



itfc

International  
Islamic Trade  
Finance Corporation

# Towards a Resilient Trade



# Contents

**Abbreviations** (p05)

---

**About ITFC** (p06)

---

**Foreword, Chairman, IsDB Group** (p07)

---

**A Message from the CEO, ITFC** (p08)

---

**Report Summary** (p10)

---

**Figures of Resilience** (p12)

---

**Report Structure** (p14)

# 1

## **ITFC's Approach to Development Effectiveness** (p16)

---

**A. ITFC Strategic Framework: Spearheading economic progress** (p18)

---

**B. Measuring Results: The development impact framework** (p20)

---

**C. Managing for Results: Closing the monitoring and evaluation loop** (p22)

## **ITFC's Contribution to Development Results** (p24)

---

**A. Progress towards strategic objectives** (p26)

---

**B. Contribution to development results** (p29)

---

**C. Operational and organisational level results** (p35)

# 2

# 3

## Resilient Trade: Maintaining Trade Flows in Challenging Times (p42)

- A. Role of food-based safety nets in ensuring food security (p44)
- B. Building resilience in the healthcare sector to combat future challenges (p48)
- C. Ensuring secure and resilient energy supply in ITFC member countries (p50)

## Inclusive Trade: Making Trade Work for All (p52)

- A. Boosting financial support for MSMEs in response to the COVID-19 pandemic (p54)
- B. Promoting smallholders' farmers inclusion through contract-farming schemes (p56)
- C. The role of trade in promoting gender equality and empowerment (p60)

# 4

# 5

## Sustainable Trade: Driving a Sustainable Trade Agenda (p64)

- A. Trade Integration: Boosting regional supply chains for the benefit of OIC countries (p66)
- B. Financial Integration: Digital currencies and their potential to fill trade finance gaps (p70)
- C. Capitalising on green growth opportunities (p72)

The Way Forward (p74)

Bibliography (p75)



# List of Abbreviations

**AAATB** Arab Africa Trade Bridge Program

**ADB** Asian Development Bank

**ADER** Annual Development Effectiveness Report

**AfCFTA** African Continental Free Trade Area

**AfTIAS** Aid for Trade Initiative for the Arab States

**AfDB** African Development Bank

**Afreximbank** African Export–Import Bank

**AfTIAS** Aid for Trade Initiative for the Arab States

**CEO** Chief Executive Officer

**COP** Conference of Parties

**DFI** Development Finance Institution

**DIF** Development Impact Framework

**EIF** Enhanced Integrated Framework

**FAO** Food and Agriculture Organization

**FDI** Foreign Direct Investment

**GASC** General Authority For Supply Commodities

**GDP** Gross Domestic Product

**IaDB** Inter-American Development Bank

**ICC** International Chamber of Commerce

**IEA** International Energy Agency

**ILO** International Labor Organization

**IMF** International Monetary Fund

**IsDB** Islamic Development Bank

**ITC** International Trade Center

**ITFC** International Islamic Trade Finance Corporation

**LDMCs** Least Developed Member Countries

**LNG** Liquefied Petroleum Gas

**MCs** Member Countries

**MLA** Mandated Lead Arranger

**MSMEs** Micro, Small & Medium Enterprises

**OECD** Organisation for Economic Cooperation and Development

**OIC** Organisation of Islamic Cooperation

**OPAM** Office des Produits Agricoles du Mali

**ONICOR** Office National pour l'Importation et la Commercialisation de riz

**PPE** Personal Protective Equipment

**SDGs** Sustainable Development Goals

**SESRIC** Statistical, Economic and Social Research and Training Centre for Islamic Countries

**MSMEs** Micro, Small and medium-sized enterprises

**SODECOTON** Société de Développement du Coton du Cameroun

**SOFITEX** Société Burkinabé des Fibres Textiles

**SONACOS** Société Nationale de Commercialisation des Oléagineux du Sénégal

**SPRP** Strategic Preparedness and Response Plan (IsDB Group)

**TDFD** Trade Development Fund

**TFO** Trade Facilitation Office (Canada)

**TSI** Trade Support Institution

**UN** United Nations

**UNCTAD** United Nations Conference on Trade and Development

**WFP** World Food Program

**WHO** World Health Organization

**WTO** World Trade Organization

# About ITFC

The International Islamic Trade Finance Corporation (ITFC) is a member of the Islamic Development Bank (IsDB) Group. It was established with the primary objective of advancing trade among OIC member countries, which would ultimately contribute to the overarching goal of improving socio-economic conditions in communities across the world.

Having launched operations in January 2008 (Muharram 1429H), ITFC has since consolidated all trade finance businesses previously handled by various departments within the IsDB Group. Consistently rated A1 by Moody's

since 2017, ITFC's creditworthiness and financial strength enables it to respond swiftly to customer needs in a market-driven business environment.

Since 2008, ITFC has provided US\$61.4 billion to OIC member countries, making it the leading provider of trade financing in these markets. With its stated goal of boosting international trade and providing OIC member countries greater access to new markets, the corporation also provides client entities the necessary trade-related capacity-building tools to successfully compete in the global market.



## Vision

“ITFC is the leading provider of trade solutions for OIC member countries' needs.”



## Mision

“ITFC is a catalyst for trade development among OIC member countries and beyond.”

## Where we operate





## Foreword IsDB Group Chairman

I am pleased to introduce you to the 2021 edition of the Annual Development Effectiveness Report highlighting contributions made by the International Islamic Trade Finance Corporation (ITFC) towards achieving developmental results in our member states. This year's report highlights ITFC's efforts towards a sustainable, inclusive, and resilient trade aligned with the United Nations 2030 Sustainable Development Agenda.

During disrupted times, ITFC played a crucial role in keeping trade flowing and filling an ever-increasing trade finance gap. Despite several challenges, the ITFC approvals and disbursements in 2021 reached new heights with US\$6.5 billion and US\$5.1 billion, respectively. In addition, as part of the recovery response phase, a total of US\$763 million was approved in 2021, showing the corporations' significant contribution to the IsDB Group's US\$4.67 billion response package to help member countries contain and mitigate the impact of COVID-19 and achieve sustainable recovery.

For trade to consolidate its role as an enabler of the SDGs, we need to promote sustainable trade and be more respectful to our planet's resources while ensuring that marginalized groups, such

as women, youth and farmers, are well empowered to compete in global value chains.

By allocating 30% of its financing to least developed countries and targeting MSMEs, farmers and women, ITFC is demonstrating a commitment to close the trade finance gap among underserved markets and groups and to support resilience in member countries.

The ADER highlights the tangible impact of ITFC on people's livelihoods, food security, financial inclusion, and energy resilience. The report also reflects ITFC's alignment with IsDB's new strategic direction, which aims to achieve three interconnected strategic objectives: (i) boosting recovery; (ii) tackling poverty and building resilience; and (iii) driving green economic growth.

In order to overcome the challenges posed by the COVID-19 pandemic and put our member countries back on track towards the Sustainable Development Goals, we need to maximize the developmental impact of our collective interventions as One Group.

I am glad to see ITFC impact in mitigating the adverse impact of the COVID-19 pandemic and promoting shared economic growth in member countries.

Now more than ever, the ITFC is fulfilling its vision of becoming the preferred trade solutions provider among member countries and is living up to its mission of "advancing trade, improving lives".

**Dr. Muhammad Al Jasser**  
Chairman, IsDB Group



**For trade to consolidate its role as an enabler of the SDGs, we need to promote a sustainable trade, more respectful to our planet resources, while ensuring that marginalized groups, such as women, youth and farmers are well empowered to compete in global value chains."**



## 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 people in OIC countries benefitting from our financing across all 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, including



**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."**

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) Program, 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 Program 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.

This year's ADER titled "Towards a resilient trade" highlights ITFC's contribution towards 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 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 channelled 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 EDUCATION

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 benefiting 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 per cent and 25 per cent 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**.



## 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**

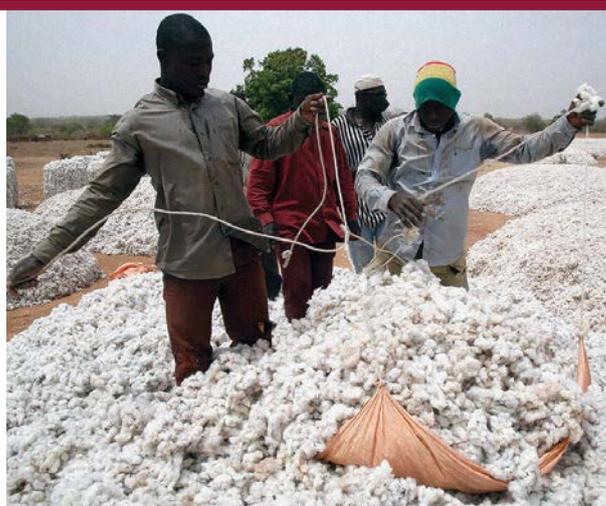
More than **25,000 PATIENTS** and **1,500 HEALTH WORKERS** benefitted from PPE, medical equipment and pharmaceutical products purchased using ITFC financing

**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



# Report Structure

This ADER report comprises of five chapters that provide a comprehensive assessment of ITFC's development performance in 2021. To better showcase ITFC's contribution to development results, three chapters highlight the key principles of the United Nations 2030 Development Agenda for Sustainable Development: resilience, inclusiveness, and sustainability.



INCLUSIVENESS



RESILIENCE



SUSTAINABILITY

1

## ITFC's approach to development effectiveness

introduces readers to ITFC's strategic objectives and its corporate results framework, known as the Development Impact Framework. It highlights ITFC's efforts to promote accountability and evidence-based decision-making processes.

2

## ITFC's contribution to Development Results

provides a deep dive into ITFC's framework and reviews ITFC's 2021 performance against its DIF metrics to highlight the corporation's achievements and where improvements can still be made.

3

## Resilient Trade

focuses on ITFC's efforts to sustain critical supply chains in member countries, with a focus on the key sectors of food security, energy and healthcare.

4

## Inclusive Trade

highlights ITFC's efforts to leave no one behind by ensuring that MSMEs, smallholder farmers and women get a fair share of international trade.

5

## Sustainable Trade

outlines how ITFC lays the foundation for a more sustainable trade system in member countries, through regional integration and promotion of sustainable trade practices

# 1

## ITFC's Approach to Development Effectiveness

ITFC's approach to development effectiveness is embedded in its Development Impact Framework (DIF). The DIF is the primary tool for monitoring and reporting on corporate performance in achieving strategic priorities. With 54 indicators, the DIF enables management and stakeholders to evaluate performance, from the perspective of development impact, by assessing the extent to which its activities are aligned with the priorities and the theory of change pertaining to the corporation.

**A** **ITFC Strategic Framework: Spearheading Economic Progress** (P18)

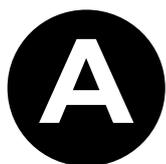
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**B** **Measuring Results: The Development Impact Framework** (P20)

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**C** **Managing for Results: Closing the Monitoring and Evaluation Loop** (P22)





# ITFC Strategic Framework: Spearheading Economic Progress

In alignment with the SDGs, the ITFC's 10-Year Strategy, adopted in 2017, stresses the importance of resilient, inclusive, and sustainable development to all ITFC interventions. The strategy aims to rebalance the ITFC's portfolio to better meet the demand for trade finance while reorienting its operations around holistic and integrated solutions, covering both trade finance and non-financial trade development components.

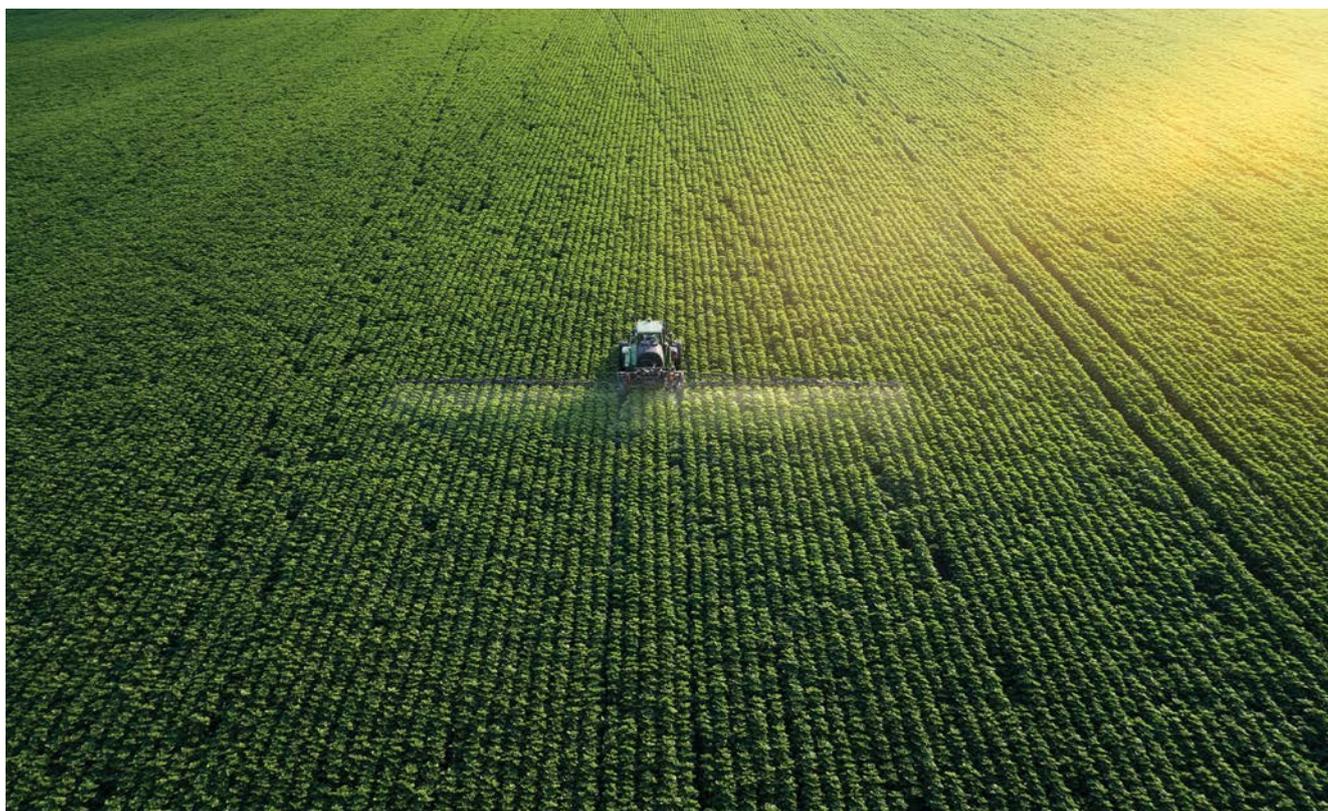
The delivery of this vision was supported by a three-year transformation journey (2017-2020), which aimed to build new capabilities across ITFC and establish a platform for future growth. The approach successfully established a new sustainable business model, creating a strong foundation of organisational excellence.

ITFC's growth momentum eased in 2019 as a result of heightened global economic uncertainty, protectionist trade policies and rising geopolitical tensions. In this context, ITFC conducted a strategic review and the results indicated that the ITFC Corporate Strategy remains sound, however adjustments to the business model



are required to take advantage of opportunities in the 'new-normal' market.

ITFC has subsequently implemented a five-year medium-term strategy 2.0 designed to capitalise on the economic growth opportunities that have arisen in the wake of the COVID-19 pandemic.





The following five strategic vectors have been prioritised as part of the plan to enhance the ITFC 10-year strategic direction and ITFC business model.



# B

## Measuring Results: The Development Impact Framework

ITFC's Development Impact Framework (DIF) enables management and stakeholders to evaluate the corporation's operational performance from the perspective of development impact, by assessing the extent to which its activities are aligned with the priorities and theory of change of ITFC.

The framework is designed to be as concise as possible and fulfill three criteria:

1 to only include indicators that are fundamental to corporate-level monitoring and reporting

2 to be robust

3 to be accurately measurable

The ITFC DIF adopts a four-tier structure to assess the corporation's performance through mutually reinforcing tiers:



The framework comprises **54 indicators**, distributed along the four tiers.

### TIER 1

refers to the DIF metrics alignment with the SDGs and connects each of the DIF indicators to one of the SDG indicators provided by the United Nations Statistical Division (UNSD).

### TIER 2

links the DIF metrics with measurable strategic objectives such as key trade targets to be achieved by 2025 (Share of Intra-OIC Trade from 18 per cent to 25 per cent - Share of OIC countries in FDI from 9 per cent to 12 per cent). The results at the first two tiers are actually "contributions" rather than results that can be attributed to the corporation.

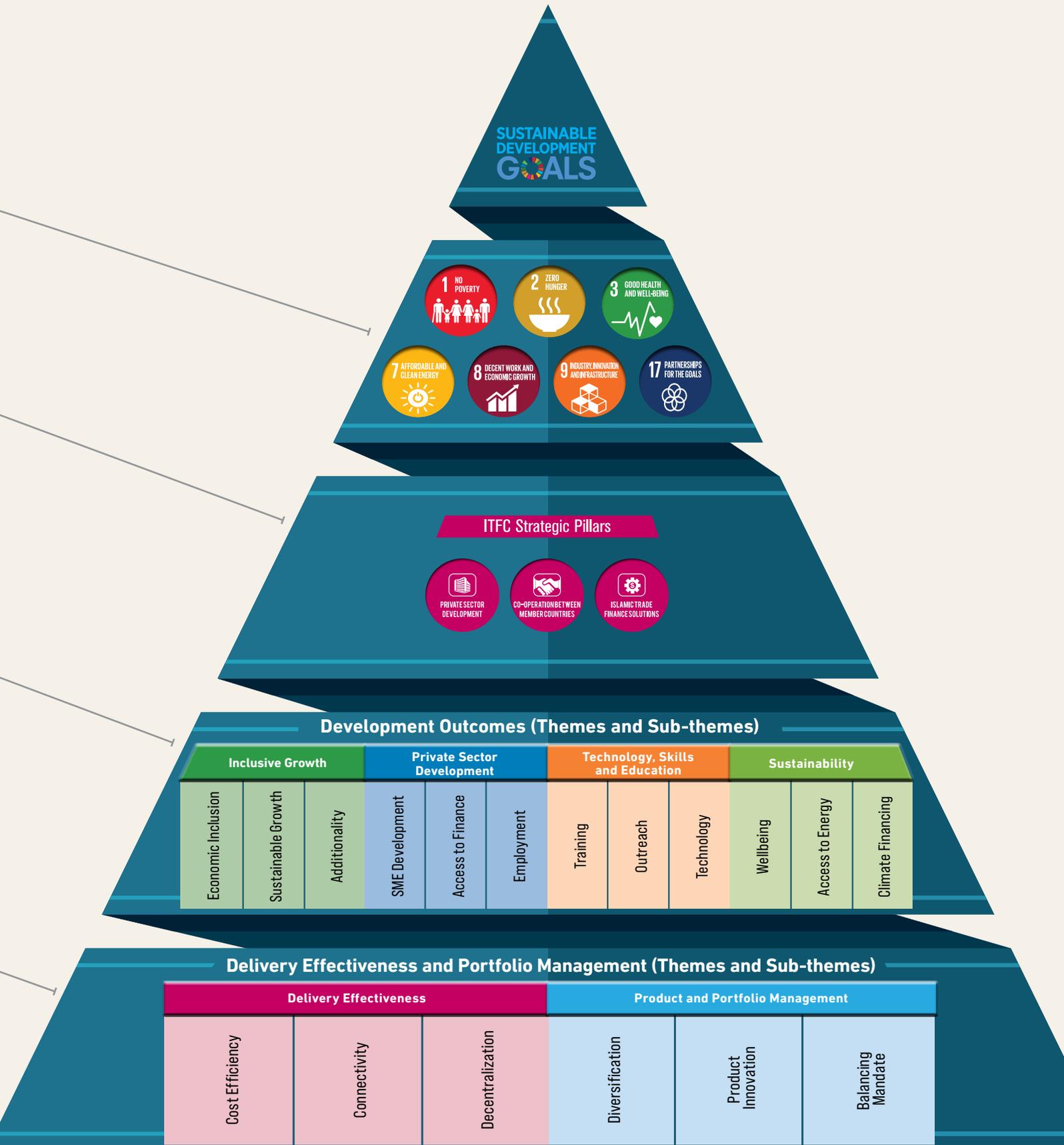
### TIER 3

indicators focus on development outputs and outcomes, which tend to be more easily measurable than others. The tier is organised around four development themes and 12 sub-themes chosen to capture how effectively ITFC is contributing towards the attainment of global goals, from the bottom-up: Inclusive Growth, Private Sector Development, Sustainability; and Technology, Skills and Innovation. Each theme and sub-theme relates to a set of specific indicators.

### TIER 4

assesses the delivery effectiveness and portfolio management. There are no development results without an effective delivery of operations and a well-balanced portfolio. Attaining ITFC development goals requires increased resource mobilisation, improved resource allocation and more effective resource management.

The guiding principles behind the DIF are focus, consistency, reliability, and validity.



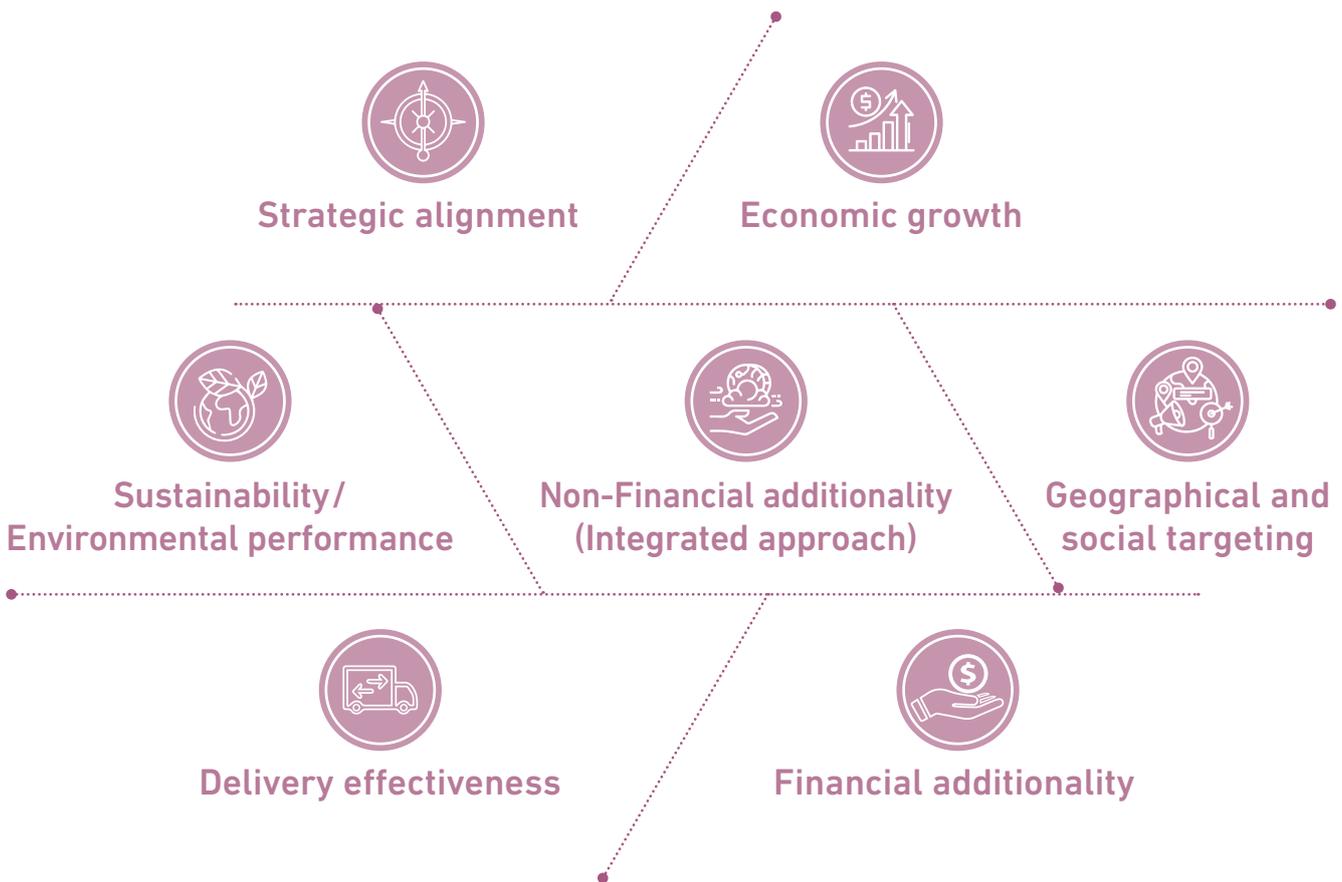


# Managing for Results: Closing the Monitoring and Evaluation Loop

ITFC is not limited to measuring and reporting on its results but is also managing for results. This approach hinges on evidence-based decision-making to ensure that ITFC-funded operations are impactful and contributing to the SDGs. It also relies on the collection of objective, reliable and consistent data at the appraisal phase – ex-ante assessment – and at completion – ex-post evaluations.

## Making informed decisions

During the appraisal, ITFC uses an ex-ante development tool to structure and document the development rationale of a given investment by indicating how it is expected to contribute to ITFC's Development Goals. Concretely, **the DIF model rates ITFC operation based on:**



The tool converts transactional, internal and external data to produce comparable scores across relevant DIF performance indicators, and aggregates these into total, theme, and sub-theme scores. A dashboard is used, providing an overview of KPIs and scores. The model rates ITFC's oper-

ational performance on a scale ranging from zero (very low) to five (very high) and the scores are fully integrated into the credit committee's decision-making, allowing ITFC Senior Management to include development impact among others financial and risk considerations.

## Learning from ITFC impact

By constantly monitoring and evaluating its own operational performance, ITFC can refine its approach and allocate resources based on evidence of development effectiveness.

ITFC defined three strategic objectives: promoting trade within the OIC, growing the market for Islamic Trade Finance, and supporting the diversification of member countries' economies. To reach these objectives, ITFC Ten Year strategy identified three Strategic Pillars that grew in relevance during the Pandemic:

### • Self-assessments / completion reports:

After every operation, a self-assessment report is submitted by the client for trade finance operations and a project completion report is completed for technical assistance/trade development interventions. The subsequent data serves as the basis for an analysis of operational performance, which contributes to the Annual Development Effectiveness Report. The report covers financial and development outcomes and is based on monitoring data and all other relevant information. The main objective of this assignment is to document and distil lessons learned.

### • Ex-post evaluations:

In 2020, ITFC adopted an evaluation policy to promote greater accountability and boost overall operational effectiveness. Evaluations are led by the Strategy and Organisational Performance Office, on a sample of operations which reached maturity, and take into consideration geographical and sector diversity. The evaluations are conducted in line with the Multilateral Development Bank – Evaluation Cooperation Group (ECG) Good Practice Standards.

The specific objectives are:

- a. to determine the results from the intervention
- b. to identify key achievements and issues that could serve as lessons for future operations
- c. to constitute an important building block for the preparation of the Annual Development Effectiveness Report

### • Management response to recommendations:

To be truly effective, there needs to be careful consideration of evaluation recommendations as a basis for future management decisions. All evaluations must receive a management response and result in a follow-up report, highlighting whether management agrees, partially agrees or disagrees with the recommendations in the evaluation report. It also provides a written formulation of time-bound action-plans, and those responsible for ensuring their implementation to ensure the follow-up of recommendations.



## ITFC end-to-end process for monitoring and evaluation



At ITFC, the SDGs and development considerations are present at all steps of the operation cycle.

# 2

## ITFC's Contribution to Development Results

At the halfway point in the implementation of ITFC Ten-Year Strategy, this section analyses the ITFC's major achievements to date and provides a comprehensive overview on how ITFC is contributing to the strategic objectives of the 2030 UN Sustainable Development Agenda. It also provides an in-depth and comprehensive analysis of ITFC's performance against the indicators and targets set out in the corporate Development Impact Framework (DIF).

### Progress Towards Strategic Objectives (P26)

A

- Fostering Intra-OIC trade
- Diversification of member countries' economies
- Promotion of Islamic Finance

### Contribution to Development Results (P29)

B

- Inclusive Growth
- Sustainability
- Private Sector Development
- Technology, Skills and Innovation

### Operational and Organisational Level Results (P35)

C

- Delivery Effectiveness
- Portfolio Management





# Progress in Meeting Strategic Objectives

## STRATEGIC OBJECTIVE

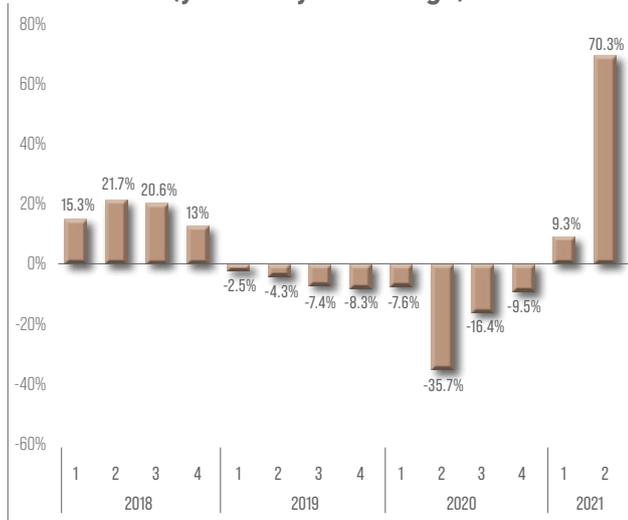
# 1

### Fostering Intra-OIC trade

- After a sharp decline in 2020, OIC export volumes started to recover in 2021

The COVID-19 pandemic significantly impacted trade flows, which were already facing mounting challenges prior to the pandemic. The pandemic impacted exports from OIC member countries in 2020, with volumes declining by almost 20 per cent year on year. Global trade flows started to recover in the second quarter of 2021 with an average growth rate of

**Total exports of goods by OIC countries (year-on-year change)**



Source: Chart issued from SESRIC, OIC Economic Outlook, 2021



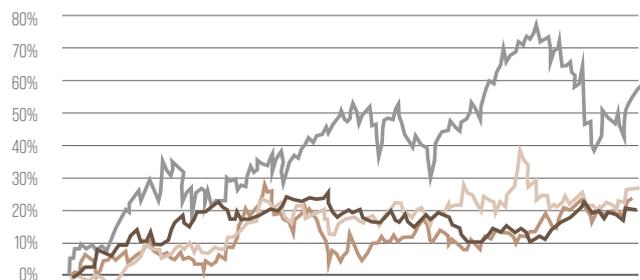
22.5 per cent, compared to 70.3 per cent in OIC countries. The year-on-year (YoY) growth in intra-OIC exports was recorded at 51.3 per cent in the same period, reflecting a strong rebound in intra- and extra-OIC trade. The services sector was more severely impacted, with total exports declining by 20 per cent in 2020. However, the impact of the pandemic on OIC countries was even more severe, with services exports falling 37.6 per cent (SESRIC, 2021).

### Soaring commodity prices have contributed to the rebound of Intra-OIC exports, but price volatility has made commodity-dependent economies vulnerable

This trend highlights the importance of ongoing economic diversification in OIC member countries, many of which are highly dependent on commodity and primary goods exports. In 2021, energy and industrial metals prices rose by 59 per cent and 28 per cent respectively, while agriculture and livestock prices increased by 23 per cent (World Bank, 2022). However, for many member countries, the sharp increase in commodity prices also resulted in rising energy and food import bills. By the end of 2021, the global food import bill exceeded US\$1.75 trillion, marking a 14 per cent increase from the previous year (WFP, 2021). Developing regions account for 40 per cent of global food imports and their food import bill rose by 20 per cent compared to a year prior. A total of 26 OIC member countries rank among Low-Income Food-Deficit Countries (LIFDCs) for which a faster growth was reported in 2021. This surge poses challenges for the poorest segments of societies worldwide as they tend to allocate a significant portion of their disposable income to meeting food and energy costs (UN, 2022).

### Evolution of major commodity prices in 2021

Percentage change since first trading day of the year

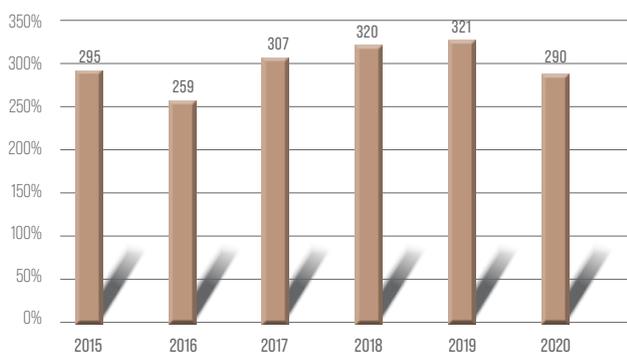


Energy +59% Industrial metals +28% Agriculture +23% Livestock +23%

Source: Chart issued from S&P Goldman Sachs Commodity Index, 2021

The share of Intra-OIC has steadily increased since 2015, but it may not be enough to reach the 25 per cent target set out in the OIC Ten-Year Programme of Action (OIC 2025). Trade among OIC countries was less impacted by the COVID-19 Pandemic. While member countries exports to non-OIC countries shrank 18.5 per cent, intra-OIC exports decreased to a lesser extent, by 9.5 per cent to US\$290 billion in 2020. Similarly, in the previous year, intra-OIC exports increased slightly by 0.4 per cent despite the fall

**Intra-OIC Exports (US\$ billion)**



Source: Chart issued from SESRIC, OIC Economic Outlook, 2021

**Share of Intra-OIC Trade**



Source: Chart issued from SESRIC, OIC Economic Outlook, 2021

in their total exports by 5.4 per cent. These developments translated into a relative stagnation in terms of volume of Intra-OIC exports but into an increase in the share of intra-OIC trade in total trade of OIC countries in the last two years, from 18.8 per cent in 2015 to 19.5 per cent in 2020, the highest rate achieved in the last decade. However, the sluggish growth in intra-OIC trade flows reduces the prospects for achieving the 25 per cent target set out in the OIC Ten-Year Programme of Action (SESRIC, 2021).



## STRATEGIC OBJECTIVE 2

### 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

The average rate of economic growth in OIC member countries has slowed over the past decade, declining from 6.0 per cent in 2010 to 2.6 per cent in 2019. Due to the pandemic, OIC economies contracted by 1.7 per cent in 2020, which was relatively moderate compared to the global average. OIC member country economies grew by an average of 4.6 per cent in 2021, according to SESRIC calculations based on the projections of the IMF (2021).

**Economic Growth in OIC countries**



— Pre-pandemic projections (Oct 2019)    - - - Latest projections as of Oct 2021

The severity of the pandemic's impact on different countries depended largely on factors including the strength of national health systems, the availability of digital infrastructure to facilitate adaptation to new ways of working, and the capacity to take fiscal, monetary and financial measures to maintain economic standards. In this context, 39 OIC member countries reported negative economic growth in 2020 while the remaining members managed to expand or at least maintain their output despite the adverse effects of the pandemic (SESRIC, 2021).

The rate of economic recovery from the pandemic also varies in different countries. According to the current IMF projections, while the majority of OIC member countries are projected to record economic growth in 2021 and 2022, only 16 are expected to at least return to pre-pandemic levels in 2021 and another 11 in 2022, with the others requiring a more significant length of time to do so (SESRIC, 2021). Divergences in the speed of recovery are likely to create significantly wider gaps in living standards. Given the projections for per capita income levels, 31 of the OIC countries are not expected to see pre-pandemic income levels before the end of 2022.

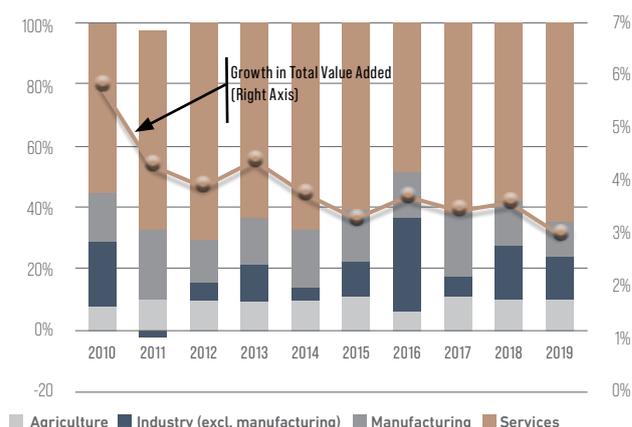
## OIC countries' contribution to global trade in goods and services remained muted due to limited capacity in manufacturing and services and their high dependence on commodity and primary goods exports

The composition of GDP reveals important insights into the structure of economies. The latest available data, published in 2021, reveals that agricultural activities accounted for a 10 per cent share in total value added in OIC countries, which is higher than that in non-OIC developing countries (8.2 per cent). The agricultural sector is particularly important for OIC countries situated in Sub-Saharan Africa, where its share in value added reaches as high as 60 per cent in Somalia and Sierra Leone, 51 per cent in Guinea-Bissau, and 40 per cent in Niger and Mali (SESRIC, 2021).

The share of the non-manufacturing industry for OIC countries declined by 4.6 percentage points from 27.8 per cent in 2010 to 23.2 per cent in 2019. However, it still remains higher compared to the rest of the world (SESRIC, 2021).

The manufacturing sector, which has greater potential to promote productivity and competitiveness, has a share of 14.6 per cent in total value added of OIC countries, which is significantly below that of non-OIC developing countries (22.1 per cent). OIC countries, on aggregate terms, became

## Sectoral Contribution to Growth in Value Added in OIC Countries



Source: Chart issued from SESRIC, OIC Economic Outlook, 2021

net importers in merchandise trade in 2020, with a trade deficit amounting to US\$90 billion as compared to a surplus of US\$70 billion the previous year (SESRIC, 2021).

Finally, the services sector plays a key role in the majority of OIC economies, accounting for an average of 52.3 per cent of the total value added. This share is still low though, considering that the sector has a share of three quarters in total value added in developed countries and 57 per cent in non-OIC developing countries, equating to an average rate of 67.9 per cent (SESRIC, 2021).

### STRATEGIC OBJECTIVE

# 3

## Promotion of Islamic Finance

Amid the impact of the COVID-19 pandemic, Islamic Finance has continued to report remarkable growth, despite it still constituting a tiny fraction of the global finance sector

The Islamic Finance sector has reported double-digit growth in both asset volumes and financing over the past five years. The positive momentum continued in 2021, with the industry recording a growth rate of 10.7 per cent year-on-year, driven primarily by increased demand for Islamic banking services as well as equity and capital markets. The industry was valued at an estimated US\$2.70 trillion in 2021, up from US\$2.44 trillion in 2019. The Islamic Financial Services Board's (IFSB's) Islamic Financial Services Industry (IFSI) Stability Report 2021 noted that Islamic Finance "demonstrated overall growth despite many jurisdictions experiencing economic recessions as a result of lockdowns and heightened uncertainty due to the COVID-19 pandemic".

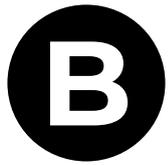
However, overall growth is not evenly distributed among each country. While Islamic banking's market share is rising in most jurisdictions (27 out of 36), albeit at a slower pace, there are markets where its relative share has actually declined. The GCC region remains the engine of growth for the Islamic banking sector (ISDB, 2021).

Islamic banking accounts for around 70 per cent of the industry's total assets. It has become systemically important in key jurisdictions where it accounts for at least 15 per cent of the overall banking sector. Currently, more than 190 financial institutions worldwide offer Islamic Finance services (IFSB, 2021).

## The Islamic Finance sector can play an important role in tackling some of the challenges arising from COVID-19, notably financial inclusion of MSMEs

Microenterprises and SMEs constitute the global economy's backbone, accounting for more than two-thirds of employment globally and 80 to 90 per cent of jobs in low-income countries (ILO, 2020). Yet, they ranked among the most exposed business sectors during the pandemic. Since the beginning of the Pandemic, it is estimated that between a quarter and a third of all MSMEs ceased operations as a result of the economic impact of the pandemic (UNCTAD, 2021). COVID-19 further exacerbated challenges faced by MSMEs relating to existing debt, lack of cash reserves and limited access to financial markets.

Islamic Finance can play a key role in enhancing financial inclusion of MSMEs. Use of risk-sharing financing instruments can offer Shariah-compliant microfinance, financing for SMEs, and micro-insurance to enhance access to finance. In addition, safety-net instruments such as Zakah, Sadaqat, Waqf, Kafalah, and Qard-al-hassan complement risk-sharing instruments to target the poorest segments of society (IsDB, 2021).



# Contribution to Development Results

Despite the challenges arising from the COVID-19 pandemic, ITFC reported a strong overall performance in 2021. Key targets relating to development outcomes and outputs, alongside organisational performance goals, were met or exceeded. However, there is still room for improvement, specifically in the areas of private sector development, sustainability and portfolio management.

## INCLUSIVE GROWTH

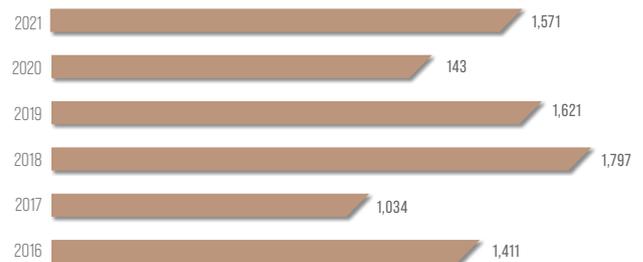
ITFC disbursements towards LDMCs have been significant and have contributed to meeting trade finance gaps

ITFC's strength lies in its ability to address market failures that are more acute among Least Developed Member Countries (LDMCs). These countries are generally more vulnerable to external economic shocks due to their lack of domestic financial resources, high debt levels and fragile healthcare systems. Any marginal shock has the potential to eradicate broader economic recovery. 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, of which 54 per cent was allocated to those located in Asia and the remaining to Africa.

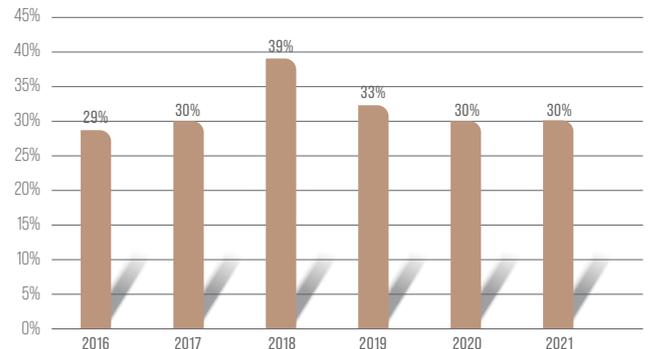
The share of LDMC disbursements in the ITFC portfolio has remained stagnant over the past six years, representing on average a third of the portfolio. It should be noted that Bangladesh, which represents a significant portion of disbursements in LDMCs, is expected to graduate from the category by 2026. To maintain and consolidate the LDMC ratio, ITFC will build on its newly adopted Strategy 2.0 which aims to increase its commitments to LDMCs by targeting new markets and consolidating ongoing business.

In terms of sectoral allocation, the majority of LDMC support went to the energy sector (81 per cent in 2021) and the food and agriculture sector (14 per cent in 2021). Raising the level of financial support in the healthcare, SME and marginal sectors may help to further diversify the exports of the targeted LDMCs.

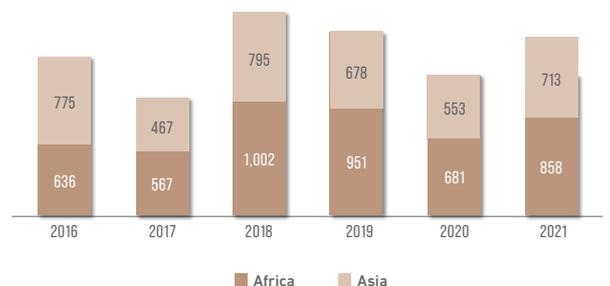
LDCs Disbursements (US\$ million)



LDCs Disbursements (share of total disbursements)



LDCs Disbursements by Region (US\$ million)



## Women and youth have benefitted from dedicated trade development projects in recent years, but there is room to further expand the scope of these operations

In the last six years, ITFC has supported empowerment projects such as the Export Launchpad (Bangladesh and Senegal) and She Trades (Egypt, Morocco). These programmes provide support for female-led SMEs and aim to provide them with new business opportunities in international markets. Overall, around 110 female-led SMEs have benefitted from these projects to date. Meanwhile, the "Tree" Programme, which was implemented in Egypt between 2016 and 2018, trained more than 550 young graduates as export specialists.

The success of these initiatives demonstrate that more can be done in future to support female entrepreneurs and young graduates. The design of ITFC's projects/operations should systematically mainstream gender and youth issues. In addition, it is necessary to enhance reporting mechanisms to ensure availability and credibility of data related to youth and gender and promote learning.

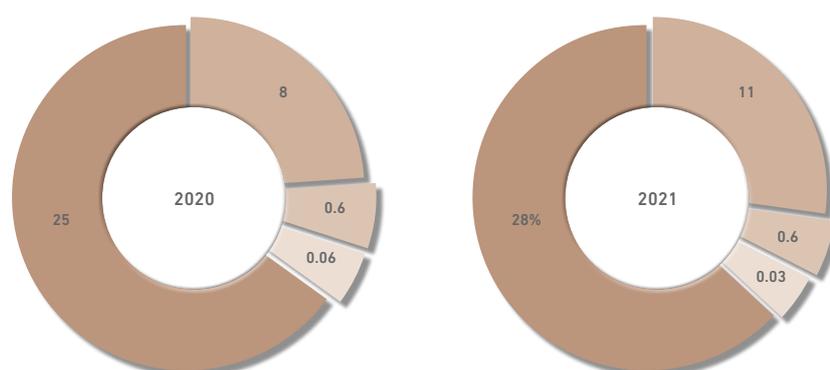


## SUSTAINABILITY

### Despite the disruptions caused by the COVID-19 pandemic, the outreach of ITFC financing rose in 2021, driven by increased demand in the food and energy sectors

In 2021, ITFC interventions in the energy, healthcare, food and agriculture sectors benefitted an estimated 39 million households in recipient member countries. This represents an 18 per cent YoY increase, driven by demand in the food and energy sectors. Conversely, the agriculture and healthcare sectors were less prominent with 600,000 farmers and 25,000 patients respectively benefitting from ITFC financing. These numbers may increase soon as ITFC looks to boost support to agribusiness clients and roll-out its facilities for vaccine access in member countries.

**Estimated outreach of ITFC financing (in million)**



■ Number of households provided with access to energy ■ Number of farmers benefitting ■ Number of patients benefitting ■ Number of households benefitting from food imports

### Environmental and climate change mainstreaming remains a target area for improvement

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.

Renewable energy projects are yet to be introduced into the ITFC portfolio, which remains primarily focused on the oil and gas sector. In addition, only 42 per cent of ITFC clients reported having a well-established/certified environmental management system and a sustainability policy. This means that ITFC can leverage its advisory services to further build capacity at the client level on environmental compliance.

# PRIVATE SECTOR DEVELOPMENT

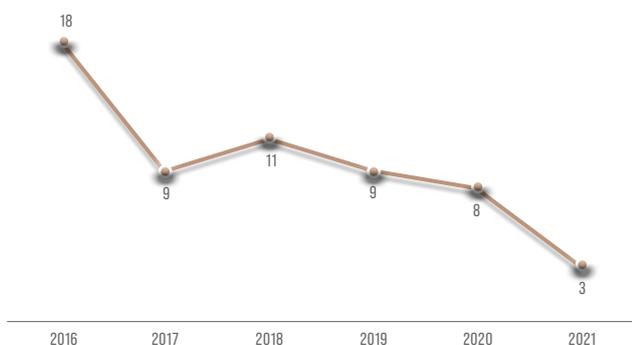
Despite a contraction in 2021, ITFC's private sector portfolio is becoming increasingly diverse

ITFC's private sector financial support, including MSMEs, totalled US\$182.4 million in 2021. This figure represents a decline on the US\$573 million provided in 2020.

The main reason lies in the absence of any disbursements in 2021 for two major Exim Banks, which previously accounted for more than 75 per cent of the private sector portfolio.

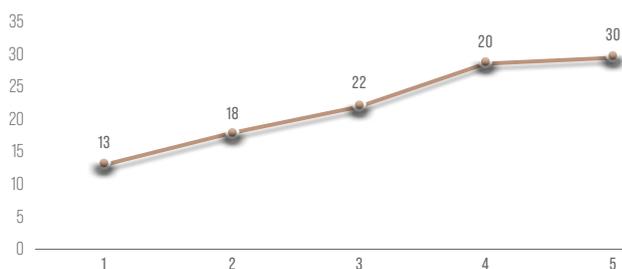
It should be noted that the share of private sector financing has been on a downward trend since 2016, falling from 18 per cent to 3 per cent in 2021.

**Private Sector  
(As share of total disbursements)**



Given the economic upheaval caused by the COVID-19 pandemic, private sector growth has been identified as one of the key pillars of Strategy 2.0 in supporting portfolio diversification and the creation of new profit formula targets. ITFC's commitment to the private sector was evidenced by the establishment of a new Private Sector Division and adoption of a sector-specific strategy, which aims to boost ITFC's 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.

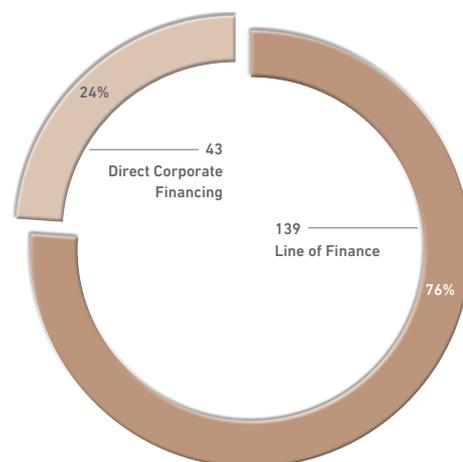
**Number of Active Private Sector Clients**



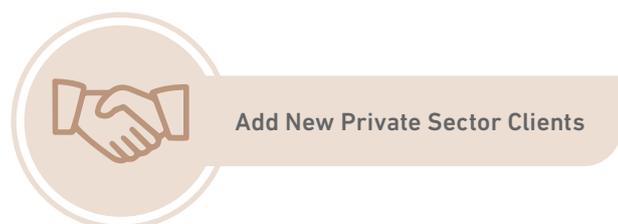
In 2021, ITFC continued to expand its dealings with local financial institutions, partnering with seven new banks in member countries including Cote D' Ivoire, The Gambia, Togo and Uzbekistan. The number of active private sector clients reached 30, of which 27 were line banks. As much as 76 per cent of the total disbursed financing was channeled through Line of Finance.

In terms of geographical distribution, 84 per cent of the financing, worth US\$154 million, was allocated to Asia, with the remaining 16 per cent disbursed in Sub-Saharan Africa. It is worth noting that US\$75.2 million was disbursed to MSMEs operating in LDMCs.

**Support to Private Sector  
(mode of financing)**



## ITFC'S NEW PRIVATE SECTOR STRATEGY – AREAS OF FOCUS



### The outreach of ITFC private sector financing can be further boosted through microfinancing facilities and digital solutions

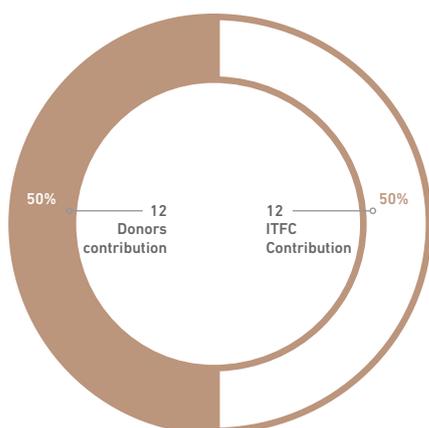
In 2021, ITFC private sector financing supported an estimated 320 corporations and MSMEs operating in member countries. This represents a decline compared with 2020 when ITFC facilities supported approximately 7,500 MSMEs. The main reason for the year-on-year fall was the presence of ITFC microfinancing facilities in 2020, which reached more than 95 per cent of all beneficiaries. Microfinance provided a number of benefits, most importantly the ability to fill trade finance gaps among underserved/unserved groups. Rural enterprise and farm financing have the potential to contribute to poverty reduction across the lower-income and/ or informal-income population. ITFC is also exploring the use of digital technologies as a means of providing financing options to millions of formerly excluded and underserved poor customers who previously relied on cash-based transactions. The movement is expected to further continue with the emergence of ever more new technologies.



## 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.

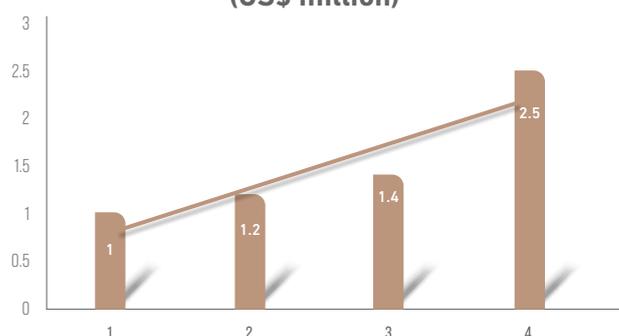


The share of co-financing amounted to half of the grant's portfolio. In 2021, ITFC mobilised US\$2.5 million through grants for trade development interventions. Resource mobilisation rose 78 per cent year on year. Key implementing and co-financing partners include IsDB, the Afreximbank, International Chamber of Commerce (ICC), Enhanced Integrated Framework (EIF), Arab Bank for Economic Development in Africa (BADEA) and local partners, such as governments and executing agencies.

### Overview of Ongoing Trade Development Interventions



### Trade Development Resource Mobilization (US\$ million)



## Sources of Funding

The Arab Africa Trade Bridges (AATB) Programme launched in February 2017 as a multi-donor, multi-country and multi-organisational initiative that aimed to promote and increase trade and investment flows between African and Arab member countries; provide and support trade finance and export credit insurance; and enhance existing capacity building tools relating to international trade.

The Aid for Trade Initiative for the Arab States (AftIAS) Programme is a multi-donor, multi-country and multi-agency initiative aiming at "fostering Arab trade through enhancing enterprise competitiveness and facilitating trade". The second phase of the programme started in 2022, with a scheduled duration of five years.

The Trade Development Fund (TDFD) was launched on 1 January 2020 by ITFC to support and enhance trade development and promotion activities between OIC member countries. The fund is a Waqf (religious



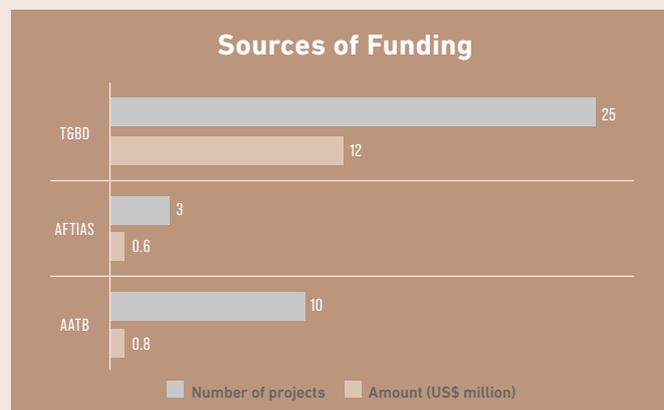
TRADE DEVELOPMENT FUND

aftias  
Aid for Trade Initiative for the Arab States



endowment) and utilises investment returns for grants or concessional financing linked to the design and delivery of trade activities, raising awareness or knowledge-sharing of trade related issues and trade-related technical assistance.

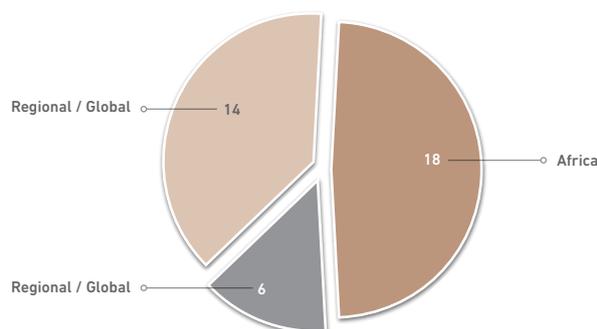
### Sources of Funding



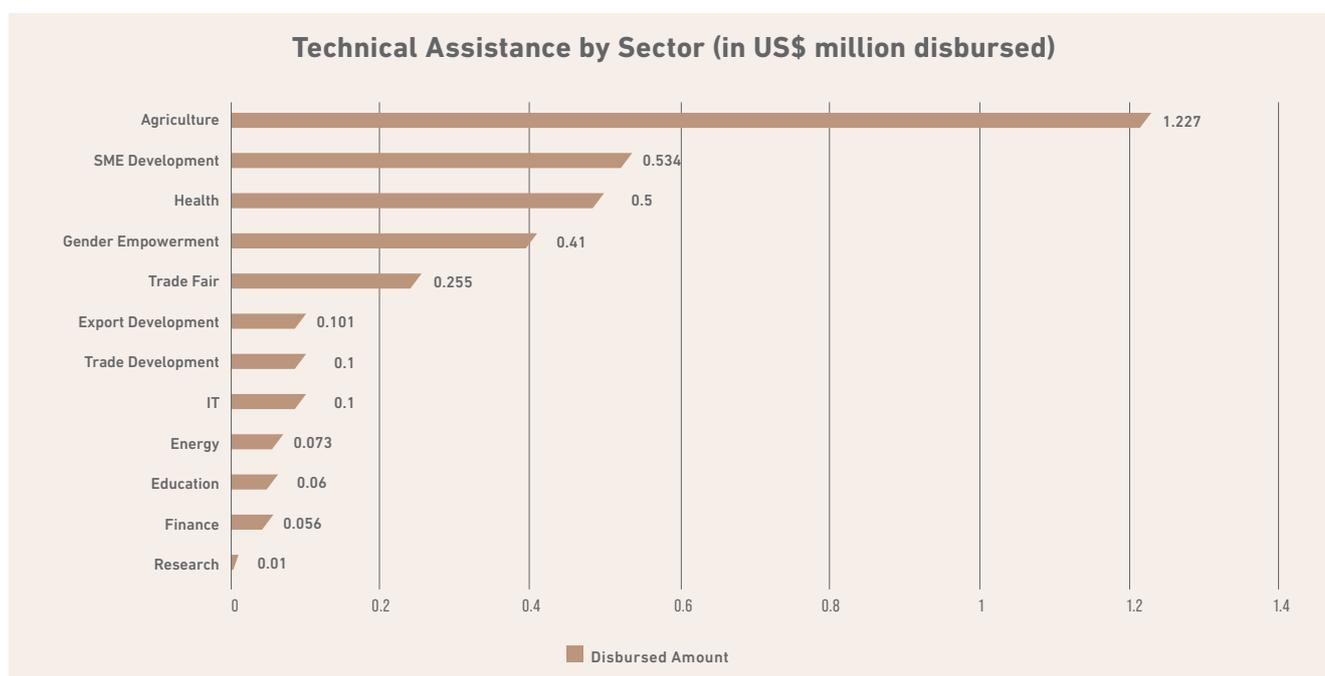
## ITFC's trade development projects/programmes have benefitted a wide range of relevant sectors in member countries, thereby contributing to meeting ITFC's strategic objectives

Almost half of the 38 funded projects are located in Africa with the majority concentrated in West and Northern Africa. More than one third of the projects are located in South and Southeast Asia, while eight projects have a broader regional focus. ITFC grants target key growth sectors such as agriculture, SME development, healthcare, and gender empowerment. As such, they complement the trade finance portfolio while increasing ITFC's outreach to the most vulnerable living in member countries. Additional grants were also allocated for trade fairs and export development, with a specific focus on regionalisation and Intra-OIC trade.

**Geographic Distribution of Projects**



**Technical Assistance by Sector (in US\$ million disbursed)**



## In terms of outcomes, the funding primarily helped to build capacity and mitigate the impact of the COVID-19 pandemic in member countries

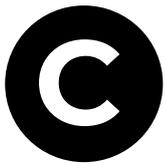
ITFC continued to provide training support despite the disruptions caused by the pandemic. In 2021, 289 individuals were trained as part of ITFC-supported programmes, a slight decrease of 7 per cent from 2020. ITFC offered online training to strengthen resilience of trainees during the pandemic and engaged in joint initiatives with several national and multilateral institutions to expand its knowledge-dissemination and geographical reach in the field of Islamic Finance, agriculture and export development.

At the beginning of the pandemic, ITFC received numerous requests for large quantities of personal protective equipment (PPE) equipment and other consumables from healthcare facilities to protect staff and help curb the spread of the virus. The corporation subsequently disbursed US\$295,000 in urgent grant funding to member countries battling the health crisis.

The financing was used to purchase PPE including masks, gloves and disinfectants, as well as equipment such as specialised beds, ventilators, and PCR tests. Key member countries that benefitted from this funding included Maldives, Tajikistan, Benin, Burkina Faso and Palestine.

**Number of People Trained**



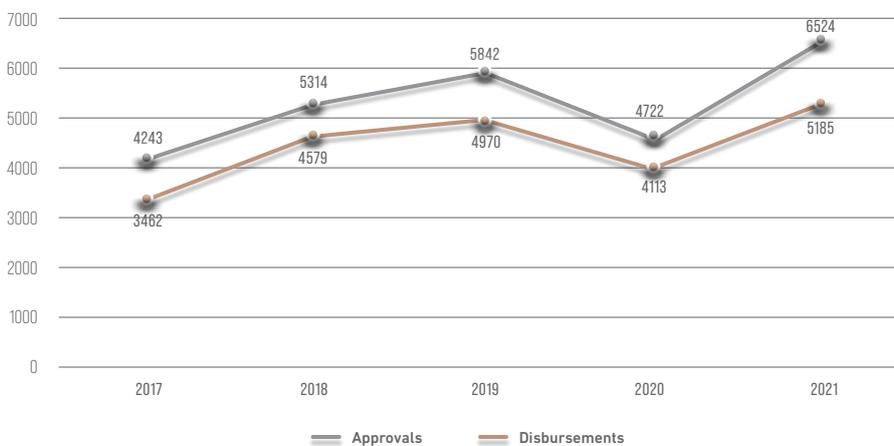


# Operational and Organisational Level Results

## DELIVERY EFFECTIVENESS

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

ITFC Financing (US\$ million)

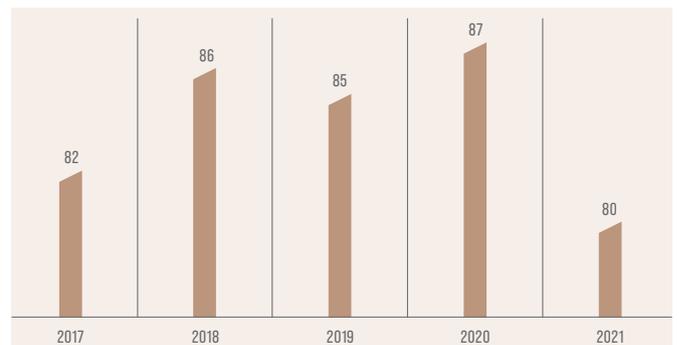


In 2021, ITFC approved US\$6.5 billion in trade financing through 95 deals benefitting 21 countries. Approvals were up 38 per cent compared with 2020. The corporation has approved more than US\$60 billion in financing since its inception, highlighting its instrumental role in filling trade finance gaps in member countries. It should be noted that since the start of the pandemic, demand for short-term financing has increased, while the latest ADB survey (2021) indicates that the trade finance gap has widened from US\$1.5 trillion to US\$1.7 trillion over the past two years.

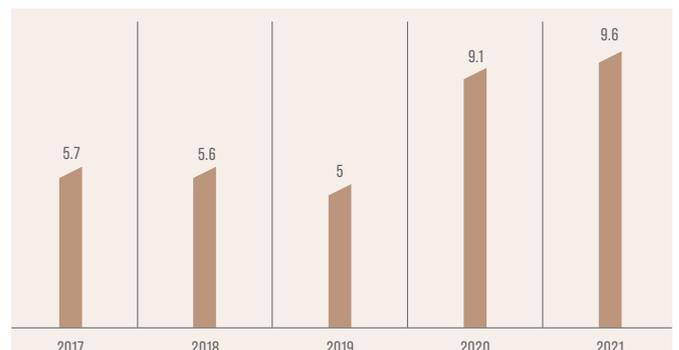
In terms of disbursements, ITFC allocated roughly US\$5.1 billion in trade finance, a 25 per cent increase from last year's figure of US\$4.1 billion. The disbursement ratio, albeit slightly down compared to 2020, remains very high at 80 per cent.

The average tenor of ITFC operations reached a record 9.6 months in 2021, up from 9.1 months in 2020 and five months in 2019. This upward trend highlights the corporation's willingness to respond to its clients' short-term liquidity challenges and meet their financing requirements. It further highlights the ITFC's ability to continue to approve facilities despite challenging capital market conditions and increased tenor requirements.

Disbursement Ratio (%)



Average Tenor (months)



## ITFC's capacity to leverage funds exceeded targets and expectations in 2021 and the corporation strengthened its catalytic role in development finance

In 2021, ITFC mobilised a record US\$4.5 billion from Syndicate Partners in the market, up 84 per cent compared to 2020. An additional US\$691 million was mobilised from within the IsDB Group through the Mudaraba Fund. These funds accounted for 80 per cent of the total trade financing provided by ITFC in 2021, while the resource mobilisation ratio also increased year on year. **For every US\$5.00 approved by ITFC in 2021, US\$4.00 was mobilised from external sources.**

ITFC's syndications were successful and closed with volumes that far surpassed all initial projections and expectations as a result of these efforts.

The most notable example in this respect was the mobilisation of funds in favour of the Government of Egypt designed to meet the country's food security needs, which was the largest syndication in ITFC history.

As a result of these achievements, ITFC was named the global Islamic Finance sector's leading bookrunner and top Mandated Lead Arranger (MLA) by Bloomberg and Refinitiv respectively in 2021.

The involvement of ITFC's syndicate partners resulted in the mobilisation of

**US\$4.5 BILLION**

in funds which benefitted

**29**

operations in

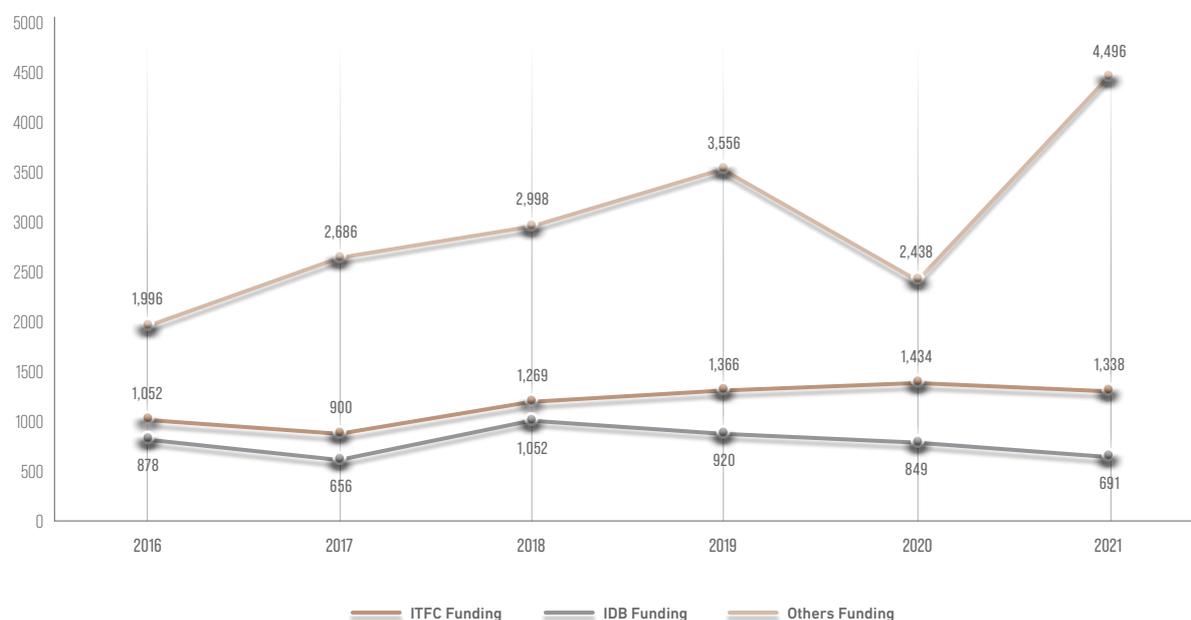
**14**

member states

	<b>Bloomberg</b> 2021 Global Islamic Financing League Table	<b>Refinitiv</b> 2021 Global Islamic Finance League Table
<b>Bookrunner</b>	# 1 21 per cent market share	# 1 38 per cent market share
<b>MLA</b>	#1 28 per cent market share	# 1 33 per cent market share

This assessment of ITFC's syndicated trade finance operations recognises the institution's leading role in mobilising capital sourced from a large variety of investors and financial institutions to help meet member countries' financing requirements.

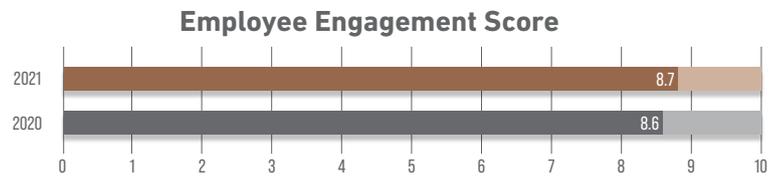
**Approved Resource Mobilization for Trade Finance (US\$ million)**



## Decentralisation and employee engagement have supported client centricity and delivery effectiveness

In line with its strategy, ITFC is working closely with its clients through the regional hubs of Dakar (Senegal), Dhaka (Bangladesh), Istanbul (Turkey), Jakarta (Indonesia), and Rabat (Morocco). As of 2021, 15 per cent per cent of ITFC staff were based in these regional hubs. The level of approvals generated by these hubs reached 60 per cent in 2021.

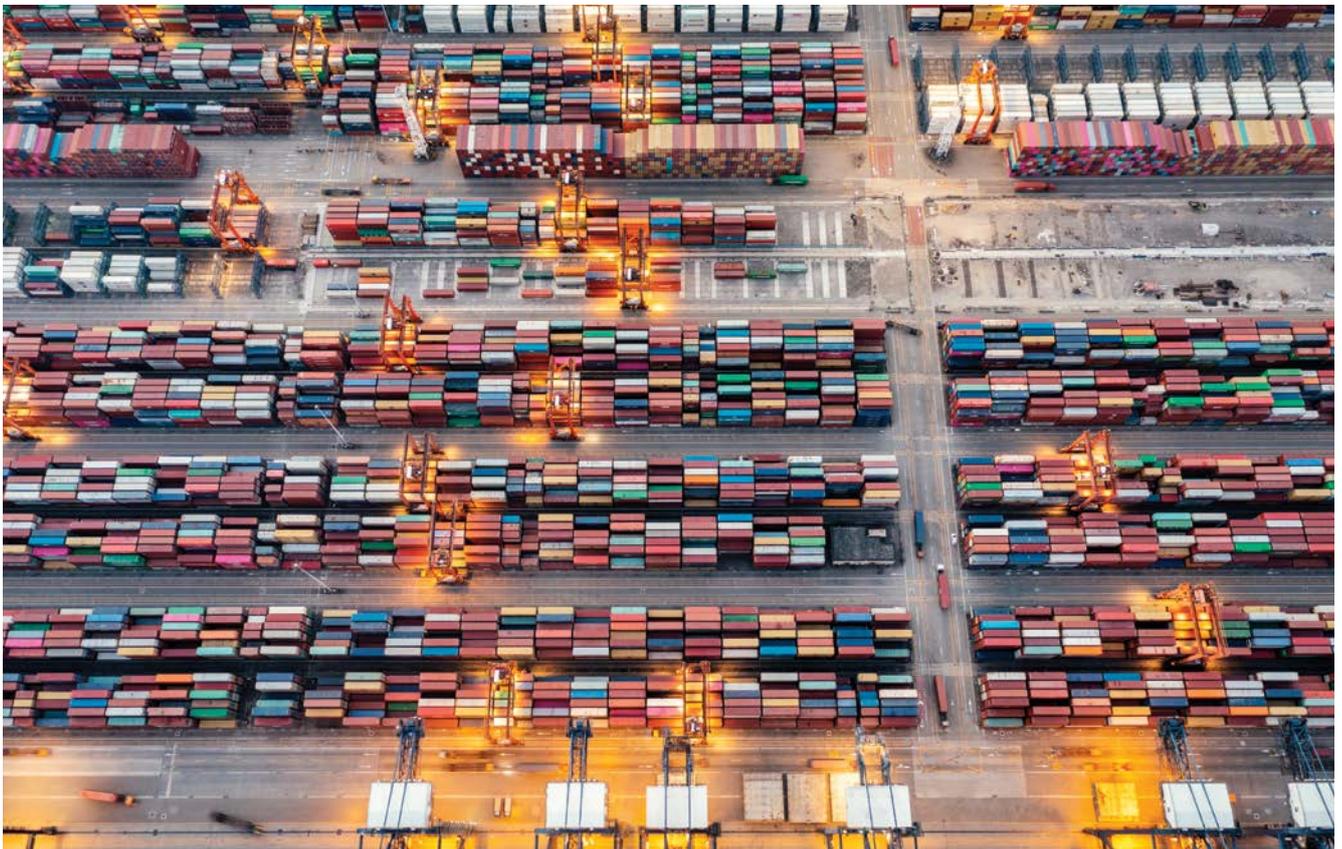
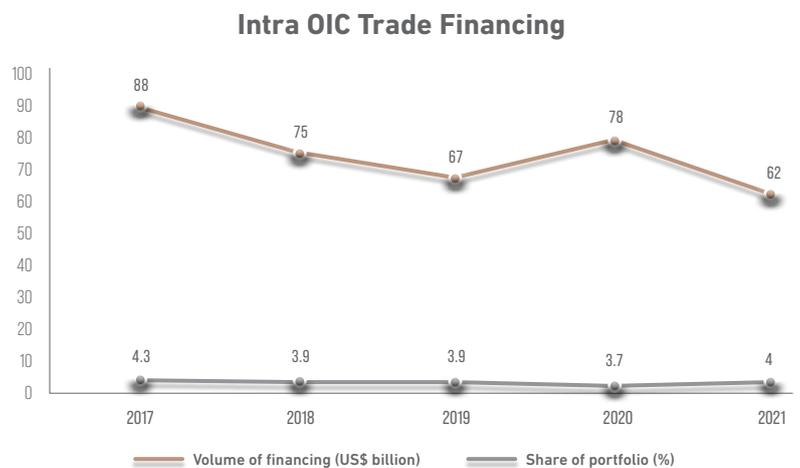
ITFC employee engagement score at the end of 2021 reached 8.7 (out of 10), up from 8.6 in 2020 and well above the benchmark. A dedicated and engaged workforce, equipped with the right tools, has proven its ability to continuously deliver results under adversity.



## The share of Intra-OIC trade remains predominant in ITFC's portfolio, thereby contributing to the positive trend in Intra-OIC trade

Promoting Intra OIC trade is one of ITFC's strategic pillars and is at the heart of the organisation's operational mandate. ITFC has been contributing to the positive trend in Intra-OIC trade by extending US\$44 billion of financing for Intra OIC trade since its inception.

In 2021, ITFC provided US\$4 billion to finance trade between OIC member countries, up by 8 per cent compared with 2020. However, Intra-OIC trade in the ITFC portfolio fell from 78 per cent in 2020 to 62 per cent in 2021.



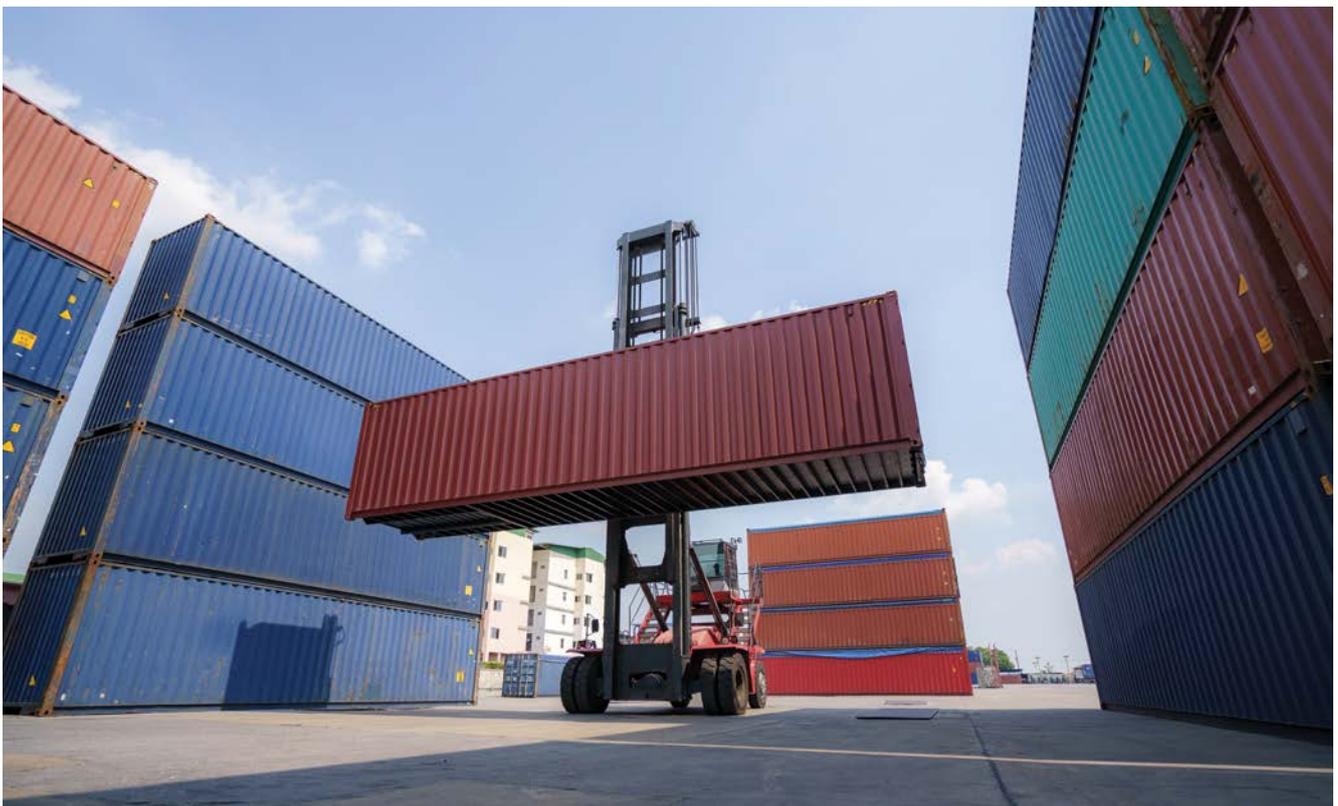
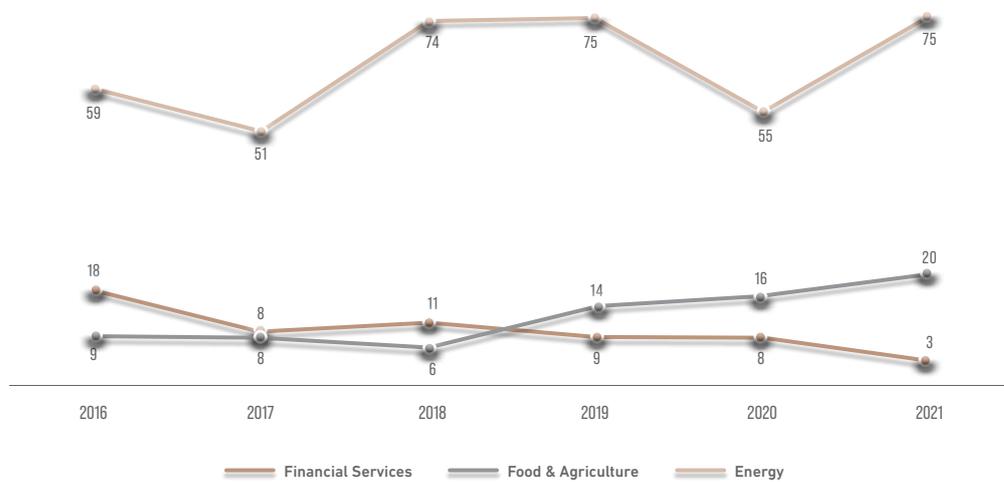
## PORTFOLIO MANAGEMENT

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 against 55 per cent in 2020 when energy prices collapsed following the global lockdown caused by the pandemic. The food and agriculture sectors benefitted from rising demand from member countries to strengthen food

security, with disbursements increasing by 36 per cent to reach US\$1.060 million. The sector accounted for 20 per cent of total disbursements in 2021, a four-point increase from 2020. Increased disbursements in the energy and food sectors reflects ITFC's commitment to meet member countries' needs, which are often exposed to the volatility of commodity prices.

Sector Financing (as share of total disbursements)

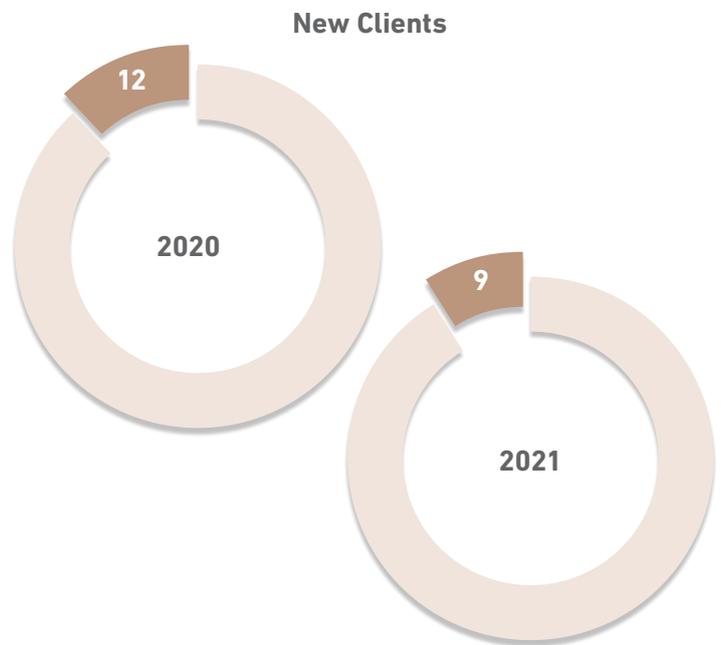




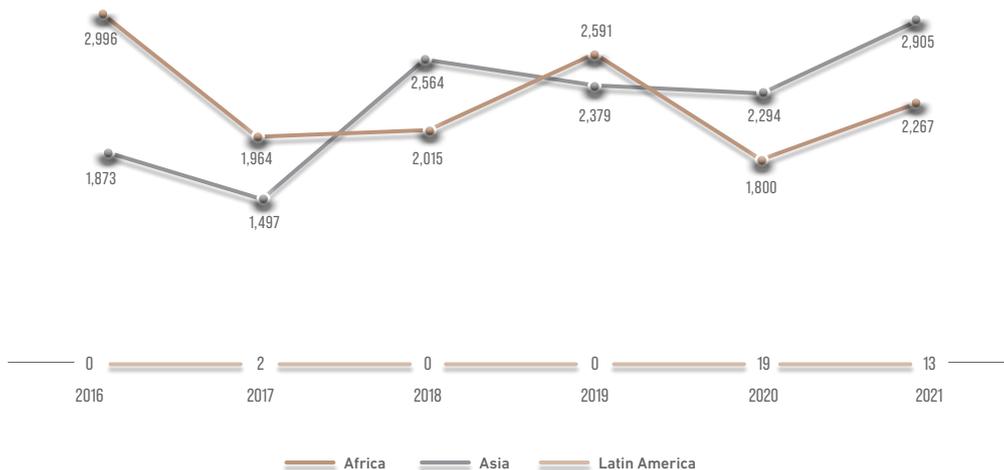
**ITFC remains committed to expanding its client base and penetrating new markets, a strategy that will deliver a broadly balanced portfolio from a geographical perspective**

As part of ITFC's Strategy 2.0, the corporation has identified several countries with significant growth potential. One such country is Guinea, which benefitted from ITFC funding worth US\$5 million in 2021 in support of its healthcare sector. The deal represented the first sovereign facility in the West African state since ITFC's inception in 2008. In 2021, nine new clients were added to ITFC's portfolio, bringing the total number of active clients to 46.

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. However, on a country basis, ITFC's portfolio remains concentrated in a limited number of member countries. Egypt, Bangladesh, and Pakistan accounted for 70 per cent of ITFC disbursements in 2021.



**Disbursements By Region (US\$ million)**



# ITFC's Contribution to the SUSTAINABLE DEVELOPMENT GOALS | 2021



## SDG 1 NO POVERTY

There is abundant evidence from literature showing how the rise of trade has led to a decrease in global poverty (World Development Report, 2020). Trade, as a driver of sustainable economic growth, contribute to the achievement of Goal 1, which focuses on ending poverty in all its forms.

**US\$240 MILLION**

worth of income redistributed  
to smallholder farmers

**US\$5.1 BILLION**

of trade finance disbursed  
to support international trade



## SDG 2 ZERO HUNGER

SDG 2 calls for ending hunger and all forms of malnutrition by 2030, while doubling the agricultural productivity and income of small-scale food producers. ITFC support farmer's incomes by providing pre-export financing in the agriculture sector and supports member countries' food security by financing the import of essential commodities.

**OVER US\$1 BILLION**

disbursed for the food  
and agriculture sector

**OVER 28 MILLION**

households benefitting  
from food financing

**AROUND 600,000**

farmers benefitting from  
ITFC financing and capacity  
building in agriculture



## SDG 3 GOOD HEALTH AND WELL-BEING

Sustainable Development Goal 3 seeks to ensure health and well-being for all, at every stage of life. It addresses all major health priorities. It also calls for more research and development, increased health financing, and strengthened capacity of all countries in health risk reduction and management.

**OVER 25,000 PATIENTS, 500 HEALTH WORKERS  
and 13 MEDICAL FACILITIES**

benefitting from ITFC financing



## SDG 4 QUALITY EDUCATION

Through its trade development program and capacity building activities ITFC provides youth and adults with relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

**289 PEOPLE**

people trained

7 AFFORDABLE AND CLEAN ENERGY



### SDG 7 AFFORDABLE AND CLEAN ENERGY

Goal 7 calls for ensuring universal access to affordable, energy services and increase substantially the share of renewable energy in the global energy mix. ITFC ensure the sustainable supply of energy inputs for member countries and support their efforts to enhance their energy mix.

**US\$3.9 BILLION**

extended to the supply of energy inputs

**OVER 11 MILLION**

households provided with access to electricity

8 DECENT WORK AND ECONOMIC GROWTH



### SDG 8 DECENT WORK AND ECONOMIC GROWTH

Trade fuels economic growth and most member countries aim for an export-led growth. ITFC's strategic focus is to contribute to the economic diversification of its member countries (Target 8.2) and increase Aid for Trade support for developing countries, in particular least developed countries (Target 8.A).

**OVER 116,000**

jobs supported within client institutions

**US\$4 BILLION**

of Intra-OIC trade financing

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



### SDG 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

ITFC supports the private sector, in particular SMEs, through lines of financing. The support increases the access of small-scale industrial and other enterprises to financial services, particularly in developing countries. This includes affordable credit, and the SMEs' integration into value chains and markets (Target 9.3)

**US\$182 MILLION**

of financing extended to 30 Private Sector clients and partner banks

**OVER 320 MSMEs**

provided with access to financing

10 REDUCED INEQUALITIES



### SDG 10 REDUCE INEQUALITIES

SDG 10 encourages official development assistance and financial flows, including foreign direct investment, to States where the need is greatest, in particular least developed countries. This is in line with ITFC commitment to allocate resources on regions where the need is greatest, in particular least developed countries (SDG 10.b).

Trade finance worth  
**US\$1.5 BILLION**

disbursed towards LDMCs

Grants worth  
**US\$3.4 MILLION**

disbursed targeting the most vulnerable

17 PARTNERSHIPS FOR THE GOALS



### SDG 17 PARTNERSHIPS FOR THE GOALS

ITFC's vision is to be recognized as a catalyst, network builder and facilitator of trade. The Corporation contributes to the bridging of the SDG financing gap through mobilizing financial resources for developing countries from multiple sources (Target 17.3). For every US\$5 approved by ITFC, US\$4 are mobilized from external resources (SDG 17.3).

**US\$426 MILLION**

of agriculture export value pre-financed by ITFC

**US\$4.5 BILLION**

of trade finance mobilized from Syndicate Partners

**US\$2.5 MILLION**

of co-financing for trade development projects

# 3

## Resilient Trade: Maintaining Trade Flows in Challenging Times

The COVID-19 pandemic has impacted global trade, causing both supply and demand disruptions. In this context, underpinning trade flows is crucial to the economic stability of member countries. ITFC's comparative advantage in this respect is its ability to sustain critical supply chains – energy, food and healthcare – which enable member countries to preserve their economic and social stability.

- A** Role of food-based safety nets in ensuring food security (P44)
- B** Building resilience in the healthcare sector to combat future challenges (P48)
- C** Ensuring secure and resilient energy supply in ITFC member countries (P50)





# Role of Food-based Safety Nets in Ensuring Food Security

TARGET 2-3



## UNIVERSAL ACCESS TO SAFE AND NUTRITIOUS FOOD

By 2030, end hunger and ensure sufficient access to safe, nutritious food for all, supporting the poor and people in vulnerable situations, including infants.

As defined by the Food and Agriculture Organisation (FAO), the goal of food security is to provide access to safe and nutritious food at all times. Among the four dimensions of food security, probably the availability of food is the most important dimension since without the availability of food it may not be possible to ensure other dimensions of food security.

Yet, food crises are becoming increasingly protracted and the ability to recover from challenging and unexpected events is becoming more difficult. Conflicts, the COVID-19 pandemic, and large-scale economic crises are expected to extend food crisis situations beyond 2021. "The State of Food and Nutrition in the World 2021" report, esti-

mates that up to 811 million people went hungry in 2021 as climate extremes and economic slowdowns, exacerbated by the COVID-19 pandemic, continued to increase in frequency and intensity (WFP, 2021).

The response to the COVID-19 pandemic showed that countries with public food transfer programmes were better equipped to cope with external shocks and to protect vulnerable people who might otherwise live with constant food insecurity and the threat of hunger. Governments can adopt food-based safety net programmes which provide food, either directly, or through instruments (such as food stamps or coupons) or by stabilising food prices through strengthening national stocks and regulating markets (FAO, 2020).



### Main objectives of food-based safety net programmes

Safeguard livelihoods

Increase purchasing power

Relieve deprivation and improve nutritional status

Mitigate the volatility of food prices

Supporting appropriate and sustainable social protection programmes and facilitating access to markets for the vulnerable and marginalised, including through cash transfer and voucher modalities, are rooted in the Framework for Action for Food Security and Nutrition in Protracted Crises, adopted by the UN's Committee on World Food Security, and contributes to the progressive realisation of the right to adequate food in the context of national food security.



*The right to adequate food is realised when every man, woman and child, alone and in community with others, has physical and economic access at all times to adequate food or means for its procurement.*

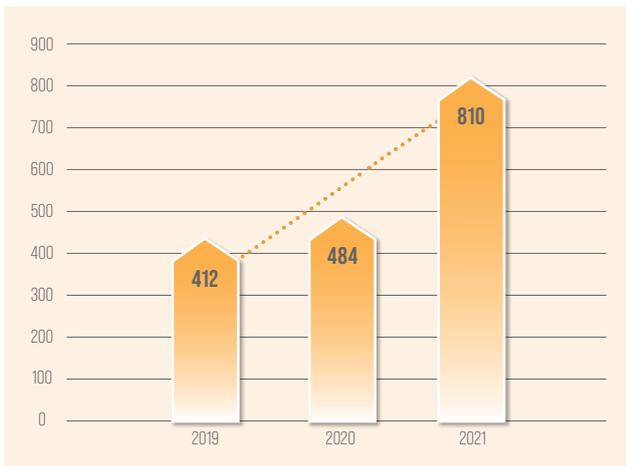
Committee on Economic, Social and Cultural Rights – 1999



In this regard, ITFC supported member countries in securing their strategic food reserves, while providing basic food staples at affordable prices, helping the poorest members of society. In 2021, ITFC disbursed US\$810 million to import 2.7 million tonnes of wheat, 142,000 tonnes of rice, 435,000 tonnes of edible oil and 267,000 tonnes of sugar in Egypt, Bangladesh, Maldives, Mali, and Tajikistan, among other countries.

ITFC food financing increased by 67 per cent YoY and benefitted around 28 million households in member countries.

### Food Import – Disbursements (US\$ million)



### Food Import – Main Results



Disbursements (US\$ million)

**810**



Benefitting households

**27,720,000**



Volume of wheat purchased (in tons)

**2,709,493**



Volume of rice purchased (in tons)

**142,000**



Volume of sugar purchased (in tons)

**267,000**



Volume of edible oil purchased (in tons)

**435,000**

## Major food transfer / price stabilisation programmes supported by ITFC in 2021

### BANGLADESH



**Programme:** DG Food / Public Food Distribution System

**Disbursed amount:** US\$26 million

**Output:** 31,031 mt of rice and 53,890 mt of wheat

**Benefitting households:** 2,800,000

### EGYPT



**Programme:** GASC/Baladi Bread Programme

**Disbursed amount:** US\$646 million

**Output:** 2,625,000 ton wheat, 250,000 ton sugar, 428,000 ton oil soya and sunflower

**Benefitting households:** 24,000,000

### TAJIKISTAN



**Programme/Entity:** Agency for State Material Reserve

**Disbursed amount:** US\$30 million

**Output:** 15,603 mt of wheat, 17,391 mt of sugar and 605,000 liters of edible oil

**Benefitting households:** 300,000

### MALI



**Programme/Entity:** National Office for Agricultural Products (OPAM) / State Intervention Stock (SIE)

**Disbursed amount:** US\$5 million

**Output:** 14,000 tonnes of rice, 15,000 tonnes of wheat and 16,000 tonnes of animal feed

**Benefitting households:** 500,000

### COMOROS



**Programme/Entity:** National Office for the Importation and Marketing of Rice (ONICOR)

**Disbursed amount:** US\$29.5 million

**Output:** 97,200 tons of rice

**Benefitting households:** 120,000

## BANGLADESH experience in food-based safety nets helps the country mitigate the impacts of COVID-19

Despite challenges related to a growing population, reduced acreage supply, and climate change, the prevalence of undernourishment in Bangladesh has decreased from 16.6 per cent in 2004 to 9.7 per cent in 2021, showing an encouraging and positive trend towards achieving SDG 2 – Zero Hunger. Yet, the COVID-19 pandemic posed unprecedented challenges, namely responding simultaneously to demand-side shocks triggered by declining income levels and to supply-side shocks caused by disruption in trade, which led FAO and WFP to identify Bangladesh as one of Asia's acute food insecurity hotspots (WFP,2020).

With the onset of the pandemic in early 2020, retail and wholesale prices for rice and Atta (flour) in Dhaka city markets rose 21.8 per cent and 21.3 per cent respectively, with the poor and vulnerable at the receiving end of these price shocks (Ministry of Food, 2021). It should be stressed that, in Bangladesh's poorest communities, food accounts for about 70 per cent of total expenditure, and the main food staple is rice, accounting for more than 70 per cent of daily calorie intake and half the average protein consumption (FAO, 2018).



In response to the COVID-19 crisis, the Government of Bangladesh was able to build upon a long and successful experience in implementing food transfer programmes. Bangladesh has a well-established Public Food Distribution System (PFDS), the origin of which dates back to colonial times when a food distribution system was developed to address the 1943 Bengal famine. Under the PFDS, the government procures rice every year from the domestic market during the harvesting seasons as well as through imports. A small amount is also received under food aid from donors (Ahmed; Islam; and Mujeri; 2021).

The government sells rice during seasons of peak prices and distributes to the poor and food insecure through different safety net channels for free or at subsidised rates. Each channel represents a target social group and eligible households must satisfy certain verifiable, needs-based criteria. Some of the channels include transferring rice to



the poorest under the social safety net (SSN) programmes, selling it at subsidised prices through open market sales (OMS), and providing rice under the food for work (FFW) programme. Thus, the government works to stabilise rice prices and provide the poorest members of society access to food grains (Ahmed; Islam; and Mujeri; 2021).

**During the 2020-21 financial year, the PFDS purchased 1,769,222 mt of rice and 520,183 mt of wheat that were redistributed to around 2.8 million households across the country (Directorate General of Food).** In support to the Governments' efforts, ITFC disbursed USD 26 million for the purchase of 31,031 mt of rice and 53,890 mt of wheat, thus contributing to the food and nutrition security of Bangladesh.



# B

## Building Resilience in the Healthcare Sector to Combat Future Challenges

TARGET 3-D



### IMPROVE EARLY WARNING SYSTEMS TO ADDRESS EMERGING GLOBAL HEALTH RISKS

Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks.

Relatively spared during the first waves of the COVID-19 pandemic, ITFC member countries contended with a significant rise in cases resulting from the Delta variant in 2021.

With slightly more than 25 per cent of the total OIC population being fully vaccinated against COVID-19 by the end of 2021 (SESRIC, 2021), health systems in member countries remain highly vulnerable to the pandemic. More than ever, there was a need to accelerate supply chains for Personal Protective Equipment (PPE) (masks, gloves, disinfectants

etc.) to protect the local population and health workers, as well as specialised medical equipment (beds, ventilators, PCR tests, etc.) and pharmaceutical products destined for clinics, hospitals and mobile laboratories.

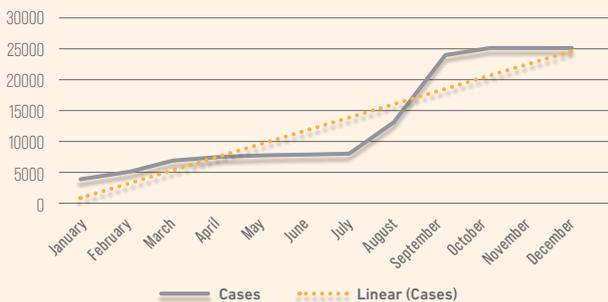
ITFC's support to the health sector was provided through trade financing to enable member countries to purchase PPE, testing and health-related equipment, and pharmaceutical products to strengthen their speed and capacity to respond to the pandemic.



# BENIN mitigates COVID-19 health impact through expanded testing capacity

In the early phase of the pandemic, Benin, like many African countries, lacked adequate COVID-19 testing capacity. In fact, it was so limited that some tests were sent to Senegal, forcing patients to wait up to three days for results. The government swiftly rolled out a plan to consolidate its epidemiological surveillance system, equip itself for adequate screening and protect its frontline health workers.

COVID-19 Situation in Benin

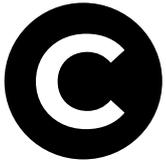


Source: WHO Coronavirus Dashboard

From a single laboratory in the capital city carrying out only 300 tests per day, Benin now has 13 laboratories carrying out around 7,900 tests per week, and has conducted more than 222,000 tests to date (WHO, 2021). The country currently ranks among the 12 countries in the World Health Organisation (WHO) African Region carrying out more than 10 tests per 10,000 people per week. Triage and testing centres have been set up across the country's 77 communes as well as in health facilities, airports and land border crossings. Mobile testing teams also carry out diagnosis in government offices and in private companies, while a hotline provides access to COVID-19 information and assistance. The training of health and emergency medical staff, and the establishment of 80 rapid response teams, also played a key role in the country's response to the pandemic (World Bank, 2021).



ITFC has provided US\$5.9 million to support the COVID-19 emergency health response in Benin. The financing enabled the purchase of medicine, medical equipment and personal protective equipment for the prevention, detection, and management of COVID-19, including 200,000 PCR test kits. The primary beneficiaries were COVID-19 infected people, medical and emergency personnel, medical and testing facilities, and public health agencies engaged in Benin's national COVID-19 response. It is estimated that up to 25,000 patients, 500 health workers, and 13 hospitals (out of the country's 55) benefitted from the financing.



# Ensuring Secure and Resilient Energy Supply in ITFC Member Countries

TARGET 7:1



## UNIVERSAL ACCESS TO MODERN ENERGY

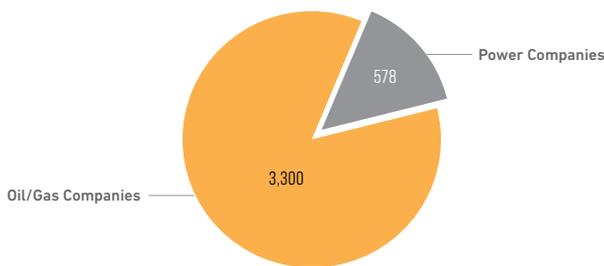
By 2030, ensure universal access to affordable, reliable and modern energy supply.

According to IEA forecasts, worldwide energy demand was set to rebound to pre-pandemic levels in 2021 on the back of increased economic output (IEA, 2021). After declining in 2020, electricity demand was expected to increase by more than 1,000 terawatt-hours (TWh) in 2021 (IEA, 2021). In the transport sector, oil consumption was forecast to rise by around 5.2 million barrels per day (mb/d) in 2021, accounting for a substantial percentage of the 8.7 mb/d decline from the previous year.

A core ITFC goal is to ensure member countries have reliable access to energy supply, safeguarding against power failures or disruptions to critical sectors of the economy.

In 2021, ITFC disbursed US\$3.9 billion in funding to the energy sector, up 41 per cent YoY. Rising demand and higher energy prices were the main reason behind this increase.

### Distribution of Financing by Type of Beneficiaries (US\$ million)

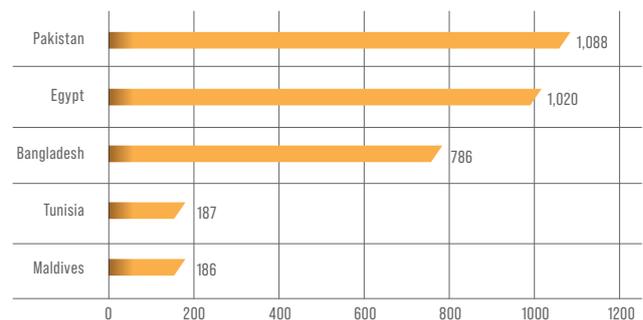


### The financing benefitted two types of clients:

1. National oil and gas companies, with the mandate of ensuring a reliable and uninterrupted supply of petroleum products
2. Power companies using fossil fuels to generate electricity.

In 2020, oil and gas companies accounted for 85 per cent of disbursements in the energy sector. One of ITFC's main comparative advantage is its capacity to leverage large amounts of financing from international markets to fund large-sized syndicated deals and meet member countries' needs. In 2021, 84 per cent of ITFC disbursements in the energy sector were concentrated among five beneficiaries, with Pakistan and Egypt.

### Top Five Beneficiaries (US\$ million, disbursed)



### ITFC Energy Sector Financing in 2021

**US\$ 3,879 MILLION**  
Disbursements

**22%**  
Share of LNG

**29%**  
Share of energy financing allocated to LDMCs

**11 MILLION**  
Number of people provided with access to energy (input/output model)

# Energy diversity enhances the efficiency and reliability of electricity generation in TOGO

In a high-growth region like Sub-Saharan Africa (SSA), energy is critical to building a stable local economy.

Access to electricity in Togo has increased in recent years, but significant work remains to reach SDG7. The national access rate improved from 45% to 51% between 2018 and 2020, placing it slightly above the SSA average access rate of 48%. Energy access in Togo is skewed toward urban areas, with a high access rate of 92 percent, compared to just 20 per cent in rural areas (World Bank, 2021).

Security of supply, reliability, and efficiency are major issues impacting Togo's electricity grid. Unreliable imports and lack of domestic sources of electricity have increased the frequency of power cuts across the country.

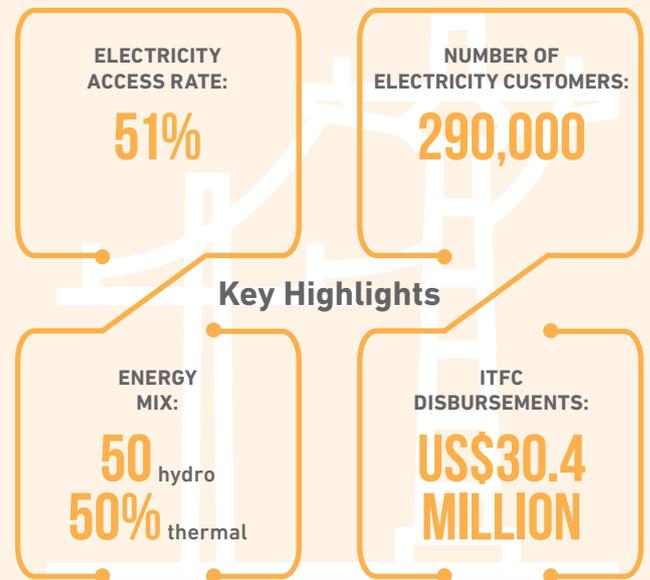
Togo has historically relied on regional initiatives to underpin its electricity supply, such as the West African Power Pool (WAPP) and the West African Gas Pipeline. In 2015, 90 per cent of Togo's electricity was imported from Nigeria and Ghana (World Bank, 2021).

Energy security considerations prompted Togo to develop additional domestic generation capacity. The national power company, Compagnie Energie Electrique du Togo, chose ContourGlobal to build a new gas-fired plant at the site of a defunct oil-fired plant built in the 1990s. The company and the government signed a concession agreement in 2006 and a 25-year power purchase agreement in 2007 (Contour Global, 2021). Today, the country is generating its own electricity with a 100 MW plant using natural gas or heavy fuel oil as main fuel and diesel as backup. This "tri-fuel" approach also allows rapid switching between fuels, providing flexibility in case the primary fuel type ever becomes unavailable. The plant has now been operational

for more than three years with availability higher than 98 per cent (Contour Global, 2021).

In 2021, ITFC, as a leading finance provider to CEET, disbursed US\$30.4 million for the import of 5.5 million british thermal units (mmbtu) of natural gas.

ContourGlobal is now producing enough electricity to support local power demands. The result is a reliable electricity source which helps to ensure the continuity of operations for Togo's small businesses and encourages investment. Going forward, Togo's challenge is to expand power generation in a way that balances cost-efficiency with energy security, through the introduction of solar energy.



# 4

## Inclusive Trade: Making Trade Work for All

Trade is recognised as a major enabler of the 2030 Development Agenda. But for trade to foster growth and sustainable development, it needs to be well regulated and inclusive. Inclusion means focusing on those often left behind. For ITFC, this translates to providing support to SMEs, small-holder farmers, and female-led businesses.

- A** **Boosting financial support for MSMEs in response to the COVID-19 pandemic** (P54)

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- B** **Promoting smallholders' farmers inclusion through contract-farming scheme** (P56)

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- C** **The role of trade in promoting gender equality and empowerment** (P60)





# Boosting Financial Support for MSMEs in Response to the COVID-19 Pandemic

TARGET 9-3



## EXPAND ACCESS TO FINANCIAL SERVICES AND MARKETS

Provide small-scale industrial enterprises located mainly in developing countries access to financial services, including affordable credit, and support their integration into value chains and markets.

Micro-Small and Medium Enterprises (MSMEs) can play a vital role in achieving the Sustainable Development Goals (SDGs) and in driving the post-pandemic economic recovery. MSMEs, both formal and informal, account for 90 per cent of all firms, 60-70 per cent of employment, and 50 per cent of GDP worldwide (ITC, 2020). They form the backbone of most economies, particularly in developing countries.

Yet, MSMEs have been disproportionately impacted by COVID-19 resulting in financial instability, business closures, and job losses. The situation has been especially dire for micro-small enterprises – particularly those led by women, young people, and disadvantaged groups. There are many challenges associated with MSMEs’ recovery and development post-COVID-19 such as a

- i) constrained and unequal access to finance
- ii) limited participation in global trade value chains
- iii) poor financial literacy
- iv) limited digital uptake (UNCTAD, 2020).

To tackle some of these bottlenecks, ITFC supports MSMEs and private firms either through direct trade financing to private sector entities entity (corporate financing) or through line of finance channelled through partner banks, to provide MSMEs with working capital to sustain their activities during economic downturns. But finance alone is not enough. ITFC has developed several capacity building initiatives to ensure that MSMEs have the necessary tools to access finance and compete in international markets.

### ITFC’s supports support MSMEs through:

Line of Finance

Direct Corporate Financing

Capacity Building

## ITFC R2 response to the COVID-19 pandemic

**OBJECTIVE:** The Restore Track (R2) of the ISDB’s Group Strategic Preparedness and Response Programme (SPRP) focuses on medium-term actions through financing trade and MSMEs, to sustain activity in core strategic value chains, and ensure continuity of the necessary supplies, mainly to healthcare and food production sectors and other essential commodities. As part of the R2 phase, ITFC approved 27 operations worth US\$559 million to 18 local and regional banks for the recovery of MSMEs and private sector clients.

NUMBER OF APPROVED OPERATIONS

27

VALUE OF APPROVED OPERATIONS

US\$559 MILLION

BENEFITTING BANKS/FIS

18

DISBURSED AMOUNT

US\$139 MILLION

BENEFITTING MSMEs

320

The corporation’s financing under the R2 initiative will grow in the coming years to support MSMEs and the private sector to help mitigate the impact of the pandemic.

# Helping SMEs adapt and respond to the COVID-19 pandemic in West Africa



The West Africa SME Programme, which launched in Burkina Faso in October 2018, was conceived as an integrated initiative supporting SMEs. Alongside an US\$8 million line of finance provided by ITFC to Coris Bank, the Burkina pilot trained selected SMEs whose applications for financing had previously been rejected. The programme was extended to Senegal and implemented in 2021, amid the COVID-19 pandemic.

## Main results

The capacity building proved useful and timely for SMEs. Around 120 SMEs in both countries received training, and feedback indicated that the programmes delivered by Maison de l'Entreprise in Burkina and Rencontres des Entrepreneurs in Senegal were of high quality and met crucial needs. Training focused on human resources and financial management, communication, marketing and taxation. In Senegal, the implementation of the programme during the early months of the pandemic was particularly timely as it supported SMEs navigating their way through lockdowns and other challenges.

One of the main objectives of the programme is to improve SME access to ITFC's line of finance. In Senegal, around 61 per cent of SMEs successfully obtained a loan. Those who could not obtain the financing reported an absence of collateral or guarantees as the main obstacle.

ITFC also financed a diagnostic study for CORIS Bank which formulated recommendations regarding the bank's SME lending practices.

## What did we learn?

**Homogenous profile of the beneficiaries.** Considerable efforts were made in the identification and selection of the beneficiaries. Yet, when the training modules and individual sessions started, it became clear that the beneficiaries, even with a similar lifespan and turnover, turned out to be very different in terms of maturity, especially at an organisational level. To avoid the complexity that such a situation can create for training support, it is important to ensure a homogeneous profile among benefitting SMEs.

**Building digital skills.** Participating entrepreneurs generally displayed a limited knowledge but also an increased interest in available digital solutions that can be leveraged. An optional module dedicated to digitalisation should be included for future programmes. There is also potential to link SMEs in demand for digital solutions with local start-ups offering solutions meeting these needs.

**Post-financing coaching** is even more important than the support provided to obtain the financing. Indeed, if being granted a loan may present perspectives for any business, it still has to respect and execute its investment plan, as committed, to ensure a successful business project.

	BURKINA PILOT	SENEGAL PILOT
Program Objectives	The programme aims (1) to improve access to Lines of Finance (2) to provide capacity building (3) to offer advisory services to SMEs and financial institutions in West Africa	
Budget	US\$244,000	
Duration	8 months – 2019	8 months - 2021
Partners	MEB, CORIS Bank	OIF, DER, CORIS Bank, RDE
Benefitting SMEs	20	100

## B

# Promoting Smallholder Farmers' Inclusion Through Contract-farming Schemes

**TARGET** 2-3


## DOUBLE THE PRODUCTIVITY AND INCOMES OF SMALL-SCALE FOOD PRODUCERS

By 2030, the strategy aims to double the agricultural productivity and incomes of small-scale food producers, in particular those led by women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.

**TARGET** 17-11


## RAISE THE VOLUME OF EXPORTS FROM DEVELOPING COUNTRIES

Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020.

Small-scale farming is vital to ensuring food security in populations struggling with food shortages and supply disruptions. Economic growth in agriculture is two to three times more effective at reducing poverty and food insecurity than growth in other sectors (IFAD, 2020). The COVID-19 pandemic has had a severe impact on poor rural communities who already faced challenges relating to poor nutrition and limited access to resources and services. At the farming level, disruptions in input supply, labor availability, and extension services will most probably affect production in the coming years. A study from the Food and Agriculture Organisation (FAO) indicated that small-scale producers face mounting challenges accessing inputs – such as seeds and fertilisers - because of rising prices of these inputs, severely reduced household incomes, and lack of availability of these inputs in markets(FAO, 2021).





To tackle these bottlenecks, the participation of small-holder farmers in contract farming schemes with exporters can help build their resilience while ensuring they benefit from agri-food exports (FAO, 2016). The contract farming business model ensures that farmers are able to access their inputs required to produce on credit. The inputs loans allow the exporters to access

and to buy the harvest from the farmers. ITFC is supporting contract farming schemes by providing pre-export finance to state-owned agricultural companies. The financing enables ITFC clients to provide producers with the timely payment of their production, less than one month after collection.

In 2021, ITFC extended US\$250 million towards the agriculture sector. The financing benefitted more than 600,000 farmers in Africa.



**ITFC's support to the agriculture sector is delivered via three main pillars:**

**Pre-export financing**

**Inputs financing**

**Extension of support and advisory services to farmers**

**ITFC pre-export facilities were used for the purchase of:**



**423,500 MT**  
of cotton



**67,309 MT**  
of groundnuts

The production was further processed by ITFC clients and exported to international markets for a total value of **US\$426 million**.

**Key Highlights**

NUMBER OF AGRIBUSINESS CLIENTS

**3**

PRE-EXPORT FINANCE DISBURSED

**US\$250 MILLION**

EXPORT VALUE

**US\$426 MILLION**

BENEFITTING FARMERS

**600,000**

## An innovative contract-farming scheme proves a win-win partnership for SONACOS and groundnut producers in SENEGAL



Senegal's groundnut value chain is of major economic, social and political importance to the country. Most rural Senegalese households grow the crop, and its transport, storage or processing is a key source of non-farming employment in both formal and informal enterprises. Yet, smallholder producers are not receiving a fair share of the commercialisation of the product. Groundnut producers have to fend for themselves to source quality seeds, agricultural inputs and equipment, and finally to harvest and transport their production to the collection points defined unilaterally by the oilers. This presents associated challenges such as reductions imposed by buyers/intermediaries who devalue their product, in addition to late payments.

To tackle these issues, the National Oilseed Marketing Company of Senegal (SONACOS), the country's leading oil mill, last year launched a contract-farming scheme with groundnut producers to secure its supply. Some 800 tonnes of groundnut seeds have been distributed to producers, producer associations, cooperatives and other GIEs across the country. As part of this contract, the farmers will, at the end of their harvest, reimburse the seed and sell the balance of the production to the oil mill. A more attractive price – US\$545 per tonne - was agreed with producers to fend off competition and increase farmers' income.

The contract-farming scheme came timely for SONACOS. In the last decade, the Senegalese government intro-

duced important reforms tackling SONACOS' monopoly by allowing new formal oilseed producers to enter the domestic market, and, more recently, by authorising exports of raw groundnuts. A major destination is China, with whom Senegal signed an agreement for tariff-free access in October 2015 (USDA, 2016). As a consequence, like other oil mills, SONACOS has been increasingly unable to outbid rival buyers (notably Chinese) in rural groundnut markets for domestic use and even for export, with its share of exports declining steadily from nearly 75 per cent in 2010 to less than 5 per cent in 2020.

“

*The liberalisation of the collection and export of groundnut seeds led SONACOS to adapt to the new realities of the market and to develop a strategy to ensure the resilience of its activities. To do this, it was necessary to diversify the types of collection (primary and secondary) and to get closer to the production areas by creating intermediate reception centres (CRI) and developing a fruitful partnership with the producers of these targeted production areas.*

”

*The National Oilseed Marketing Company of Senegal (SONACOS)*



During the 2020/21 growing season, SONACOS collected nearly 67,000 tonnes of peanuts from 15,000 producers, compared with 28,000 tonnes the previous year. The total groundnut production in Senegal amounted to 1.6 Mt in 2020/21. The contract-farming scheme is still in a pilot phase and should gain momentum with the objective of multiplying by ten the number of producers under contract.

According to SONACOS, the programme has shown promising results in boosting farmers' incomes and creating opportunities for young farmers in the country.

"The SONACOS contracting programme, beyond the economic benefits, also had repercussions at a macroeconomic level. As an illustration, in some isolated localities, particularly in the Tambacounda region, it has been observed that there is a resurgence of agricultural activities among young people," SONACOS confirmed in a statement.

"The opportunity to receive seeds on credit has led some producers to recover the land loaned to 'Sunday farmers' residing in the cities. The recovery of this land has allowed these producers to generate more income and to acquire motorcycles that they can use for income-generating activities during the dry season. These additional revenues have thus contributed to settling some of these young people in their lands, thus curbing the desire for rural exodus", adds SONACOS.

### Main benefits for producers:

- Opportunity to sow larger areas with SONACOS seed credit
- Commercial opportunity for producers who sell their crops locally at collection points instead of going far to reach the weekly markets (informal market)
- Attractive price offered by SONACOS
- Certainty of being paid at the right price and the right weight with weighing equipment certified as compliant by the trade services (no risk of deception with rigged weight scales)
- Creation of seasonal jobs for young people (care-taking, handling)
- Possibility for rural women to sell small quantities of post-harvest seeds (seed collection) to generate additional income

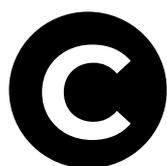
### Main benefits for SONACOS:

- Establishment of a climate of trust with producers through a close relationship
- Better knowledge of the needs and expectations of producers by setting up a new Seed Purchasing and Agricultural Partnership Department within SONACOS
- Opportunity to source better quality seeds and ability to constitute a security stock in a short time to ensure the collection objectives
- Greater ability to overcome volatility and competition in the local market

### SENEGAL TRADE INTEGRATED SOLUTION:

ITFC approved a grant for SONACOS to acquire new laboratory equipment, which will help ensure its groundnut oil meets the highest quality and food safety standards, enabling it to target new international growth markets.





# The Role of Trade in Promoting Gender Equality and Empowerment

**TARGET 5•A**



## EQUAL RIGHTS TO ECONOMIC RESOURCES, PROPERTY OWNERSHIP AND FINANCIAL SERVICES

Implement reforms to provide women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws.

According to the OIC Women and Development Report for 2021, women constitute 49.3 per cent of the total population of IsDB MCs. Yet, their potential contribution to society is often restricted by cultural and political practices that limit their participation and render their needs invisible (OIC, 2021).

Data collected by SESRIC in a survey conducted before the COVID-19 pandemic showed that in the previous decade, certain member countries had recorded improved female literacy rates and reduced maternal mortality along with positive developments in education provision and economic empowerment. However, IsDB MCs as a collective group still rank behind global averages. For example, the unemployment rate of women in the MCs is almost double the global average and women also remained underrepresented in decision-making processes and policy areas (SESRIC, 2019).



The COVID-19 pandemic has had a severe and lasting impact on female employment with 740 million women now in informal employment and in face-to-face services (UN, 2022). The pandemic adversely impacted 64 per cent of female-led businesses, compared to 52 per cent of male-led enterprises. About 42 per cent of female-led companies are micro-enterprises, compared to 22 per cent of male-led companies. Their small size may exacerbate the difficulties female-led businesses face in complying with trade regulations (UN, 2022). Lack of skills training, insufficient market information and social constraints are additional factors hindering women-led businesses from achieving export success (WTO, 2020).

To tackle some of the trade barriers, ITFC has supported the implementation of the ITC She Trades initiative in Morocco and Egypt, which provides female entrepreneurs and women-owned SMEs with a unique network and platform to connect to new international markets. Among other gender-oriented programmes supported by the corporation are the Export Launchpad Bangladesh as well as the 2nd Phase of the Aid for Trade Initiative in Arab States (Aftias 2.0).

# Overview of ITFC's supported projects/programmes with a gender targeting strategy



## EGYPT

**OBJECTIVES:** Increase the participation of female-owned SMEs in export-oriented value chains by enhancing their competitiveness and their capacity to do business in local and regional markets

**COSTS:** US\$350,000

**DURATION:** July 2021 – December 2022

**BENEFICIARIES:** 50 women-owned SMEs and 3 TSIs

**ACHIEVED OUTPUT:** 50 SMEs and 3 Trade Support Institutions (TSIs, business providers) were identified. Diagnostic Study Restitution Workshop of the 50 SMEs was conducted. Four face-to-face training workshops were conducted in 2021 in a bid to boost the skills of female-owned SMEs in promotional environments including trade fairs, marketing tours and other associated events

**PARTNERS:** International Trade Centre, Islamic Development Bank, Ministry of Trade and Industry – Egypt, Export Development Authority



## BANGLADESH (PHASE I)

**OBJECTIVES:** Supporting SME exporters from Bangladesh to diversify exports in terms of non-traditional products and markets to achieve sustainable and inclusive economic growth

**COSTS:** US\$460,000

**DURATION:** October 2019 – March 2021

**BENEFICIARIES:** 25 SMEs and 9 TSIs

**ACHIEVED OUTPUTS:** 32 participants (17 women) from nine Trade Support Institutions (Trainers of Trainers) were trained during July and August 2020. Selected institutions included the Women Entrepreneurs Association of Bangladesh (WEAB) and the Women Entrepreneurs Network Development Association (WEND). Training sessions were provided to 25 SME exporters, including 12 women-owned/led SMEs

**PARTNERS:** Trade Facilitation Office (TFO) Canada, Business Promotion Council – Bangladesh



## MOROCCO

**OBJECTIVES:** Increase the participation of women-owned businesses in trade by improving their competitiveness and strengthening market linkages

**COSTS:** US\$400,000

**DURATION:** January 2020 - December 2022

**BENEFICIARIES:** 25 women-owned SMEs and 4 TSIs

**ACHIEVED OUTPUTS TO DATE:** 25 SMEs and 4 TSIs were identified. Extensive analysis was conducted on each of the SMEs and a restitution workshop was organised in Casablanca in November, where work plans and capacity building activities were presented and discussed

**PARTNERS:** International Trade Centre, Islamic Development Bank, Trade Facilitation Office (TFO) Canada

## AID FOR TRADE INITIATIVE IN ARAB STATES 2.0



**OBJECTIVES:** Enhance the environment for international trade in the Arab region by making it more efficient and inclusive, thereby creating opportunities for employment and contributing to sustainable development

**COSTS:** US\$15.5 million

**DURATION:** 2021 - 2026

**BENEFICIARIES:** Women are targeted through a dedicated Inclusivity Support Facility

**ACHIEVED OUTPUTS:** Implementation phase started in 2021. First projects set for approval in 2022

**PARTNERS:** IsDB, League of Arab States, Arab Organisation for Agricultural Development, Governments of Egypt, KSA, Algeria, Mauritania

# 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.



"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.





# 5

## Sustainable Trade: Driving a Sustainable Trade Agenda

For ITFC, promoting a sustainable trade agenda means focusing on two dimensions of sustainability: strengthening supply chains through regional integration; and boosting environmental compliance by promoting green and paperless trade. Leveraging digital solutions is crucial as we aim to achieve both goals.

**A** Trade Integration: Boosting regional supply chains for the benefit of OIC countries (P66)

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**B** Financial Integration: Digital currencies and their potential to fill trade finance gaps (P70)

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**C** Capitalising on green growth opportunities (P72)



CBDC

coin how money so cryptos

الاجتماع الأول لمجلس إدارة برنامج الأفتياس 2.0  
المرحلة الثانية من برنامج مبادرة المساعدة  
من أجل التجارة للدول العربية (أفتياس 2.0)

27 - 28 أكتوبر 2021

جدة - المملكة العربية السعودية



INVOICE



# Trade Integration: Boosting Regional Supply Chains for the Benefit of OIC Countries

Despite its tremendous natural resources, Africa accounts for just 3 per cent of global trade. And it is worth noting that North Africa, with only five countries, accounts for about a third of all African trade. The share of intra-regional trade in Africa is below 20 per cent, compared to more than 60 per cent in Europe and 40 per cent in America (UNCTAD, 2021). For Africa to get its fair share of international trade, African countries must diversify their economies and begin trading more with each other.

In this regard, the African Continental Free Trade Area (AfCFTA), which aims to increase regional trade, lower trade costs and streamline border procedures, constitutes a significant opportunity for African countries to competitively integrate into the global economy, reduce poverty, and promote inclusion. The World Bank (2021) estimates that, by 2035, the implementation of AfCFTA will contribute to boosting Africa's income by US\$450 billion and to lifting an additional 30 million people out of extreme poverty.

ITFC has developed a dedicated AfCFTA Initiative, in close coordination with IsDB, the AU and the UNECA, with the focus on supporting (1) the AfCFTA Secretariat, (2) the AfCFTA Operational Instruments, (3) the development of National Strategies and (4) connectivity and infrastructure across Africa.



Achieving the gains from AfCFTA is especially important since the COVID-19 pandemic has caused major disruptions to trade across the continent, including in critical goods such as medical supplies and food. The pandemic has further shed light on the importance of achieving robust and resilient regional supply chains. Among the 27 OIC countries in Africa, 18 countries have already started trading under AfCFTA, reflecting their ambitions to foster regional integration.



## Economic implications of AfCFTA for selected OIC countries

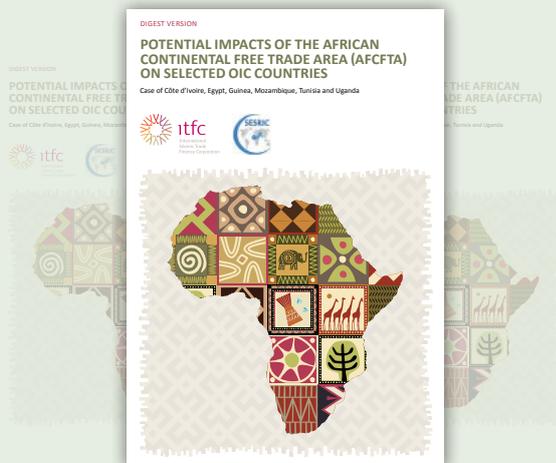
In July 2021, ITFC and the SESRIC launched a technical report investigating the potential impacts of the African Continental Free Trade Area (AfCFTA) on selected OIC countries, namely Côte d'Ivoire, Egypt, Guinea, Mozambique, Tunisia and Uganda.

### Purpose of the study

By specifically focusing on these six OIC countries, the study aims to assess the extent to which African OIC countries will be affected from the elimination of tariff barriers. Considering the significant effects expected on the economic and commercial linkages among African countries following the AfCFTA, this study presents an estimation of the potential impacts on the selected OIC countries. In particular, it provides simulation results on the possible changes in output, trade and welfare at aggregated and sectoral levels. The report also aims to provide some policy directions towards better leveraging the agreement based on the projected outcomes.

### Main findings

**Trade liberalisation following the AfCFTA will boost trade among African countries and create important welfare gains**



Creating One African Market

On aggregate, the total volume of trade between the six OIC countries is expected to grow by 30 per cent with other African countries, but decline by 3.1 per cent with the rest of the world. On the other hand, intra-African trade is expected to grow by 19.9 per cent at continental level, while trade with the rest of the world is expected to fall by 1.2 per cent overall.

In terms of industry sectors set to benefit from the agreement, the report predicted exports in leather products made in **Côte d'Ivoire would rise by 157 per cent**, while **motor vehicles and parts made in Egypt would rise by 24 per cent**. Other significant increases in export volumes would be reported in **refining and petrochemicals in Guinea (+45 per cent)**; **machinery and equipment in Mozambique (+13 per cent)**; **paper and wood products in Tunisia (+40 per cent)**; and **'other manufacturing' in Uganda (+56 per cent)**.

Driven by the change in production and trade structure, demand for labour is expected to shift significantly across major economic sectors.

Although there is a total welfare gain from trade liberalisation, certain sectors, firms and workers will be negatively affected, requiring government interventions to alleviate the short- and medium-term negative impacts. The cost of adjustment may be particularly high for unskilled labour and SMEs with limited competitiveness.



## The Intra-African Trade Fair: Building bridges for a successful AfCFTA

The Intra-African Trade Fair provides a platform for sharing trade, investment and market information and enabling buyers and sellers, investors and government bodies to meet and negotiate new business deals. The 2nd Intra-African Trade Fair (IATF2021),

organised by the African Union, African Export-Import Bank and the host country took place in Durban, KwaZulu Natal from the 15th to 21st of November 2021. ITFC was a key sponsor and active participant of the event.

### IATF in numbers

**7 HEADS OF STATES**  
attended the opening ceremony



**31,400 ATTENDEES**  
(11,828 people attended in person and 19,556 participated virtually via IATF virtual platform)

**1,116 EXHIBITORS**  
from 69 countries, of which 46 came from Africa

The event generated **US\$42.1 BILLION** in new business, exceeding the \$32 billion mark set at IATF2018 in Cairo, Egypt

**4 COUNTRY DAYS** were organised promoting South Africa, Egypt, Cote D'ivoire and Nigeria respectively

## Boosting Egyptian exporters' access to African markets



In 2021, the Market Access Requirements Programme for African Markets was launched as part of the Arab Africa Trade Bridges (AATB) Programme in partnership with the Export Development Authority (EDA) and under the Patronage of H.E Nevine Gamea, the Minister of Trade and Industry of Egypt. The programme aims to boost Egyptian exports of chemicals, medical and

pharmaceutical products, engineering, printing and packaging items to African markets. Three workshops held for exporting companies in Cairo (20 December 2020, and 6 June 2021) and Damietta (8 March 2021) aimed to facilitate knowledge transfer on the technical requirements, export planning and guidance services required to effectively access African markets.

## Improving standards of healthcare provision in Africa

With Africa importing almost 95 per cent of its medicines, timely access to appropriate and affordable medicines, vaccines and other health services remains a major challenge. Local production of quality-assured, affordable medicines is therefore critical but due to a lack of uniform standards, Africa continues to be plagued by the production of poor quality and counterfeit medical products. Now more than ever, increased regulation in healthcare standards in Africa is critical.

The African Export-Import Bank (Afreximbank) and ITFC under the umbrella of the Arab-Africa Trade Bridges Programme (AATB), have partnered with the African Organisation for Standardisation (ARSO), to launch a new initiative called the Harmonisation of Standards for Pharmaceutical and Medical Devices in Africa, aimed at promoting the quality, safety and trade of pharmaceutical and medicinal products and medical devices imported or produced on the continent. The project is comprised of two components to be achieved with a total budget of **US\$1.22 million**.



### Performance to date

After successfully implementing phase 1 of the programme in 2020, the second phase has been initiated and involves the analysis of existing international, regional and national standards for their suitability to be adopted as African standards.

In the initial phase of the programme, the technical committee successfully harmonised 120 standards within a period of six months, as stipulated in the African Standards Harmonisation Model (ASHAM).

The committee has subsequently identified 228 standards to be harmonised in 2022. A report detailing the progress to date was presented at the end of 2021 to assess the benefits.



## B

# Financial Integration: Digital Currencies and their Potential to Fill Trade Finance Gaps

The emergence of digital currencies, both private and official, is broadening the perspective of international finance. New technologies spawned by the cryptocurrency revolution are making cheaper and practically instanta-

neous payment and settlement of transactions feasible. They have the potential to make cross-border payments more efficient and help address the US\$1.7 trillion global trade financing gap.

## According to the World Economic Forum (2022), digital currencies can change global trade in three ways:

- **By increasing efficiency for cross-border payments:** the speed of settlement for cross-border payments varies from the same business day to five business days. Human interaction is often required in the process of verifying the sender and recipient's information. For digital currencies that rely on decentralised ledgers, money could be sent and received within seconds and around the clock.
- **By providing alternative credit information for trade finance:** there's a US\$1.7 trillion global trade financing gap, which heavily impacts SMEs that typically don't have established financial records with banks. Public ledgers of digital currencies could be used to share payments and financial history to underwrite loans for import and export.
- **By alleviating the issues of de-risking:** while digital currencies do not help reduce the risks of AML and CTF, they could provide alternative payment methods to allow consumers and merchants from countries perceived to be high risk to be reconnected with international buyers and sellers.

Source: World Economic Forum, 3 ways digital currencies could change global trade, January 2022



## ITFC and the Central Bank of West African States (BCEAO) explore the potential impact of digital currencies on inter-regional trade



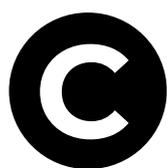
In collaboration with the Central Bank of West African States (BCEAO), ITFC organised a virtual workshop in February 2021 focusing on trends and developments in Central Bank Digital Currencies (CBDCs) and their potential impact on boosting inter-regional trade between West African countries and international markets. CBDCs are digital tokens, similar to cryptocurrency, issued by a central bank. They are pegged to the value of that country's fiat currency. The workshop highlighted the growing interest of Central Banks in digital currencies across the globe and was aimed at exploring how BCEAO can integrate CBDCs into its operations.

Speakers included Matthieu Saint Olive of ConsenSys; David Wray and Willy Lim of R3; Harold Bosse, Sébastien Le Callonnec, Kamran Shahin and Arn Vogels of MasterCard; Pascal Ordonneau, former CEO of HSBC Invoice Financing; and Erin English and Catherine Gu of Visa.

The experts addressed key trends in the integration of CBDC into mainstream finance, exploring a range of themes and topics including policy, security, legal and regulatory considerations. They also discussed the impact of digital currencies on the global bank-

ing system and the role of commercial banks, impact on FX reserves and public awareness. The panel also highlighted the potential benefits of digital currencies, which include greater financial inclusion, integrity and stability, operational efficiency, and monetary policy effectiveness.





# Capitalising on Green Growth Opportunities

The global development agenda is at a pivotal turning point. SDGs have set new development aspirations, and the Paris Climate Agreement has raised ambitions for addressing climate change. However, the impacts of climate change are arising faster than anticipated. Today, there is international consensus on the urgent need to ensure that policy engagements and financial flows are consistent with a pathway towards lowering greenhouse gas (GHG) emissions and focusing on climate-resilient development.

**According to the OECD (2020), to deliver global climate goals we must leverage trade to:**

- 1 Reduce the cost of sustainable goods, services, and technologies, and speed their uptake around the world.
- 2 Increase the efficiency of production through specialisation.
- 3 Boost economic growth, development, and social welfare, which can increase capacity to manage the environment more effectively.
- 4 Support developing countries to mitigate, adapt, and build greater resilience to climate-related shocks.



## ITFC and the path towards decarbonisation

It is time to take bold action and embrace green growth opportunities. Momentum is building and ITFC is keen to be part of the movement for climate action. By focusing on downstream activities, ITFC business may be less exposed to environmental risks. Yet, international trade still accounts for some 80 per cent of the world's carbon emissions.

**SETTING A STRATEGIC DIRECTION.** In the short term, ITFC will define its strategic direction on climate change and set targets and commitments in relation to climate change mitigation and adaptation. A new sustainability policy with its supporting metrics and operational guidelines will be adopted and the corporation will align its practices with the best standards in the industry.

**MOBILISING THE PRIVATE SECTOR FOR SUSTAINABLE TRADE FINANCING.** Although MDBs play an important role, they cannot meet the finance gap for climate finance. To respond to the present and future climate risks we need to significantly increase the scale of adaptation finance, from all sources including the private sector. ITFC is a catalyst for trade development among member countries, and out of every five dollars we approve, four are mobilised from external partners. Going forward we need to develop innovative ways and approaches of mobilising sustainable finance, such as green trade finance, which exclusively funds environmentally sustainable trade activities.

**PROMOTING DIGITALISATION AND PAPERLESS TRADE.** We are now in an era of disruptive technologies and trade finance is in a transformative period that was accelerated by the COVID-19 pandemic. Green trade finance is an essential part of green financing, and this makes it all the more important – and urgent – to lift it to a new level with the introduction of new technologies. Digitalisation can make trade processes easier, more efficient and effective. ITFC is partnering with digital solutions providers to support digitalisation in trade finance and paperless trade among our clients.

**ENSURING CLIENTS COMPLY WITH NEW ENVIRONMENTAL STANDARDS.** As a leading finance provider, it is important to ensure that our clients comply with new and emerging environmental standards. ITFC is currently exploring possible approaches to incorporate environmental risks into financing decisions and scale up capacities at client level when required. A better understanding of those risks and their potential reputational, credit and regulatory impact will help leverage ITFC role in financing sustainable trade and encouraging sustainable practices, as well as assisting our clients in their implementation of internal sustainability policies and standards.

**LEVERAGING COPs STAGED IN MEMBER COUNTRIES TO CONNECT CLIMATE ACTION TO BROADER ECONOMIC AND SOCIAL PRIORITIES.** The 27th and 28th sessions of the Conference of the Parties (COPs), which will be staged in the Arab Republic of Egypt and United Arab Emirates respectively, will provide unique platforms for policy dialogue. ITFC will leverage these opportunities to promote the role of inclusive and sustainable trade in supporting the climate agenda.

# Promoting Paperless Solutions for Efficient Trade

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



**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.



**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.

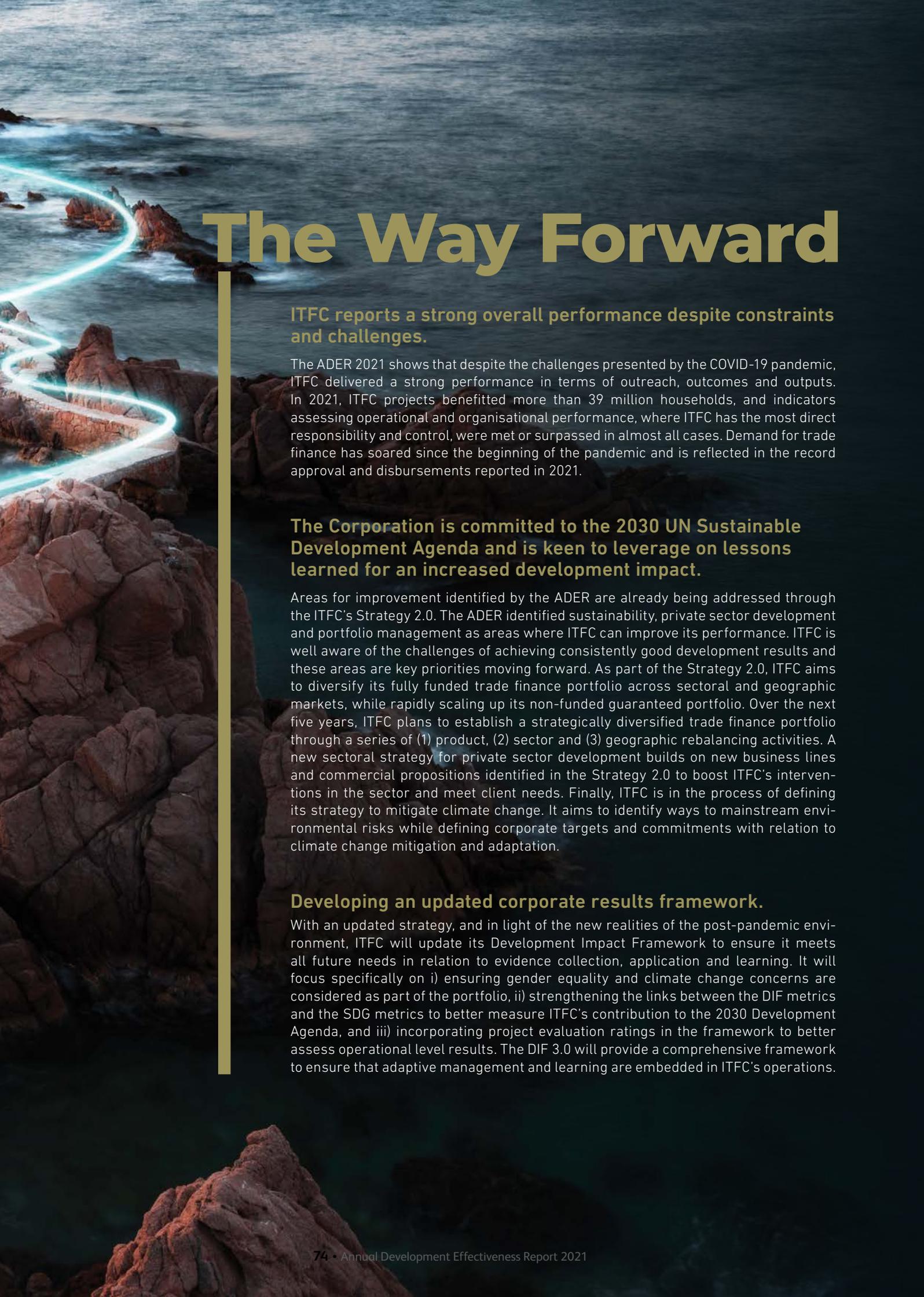
**Beneficiaries:** In January 2021, Bangladeshi bank City Bank partnered with ITFC to execute its first ever cross-border, shariah-compliant blockchain-based letter of credit (LC) transaction on Contour's platform. ITFC acted as the advising and financing bank on the deal, which saw an LC issued on behalf 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**  
 ”





# The Way Forward

## **ITFC reports a strong overall performance despite constraints and challenges.**

The ADER 2021 shows that despite the challenges presented by the COVID-19 pandemic, ITFC delivered a strong performance in terms of outreach, outcomes and outputs. In 2021, ITFC projects benefitted more than 39 million households, and indicators assessing operational and organisational performance, where ITFC has the most direct responsibility and control, were met or surpassed in almost all cases. Demand for trade finance has soared since the beginning of the pandemic and is reflected in the record approval and disbursements reported in 2021.

## **The Corporation is committed to the 2030 UN Sustainable Development Agenda and is keen to leverage on lessons learned for an increased development impact.**

Areas for improvement identified by the ADER are already being addressed through the ITFC's Strategy 2.0. The ADER identified sustainability, private sector development and portfolio management as areas where ITFC can improve its performance. ITFC is well aware of the challenges of achieving consistently good development results and these areas are key priorities moving forward. As part of the Strategy 2.0, ITFC aims to diversify its fully funded trade finance portfolio across sectoral and geographic markets, while rapidly scaling up its non-funded guaranteed portfolio. Over the next five years, ITFC plans to establish a strategically diversified trade finance portfolio through a series of (1) product, (2) sector and (3) geographic rebalancing activities. A new sectoral strategy for private sector development builds on new business lines and commercial propositions identified in the Strategy 2.0 to boost ITFC's interventions in the sector and meet client needs. Finally, ITFC is in the process of defining its strategy to mitigate climate change. It aims to identify ways to mainstream environmental risks while defining corporate targets and commitments with relation to climate change mitigation and adaptation.

## **Developing an updated corporate results framework.**

With an updated strategy, and in light of the new realities of the post-pandemic environment, ITFC will update its Development Impact Framework to ensure it meets all future needs in relation to evidence collection, application and learning. It will focus specifically on i) ensuring gender equality and climate change concerns are considered as part of the portfolio, ii) strengthening the links between the DIF metrics and the SDG metrics to better measure ITFC's contribution to the 2030 Development Agenda, and iii) incorporating project evaluation ratings in the framework to better assess operational level results. The DIF 3.0 will provide a comprehensive framework to ensure that adaptive management and learning are embedded in ITFC's operations.

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