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# Trade Finance Program in Central and West Asia

Tashkent | 17 June 2019

# What is the Trade Finance Program (TFP)?

TFP **provides guarantees and loans to banks** to support trade:



**Works with over 240 banks**



**Takes bank risk only**

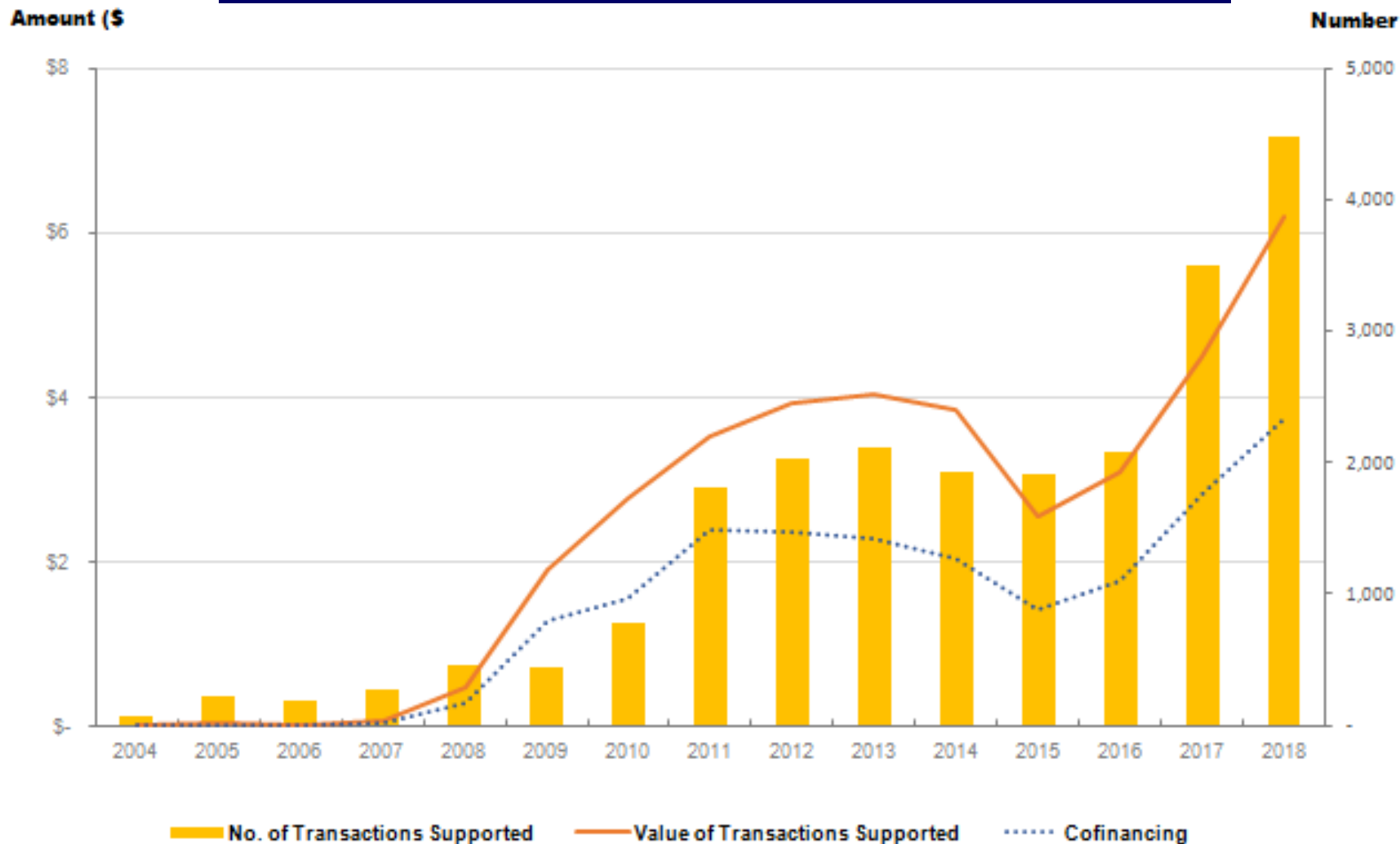


**Fills market gaps → growth, jobs**



**Deepens private sector involvement**

# TFP Portfolio, 2004-2018



# TFP in 2018

## Transactions supported (US\$)

**\$6.20 billion**

2009-2018  
**\$36.30 billion**

## Cofinancing

**\$3.75 billion**

2009-2018  
**\$21.60 billion**

## No. of transactions

**4,476**

2009-2018  
**21,083**

## SMEs supported

**3,475**

2009-2018  
**15,688**

## No. of Intra-regional trade transactions

**3,136**

2009-2018  
**15,790**

## Five most active of 21 TFP countries

**Armenia, Bangladesh, Pakistan, Sri Lanka, Viet Nam**



# Why growth in TFP?

## Trade continues to grow

=  
More demand

## Commodities up

More strain on limits  
=  
More demand

## Fewer correspondents

More trade going through fewer banks  
=  
More strain on counterparty limits

## Good (new) product mix

- Increased ADB cover: RPA
- FRPA new product

## Knowledge products and Marketing

- Gaps Growth and Jobs Study
- AML/CFT Initiatives
- Legal Entity Identifier
- Gender

## RMs and MO

Excellent relationships by TFP Relationship Managers and Middle Office

# How does TFP provide the support?

## Main products:

1

### Credit Guarantee

*ADB issues a guarantee to cover risk of non-payment by a bank*

2

### Revolving Credit Facility

*ADB provides direct loan to the local bank*

3

### Risk Participation Agreement

4

### Funded Risk Participation Agreement

# TFP's Portfolio per Product

## Credit Guarantee

**22.04 B**

**14,742**  
Transactions

## Revolving Credit Facility

**681.M**

**2,396**  
Transactions

## Risk Participation Agreement

**14 B**

**5,046**  
Transactions

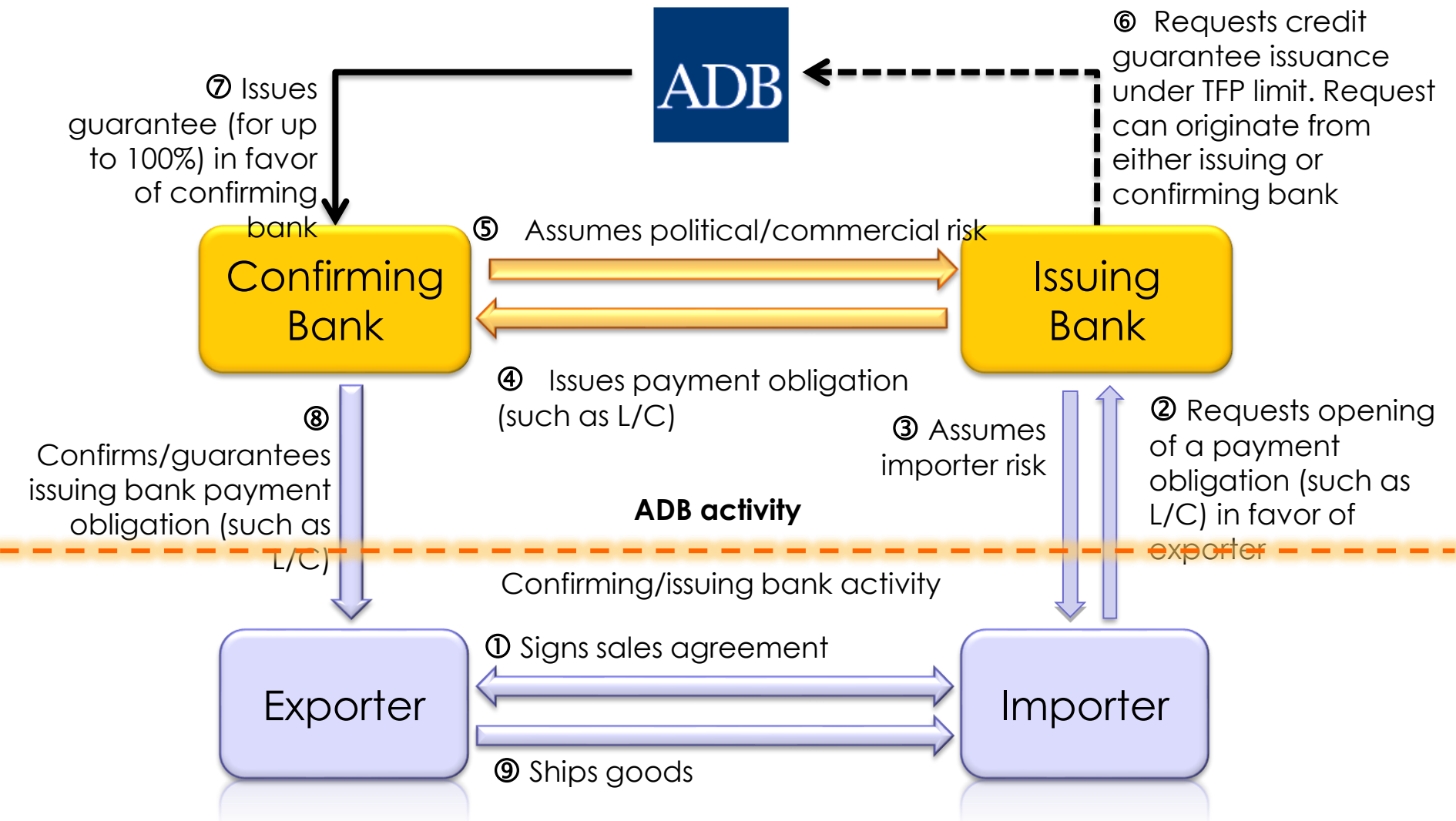
## Funded Risk Participation Agreement

**146.7 M**

**106**  
Transactions

# Credit Guarantee (CG)

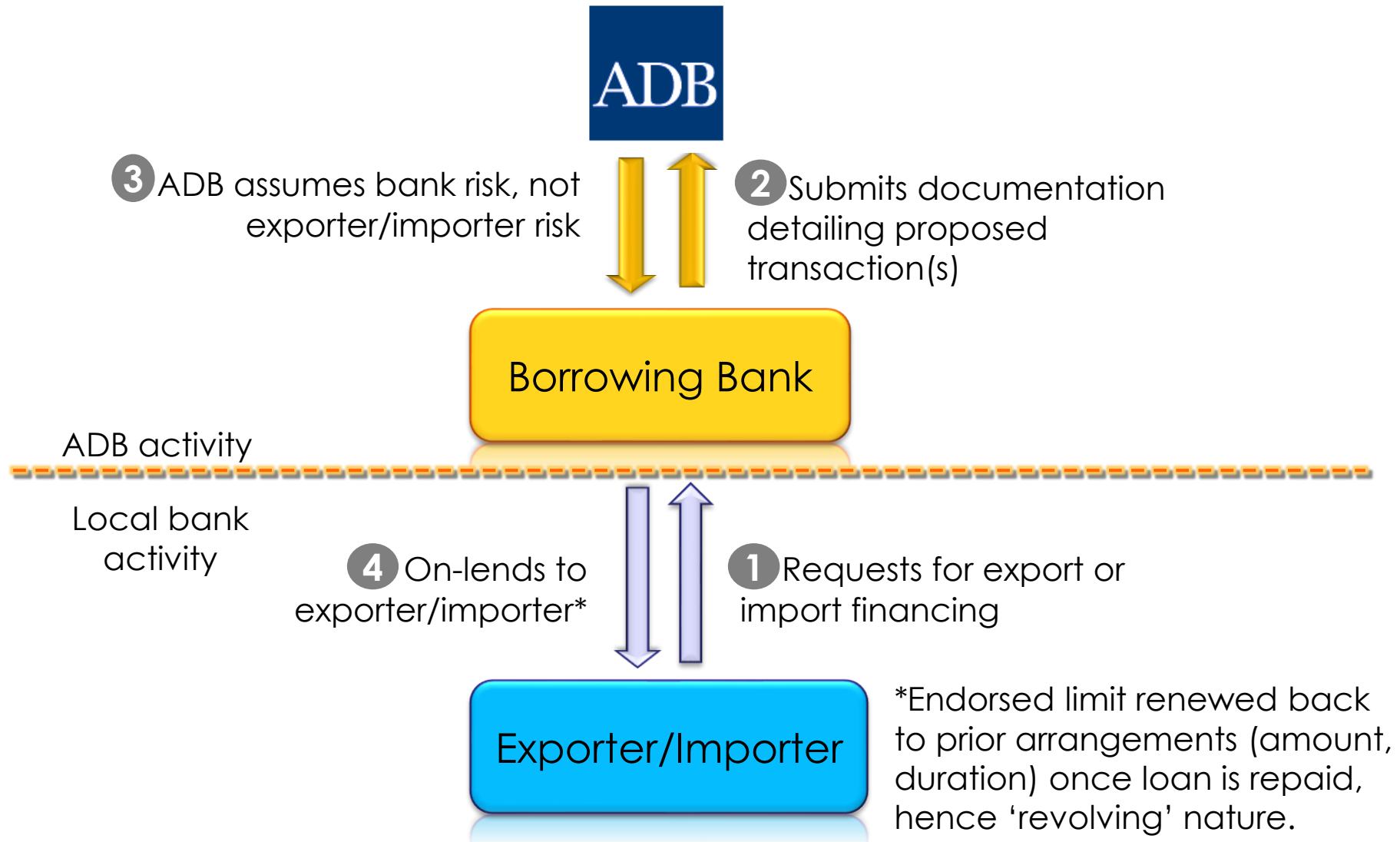
ADB provides guarantees in 24-48 hours to confirming banks for up to 100% of payment risk.





# Revolving Credit Facility (RCF)

ADB provides import and export financing through local banks.



# Pricing: Guarantee (CG) & Credit (RCF)



1

Market-based, but competitive pricing

2

Pricing information obtained from market participants

3

Varies according to transaction details (e.g. tenor)

# Benefits of TFP

## ➤ To Customers/ Businesses:

- Increases trade capacity allowing more trade to flow
- Facilitates importer and exporter entry into new markets
- Helps build new trading networks

# Benefits of TFP

## ➤ To Issuing Banks:

- New relationships with correspondent banks
- Increases credit lines and/or reduces cash collateral requirements
- Boosts non-interest (fee) income
- Provides critical support in times of crisis
- Provides feedback following each annual review that helps set benchmarks for improvement

# Benefits of TFP

## ➡ To International Banks:

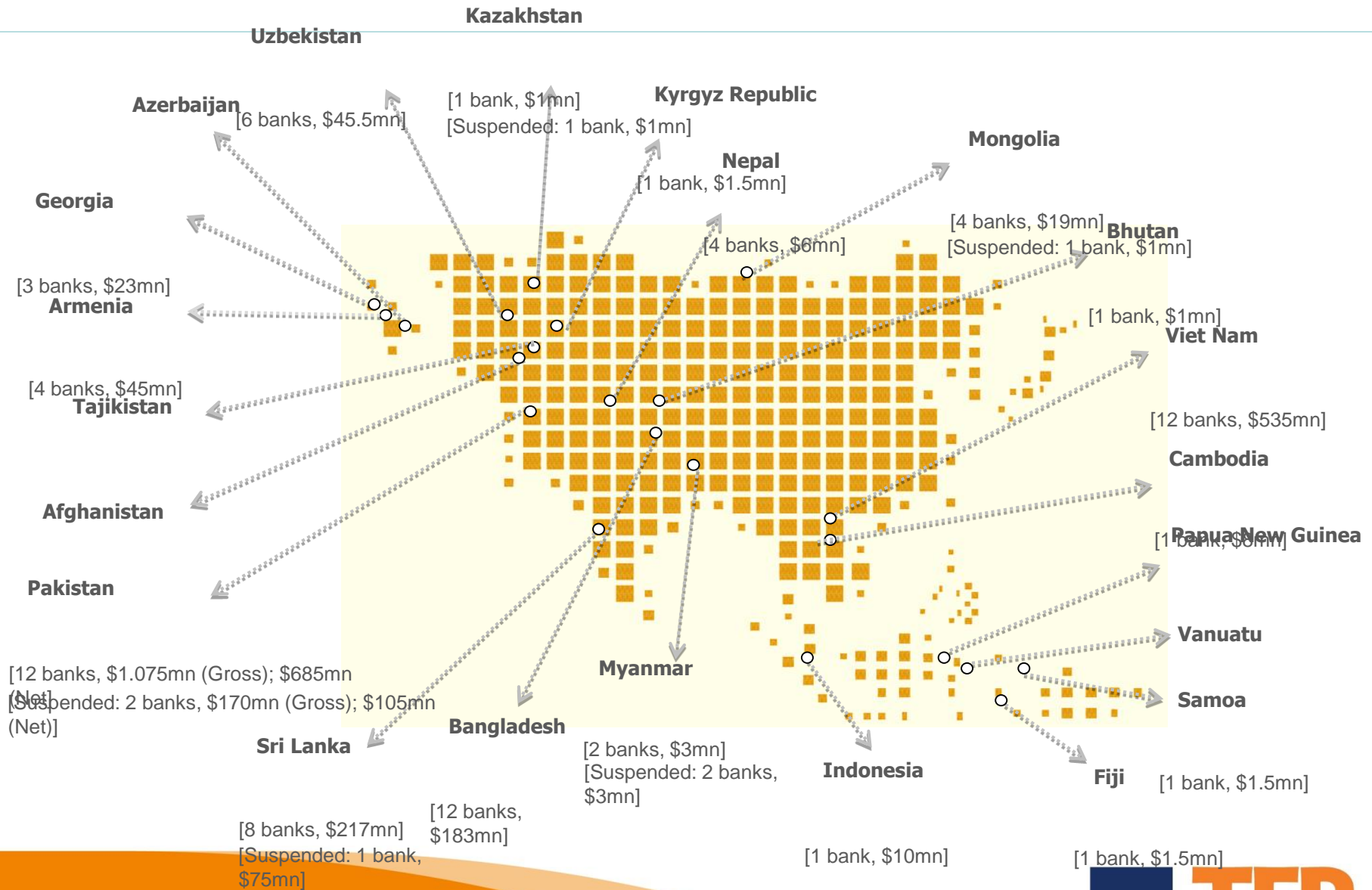
- Direct payment from ADB if the local bank does not pay
- AAA rating and rigorous due diligence gives confidence
- Builds correspondent banking relationships and credit lines that might not otherwise exist

# Other benefits

- Risk sharing creates more trade capacity and allows more trade to flow pulling in the private sector
  - Insurance firms and development partners
- TFP provides training for bank staff and government officials increases expertise and future business potential.
  - Trade finance training
  - Seminars on banking sector

# 21 Countries of Operation, 75 banks

90% of outstanding exposure in top 4 counties BAN, PAK, SRI and VIE



# Sustainable Trade Finance Defined

*Finance which supports goods or services produced in a manner that minimises adverse environmental or social impacts or risks, or that promotes environmental protection or social benefit*

- The ICC Banking Commission



# Sustainable Trade Finance Context

## Drivers of Change in Trade Finance

### **Regulations:**

More local, national and international authorities recognize the need to combat and adapt to the impact of climate change, support the Paris Agreement, and realize the UN's Sustainable Development Goals (SDGs).

### **Credit and reputational risks:**

Banks do not want their image tarnished, or to risk greater losses, due to the unsustainable practices of a customer or a company in its supply chain.

### **Market forces:**

Consumers are more aware of and concerned about the environmental and social footprint of the products they buy and corporates are reacting.

## Potential Risk of Inaction

Regulations will likely get tougher, and penalties bigger for non-compliance.

Beyond reputational damage, bank customers failing to manage these risks are vulnerable to protests, litigation, regulatory fines, liability for damages, or losses.

Banks that ignore fundamental long-term shifts in demand – or finance transactions linked to impacts, such as the destruction of tropical forests, excessive use of water or pesticides, or child labour – face losing business and putting their profits at risk.

# TFP Sustainability Journey

- Environmental and social **safeguards are a cornerstone** of ADB's support to inclusive economic growth and environmental sustainable growth.
- As the nature and speed of **TFP transactions are unique** in the context of ADB's other activities, the ADB's TFP realized it should identify ways to implement an environmental and social (E&S) safeguards approach that were in line with and potentially additional to ADB's safeguards policies but specific to TFP's operations.
- Coordinating **safeguards efforts with other market players closely** - including other MDBs, commercial banks and international organizations - to identify industry standards, development of a due diligence tools, and ways to spread best practices.

# TFP Sustainability Journey

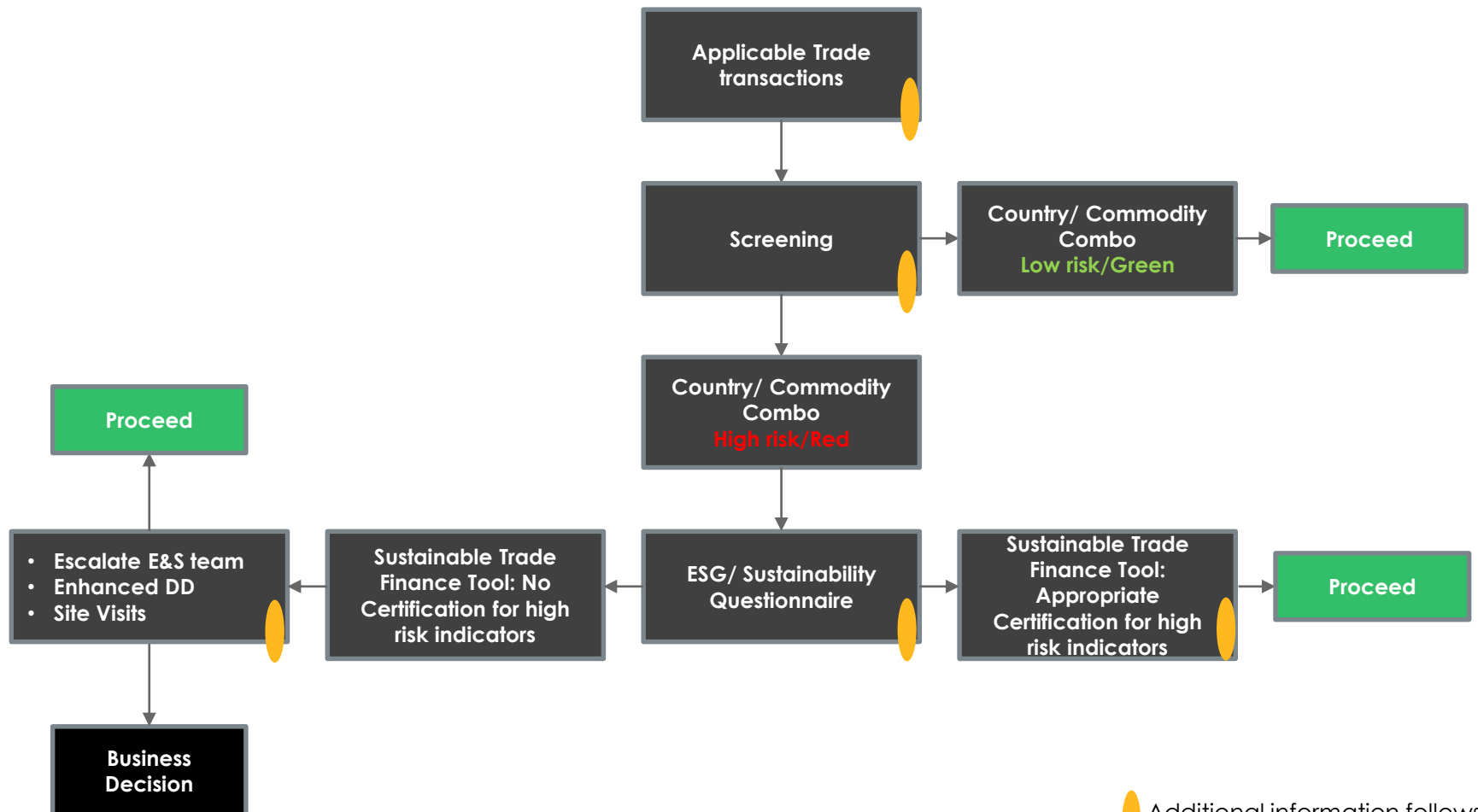
- Developing decision making tree for TFP operations and our partner banks
- Continuation of the development, piloting and role out of environmental and social guidelines for TFP
- Role out of automation updates to allow TFP team to systematically screen for high risk transactions
- Participating in the ICC's sustainable trade working groups related to standards, development of a due diligence tool, and ways to spread best practices.
- Further knowledge support activities in 2019 – online trainings, seminars, cooperation with local regulators
- Implementation of guidelines by partner banks by 2020 – Due diligence

# I. ICC Process and Web Platform for Agro-Commodities

- To help banks operationalize sustainable trade finance, ICC's Sustainable Trade Finance Working Group is developing a set of guidelines applicable to trade finance and supply chain finance transactions with a focus on agricultural commodities, to be followed by a dedicated training module using the following products:
  - Letters of Credit
  - Stand By Letter of Credit
  - Supply chain finance (tool could check suppliers in program)
  - Pre-export Finance
  - Post import loans
- Screening will be done based on country / good combinations via a web-based platform (IFC GMAP / ITC Integrated)
- High risk combinations will require further due diligence. Platform provides list of eligible certifications to cover the high risk items

1. Application to broader commodities will be explored dependent on the success of the process and tools.
2. Screening currently in excel, but will be integrated into Sustainable Trade Finance Tool (to ensure current data)

# 1. ICC Process and Web Platform for Agro-Commodities



Additional information follows

# 1. ICC Process and Web Platform for Agro-Commodities

**Compare with Gmap**

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Colombia  Cocoa

**ISCC PLUS**

The ISCC PLUS system is built upon a set of obligatory basic requirements. These are amongst others the requirements on sustainability of the production area (ISCC PLUS 202) and the requirements on the chain of custody (traceability: ISCC PLUS 203; mass balance: ISCC PLUS 204-01, physical separation...)

[READ MORE]

**GMAP Compatibility PS2**

- Use of harmful child labor
- Laws related to child labor
- Use of forced labor
- Laws related to forced labor
- Conditions of Production
- Laws related to the protection of workers from significant safety issues

**PS6**

- Rate of expansion into natural areas
- Impact on protected areas
- Presence and impact on high or unique terrestrial biodiversity
- Presence and impact on high or unique freshwater biodiversity

**Fair Trade USA APS for Large Farms and Facilities**

The purpose of the Agricultural Production Standard (APS) is to set the requirements for all agricultural producers or

Use tool to determine high risk indicators

Use tool to determine certification compatibility with high risk indicators

## High risk indicators

Nulla egestas placerat volutpat. In faucibus diam lectus, rhoncus bibendum elit sollicitudin non.

96 Use of harmful child labor

Show 29 reports

88 Presence and impact on high or unique terrestrial biodiversity

Show 4 reports

88 Rate of expansion into natural areas

Hide (4) reports

- Certifications with 100% compatibility are highlighted
- Where none exist a combination of certifications is required.

## 2. ICC Customer Questionnaire

- One of the main approaches to delivering sustainable trade finance relies on integrating sustainability criteria into customer due diligence processes.
- The working group developed the following customer due diligence sustainability questionnaire after extensive rounds of feedback amongst industry players.
- We encourage all banks providing trade finance services to use it and to integrate environmental and social due diligence in their Know-Your-Customer processes.
- The questions included are recommendations, allowing banks to initiate conversations with clients on their sustainability commitments, capacity, track record and gather more insights into their clients' supply chain sustainability and sourcing of commodities.
- Banks' individual management strategies, reputational and credit risk policies will determine how the outcomes of the questionnaire and answers collected are to be considered.

# Online Courses and Certifications on Trade Finance



- The initial phase benefitted over 85 bank staff from 40 TFP partner banks.

- In Feb 2017, TFP partnered with International Chamber of Commerce (ICC) Academy and launched its online training courses and accreditation programs:
  - ✓ Global Trade Certificate (GTC)
  - ✓ Certified Trade Finance Professional (CTFP)





# Promoting Women in Banking



ASIAN DEVELOPMENT BANK



- TFP assessed HR policies at 19 partner banks to identify practical & implementable HR enhancements that will attract, retain & promote women in banking
- 12 banks had implemented 25 of the TFP Gender Initiative's recommendations before the project's conclusion
- The publication was released for a broader range of FIs to enhance women's participation in banking

## Building SCFP

ADB Board approved additional \$100 million headroom for SCFP and expanded scope. A strategic focus to build SCFP by leveraging TFP relationships



# Market Recognition



**BEST DEVELOPMENT  
BANK IN TRADE**



**BEST DEVELOPMENT  
BANK IN TRADE**



**2010-2013**



**BEST DEVELOPMENT  
BANK IN TRADE**



# Visit TFP website: [www.adb.org/tfp](http://www.adb.org/tfp)


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In the Spotlight



**Supporting Trade in Asia and the Pacific**  
The world needs an estimated \$1 trillion to support the trade that grows economies and lowers poverty. ADB's Head of Trade Finance, Steven Beck, discusses strategies to fill that need.

[f](#) [t](#) [in](#) [p](#)

ADB's Trade Finance Program (TFP) fills market gaps for trade finance by providing guarantees and loans to banks to support trade.

Backed by its AAA credit rating, ADB's TFP works with over 200 partner banks to provide companies with the financial support they need to engage in import and export activities in Asia's most challenging markets. With dedicated trade finance specialists and a response time of 24 hours, the TFP has established itself as a key player in the international trade community, providing fast, reliable, and responsive trade finance support to fill market gaps.

A substantial portion of TFP's portfolio supports small and medium-sized enterprises (SMEs), and many transactions occur either intra-regionally or between ADB's

**TFP Participating Issuing Banks**  
Updated 10 Oct 2018

**TFP Participating Confirming Banks**  
Updated 21 Oct 2018

# Contact Us

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## Thank You

