economy is extremely high (close to 50%), national dialogue and special policy elaboration on re-adaptation of this part of the business community is needed. This is the true glimpse of hope for the second chance which, along with further simplification of regulations and administrative procedures and digitalization, should reduce burdens and have a tremendously positive impact on SMEs across developing economies.

### INSTITUTIONAL CAPABILITY

Following several crisis events and struggling from a huge non-performing loan burden, banks have implemented tough lending requirements reflected in the strictest-ever risk policy. Unfortunately, such a policy was common, especially in developing countries, forcing more than 70% of SMEs to seek alternative financing or switch the business model to no-loan mode. As a result, less than 20% of entities grew at a rate higher than inflation and the percentage of SMEs using loans shrunk to a marginal 6%-7%. Only in the last few years has some progress been observed. Efficient industry-based solutions with friendly instruments are being offered, boosting access to finance to as much as 35% of entities, securing healthy portfolios with the average probability of default at less than 4%. Still, that is not enough and the banking sector should find effective solutions by targeting not only immediate cost-impact ratio and return on risk weighted assets but also social functions on growing and scaling the SMEs.

At the same time loan marginality of business banking is still high in developing countries, sometimes reaching as much as 6%, almost twice as much as in corporate banking, securing positions of target capital allocation segment. However, banks are still struggling to build efficient, easy and fast processes to ensure best customer experience, thus lowering the cost of service for SMEs.
Currently more than 52,000 regulations all over the world are stipulating banking sector activity with a one-size-fits-all approach.

Finally, we should acknowledge that banks are less and less able to accompany SMEs in riskier projects such as high-tech, innovations and intangible assets. A separate topic of extreme importance is providing financing for the Sustainable Development Goals implementation. Here, blended finance instruments and mezzanine products are very effective at providing both technical and funding support for SME transformation, hence impacting the overall economic and business landscape in developing countries.

CUSTOMER READINESS AND CORPORATE CULTURE
Despite efforts at narrowing the gap, financial literacy and institutional maturity are among the top factors limiting SME access to finance. This is the true uphill battle for the vast majority. About 40% of entities are struggling to build proper accounting and cash flows to ensure transparency, managerial control and predictability, which are critical to obtaining financing. Late payments with counter agents or past bankruptcies, seen as a result of poor management and crisis vulnerability, create a bad track record for financial institutions, closing doors on cooperation for the huge number of businesses that have already died and been reincarnated.

The main post-crisis lesson learned has definitely been a stronger imperative to increase the financial literacy and managerial capacity of entrepreneurs to avoid the deadlock mistakes in view of an expected world financial crisis.

Many challenges lie ahead. However, the road starts from the first step and is paved with close cooperation between international organizations, state authorities and the banking system. It is extremely important to create an integrated synergetic effect to boost the SMEs development.

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1. Financing of SMEs relies on specific factors that can sufficiently improve bank readiness.
2. Ruslan Spivak, Ph.D, Director, Corporate Business, Raiffeisen Bank Aval, Ukraine
Growth for Rural Advancement and Sustainable Progress

ITC launches a project to reduce poverty in Pakistan by strengthening small-scale agribusinesses

Small enterprises make up the bulk of businesses in Pakistan. To achieve broad, sustainable economic growth, these firms must grow and create jobs for the increasing number of people entering the workforce. Livestock and horticulture – which account for 70% of value added agriculture – have particularly strong growth potential due to rising demand, opportunities for climate adaptation and participation of women.

The International Trade Centre (ITC) – a joint agency of the United Nations and the World Trade Organization – has launched a project to reduce poverty in Pakistan by strengthening small-scale agribusinesses in Balochistan and Sindh.

The project, known as ‘Growth for rural advancement and sustainable progress’ (GRASP), will help small and medium-sized enterprises (SMEs) in horticulture and livestock become more competitive by making improvements at all levels of the value chain.

Demand for safe, nutritious and high-quality food is rising in Pakistan. By improving product quality at every stage, from planting to production, to packaging and transport, small-scale agribusinesses – including those led by women and youth – will increase their productivity and profitability.

Abdul Razzaq Dawood, advisor for commerce of the Government of Pakistan; Jean-François Cautain, former ambassador of the European Union in Pakistan; and ITC Executive Director Arancha González shared their views on the initiative in an interview initially published on GEO.
We see the two issues intertwined and after broad consultations with a large number of stakeholders, we have decided to fund activities aiming at improving the situation. With a sizeable amount of funding, a grant of 48 million euros ($52.8 million), around 8.6 billion Pakistan rupees, this new initiative will support activities at different levels, from the farmer to eventually the exporter, reinforcing the capacities and incomes of each actor, including SMEs in rural Pakistan. This project will fit well for example in Sindh province where the Poverty Reduction Strategy adopted last year foresees the creation of the rural growth centres.

The EU has worked to support sustainable agriculture in Pakistan in the past. How is this effort different from your previous ones?

GRASP has been designed as an all-inclusive project, fully integrating rural and urban features of agriculture and industry sector through SME development. The programme will support the vertical and horizontal development of targeted SMEs clusters, particularly in the two sub-sectors of agriculture, dairy and horticulture. The value addition along the whole supply chain will help in transforming the rural economy, particularly in Balochistan and Sindh provinces. The integration of small producers into supply chains will lead to enhanced income generating opportunities.

Are you confident that you found the right partners for this project?

I am very pleased that the International Trade Centre is our international partner for this project. ITC is well-known for its support to SME competitiveness, for inclusive and sustainable growth through value addition. They will bring invaluable experiences from other countries. In Pakistan, during the consultation process for this project and thanks to our footprint in Pakistan for many years, we have extensive networks of partners both in the public and private sectors that will be mobilized to make GRASP a success for the benefit of many Pakistanis.
Given that considerable work focused at improving agriculture related livelihoods is already going on in Pakistan, how will this project in particular benefit the sector?

Pakistan is a vast country with enormous potential in its agriculture sector. Many commendable efforts are already ongoing to improve productivity and competitiveness and through that generate benefits for farmers, in particular those in more precarious conditions. But more can be done. Agriculture is at the forefront of the impact of climate change and there is, therefore, need to build a more resilient sector, supporting climate smart farming.

Technological progress is also impacting the agriculture sector. Supporting micro, small and medium-sized enterprises (MSMEs) adjust and leverage technological change will be essential to improve their competitiveness.

Finally, consumers around the world are demanding higher-quality products. With standards becoming stricter, there is need to help smaller players meet them to access markets. These are precisely the priorities of GRASP.

Focusing on the horticulture and livestock sectors in Sindh and Balochistan provinces, this initiative seeks to help farmers and small agribusinesses navigate these challenges to improve livelihoods and contribute to broad, sustainable economic growth. With funding from the EU, ITC support will be directed at improving the business environment, improving product quality at every stage, from planting to production to packaging and transport and connecting farmers to markets. We will start from what the market is demanding but we will focus on improving people’s lives.

What has been the response of your partners towards this project?

We are grateful to the EU for entrusting ITC with the implementation of this initiative. We are most thankful to the Government of Pakistan for their confidence and partnership. ITC has a long-standing history of partnering with Pakistan to support more inclusive trade. We are proud to join hands at this moment when Pakistan is working to achieve the Sustainable Development Goals to eradicate extreme poverty by 2030. Partnerships are essential. Without collective action we will not be able to make a difference in the lives of those who need our help the most.

Will the rural Pakistani woman benefit from GRASP, given she often works without wages in the fields during the day and takes care of the household and children the rest of her time?

Empowering women economically is a priority of the International Trade Centre. Women are central to inclusive growth and to good trade. This is a matter of smart economics.

A cricket team that only brings half of the team to the tournament cannot win the World Cup! An economy that only includes half of its population shows weaker growth and therefore less wealth for its people, men and women alike. If women’s participation in Pakistan’s economy was equal to men’s this would boost Pakistan’s GDP by 60%.

This is why we will work to ensure that women also benefit from our support under GRASP by bringing them into the conversation, supporting jobs and strengthening women’s organizations. Women will be engaged in all stages of the value chain. In this way, they will not only benefit individually but also contribute to their communities and to a more competitive Pakistani economy.

ARANCHA GONZÁLEZ
Executive Director
International Trade Centre, Geneva

1. Farmer at wheat harvest in Pakistan.
2. Women will benefit from support under GRASP project in the country.
ventured into the restaurant business with limited means. Next to the cash counter is the door to the kitchen, where two women can be heard talking in the Wolof language. It is Isatou Jobe giving instructions to a team member selecting tomatoes to be added to the popular West African dish.

Like most restaurants, Firadaws also thrives on the passion of Jobe, its 21-year-old owner. All she ever wanted was to be her own boss. As a young Gambian woman, the journey to turning her dream into reality has not been an easy one.

Ap-tap-tap went the knife on the chopping board and two more finely diced onions were ready to be thrown into the crackling oil in the pan. Onions are essential for bringing out the flavour of jollof rice, a popular menu item at this restaurant in Farafenni, outside the Gambian capital Banjul.

The interior appears rather unassuming. Simple tables and chairs neatly laid out around a hall tell the story of an owner who ventured into the restaurant business with limited means. Next to the cash counter is the door to the kitchen, where two women can be heard talking in the Wolof language. It is Isatou Jobe giving instructions to a team member selecting tomatoes to be added to the popular West African dish.

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We asked her about the message provided to Gambian youth in her running a successful business. Her response was immediate and direct.

‘I want the youth to believe in themselves,’ Jobe said with a contented smile. ‘Dream big and go after them. You might feel you don’t have enough but if you have just one thing with you, you are rich. All you need is faith in yourself and confidence in your abilities. Success is guaranteed, right here in our own country, the Gambia.’

Funded by the European Union (EU) Emergency Trust Fund, the project reduces migration pressures in the Gambia by focusing on vocational training and support for micro and small-sized enterprises and creating new jobs in selected sectors through value addition and internationalization.

‘It is important to make connections and discover new ideas. Food is a great way of bringing people together. I wanted to give other young men and women like me a message.’

However, she did need support, a helping hand that would lead the way and assure her that she was on the right path. While she had saved diligently to realize her dream, more assistance was necessary.

‘I had some savings from the salary I had earned doing different jobs,’ Jobe said. ‘Those were not enough. I still needed more finances for buying furniture, refrigerator and gas cooker and other appliances to start cooking for our customers. So when I received the mini-grant of around 800 euros ($880), that’s when I was really able to start.’

Jobe is one of many youths benefitting from Youth Empowerment Project of the International Trade Centre (ITC) directly in areas such as skills training, entrepreneurship, business development and access to funding.

‘I was also able to expand our menu. We now serve damoda (peanut stew) and yassa (spicy meat) as well. The trainings that I received have also been instrumental in boosting my confidence,’ she said.
A cup of tea from Sri Lanka

WAQAS RAFIQUE and RAASHID RIZA, International Trade Centre

Trade capacity building and technical assistance focused on training, skills development improves SME export competitiveness in Sri Lanka

Break the ice, cure a headache, host a guest or simply relax. All you need is a cup of tea.

It’s hard to think of anyone who does not like tea. The delicate beverage has won hearts for thousands of years. According to folklore, a Chinese emperor was once boiling a pot of water. A few tea leaves whirled into it accidentally which gave off an aroma that the Chinese emperor couldn’t resist. He drank the flavoured water and tea was born.

Today, the leaves of camellia sinensis we brew complete long journeys to reach us in the form of tea bags or tin packs. Small farmers, entrepreneurs and governments from more than 50 countries all do their best to win customers for their teas.
Though he always wanted to take tea from his farm to the world, when Kalana first ventured into international markets he felt like a stranger. He lacked basic knowledge about export-related procedures and management practices. Sitting in his office with a view of his growing facilities, he spoke about the stumbling blocks encountered along the way.

‘I faced many obstacles as a new entrepreneur,’ Kalana recalled as he rinsed cups with hot tea before serving the drink, a practise he learned in China. ‘I did not know how to complete export-related paperwork due to little knowledge about the required quality certifications.

‘As a second-generation tea producer, our internal processes were mostly geared towards catering to domestic markets and we were quite set in our own ways, which made switching to suit exporting norms especially hard.’

What he did to improve the situation is testament to his passion to become an accomplished tea exporter. As the proprietor of Kandrick Tea, Kalana registered in the Sri Lanka Export Development Board (EDB) ‘2000 Exporters’ programme. This programme seeks to nurture new entrepreneurs to begin exporting their products during the 2017-2022 period at regional level.

Kalana benefited through his registration with the board to participate in an coaching programme for small and medium-sized enterprises (SMEs) organized independently by the International Trade Centre (ITC). This coaching programme sought to enhance SME compliance with export formalities in Sri Lanka, helping participants in improving their overall export competitiveness through better management practices and value addition to their products.

The business owner was assigned an export management coach (EMC) who critically examined the export practices of Kandrick Tea and guided the team on how best to optimize their operational procedures to boost exports.

Exporting to Malaysia had given Kalana a clear picture of what it took to become an accomplished exporter, which is why he was glad to have the opportunity to improve his knowledge and skill about his business to the next level.

In Sri Lanka tea drinking is a visible part of daily life. You don’t really need a special occasion to sit down for a cup of tea, be it at a swanky coffee shop in the bustling capital Colombo or a get-together of farmers in a village. It is a simple and inexpensive way of bringing people together.

Thisara Kalana always knew that tea from his country is popular the world over. His own relationship with the beverage was infused early. This is why he seized the opportunity to join his family business in the town of Matugama in Sri Lanka’s lush Kalutara district. It is also the location he has chosen for the offices of his own new venture, Kandrick Tea.
‘I jumped at the chance to participate in this programme the very first instance I received the phone call,’ he remembers.

Kalana is now calibrating his pricing for different customer bases, packaging at different weights for different markets and palatalizing his products. He is more diligent on matters such as insurance – all as a direct result of the SME coaching programme.

‘I did not know how to fill export-related documents, or even the difference between a commercial invoice and a packing list,’ he said. ‘I had problems in my labelling since they were coming off. Guidance on matters such as using stronger glue to overcome these small but important changes is just one example of detailed coaching I received from my coach.’

Tangible results are already being felt. Kandrick Tea started out exporting just 10 kilograms of tea to Malaysia. It has since penetrated newer markets and its rising export volumes have now exceeded 300 kilograms. Kalana is clear about the impact the ITC programme has made on his export volumes.

‘The advice I received from Nujith Samarawickrema, the coach assigned to me, was instrumental in expanding my exports from Malaysia to Hong Kong, China and even the Czech Republic,’ he explained.

Currently his business is developing a processing unit that will ensure that all internal processes of Kandrick Tea are fully optimised to be compliant with exporting procedures. Thisara is also keen to obtain an ISO 22000 certification required by many of his customers overseas.

‘The support I have received through ITC has motivated me to take things further in expanding not just my export volumes, but also in streamlining our processes,’ Kalana said with a smile. ‘We are now designing processing procedures that would suit Kandrick Tea’s exporting ambitions. We are on our way to obtain the ISO 22000 certification.’

The SME coaching programme has helped Thisara in numerous ways, and the success of the programme lies in the fact that a dedicated coach was assigned providing tailor made solutions for the Kandrick Tea brand.

ITC arranged the coaching programme within the framework of the EU – Sri Lanka Trade Related Assistance project. The four-year European Union-funded project worth 8 million euros ($9.8 million), contributes to inclusive trade-led growth and regional integration. It supports SME export competitiveness and value addition in sectors with high potential for economic growth and development.

Currently his business is developing a processing unit that will ensure that all internal processes of Kandrick Tea are fully optimised to be compliant with exporting procedures. Thisara is also keen to obtain an ISO 22000 certification required by many of his customers overseas.

1. Tea is cultivated for its leaves which are picked by hand.
2. Thisara Kalana, young Sri lankan who is making strides in exporting tea.
3. Camellia sinensis leaves better known as tea.
4. It is hard to think of anyone who does not like tea.
5. Kandrick Tea's export volumes have now exceeded 300 kilograms.
Taking farmers back to school

AMAN GOEL, Associate Programme Adviser, International Trade Centre

Come with us to Tanzania and see how cinnamon growers are benefitting from an engaging training programme

We trained 80 farmers over three days in the middle of the Tanzanian forests to help them become experts at adding value to cinnamon, one of the local treasures. We worked with a master trainer from Sri Lanka who was surprised by the fast progress farmers made in a short time. Sri Lankan producers, who have worked with cinnamon for 2,000 years, took only three months to perfect cinnamon quill-making for the farmers. Tanzania is among the very few countries that produce top quality cinnamon (cinnamon zeylanicum). However, the country sits at the bottom of the cinnamon value chain because of a lack of knowledge and skill about the latest value addition techniques. We are trying to change that by bringing Sri Lankan expertise to Tanzanian farmers.
We aim to train more than 1,000 farmers over the next year so it was important to get the training model right. More often than not, farmers are trained using text heavy manuals that do not interest them. We tried to shake things up a bit. The result was highly engaged farmers who managed to replicate the difficult art of cinnamon quill-making in a very short time. Testament to that was provided when a group of farmers came up to the organizers offering to pay a fee to attend the training.

Following are a few reasons why I believe the training was successful.

**Telling stories, not giving instructions:**
To begin with, our instruction medium was a series of illustrations, like a comic book, which showed an African man and a woman producing and processing cinnamon. Through 13 illustrations we managed to map the journey of cinnamon processing. We made this more palatable for farmers by showing them a video of Sri Lankan farmers going through the same process and achieving great results.

**Making farmers do instead of see and listen:** The farmers were hardly subjected to long lectures. They spent most of the time replicating all the processes in the field. From making nursery bags to cutting and scraping cinnamon trees, the farmers experienced the whole process. Their interest was further enhanced by providing them with new tools to make their job easier.

**Inspiring competition:** We split the farmers into groups and announced a prize for the one that made the best quill. The competition was divided in three rounds and scores of each round were announced. This was truly a game-changer. These farmers had never experienced group formation of this kind, let alone competing. The result was healthy competition among the farmers to deliver top-quality products.

**Bringing the incentives closer:**
Another key aspect is organization of these trainings in collaboration with buyers of the products. Therefore, it was not about showing farmers a distant dream of lucrative markets. Instead, we brought the market to their doorstep, which reminded them they would be paid more if they produced their product at a higher quality.

**Not leaving the farmers hanging:**
It was important to explain to the farmers that this intervention does not end here. For this reason, we organized these training with local partners. We are moving forward with this approach to reach new markets in a way that assures farmers of constant support and guarantee of sustainable plans.

These farmers were trained under the International Trade Centre (ITC) MARKUP project with financial support from the European Union to help support the development of the spices value chain in Tanzania.

We will work on cinnamon upgradation until 2022. By then we hope that Tanzania would be a force to reckon within the world cinnamon market.

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1. Tanzanian farmers attending a demonstration arranged at the training.
2. More than 1,000 farmers will be trained over the next year.
HappyCulture, an innovative approach to beekeeping

MUJINGA TAMBWE and SADIQ SYED, International Trade Centre

A new programme on modern beekeeping techniques to engage Guinean youth and revive the honey sector

After spending nearly four years in Morocco looking for opportunities, a young Mamadou Cery Barry returned to his country, Guinea. He opted to pursue beekeeping on his farm in Ditinn, located within the municipality of Mamou in Middle Guinea.

In March 2019, he attended a seven-month training programme on modern beekeeping offered by the Happy Culture programme, a joint initiative of the International Trade Centre (ITC) and local incubator Jatropha Hub. The programme delved into the construction and installation of modern beehives, latest honey producing and harvesting methods.

Making sure that the bees were doing well, healthy and disease-free was part of his training where he also learned the importance and working techniques of packaging and marketing.

‘This training gives me the opportunity to significantly increase my income by becoming part of a new generation of beekeepers in Guinea,’ Cery Berry said. ‘From now on we will use modern tools and approaches for an improved harvest, top-quality products and good environmental practices.’

The Happy Culture programme has trained around 20 beekeepers in five partner farms located in Saala, Ditinn, Mamou (Middle Guinea) and Kindia (Lower Guinea) since its launch in March. It is now being rolled out in other regions in the country through partnerships with institutions such as the Ecole Nationale d’Agriculture et de l’Elevage (ENAE) in Kankan. The aim is to revive the sector, provide opportunities for entrepreneurship and create jobs.

‘Assistance in the capacity building of our youth has helped increased employment opportunities for them in the Guinean agricultural sector,’ said Alpha Bacar Barry, founder of Jatropha Hub. ‘Happy Culture will eventually revive the beekeeping industry in the country.’

Mamadou and his fellow trainees will pass on their skills and training to youth interested in taking up beekeeping.

This initiative is implemented within the framework of the INTEGRA Program funded by the European Union.

1. Winners.
2. Mamadou Cery Barry attended a training on modern beekeeping.
3. The idea is to help run sustainable and profitable Guinean businesses in the honey sector.
NEW ITC PUBLICATIONS
Resources on trade and export development for exporters, trade support institutions and policymakers

For free download, please visit: www.intracen.org/publications

SME COMPETITIVENESS OUTLOOK 2019: BIG MONEY FOR SMALL BUSINESS – FINANCING THE SUSTAINABLE DEVELOPMENT GOALS
Increasing annual investments in small and medium-sized enterprises by $1 trillion would yield disproportionate dividends in terms of progress towards the Sustainable Development Goals. These investments also have the potential to deliver healthy returns for investors. To boost investment in developing-country small firms, this report finds that stronger investment facilitators (actors which connect firms to investors) are key. Other major findings: bundling investments for small firms into large packages helps scale up financing; disseminating information on small business credit performance improves risk assessments; and helping these firms to be investor-ready improves their commercial viability.

Executive Summaries are also available in French and Spanish.

http://www.intracen.org/publication/smecc2019/

WOMEN SHAPING GLOBAL ECONOMIC GOVERNANCE
This volume brings together contributions from leading policymakers and thought leaders from all across the world on how to shape our economies. Written entirely by women, this book is not about women. It is written by women who want to encourage everyone, including the 50% of the global population that are women, to contribute to shaping economic governance at a time where the world is impacted by a digital, environmental and social revolution. The essays and observations show women analysing the challenges confronting economic governance and formulating concrete proposals for how to navigate this period of turbulence.

http://www.intracen.org/publication/womensgovernance/

AID FOR TRADE AT A GLANCE 2019: EMPOWERING YOUTH FOR SUSTAINABLE TRADE
Youth economic empowerment is tied to the future of small and medium-sized enterprises (SMEs). This chapter looks at the role of internationally competitive SMEs in providing jobs for young people and examines how improved youth skills and innovation promote the export capacity of SMEs. Firm-level data show that access to finance is more of a challenge for youth-led enterprises than those with older leaders. The chapter finds that Aid for Trade programmes which improve access to financial services for youth entrepreneurs and improve the skills of young people promote SME competitiveness for trade while helping young people find gainful employment.


INVEST IN GHANA – LOCAL BUSINESS INTELLIGENCE
This report provides company-level information for investors on agribusiness, manufacturing and services. It includes performance-related data on themes like international certification, innovation capacity, ICT use and access to electricity and logistics services. Investors will find practical information on how investment in those sectors can contribute to meeting the Sustainable Development Goals.

http://www.intracen.org/publication/invest-Ghana/

WORLD TARIFF PROFILES 2019
Jointly published by ITC, the World Trade Organization (WTO) and UNCTAD, this annual report presents tariff-based market access conditions for goods imposed by 164 WTO Members and other countries. The report contains aggregated product statistics, tariffs imposed and faced by each economy and an overview of non-tariff measures. This year’s focus is on countries’ tariff policies in relation to technological goods that may help achieve the Sustainable Development Goals. ITC’s Market Access Map database is the main source of the applied tariff data in the report.


THE EUROPEAN UNION MARKET FOR SUSTAINABLE PRODUCTS
Retailers in France, Germany, Italy, the Netherlands and Spain are finding growing consumer demand for sustainably sourced products. Many work in partnership with their suppliers, both inside and outside the European Union (EU), to introduce environmental and social standards, according to this International Trade Centre (ITC) company survey in the five EU countries. The report contains data on consumer demand and retailer sourcing strategies as well as case studies based on interviews with retailers.

http://www.intracen.org/publication/The-European-Union-market-for-sustainable-products/

CREATIVE INDUSTRIES IN RWANDA: DIGITAL PATHS TO GLOBAL MARKETS
Rwandan creative industries are exploring ways to tackle challenges and develop products and services for domestic and international markets. This paper uses case studies to illustrate how music and film companies in Rwanda tap global platforms to expand outreach; follow the diaspora to enter overseas markets; tailor production and marketing for specific markets; and apply new business models and monetization channels.

http://www.intracen.org/publication/Rwanda-creative-digital/
Trade and Invest in One Africa

NATALIE DOMEISEN, Head, Corporate Events and Publishing Programmes

The World Export Development Forum will ‘talk business and do business’ as part of Africa Industrialization Week from 18-22 November 2019.

The focus is on implementing the newly agreed African Continental Free Trade Area by putting the voice of businesses first, especially those featuring women and young entrepreneurs.

African states passed a truly historic trade agreement this past July. At a time when economic protectionism is on the rise, African political leaders offered a counter-message: reducing tariffs and encouraging deeper trade integration will unlock prosperity.

The African Continental Free Trade Area (AfCFTA), launched at the African Union Summit for Heads of State in Niger, is a game-changer for trade. It demonstrates the political will to create new opportunities for

Now in its 19th edition, the WEDF discusses how to better connect businesses to new markets. It brings together buyers and sellers, policymakers and business leaders and those who support them. The goal is to bring the benefits of good trade to more people in a sustainable way.
Trade within Africa and offers new opportunities for buyers and investors outside it.

The African Union Commission’s Department of Trade and Industry led the ratification process for the agreement and is now at the forefront of public-private sector consultations to implement it. Numerous national events are bringing the agreement forward in African countries. A secretariat is being set up to monitor implementation in Accra, Ghana.

INTERNATIONAL MILESTONE
The World Export Development Forum (WEDF) is the first international milestone after the Niger summit.

Now in its 19th edition, the WEDF discusses how to better connect businesses to new markets. It brings together buyers and sellers, policymakers and business leaders and those who support them. The goal is to bring the benefits of good trade to more people in a sustainable way.

The forum is an integral part of the Africa Industrialization Week (18-22 November), led by the Department of Trade and Industry of the African Union Commission.

It is co-hosted with the African Union Commission and Ethiopia’s Ministry of Trade and Industry. With a market of over 100 million people, Ethiopia has been home to Africa’s fastest-growth rates over the past decade. It is positioning itself as a manufacturing hub while exploring green economy initiatives.

Participants are registering from around the world, including business leaders and entrepreneurs; policymakers; international organizations; trade and investment promotion agencies; business associations; and media.

Sessions are designed to help business make the most of the AfCFTA with a special focus on the role of women and youth.

This year’s WEDF is also unique. For the first time, it joins forces with the biggest International Trade Centre (ITC) events for youth, as well as for women in trade.

With an accent on young entrepreneurs, the YES Forum looks at policies, networks, skills and access to finance. The event is a contribution to the Decent Jobs for Youth initiative as well as Global Entrepreneurship Month. The event is organized by ITC with the International Labour Organization, the United Nations Conference on Trade and Development, the United Nations Industrial Development Organization and the United Nations Capital Development Fund.

ITC will also organize a Youth Media Zone throughout the week, allowing young entrepreneurs and journalists to interview key personalities at the event, take part in flash presentations and session debriefings and network among themselves.

SheTrades Global takes place during the same week. The annual event showcases innovative solutions to empower women in business. The event will be preceded by a workshop for 60 African businesswomen’s associations to help them make the most of the AfCFTA accord. The SheTrades Global event features high-level officials of the African Union Commission and the Ethiopian government, trade ministers, first ladies and business partners. Themes include how free trade agreements catalyse inclusive trade for women, with a spotlight on the African Continental Free Trade Area; innovative tools for women in trade, such as the SheTrades Outlook; and perspectives of SheTrades business partners.

The World Export Development Forum will reflect the results of these events in its plenary sessions, which are:
- Investing in One Africa
- Business Voices for One Africa
- Digital Africa
- Social Entrepreneurs: Pitch Your Ideas
From Lusaka to Addis Ababa – supporting the African Continental Free Trade Area with the World Export Development Forum

Held each year in a different location, the World Export Development Forum (WEDF) has a track record of bringing value to participants. Its slogan is ‘Talk business, do business.’ At the 2018 event in Lusaka, Zambia, the International Trade Centre (ITC) teamed up with the Zambian government to scale up trade. A highlight was the Youth UnConference co-sponsored by the African Union which showcased young leaders’ interests in shaping the African Continental Free Trade Agreement (AfCFTA).

Another highlight was the Young Social Entrepreneurs Pitch Competition. The winner and finalists attracted new business deals and won subsequent competitions. Enrolment in the SME Trade Academy, the ITC online learning platform, rose 10% in the following weeks. Business-to-business matchmaking participants reported a 95% satisfaction rate in finding commercial partners. These and many other rich partnerships have set the foundations for the World Export Forum 2020 in Addis Ababa, Ethiopia’s capital.

- Skills for the New Africa
- Trade is Sustainable
- Financing for Development: Focus on the African Continental Free Trade Area
- Marketplace for the African Continental Free Trade Area

DOING BUSINESS

New business opportunities will open up with the African Continental Free Trade Area, which covers 1.2 billion people and an aggregate GDP of over $2 trillion. The B2B matchmaking meetings focus on agribusiness, Africa’s most important sector, and its agricultural market is set to reach $1 trillion by 2030. A Meet the Expert speed workshop allows participants to query business experts on topics such as information-technology platforms, social media marketing tools and packaging techniques.

In addition, investors from China and India will have special meetings during the week as part of ongoing programmes to connect investors and buyers to African markets. The programme featuring China (Partnership for Investment and Growth in Africa) and India (Supporting Indian Trade and Investment for Africa) both feature Ethiopia as a key market, especially for textiles and clothing.

BUSINESS DEVELOPMENT SUPPORT

Watch for new publications to help business make the most of the new AfCFTA. They all will be launched at the World Export Development Forum:
- African Trade Strategies
- Business Guide on Non-Tariff Barriers in the African Continental Free Trade Area
- Handbook on Sustainable and Responsible Investment Practices for Ethiopia
- Second edition: Invest in Francophone Africa

Register for the World Export Development Forum, the YES Forum and SheTrades Global at www.intracen.org/wedf
Follow #WEDF19 news on @ITCnews on Twitter and International Trade Centre on Facebook.

ITC will also organize a Youth Media Zone throughout the week, allowing young entrepreneurs and journalists to interview key personalities at the event, take part in flash presentations and session debriefings and network among themselves.

Investment and Growth in Africa) and India (Supporting Indian Trade and Investment for Africa) both feature Ethiopia as a key market, especially for textiles and clothing.

Register at: www.intracen.org/wedf • e-mail: wedf@intracen.org • #WEDF19

Partners:

1. WEDF 2017, Budapest.
2. SheTrades Global 2018, Liverpool.
18-22 November 2019, Addis Ababa

World Export Development Forum 2019
Trade and Invest in One Africa
Agenda
from 7 October 2019

Upcoming events

- **7 October**: World Cotton Day, Geneva
- **7-9 October**: Trade for Sustainable Development Forum 2019, Geneva
- **8-11 October**: WTO Public Forum, Geneva
- **14 October**: World Standards Day, Worldwide
- **17-18 October**: Young Africa Works Summit, Cape Town
- **18-20 October**: Annual meetings of World Bank Group and IMF
- **24 October**: United Nations Day, Worldwide
- **29-30 October**: African Women Innovation & Entrepreneurship Forum, South Africa

- **5-9 November**: Geneva Peace Week, Geneva
- **5-10 November**: China International Import Expo, Shanghai
- **11-22 November**: 25th Conference of Parties to the UN Convention on Climate Change, Santiago
- **18-22 November**: Africa Industrialization Week, Addis Ababa
- **19 November**: SheTrades Global, Addis Ababa
- **20 November**: YES - Youth Entrepreneurship and Self-Employment Forum, Addis Ababa
- **20-22 November**: 19th World Export Development Forum and Business-to-Business Matchmaking meetings, Addis Ababa
- **20-22 November**: Women’s Forum Global Meeting, Paris

Join the International Trade Centre at these major trade development events.
For updates, see www.intracen.org/events