



itfc

International
Islamic Trade
Finance Corporation

Towards a Resilient Trade



Executive Summary

Annual Development Effectiveness Report | 2021



A message from the Chief Executive Officer, ITFC

I am honored to present the sixth edition of the Annual Development Effectiveness Report. The year 2021 marks a milestone for ITFC's corporate development reporting. On one hand, we are at the halfway point in the implementation of ITFC's Ten-Year Strategy. On the other hand, the Covid-19 pandemic has profoundly changed global trade and the development landscape. It is therefore the right time to reflect on what has ITFC achieved so far in terms of development contribution, what can we learn from it, and going forward, how can we better serve our member countries.

One key takeaway from this year's Report is that ITFC's interventions and mandate become more prominent and relevant in times of turmoil. As member countries were battling a fast-surgingly wave of the COVID 19 Pandemic, spurred by the Delta variant, ITFC stepped up its financing to sustain critical supply chains such as energy, food and healthcare, which enabled member countries to preserve their economic and social stability. I am proud to see that the outreach of ITFC interventions increased by 18% YoY with an estimated 39 million households in OIC countries benefitting from our financing across targeted sectors.



As member countries were battling a fast-surgingly wave of the COVID 19 Pandemic, spurred by the Delta variant, ITFC stepped up its financing to sustain critical supply chains [...] which enabled member countries to preserve their economic and social stability.”

Making trade work for all

ITFC role is to ensure that its resources are deployed where they have the greatest catalytic role in attracting private capital and addressing market failures. In 2021, ITFC disbursements to LDMCs amounted to US\$1.5 billion, benefitting nine countries and up 25 per cent compared to 2020.

When it comes to gender empowerment, the Corporation is a key partner in implementing the She Trades initiative in Morocco and Egypt, which provides women entrepreneurs and women-owned SMEs with a unique network and platform to connect to markets.

In the agriculture sector, ITFC redistributed US\$250 million worth of income to around 600,000 cotton and groundnuts producers in 2021. ITFC pre-export financing contributed to US\$416 million of agriculture export revenues for African LDMCs, hence supporting their financial resilience. Beyond financing, ITFC also supported capacity building initiatives to enhance the productivity and competitiveness of smallholder farmers.

Rising to the challenge of regional integration

While the share of Intra-OIC trade has registered a constant increase since 2015, we need to ramp up efforts if we aim to reach the 25 per cent target by 2025 set out in the OIC Ten-Year Programme of Action. The pandemic has further shed light on the importance of achieving robust and resilient regional supply chains as it has caused major disruptions to trade,



Global supply chains account for up to 80% of the economy's carbon emissions and the role of trade in accelerating emissions reductions and mitigating the effects of climate change can not be overlooked.”

including in critical goods such as medical supplies and food. In this regard, ITFC financing towards Intra-OIC trade reached US\$4 billion in 2021. To further drive trade integration and cooperation between Member Countries, the Corporation is leading the implementation of major multi-stakeholder programmes, such as the Aid for Trade Initiative in Arab States (Aftias), the Arab Africa Trade Bridges (AATB) Programme, and the African Continental Free Trade Area (AfCFTA) Initiative.

Unlocking private capital for the SDGs

Global Goals can only be met if we work together. The latest available data suggests that the OIC countries, as a group, are not on track to meet any of SDGs by 2030 if they continue with the current pace of progress. In a context of rising debt and fiscal constraints, we need more than ever the business sector to step up to achieve the SDGs. I would like to emphasize the key role played by ITFC, as the Corporation build bridges with the private sector and serve as a catalyst for resource mobilization. In 2021, ITFC's capacity to leverage funds exceeded targets and expectations as the Corporation mobilised a record US\$4.5 billion from Syndicate Partners in the market, up 84 per cent compared to 2020. For every US\$5 approved by ITFC in 2021, US\$4 were mobilised from external sources.

If we want the private sector to play its full role in supporting the development agenda, we need MSMEs to be equipped to do so. In

2021, over 320 MSMEs have benefitted from US\$139 million of trade financing channeled through 18 partner banks. At ITFC, we understand that when it comes to MSMEs, financing alone is not enough. The Corporation has adopted a new private sector strategy that couple financing with capacity building and advisory services. The West Africa SME Programme and the Export Launchpad in Bangladesh have achieved notable results in building entrepreneurial skills, enhancing access to markets and finance.

Laying the foundation for a sustainable trade.

Global supply chains account for up to 80% of the economy's carbon emissions and the role of trade in accelerating emissions reductions and mitigating the effects of climate change can not be overlooked. We need to ensure that our clients and stakeholders conduct business in a way that protects our planet. As highlighted in the ADER, ITFC has achieved notable results in promoting a paperless trade system through digitization. The Corporation is in the process of adopting its first climate finance policy to address environmental risks and identify opportunities for green trade finance.

The 2021 ADER titled "Towards a resilient trade" highlights ITFC's contribution to an inclusive and sustainable trade system in member countries. I seize this opportunity to extend my gratitude towards partners who share our vision and mission for a resilient trade. If the COVID -19 pandemic has shown us anything, it is that partnerships and synergy offer us the best pathway to overcome global emergencies.

Eng. Hani Salem Sonbol,
Chief Executive Officer, ITFC

Report Summary

This summary is structured around the different tiers of the Development Impact Framework pyramid and gives an overview of the report's main findings. Despite the challenges arising from the COVID-19 pandemic, ITFC reported a strong overall performance in 2021. Key targets relating to outreach, development outcomes and outputs, alongside organisational performance goals, were met or exceeded.

i) Progress in meeting strategic objectives

INTRA-OIC TRADE

After a sharp decline in 2020, OIC export volumes started to recover in 2021. Trade flows between member countries started to recover in the second quarter of 2021 with an average growth rate of 70.3 per cent, reflecting a strong rebound in intra- and extra-OIC trade (SESRIC, 2021). Although the share of Intra-OIC has steadily increased since 2015, standing at 19.5% in 2020 (SESRIC, 2021), more efforts are required to reach the 25 per cent target set out in the OIC Ten-Year Programme of Action (OIC 2025). ITFC has contributed significantly to boost Intra-OIC trade by extending US\$ 44 billion of financing for intra OIC trade since its inception. In 2021 alone, ITFC provided US\$4 billion to finance trade between OIC member countries.

DIVERSIFICATION OF MEMBER COUNTRIES' ECONOMIES

Post-pandemic global economic recovery is expected to be mainly driven by growth prospects in oil-exporting countries, strengthened by rising oil prices, partly offsetting the negative impacts of lagging vaccine rollout particularly in fragile and conflict-affected countries (IMF, 2021). OIC countries' contribution to global trade in goods and services remained constrained by a limited capacity in manufacturing and services and their high dependence on commodity and primary goods exports.



PROMOTION OF ISLAMIC FINANCE

Amid the impact of the COVID-19 pandemic, Islamic Finance has reported remarkable double-digit growth in both asset volumes and financing over the past five years (IFSB, 2021). The industry has the potential to play an important role in tackling some of the challenges arising from COVID-19, notably financial inclusion of MSMEs (IsDB, 2021).

ii) Development Results



INCLUSIVE GROWTH



SUSTAINABILITY



PRIVATE SECTOR
DEVELOPMENT



TECHNOLOGY, SKILLS
AND INNOVATION

INCLUSIVE GROWTH

Allocating resources where it matters and filling trade gaps among underserved groups are key actions towards an inclusive growth. ITFC disbursements towards LDMCs have been significant and have contributed to meeting trade finance gaps. In 2021, ITFC disbursements to LDMCs amounted to US\$1.5 billion, benefitting nine countries and up 25 per cent compared to 2020. Since 2016, ITFC has disbursed US\$8.7 billion in trade financing to LDMCs. Women and youth have benefitted from dedicated trade development projects in recent years with around 110 female-led SMEs and 550 young trainees benefitting from these projects to date.

SUSTAINABILITY

In 2021, ITFC interventions in the energy, healthcare, food and agriculture sectors benefitted an estimated 39 million people in recipient member countries. This represents an 18 per cent YoY increase, driven by demand in the food and energy sectors. From an environmental perspective, ITFC is currently setting its strategic direction to tackle climate change and defining operational procedures to ensure its operations and the projects it supports demonstrate a commitment to sustainability.

PRIVATE SECTOR DEVELOPMENT

Despite a contraction in 2021, ITFC's private sector portfolio is becoming increasingly diverse. ITFC's private sector financial support totalled US\$182.4 million in 2021, out of which US\$139 million were channeled through partner banks. In 2021, ITFC continued to expand its dealings with local financial institutions, partnering with seven new banks in member countries. ITFC adopted a sector-specific strategy in 2021, which aims to boost interventions in the sector by rolling-out new products that meet client's needs and by strengthening the private sector's commitment to sustainability, through capacity building and advisory services.

TECHNOLOGY, SKILLS AND INNOVATION

The number of ITFC-supported trade development projects continues to rise, reflecting the corporations' commitment to providing holistic solutions. Overall, ITFC's ongoing commitments reached US\$12 million, distributed among 38 projects valued at a combined US\$24 million. The average grant was US\$157,894 with an average project duration of 12.7 months. As of December 2021, ITFC has disbursed US\$3.4 million, representing 28 per cent of its total commitment. ITFC grants have benefitted a wide range of relevant sectors in member countries, thereby contributing to meeting ITFC's strategic objectives. 289 individuals were trained as part of ITFC-supported programmes in 2021.

iii) Operational and Organisational Performance DELIVERY EFFECTIVENESS

ITFC registered record approvals and disbursements in 2021, consolidating its position as a leading trade finance provider in member countries. In 2021, ITFC

approved US\$6.5 billion in trade financing through 95 deals benefitting 21 countries. In terms of disbursements, ITFC allocated US\$5.1 billion in trade finance which represent an 80% disbursement ratio. Approvals and disbursements increased respectively by 12% and 25% YoY. ITFC's capacity to leverage funds also reached new heights. In 2021, the Corporation mobilised a record US\$4.5 billion from Syndicate Partners in the market, up 84 per cent compared to 2020. The resource mobilisation ratio also increased year on year. For every US\$5 approved by ITFC in 2021, US\$4 was mobilised from external sources. Decentralisation and employee engagement have supported client centricity and delivery effectiveness. ITFC employee engagement score at the end of 2021 reached 8.7 (out of 10), up from 8.6 in 2020 and well above the benchmark.

PORTFOLIO MANAGEMENT

Despite ongoing diversification efforts, ITFC's portfolio remains mostly concentrated in the energy sector, reflecting rising demand and soaring commodity prices. The disbursements in the energy sector increased by 35 per cent YoY, driven by soaring energy prices. In 2021, energy financing represented 75 per cent of total disbursements. From a geographical perspective, ITFC disbursements remained broadly balanced with Africa and Asia receiving 56 per cent and 44 per cent of commitments respectively in 2021. Disbursements in both regions increased by 27 per cent YoY and 26 per cent YoY respectively. In 2021, nine new clients were added to ITFC's portfolio, bringing the total number of active clients to 46. ITFC remains committed to expanding its client base and penetrating new markets, a strategy that will deliver a broadly balanced portfolio from a geographical perspective.



Figures of Resilience - 2021

APPROVALS

We approved **95 TRANSACTIONS** worth **US\$6.5 BILLION** of trade finance, up by **38 PER CENT YOY**, benefitting **21 MEMBER COUNTRIES**.

Out of every **US\$5 APPROVED** by ITFC, **US\$4** were mobilized from external partners



DISBURSEMENTS

We disbursed **US\$5.1 BILLION** of trade finance, **30 PER CENT** of which was allocated to LDMCs. The funding supported more than **116,000 JOBS WITHIN CLIENTS' INSTITUTIONS**



INTRA-OIC TRADE

The value of our Intra-OIC trade financing reached **US\$4 BILLION** and we are implementing **THREE MAJOR** flagship programmes to foster regional integration among member countries



FOOD SECURITY

We extended **US\$810 MILLION** for the purchase of **3.3 MILLION** tonnes of food commodities, providing around **28 MILLION** households in member countries access to affordable, safe and sufficient food



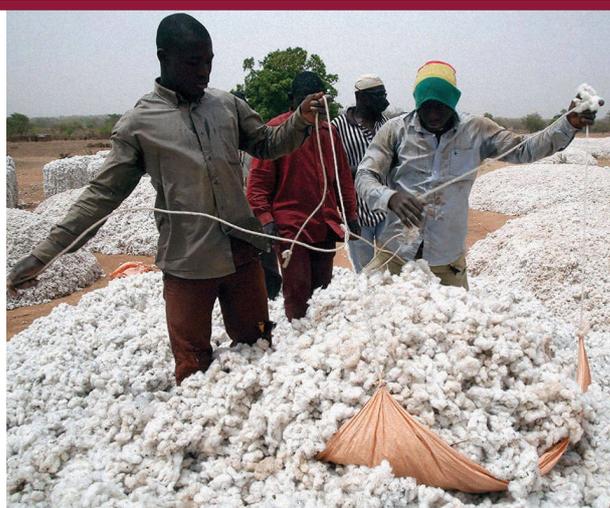
HEALTH

More than **25,000 PATIENTS** and **1,500 HEALTH WORKERS** benefitted from PPE, medical equipment and pharmaceutical products purchased using ITFC financing

AGRICULTURE

We redistributed **US\$250 MILLION** of income to farmers for the purchase of **500,000 MT** of agriculture commodities.

Our pre-export financing brought **US\$416 MILLION** of export revenues for African LDMCs, and our overall agriculture financing benefitted over **600,000 FARMERS**

**PVT. SECTOR DEVELOPMENT**

More than **320 SMES** have benefitted from **US\$139 MILLION** of financing channelled through **18 PARTNER BANKS**

**ENERGY**

We disbursed **US\$3.8 BILLION** to secure the supply of energy inputs in member countries, providing **11 MILLION HOUSEHOLDS** access to reliable electricity supply

**CAPACITY BUILDING**

We enhanced the skills of **289 BENEFICIARIES** among our clients and stakeholders on Islamic finance, trade promotion and economic diversification



In SENEGAL, a Small, Female-owned Garment Enterprise is Dreaming Big

In the Senegalese capital of Dakar, Aissatou Thiam proudly opens the door of her small garment company, KaDior. Aissatou uses spare rooms from her modest home of Liberte VI, a lively middle-class neighborhood where she lives with her family, to create, produce and sell traditional-style garments. Nothing has been easy for Aissatou on her path to becoming an entrepreneur. She returned to Senegal in 2015 after spending 12 years living and working in Italy. "As soon as I moved back, I wanted to contribute to my country's development," says Aissatou. "Creation has always been my passion and I wanted to build my own brand of traditional dresses designed with local materials", she adds.

KaDior is inspired by the largest and most powerful kingdom (1549–1879) – Kajoor - that split off from the Jolof Empire in what is now Senegal. But the brand also reflects ambition and excellence. "My uncle and mentors' name was Kamal, and Dior is the famous French brand which represents excellence and success, hence the name KaDior," says Aissatou.

After two years working as an informal business, Aissatou formally registered her company in 2017. "When I started, I had no idea how tough it was to manage a company. You need 360-degree vision to deal with logistics, human resources, and accounting all by yourself. I really struggled and I was unable to keep proper accounts or ensure proper management," she says. Like so many other small businesses, Aissatou's challenges were exacerbated by the COVID-19 pandemic. "My sales plummeted. Suddenly, people were staying at home, there were no more celebrations and no more demand for my creations," she explains.

Amid the turmoil of the past two years, Aissatou received some unexpected good news in April 2021. "Rencontre des entrepreneurs (RDE) contacted me and informed me that I was selected to be part of the cohort of SMEs to benefit from capacity building," she reveals. Under the umbrella of the ITFC-funded West Africa SME Programme, Aissatou gained access to RDE workshops and mentoring sessions covering financial management, product development and design training, marketing, participation in trade fairs, and tax/customs procedures.

Programme Name	West Africa SME Programme
Programme Objectives	The programme aims 1) to improve access to Lines of Finance, 2) to provide capacity building and 3) to offer advisory services to SMEs and financial institutions in West Africa.
Pilot Countries	Senegal, Burkina Faso
Duration	2019 - 2021
Partners	<ul style="list-style-type: none"> ▪ Maison de l'Entreprise du Burkina ▪ CORIS Bank ▪ Organisation Internationale de la Francophonie ▪ Délégation Générale à l'Entrepreneuriat Rapide ▪ Rencontre Des Entrepreneurs (Sénégal)
Benefitting SMEs	120

"I was lost. Without the support I would have drowned. I could learn how to manage human resources, accounting, marketing and, more importantly, how to believe in myself," Aissatou says. "The support came at the right time and helped me to adjust my strategy in order to navigate disruptions caused by the pandemic. I started exploring e-commerce solutions and found a new market for my products," she adds.

In parallel, KaDior secured US\$10,000 in financing from an ITFC partner, the Delegation for Rapid Entrepreneurship (DER). The funds are being used to establish new manufacturing premises and a retail outlet selling the brand's fashion items. "I now have eight employees, including tailors, a sales assistant and delivery staff. We now have the resources to grow long term."

With a new strategy in place, the future looks bright for KaDior, which aims to promote its fashion range in Africa at fairs and via online platforms (Afrikrea), prior to exploring opportunities in international markets. "There are no limits to my ambition. I want my dresses to conquer the US and Canadian markets," adds Aissatou.



Promoting Paperless Solutions for Efficient Trade

Paperless trade aims to make cross-border business transactions more convenient and transparent while ensuring regulatory compliance.

Bolero

The solution: BOLERO (Bill Of Lading Electronic Registry Organisation) was launched in September 1999 to provide a common and open system for businesses to exchange trade data and documentation electronically. Simpler, faster, and more reliable than the paper-based alternative, the system reduced administration costs and helped eliminate delays, while minimising risk and the potential for fraud.

Beneficiaries: ITFC partnered with cotton exporter clients, SOFITEX and SODECOTON, respectively based in Burkina Faso and Cameroon, to enhance the efficiency of their operations. As part of the financial transactions related to the sale of cotton fibre for the 2019/2020 season, a cash against documents transaction was successfully completed between SOFITEX and Louis Dreyfus Company, with an electronic bill of lading (eBL) issued on Bolero's digital trade finance platform, accelerating document flows.



Initial results: The beneficiaries reported the following main results from the pilot initiative:

- Reduction of the time taken to send shipping documents to banks, which previously took at least 21 days.
- Immediate settlement of the sales invoice by the customer.
- Mitigation of the risk of disappearance of shipping documents or the risk of transmission incidents.
- Continuous availability of documents for all stakeholders through a platform.
- Increased confidence among all stakeholders.

CONTOUR

The solution: Contour is a global network of banks, corporations and trade partners working to remove barriers and transform trade finance products, starting with Letters of Credit (LC). Letters of Credit are an important type of trade finance, traditionally used for large shipments. They tend to be slow and paperwork heavy, a factor blockchain aims to resolve.

Beneficiaries: In January 2021, Bangladeshi bank City Bank partnered with ITFC to execute its first ever cross-border, shariah-compliant blockchain-based letter of credit (LC) transaction on Contour's platform. ITFC acted as the advising and financing bank on the deal, which saw an LC issued on behalf of Bangladeshi garment manufacturer Debonair Group, for the import of garment accessories from a Hong Kong-based exporter, Apparel Link (HK).

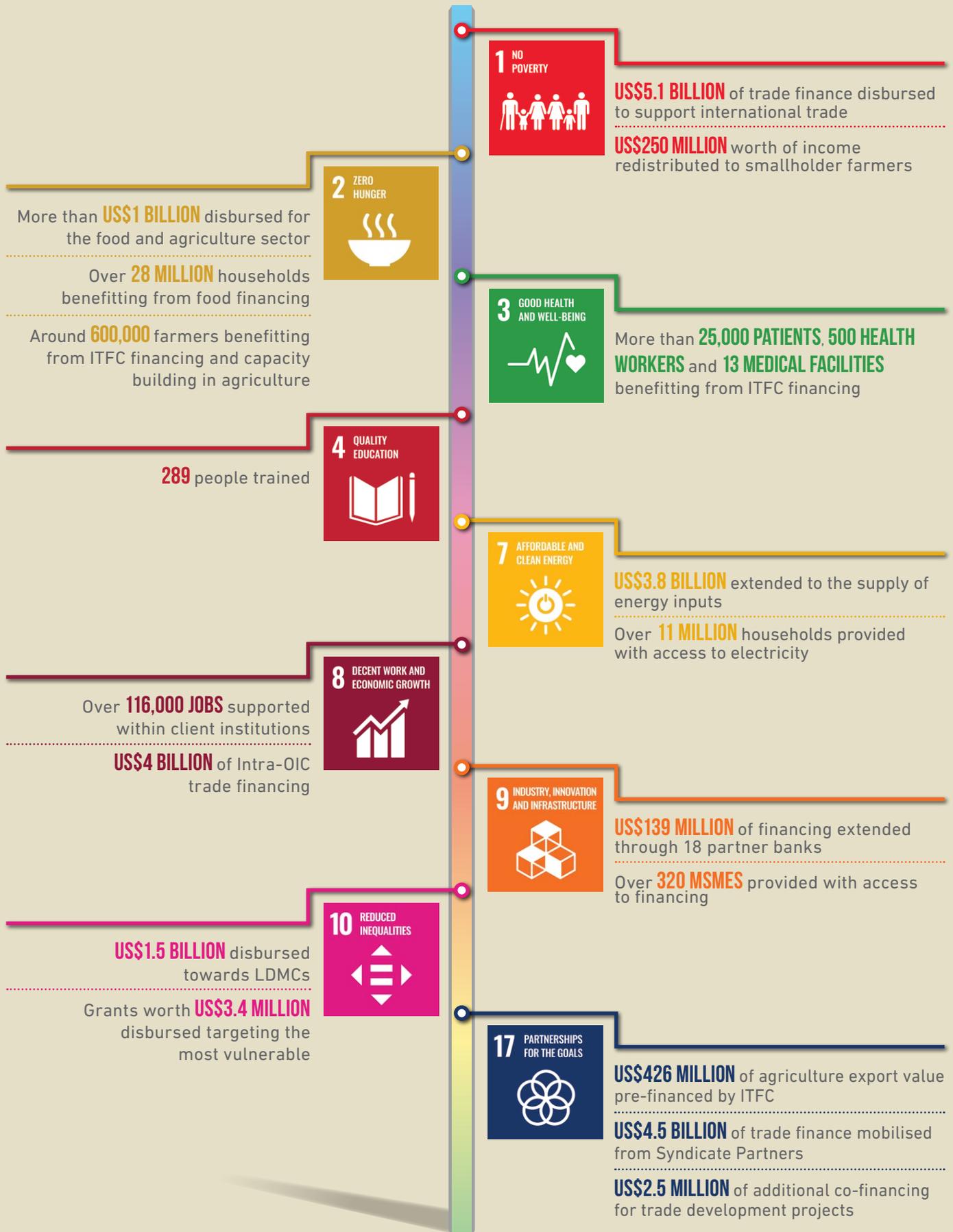
Initial Results: A typical cross-border LC issuance takes 24 to 72 hours. The whole process took 38 minutes on Contour's blockchain, which leverages R3's Corda blockchain technology. Contour previously estimated that digitising LCs would speed up the process by a factor of 90 per cent.

Besides accelerating LC operations, blockchain also reduces forgery and fraud opportunities by boosting transparency across all data sharing capacities.

“
LC draft initiation to issuance and advising took only 38 minutes compared to the typical 24 to 72 hours required for regular cross-border LCs
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ITFC's Contribution to the SUSTAINABLE DEVELOPMENT GOALS | 2021







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