Early Warning System

IFC-28723

Global Trade Supplier Finance

Quick Facts

Financial Institutions	International Finance Corporation (IFC)
Status	Active
Bank Risk Rating	C
Voting Date	2010-09-21
Borrower	Companies' Suppliers
Sectors	Industry and Trade
Investment Type(s)	Guarantee, Loan
Investment Amount (USD)	$ 1,000.00 million
Loan Amount (USD)	$ 500.00 million
Project Cost (USD)	$ 1,000.00 million

Project Description

As stated by the IFC, the proposed project, Global Trade Supplier Finance (“GTSF” or the “Program”) is a joint investment and advisory program to provide short-term financing to exporters (“Suppliers”) in emerging markets selling to large international companies (“Buyers”) on open account terms. In recent years, large global Buyers have increasingly moved their cross-border purchasing to open account trade as a cost-effective alternative to letters of credit and also stretched out payment terms for their purchases to maximize working capital. As a result, Suppliers in emerging markets risk losing sales and becoming less competitive unless they can gain access to new, more efficient types of working capital finance. Supplier Finance (“SF”) involves discounting Suppliers’ receivables on a non-recourse basis once the Buyer has accepted to pay on due date, thus mitigating Supplier performance risk and isolating credit risk to the Buyer. SF can thus provide a sustainable win-win solution for both Buyers and Suppliers allowing them to benefit from the lower costs associated with open account trade and the advantage of the Buyer’s (superior) credit rating to finance the Suppliers.

While the use and awareness of SF in developed economies has increased significantly over recent years, its application in emerging markets is still very limited. IFC is in a unique position to support the increased adoption of SF solutions in emerging markets with Suppliers, most of which are SMEs. In particular, one of the main obstacles faced by Buyers and commercial banks in developing Supplier Finance programs in emerging markets has been the on-boarding of SME Suppliers. SMEs require more training and interaction in order for them to better understand the working capital alternatives available to them and how best to take advantage of Supplier Finance.

IFC will use its experience in Advisory Services (Linkages) to work with local training partners to reach a far larger number of SME Suppliers, thus ensuring higher utilization rates for the program. IFC will engage with select Buyers to identify their Suppliers in emerging markets to participate in the Program and also partner with commercial banks that have Buyer relationships where IFC’s participation will clearly expand the SF program to Suppliers in emerging markets only. GTSF would enable improved access to finance for these Suppliers against Buyer risk through short term loans or guarantees covering Buyer payment risk.

Early Warning System Project Analysis

As stated by the IFC, Buyer facilities dealing with the manufacturing supply chain are expected to be considered E&S Category B projects.

Investment Description

- International Finance Corporation (IFC)

The investment of the IFC is divided as follows:

Product Line	IFC Investment (million USD)
Guarantee	500.0
Loan	500.0

Contact Information

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Other Related Projects

- IFC-37664 GTSF Tiendas Comercial Mexicana
- IFC-36272 GTSF-KiK
- IFC-36271 GTSF-Puma
- IFC-33956 GTSF Aldo
- IFC-33347 GTSF-Glenmark
- IFC-30371 GTSF-Inditex
- IFC-32804 GTSF - Pirelli
- IFC-31652 GTSF-Goodyear
- IFC-32360 GTSF - Rhodia
- IFC-31923 GTSF-Urbi
- IFC-31922 GTSF-Nemak
- IFC-32271 GTSF Homex
- IFC-31999 GTSF-Comerci
- IFC-31199 GTSF TradeCard
- IFC-40177 GTSF Sunrice
- IFC-30372 GTSF-McCormick
- IFC-44285 GTSFUnderArmour
- IFC-42848 GTSF-Barry Calle
- IFC-44827 GTSFWolverine
- IFC-48289 GTSF Hugo Boss
- IFC-48820 GTSF PepsiCo Mexico