

Full Course Title: Inter-American Development Bank: SMEs & Trade: The Business Case for Financial Institutions (FIs) in Latin America and the Caribbean (LAC)

Course Title for Registration System: Inter-American Development Bank: SMEs & Trade

Course Number: SIPAU9000.009

Faculty Advisor: Sara Calvo

Columbia Email Address: sgc28@columbia.edu

Meeting Date/Times: Mondays 2:10P – 4:00P

Location: TBD

Office Hours: By Appointment

Credits: 3

Course Overview:

Brief description of client:

Founded in 1959, the Inter-American Development Bank (IDB) is the main source of multilateral financing and sustainable development expertise in Latin America and the Caribbean. IDB fosters economic growth and poverty reduction in 26 borrowing member countries to support governments, civil society and the private sector. The Structured and Corporate Finance Department (SCF) is responsible for IDB's non-sovereign operations to mobilize private capital into high impact projects across key economic sectors. SCF's Financial Markets Division, as part of the *beyondBanking* strategy, supports financial intermediaries in the region through loans, guarantees and technical assistance in order to strengthen economic development, job creation and sustainable environmental, social and corporate governance principles.

Project Background:

The Financial Markets Division (FMK) of the IDB's Structured and Corporate Finance Department (SCF)

Trade that is responsible and inclusive has a profound impact on international markets and long-term economic growth, especially in developing economies such as in Latin America and the Caribbean (LAC). Trade promotes diversification of goods and services, specialization of products, transfer of technology, business expansion and job creation. The financial sector, specifically financial intermediaries (FIs), is the pivotal agent in supplying trade finance in the region. LAC economies depend on stable sources of trade finance to maintain and preserve flows of goods and commodities to and from the region.

Small and medium enterprises (SMEs) play a significant role in trade, as they not only produce exports and utilize imports but also stimulate job creation, innovation and competitiveness. SMEs are vital in

the economic supply chain and rely on trade finance to ensure access to international markets. [For example, SMEs account for](#) 40-50% of average GDP globally but only 20-35% of GDP in LAC.¹ Also in LAC, there are 17 million formal enterprises with MSMEs accounting for 98% of the total.² SMEs state that this unrealized contribution is attributed to lack of [access to credit and non-credit financial products](#).

Increasing trade financing for SME importers and exporters is aligned with the [beyondBanking program: Banking on Global Sustainability](#). The program was launched by the Financial Markets Division (FMK) of the IDB's Structured and Corporate Finance Department (SCF), and through its six strategic pillars, *beyondBanking* recognizes the catalytic role that FIs play to promote large-scale economic growth and corporate change. It seeks to contribute to the *Bank of the Future* – a bank business model which balances financial with social returns in order to foster an inclusive, environmentally-friendly, transparent and commercially-viable financial sector.

Summary of project:

This project seeks to understand the barriers and success stories related to SME access to trade finance. Questions that should be answered include the following: Is there a financing gap for SME access to trade finance? If so, what limits FI willingness to supply trade finance? And what type of financing do SMEs demand, for example guarantee-based financing or commodity-based financing? A desk review of literature and follow up telephone calls with up to 3 individual FIs and their selected SME clients (if available), which will be facilitated by the IDB, will allow students to compile the necessary information, while providing an on-the-ground perspective of how FIs finance SMEs. Research will be collated, analyzed and synthesized, and students will have the opportunity to incorporate their own suggestions and strategies. The final deliverable will highlight lessons learned and recommendations.

Deliverables to client:

An outline of the final paper will resemble the following:

1. Introduction: Why FIs finance trade for SMEs? Rationale and supporting data
2. FI supply of trade finance to SMEs: barriers & successes
3. SME demand for trade finance: barriers and successes³
4. Types of instruments currently used and types of guarantees or collateral reported by the FIs.
5. Types of instruments in development
6. Lessons learned
7. Recommendations for FIs

Special skills/knowledge needed by team members:

Initial meeting(s) with your student team in late November or early December, if applicable:

Dates for meetings with client, if already scheduled:

¹ IDB and MIF. 2008. "High Growth Small and Medium Enterprises (HGSMES) in Latin America Emerging Economies." Document prepared by IDB and MIF for the OECD Kansas City Workshop, May 8.

² Ibid.

³ This research may benefit from contact with an association of SMEs or the like to gain a 3rd party perspective.

Field component: Students will be expected to travel to Washington D.C. for at least one trip.

Student selection: [All eligible students may apply for up to five workshops through a special online application process from October 15th until October 31st. Assignment of students will be coordinated by the Office of Academic Affairs, and relevant faculty will be consulted about team membership for their workshop(s).]

Grading (students receive an individual grade):

Grades for the workshop will be based on the following criteria:

Quality of individual written work (10%)

Quality of participation in class, Peer review (20%)

Feedback from the client (20%)

Overall professionalism, including timeliness, ability to work with team, etc. (20%)

Quality of team's final report and briefing (30%)

Readings: Will be determined

***Academic Integrity Statement*:**

The School of International & Public Affairs does not tolerate cheating and/or plagiarism in any form. Those students who violate the Code of Academic & Professional Conduct will be subject to the Dean's Disciplinary Procedures. Cut and paste the following link into your browser to view the Code of Academic & Professional Conduct online.

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Please familiarize yourself with the proper methods of citation and attribution. The School provides some useful resources online; we strongly encourage you to familiarize yourself with these various styles before conducting your research:

http://sipa.columbia.edu/resources_services/student_affairs/academic_policies/code_of_conduct.html

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