

Foreword

The expansion of trade depends on reliable, adequate and cost-effective sources of trade financing, which help to fill the time gap during which goods are produced, shipped and paid for. Trade finance is routinely supplied to exporters and importers by banks and other financial intermediaries, which mitigate the financial and payment risk involved in cross-border trade. While developed countries can often rely upon large and advanced economic sectors mobilizing sophisticated trade finance instruments, such as supply chain finance, significant shortages exist in developing countries. These shortages can have many reasons, both international (inflation, availability of correspondent banking relationships, country risk) and local (level of development and expertise of the financial sector, cost, access to finance by local firms).

To better understand the trade finance ecosystem in developing countries, the constraints to trade finance and gaps in provision, the International Finance Corporation (IFC) and the World Trade Organization (WTO) pledged in November 2021 to enhance their cooperation in this area. They engaged in a series of surveys aimed at examining the specific obstacles faced by lenders and borrowers in low-income regions. In

2022, the first study looked at the trade finance markets of the four largest economies of the Economic Community of West African States (Côte d'Ivoire, Ghana, Nigeria and Senegal, referred to as the ECOWAS-4).

This report focuses on trade finance in Cambodia, the Lao People's Democratic Republic and Viet Nam – the Mekong-3. It examines the characteristics of trade finance in these fast-growing markets, helping to quantify how much trade is supported by trade finance, at what cost and how much trade could grow further if obstacles to trade finance were reduced. The report offers insights into which solutions could be promoted, locally and internationally, for trade finance to be a driver of greater trade inclusiveness.

The IFC and the WTO are committed to further fostering of trade growth to support development outcomes, drawing on our knowledge and track record of mobilizing capital. We are thankful to the joint IFC–WTO team that produced this report and look forward to the findings and recommendations that will inform debates and decision-making across various stakeholders.



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