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<tr>
<th>Abbreviation</th>
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<tbody>
<tr>
<td>AAB</td>
<td>Asia Alliance Bank</td>
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<tr>
<td>AATB</td>
<td>Arab Africa Trade Bridge Program</td>
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<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>ADER</td>
<td>Annual Development Effectiveness Report</td>
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<tr>
<td>AfCFTA</td>
<td>African Continental Free Trade Area</td>
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<td>AfDB</td>
<td>African Development Bank</td>
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<tr>
<td>AFTIAS</td>
<td>Aid for Trade Initiative for the Arab States</td>
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<td>CFFTP</td>
<td>Coffee Farmers Field Training Program</td>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<tr>
<td>COMCEC</td>
<td>Committee for Economic and Commercial Cooperation of the Organization of the Islamic Cooperation</td>
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<tr>
<td>DIF</td>
<td>Development Impact Framework</td>
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<td>EIF</td>
<td>Enhanced Integrated Framework</td>
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<td>FAO</td>
<td>Food and Agriculture Organization</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<tr>
<td>GASC</td>
<td>General Authority For Supply Commodities</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GHI</td>
<td>Global Hunger Index</td>
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<tr>
<td>GNI</td>
<td>Gross National Income</td>
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<tr>
<td>HDI</td>
<td>Human Development Index</td>
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<tr>
<td>IATF</td>
<td>Intra-African Trade Fair</td>
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<tr>
<td>ICC</td>
<td>International Chamber of Commerce</td>
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<tr>
<td>IE</td>
<td>Instituto de Empresas</td>
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<tr>
<td>IMF</td>
<td>International Monetray Fund</td>
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<td>IsDB</td>
<td>Islamic Development Bank</td>
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<td>ITC</td>
<td>International Trade Center</td>
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<tr>
<td>ITFC</td>
<td>International Islamic Trade Finance Corporation</td>
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<tr>
<td>LDCs</td>
<td>Least Developed Countries</td>
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<tr>
<td>LDMCs</td>
<td>Least Developed member countries</td>
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<tr>
<td>LNG</td>
<td>Liquefied Petroleum Gas</td>
</tr>
<tr>
<td>MCs</td>
<td>member countries</td>
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<tr>
<td>MENA</td>
<td>Middle East and North Africa</td>
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<tr>
<td>MoU</td>
<td>Memorandum of Understanding</td>
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<tr>
<td>mtpa</td>
<td>Metric Ton Per Annum</td>
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<tr>
<td>NFSPMC</td>
<td>National Food Security, Processing and Marketing Corporation</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
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<tr>
<td>OIC</td>
<td>Organisation of Islamic Cooperation</td>
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<tr>
<td>OPAM</td>
<td>Office des Produits Agricoles du Mali</td>
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<tr>
<td>ONICOR</td>
<td>Office National pour l’Importation et la Commercialisation de riz</td>
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<tr>
<td>PLL</td>
<td>Pakistan LNG Limited</td>
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<tr>
<td>PPB</td>
<td>Parts Per Billion</td>
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<tr>
<td>P5P</td>
<td>IsDB President Five Year Program</td>
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<td>RO</td>
<td>Regional Offices</td>
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<td>SDGs</td>
<td>Sustainable Development Goals</td>
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<td>SMEs</td>
<td>Small and Medium-sized Enterprises</td>
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<tr>
<td>SODECOTON</td>
<td>Société de Développement du Coton du Cameroun</td>
</tr>
<tr>
<td>SOFITEX</td>
<td>Société Burkinafé des Fibres Textiles</td>
</tr>
<tr>
<td>STI</td>
<td>Science, Technology and Innovation</td>
</tr>
<tr>
<td>UAE</td>
<td>United Arab Emirates</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<tr>
<td>WHO</td>
<td>World Health Organization</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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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 socioeconomic conditions of the people across the world. Commencing operations in January 2008 (Muharram 1429H), ITFC has since consolidated all trade finance businesses that used to be handled by various windows within the IsDB Group. Earning the A1 rating by Moody’s is a reflection of the Corporation’s creditworthiness and financial strength to responding swiftly to customer needs in a market-driven business environment.

Since 2008, ITFC has provided more than US$51 billion to OIC member countries, making it the leading provider of trade solutions for the member countries’ needs. With a mission to become a catalyst for trade development for OIC member countries and beyond, the Corporation helps entities in member countries gain better access to trade finance and provides them with the necessary trade-related capacity-building tools, which would enable them to successfully compete in the global market.

VISION

ITFC is the leading provider of trade solutions for OIC member countries’ needs

MISSION

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

WHERE WE OPERATE

57 member countries
I am pleased to present the 2019 edition of the International Islamic Trade Finance Corporation (ITFC) Annual Development Effectiveness Report (ADER) highlighting ITFC key contributions to achieving developmental results in our member countries.

With only 10 years left to achieve the Sustainable Development Goals (SDGs), there is a need to shift away from conventional development approaches. We need to move from aid to empowerment by creating a conducive environment to foster social and economic development in our member countries. Financing is only one aspect of a holistic approach that should also include capacity development, institution building, and investment climate improvement.

The Islamic Development Bank’s (IsDB) new business model promotes structural and economic transformation of member countries through leveraging Science, Technology and Innovation, and Global Value Chains. Under the IsDB President’s 5-Year Programme (PSP), the focus is on high-quality results, promoting accountability, and providing comprehensive solutions to our member countries. I am glad to see ITFC embracing this model with its ten-year strategy centered around Integrated Trade Solutions, covering both Trade Finance and Trade Development components.

Despite several economic challenges, the ITFC approvals and disbursements in 2019 reached new heights with US$5.8 billion and US$5 billion, respectively. By allocating 36% of its financing to Least Developed Countries, ITFC is demonstrating a commitment to close the trade finance gap in underdeveloped markets. This further underlines ITFC’s comparative advantage when it comes to mobilizing resources for the 2030 development agenda.

The 2019 Report assesses ITFC’s role in advancing trade and improving people’s lives, as outlined in the SDGs. Over the recent years, ITFC has substantially increased its capacity to bring about development results and this year’s Report captures the meaningful impact of ITFC operations on enhancing food security, increasing the competitiveness of small and medium enterprises and securing the energy supply in member countries.

In 2019, ITFC disbursed US$755 million to the food and agriculture sector. The Report highlights ITFC’s contribution to improving the livelihoods of smallholder farmers, by increasing the volume and quality of their production, hence enhancing their access to markets and reducing rural poverty.

Investments in agriculture are impactful, provided they adopt a value-chain approach, by enhancing productivity, promoting agro-processing and improving access to markets. If we are to achieve the ambitious targets of SDG 2: Zero Hunger, we need to combine our efforts and bolster partnerships with stakeholders, including the private sector.
I am honoured to introduce you to the fourth edition of ITFC’s Annual Development Effectiveness Report. Over the year, ITFC has made significant progress in the implementation of its ten-year strategy and contributed substantially in the global efforts to achieve the 2030 development agenda. The ADER highlights the valuable role played by ITFC in achieving development results and its contribution to the IsDB President Five Year Program (P5P).

Scaling up Finance for SDGs in the Decade of Action
As we enter in the final decade, the international community is called to step up its efforts to deliver the Sustainable Development Goals. The financing gap remains a key obstacle on the road to the SDGs and it will require an alliance of diverse stakeholders – public and private, government and non-government – to bridge the gap. Building from its mandate, ITFC acts as a catalyst in mobilizing resources to fund member countries’ needs.

In 2019, ITFC approved US$5.8 billion of trade financing, a 12% increase from the previous year, and disbursed a record US$5 billion. Out of every five dollars approved by ITFC, four were mobilized from partner banks and financial institutions. As additionality is the driver of our engagement, ITFC commitments towards least developed member countries reached US$ 2.1 billion, representing 36% of the total portfolio, and over US$3.9 billion was extended to support Intra-OIC trade. ITFC efforts to scale up financing for member countries will be further consolidated by the development of two financial products in 2019, namely: LC confirmation and Salam. Both products will contribute to extend financing to the under-served, such as SMEs and smallholders farmers.

Enhancing Smallholders’ Livelihoods and Food Security
This edition of the ADER places a particular emphasis on ITFC’s engagement in the Global Agri-Food Value chains. Achieving SDG 2, Zero Hunger, will be challenging considering population growth, climate change and the numerous challenges faced by the agriculture sector in OIC countries and related, among others, to soil fertility, access to inputs, low mechanization, value-addition, and access to markets. Over the years, ITFC has focused on incorporating local producers in the global value chains, by improving their access to knowledge and inputs, assisting them in meeting increasingly stringent international standards, and providing them with timely payment of their production. In 2019, US$ 290 million worth of income was redistributed to cotton and groundnuts producers in West Africa. ITFC, also, successfully trained coffee producers to cultivate organic coffee and scaled-up the fight against aflatoxin.
which affects the health and competitiveness of groundnuts producers. These efforts have been key to enhancing about 500,000 smallholders’ incomes and reducing rural poverty.

In helping our member countries to increase their domestic agricultural production, ITFC intends to contribute to their food security. Yet, the import of agricultural commodities still remains crucial to meet increasing demand in OIC countries. ITFC supports member countries efforts to secure their supply of staple foods and to keep them at an affordable price for all. In 2019, ITFC financed the import of over 1.3 million tonnes of wheat and 260 thousand tonnes of rice, among other basic commodities, benefitting millions of households across member countries.

Supporting Member countries’ Economic Growth

Food and Agriculture is not the only strategic sector impacted by ITFC operations. The energy sector still accounted for over two thirds of ITFC total financing, and US$4.4 billion were approved in 2019 to ensure the sustainable supply of energy inputs in member countries. Imports of fossil fuels through ITFC financing, which included 1.5 million metric tonnes of LNG, supported vital sectors to our member countries’ economies, such as power, transportation, construction, and agriculture. In 2019, an estimated 13 million people in OIC countries were provided with access to electricity as a result of ITFC financing.

Small and Medium-Sized Enterprises (SMEs) play a crucial role in job creation, poverty alleviation and economic growth. In 2019, ITFC’s overall private sector approvals reached US$821 million and disbursements benefitted an estimated 120 corporations, mostly SMEs, employing around 45,000 persons.

As part of its integrated approach to enhance SME access to trade finance, ITFC successfully completed the first pilot of the West Africa SME Program and extended the program in the region. In addition, over 300 persons were trained among partner banks and financial institutions to promote and spread Islamic Trade Finance in member countries.

ITFC, a Results-driven Institution

ITFC strives to achieve measurable development results and to foster institutional learning and accountability by aligning its process and methods with best practices. The Development Impact Framework (DIF) was enhanced in 2019 by introducing thematic indicators capturing climate mitigation/adaptation, and inclusivity (women, youth, and farmers). ITFC’s end-to-end process for monitoring and evaluation ensures that development considerations and alignment with the SDGs are present at all stages of the operation cycle. In 2019, the DIF model was used to score and assess 42 operations for their expected development impact and operation performance evaluations were conducted for a sample of operations to measure actual development results. 

This year ITFC became a member of the DFI’s Working Group to harmonize private sector operations (HIPSO) and joined the Global Impact Investing Network (GIIN), the largest global network of impact investors. These adhesions will consolidate ITFC position in the growing landscape for impact investing.

Last but not least, ITFC has committed to becoming a performance-driven organization through culture and people. Staff members are the main asset of the ITFC. They drive innovation and promote the Corporations’ values and deliver its mandate. The 2019 Innovation Season triggered innovative ideas from staff to keep ITFC on track with the latest development trends and best practices. I seize this opportunity to thank ITFC employees for their dedication in delivering results. My gratitude is extended to our esteemed partners and stakeholders. Working together, in unison with our partners, we will achieve a better future for all.

Eng. Hani Salem Sonbol, Chief Executive Officer, ITFC

Over the years, ITFC has focused on incorporating local producers in global value chains, by improving their access to knowledge and inputs, assisting them in meeting increasingly stringent international standards, and providing them with timely payment of their production
EXECUTIVE SUMMARY

CHAPTER 1

Investing for Impact

The first chapter introduce ITFC’s efforts to position itself as a leading player in the field of impact investing. The ITFC ten-year plan emphasizes its additionality and focuses on finding a balance between achieving meaningful development impact without undermining the financial sustainability. ITFC became this year a member of the DFI’s Working Group to harmonize private sector operations (HIPSO) and joined the Global Impact Investing Network (GIIN), the largest global network of impact investors. Since 2016, ITFC has aligned its processes and methods with best practices to ensure that the SDGs and development impact considerations are integrated into all phases of the operation life cycle.

In 2019, ITFC reconfigured the measurement system of its Development Impact Framework by increasing the overall granularity of the framework, allowing to identify development impact on a more detailed level. The additional measures include climate mitigation/adaptation, and inclusiveness (underserved - women, youth, and farmers) indicators. A sample of operations were post-evaluated to generate evidence on results and promote an evaluation-based learning in ITFC.

CHAPTER 2

Setting the Context

In 2019, ITFC navigated through a challenging global economic context. The global trade growth for 2019 was constrained by rising trade tensions and a sluggish global economy. In addition, the price of key commodities – fossil fuels and agricultural – were also on a downward trend due to a decreasing global demand. Despite the global context, ITFC approved US$5.8 billion of trade finance and disbursed a record US$5 billion over the year.

Intra-OIC trade value and share have shown a remarkable ascending trend since 2007 and the OIC member countries are on track to achieve the 25% threshold of intra-OIC trade targeted by the New Ten-Year Plan of Action OIC-2025. About 28 countries reached the target and the share of intra-OIC trade in the total trade of member states went from 18.7 percent in 2016 to 21.2 percent in 2018. In 2019, ITFC extended US$ 3.9 billion of financing to support Intra-OIC trade.

There was further good news regarding the integration of OIC member countries as the operational phase of the African Continental Free Trade Agreement entered into force on 30 May 2019 for the countries that had deposited their instruments of ratification. The AfCFTA gathers all 55 member states of the African Union, out of which 27 are OIC member countries, and aims at creating a single continental market for goods and services, with free movement of business, persons and investments. ITFC is called to play a major role in scaling up financing to meet the expected increase in intra-Africa trade. The Arab Africa Trade Bridges (AATB) Program, a flagship program developed by ITFC, will also contribute to foster business opportunities and promote exports of both Arab and Africa regions.
CHAPTER 3

ITFC Contribution to Development Results

This edition of the ADER places a special emphasis on the contribution of ITFC to Global Agri-Food Chains. The selection of this theme is driven by the rising importance of Global Value Chains in the development agenda, particularly in IsDB, and the role they play in reducing rural poverty and ensuring food security of member countries. The theme is also timely considering the slow progress in meeting the SDG 2 targets and the high level of food insecurity in 23 member countries.

Outside food and agriculture, ITFC further strengthened its support to the energy sector by disbursing US$ 3.7 billion for the import of energy inputs. The financing benefit different sectors such as transportation, construction and agriculture and contributed to provide electricity to an estimated 13 million people in member countries.

For the development of the private sector, ITFC disbursed US$ 367.9 million to enhance SMEs’ access to trade finance. A trade finance facility for SMEs is only impactful and sustainable if it creates an enabling environment through capacity building at both the client and the SME levels. In 2019, the West Africa SME Program provided capacity building to SMEs and resulted in over US$ 1 million in additional financing granted for SMEs that underwent the program. Also, ITFC trained over 300 staff from partner financial institutions to spread and promote Islamic Trade Finance within member countries.

CHAPTER 4

Enhancing Effectiveness and Efficiency of ITFC Operations

ITFC’s total trade finance approvals increased by 12% from US$5.2 billion in 2018 to US$5.84 billion in 2019. The financing was channelled through 84 operations and benefited 25 countries. In 2019, ITFC mobilized US$4.6 billion from Syndicate Partners in the market and other external sources. The mobilized funds represented 79% of the total trade financing provided by ITFC this year.

ITFCs disbursements also reached new heights, increasing by 8.7% from US$4.6 billion in 2018 to US$5 billion in 2019, representing 86% of total approvals. The geographical distribution of ITFC disbursements in 2019 showed a broadly balanced repartition between the two main regions in which ITFC operates, Asia and Africa, with respectively 52% and 48%.

As additionality is at the core of its strategy, ITFC allocated US$2.1 billion to LDMCs, representing 36% of ITFC total financing in 2019, compared to 32% in the previous year. Also, 70% of ITFC’s financing was oriented towards countries ranked in low and medium human development categories, reflecting ITFC’s continued commitment towards serving first those who are furthest behind.

In 2019, ITFC signed framework agreements with nine countries for commitments worth US$4.8 billion. ITFC also mobilized US$1.2 million through grants for trade development interventions in agriculture, financial institutions, capacity building and trade promotion.
ITFC’S CONTRIBUTION TO THE SDGs

FROM THEORY

**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.

**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 supports farmers’ incomes by providing pre-export financing in the agriculture sector and supports member countries’ food security by financing the import of essential commodities.

**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.

**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 ensures the sustainable supply of energy inputs for member countries and support their efforts to enhance their energy mix.

**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).

**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).

**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).
Annual Development Effectiveness Report 2019

TO NUMBERS

US$290 MILLION worth of income redistributed to an estimated 500,000 farmers

US$3.9 BILLION Intra-OIC trade financing

45,000 jobs supported within SMEs

An estimated 13 million people provided with access to energy

US$290 MILLION approved towards the agriculture sector

US$234 MILLION approved for the import of key commodities such as rice and wheat

An estimated 10 million farmers trained in enhanced agriculture techniques and marketing

332 People trained in Islamic Trade Finance

6 Integrated Trade Solutions

1 One Executive Master in Internationalization and Trade developed with ICC, IE and ITC

US$4.4 BILLION of total approvals extended to the supply of energy inputs

US$270 MILLION disbursed for the import of clean fossil fuels (LNG)

US$821 MILLION of financing approved to Private Sector and SMEs

11 Trainings in Islamic Finance conducted in 2019

1 One regional capacity building program for SMEs under implementation (West Africa SME Program)

US$2.1 BILLION approved towards the least developed member countries

36% as share of LDMS financing in total ITFC portfolio

US$5.8 BILLION of total financing approved

US$5 BILLION of total financing disbursed

US$3.7 BILLION mobilized from Syndicate Partners

9 Country Framework Agreements signed in 2019

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CHAPTER 1
INVESTING FOR IMPACT

From aligning with SDGs to mainstreaming SDGs within ITFC operations, what have been ITFC efforts to build an impact practice? This chapter focusses on how ITFC, building from its development mandate, has aligned its processes and methods with best practices to ensure that development impact considerations are integrated into all phases of the operation life cycle.

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D. From Measuring Results to Managing for Results
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How does ITFC stay relevant and remain the preferred choice for member countries?

The answer to this question laid the foundation of ITFC ten-year strategy approved in 2017. ITFCs 10-year strategic plan reflects the role and ambition to become a world class trade enabler and trade facilitator, and thereby become “the leading provider of trade solutions for OIC member countries’ needs”. ITFC mission is to address gaps in the market for trade finance, which are especially severe in lower income OIC countries and for small and medium enterprises.

For this purpose, 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, the strategy insisted on the need for additionality and a measurable development impact.

1/
Additionality: The foundation of ITFC development impact

Being additional is the basis of ITFC making a difference and having an impact on development. The development impact of ITFC derives from its ability to provide trade finance to those that would otherwise lack it, or to provide finance in a way that increases the development impact of trade. This concept is referred to as additionality.

The ITFC ten-year plan emphasizes its additionality and focuses on finding a balance between achieving meaningful development impact without undermining the financial sustainability. The impact must be measurable and assessing the extent to which ITFC is addressing gaps in the market for trade finance is the most useful, credible, transparent and robust way to capture additionality.

2/
Contributing to IsDB Group Strategy and to the President’s P5P Plan

In committing to additionality, ITFC contributes to the IsDB Group three strategic objectives: Inclusiveness (becoming the preferred partner for MCs for supporting inclusive and social and economic development), Connectivity (leveraging IsDB Group’s strength as a unique South-South development institution for promoting cooperation between MCs and their integration with rest of the world), and Islamic Finance Sector Growth (becoming the leading institution for supporting Islamic Finance both in the MCs and globally) (IsDB, 2018).

ITFC operations supports the President’s 5-Year Program (PSP) to transform the Bank to fit into a new development agenda through four core pillars namely Public-Private-Partnerships (PPPs); Science, Technology, and Innovation (STI); Global Value Chains (GVCs); and Islamic Finance. The Corporation’s guiding principles are fully aligned with the performance drivers of the President’s PSP plan.
ITFC's Strategic Framework

**STRAIGHT OBJECTIVES**

- IntrA-OIC Trade
- Growing Islamic Trade Finance
- Diversification of Member Countries' Economies

**STRAIGHT PILLARS**

- Private Sector Development
- Co-operation Between Member Countries
- Islamic Trade Finance Solutions

**CAPACITY DEVELOPMENT**

**GUIDING PRINCIPLES**

- Organizational Excellence: Streamlining ITFC
- Visibility: Showcasing ITFCs Achievements Globally
- Market Impact: Customer and Sector Diversification
- Development Impact: Generating Income, Creating Jobs and Advancing Health
- Sustainable Business Model: Growing Disbursements Sustainably
An increasing number of investors have goals beyond maximizing profits. They share the common principle that impact investments are made into companies, organizations, and funds with the intention to generate social and environmental impact, in addition to a financial return. This recent movement, called impact investing, is a rapidly growing industry led by investors, including development finance institutions, asset owners and asset managers. In 2019, ITFC became a member of the Global Impact Investing Network (GIIN). The GIIN is the leading nonprofit organization dedicated to increasing the scale and effectiveness of impact investing. It serves as a platform for impact investors to facilitate knowledge exchange, highlighting innovative investment approaches, building the evidence base for the industry, and producing valuable tools and resources. Among the GIIN’s major achievements is the IRIS + which is the catalog of generally-accepted performance metrics that leading impact investors use to measure their social, environmental, and financial performance.

On another note and, in alignment with its strategy which emphasizes additionality, ITFC endorsed the Multilateral Development Banks’ Harmonized Framework for Additionality in Private Sector Operations and became a member of the International Financial Institution (IFI) Working Group on Indicator Harmonization (HIPSO Whole Group). The HIPSO Whole Group is the result of a partnership of multilateral and bilateral development institutions aiming at fostering collaboration among IFIs to enhance development impact through common development indicators. ITFC became a signatory of The Harmonized Indicators Memorandum of Understanding which reflects the commitment of 27 IFIs toward long-term collaboration and, most importantly, a focus on better serving their clients. The MoU sets out 27 reporting indicators which allows to look at projects across institutions with a set of common metrics, thereby increasing their ability to learn from each what works and what doesn’t and contributing to better orient resources for development.

How will ITFC benefits from its memberships:

- Aligning methods and metrics with best practices
- Knowledge sharing in thematic working groups to promote ITFC experience and better measure the development results
- Promoting the impact investing principles among ITFC clients
The IsDB group, including its entities, is fully committed to the SDGs. In ITFC, the support goes to those areas where we can achieve the highest impact: energy, agriculture, private sector development, and health. These sectors are fundamental to our member countries growth and shared prosperity. The positioning of trade across the 2030 Agenda shows that trade, when well-regulated, can contribute to exponential growth and sustainable development.
Identifying the Impact Pathways of ITFC

How does trade finance contribute to poverty alleviation and economic growth? What is the role of trade finance in development? Setting up a results measurement framework requires a clear theory of change. This entails a clear understanding and specific descriptions of how planned activities are expected to lead to intermediate results and outcomes, and finally to the desired impact.

The relationships between trade and development are complex, and the causal path from trade finance to development impact has many intervening steps. The theory of change for ITFC is founded on ITFC’s commitment to make significant, effective and efficient contributions to the 2030 Agenda, more specifically to poverty reduction (SDG 1) and economic growth (SDG 8). Indeed, the ultimate outcome sought from the ITFC trade finance activities is to improve livelihoods and to foster economic growth among member countries through an increase in trade and regional integration. These goals should be attained through two main impact pathways, representing a blend of different intervention modalities.

**PATHWAY 1**

**Increasing Trade by Enhancing Access to Finance**

ITFC provides pre-import and export financing in the form of four different Shari’ah compliant forms of financing: direct financing, line of financing, two step Murabaha, and co-financing/syndication. Since its inception, ITFC has mobilized around US$50 billion of trade financing for its member countries. By developing syndications and providing access to finance to clients, ITFC seeks to bring about an expansion in the value, volume and diversity of traded goods between OIC member countries and the rest of the world. In addition, in targeting underserved markets, ITFC aims at reducing finance costs associated with trading goods and services.

**ASSUMPTIONS**

The validity of these simplified impact pathways depends on a number of assumptions. The internal assumptions refer to ITFC’s ability to mobilize sufficient resources to generate development results and to enhance the effectiveness of its operations through decentralization. Others critical assumptions are outside the sphere of influence of ITFC and relates to the macro-economic context, the trade regulatory environment, and infrastructure capacities, among others.

**PATHWAY 2**

**Supporting Trade Diversification and Regional Integration Through Empowerment**

In parallel with its trade finance component, ITFC also implements Trade Facilitation, Trade Promotion and Trade Related Technical Assistance Projects / Programs in member countries, thereby adopting a holistic approach to development impact. Among these programs, the flagship programs are multi donor trade development initiatives aiming at enhancing trade flows between OIC countries. Other means of interventions also include Trade Integrated Solutions (such as capacity building to financial institutions) as well as targeted solutions supporting trade integration in member countries. The introduction of Trade and Business Development Programs is likely to build an enabling environment for a sustainable provision of trade finance and to contribute to diversifying exports as well as to expanding market access.
By supplying a key input to international trade, ITFC activities can be expected to contribute to a range of development impacts. The Corporation helps entities in member countries gain better access to trade finance and provides them with the necessary trade-related capacity building tools in order to help them compete successfully in the global market.
In 2019, ITFC reconfigured the measurement system of its Development Impact Framework by increasing the overall granularity of the framework, allowing to identify development impact on a more detailed level.
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The Enhanced Development Impact Framework: Additional Impact Focus

The understanding of how trade finance leads to development impacts, presented in the previous section, forms the basis for the ITFC Development Impact Framework (DIF). The ITFC 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 ITFC.

In 2019, Addition of 18 KPIs and Sub-KPIs to Increase the Granularity of the Framework

NEW MEASURES = ADDITIONAL IMPACT FOCUS

In 2019, ITFC reconfigured the measurement system of its Development Impact Framework by increasing the overall granularity of the framework, allowing to identify development impact on a more detailed level. The total number of indicators stands now at 54, compared to 36 in the previous DIF. The additional indicators were identified and tested based on their contribution to the SDGs and best practice usage in other development institutions.

The DIF is designed with the aim to be as concise as possible and fulfill three criteria: i) to only include indicators that are fundamental for corporate-level monitoring and reporting; ii) be robust; iii) be accurately measurable. Most International Financial Institutions’ (IFIs’) results frameworks have between 43 and 106 indicators. The ITFC DIF, with 54 indicators, therefore is more concise than the result frameworks of most other organizations.
The guiding principles behind the DIF are focus, consistency, reliability and validity.
The ITFC DIF adopts a four-tier structure in order to show the Corporation’s results through mutually reinforcing tiers:

**Contribution to the SDGs**
Tier 1 refers to the DIF metrics alignment with the Sustainable Development Goals and connects each of the DIF indicator to one of the SDG indicators provided by the United Nations Statistical Division (UNSD).

**Contribution to the Shared IsDB and ITFC Strategic Objectives**
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% to 25% - Share of OIC countries in FDI from 9% to 12%).

**Development Results**
Tier 3 has most indicators related to development outputs and outcomes, which tend to be more easily measurable than others. The tier is organized around four (4) development themes and twelve (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 maps onto a set of specific indicators. In 2019, significant thematic indicators were introduced in the fields of climate mitigation/adaptation, and inclusiveness (underserved - women, youth, and farmers).

**Operational and Organizational Performance**
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 mobilization, improved resource allocation and more effective resource management. Among the indicators introduced in 2019, the sub-national HDI is used as a guide for future portfolio decisions, to reflect the inequalities within member countries and promote a more targeted provision of finance on a sub-national level.
From Measuring Results to Managing for Results

ITFC is not limited to measuring and reporting on its results but is also managing for results, which means introducing evidence-based decision-making to ensure that ITFC-funded operations are impactful and contributing to the SDGs. This results-based management is materialized by a strong focus on collecting objective, reliable and consistent data at operation’s appraisal phase – ex ante assessment – and at completion – ex post evaluations.

Making Informed Decisions

A core element of the Development Impact Framework (DIF) is measuring development effectiveness and quantifying impact. For this purpose, ITFC created the DIF model to track development impact at corporate level and guide operational and strategic decisions.

The portfolio model is the underlying quantitative model for ITFC’s Development Impact Framework (DIF). The model converts transaction data, internal data, and external data to produce comparable scores across the 54 key performance indicators (KPIs), and aggregates these into total, theme, and sub-theme scores. A dashboard allows to analyze the ITFC portfolio, creating an overview of KPIs and scores, and for projecting scores for future years. The tool can be used to compare portfolio decisions in order to optimize development impact. Potential operations are rated on the basis of their SDG contribution, additionality, targeting (social and geographical), strategic alignment (e.g. Intra-OIC trade), integrated approach (e.g. capacity building) and expected outcomes (e.g. jobs supported). The model rates ITFC Operation on a scale ranging from one (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.

Development Impact Scores by Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>3.3</td>
</tr>
<tr>
<td>Food and Agriculture</td>
<td>4.1</td>
</tr>
<tr>
<td>Private Sector Development</td>
<td>3.7</td>
</tr>
</tbody>
</table>

Investing for Impact
Four dashboards (main dashboard, theme and subtheme dashboards, and KPI dashboard) gives the user an overview of a chosen portfolio, its aggregated score, and options for comparing to other portfolios. Filters are available for all dashboards, enabling filtering on four categories namely: Country, Region, LDMC, Commodity.

In 2019, ITFC introduced four sector frameworks under the DIF: Energy, Food and Agriculture, Private Sector Development and Health. Sector Frameworks identify the development impact expected from operations in a specific sector and calibrate the KPIs weights to reflect the key impact that ITFC’s interventions are expected to deliver in the sector.

In 2019, 43 operations were scored for ex-ante development impact using the DIF model. The highest scores were registered in Sub-Saharan Africa based on the relatively low-HDI of the targeted countries and on high commitments in the Food and Agriculture Sector, thereby benefitting African farmers. Although the energy sector operations were rated moderately satisfactory, they were the lowest rated among ITFC operations. That can be further explained by the corporation’s strategic goal to diversify its financing outside petroleum and the environmental impact of fossil fuel imports.

The DIF model rates ITFC operation on the basis of their SDG contribution, additionality, targeting (social and geographical), strategic alignment, integrated approach and expected outcomes.

ITFC introduced four sector frameworks under the DIF

- ENERGY
- FOOD AND AGRICULTURE
- PRIVATE SECTOR DEVELOPMENT
- HEALTH
Learning from ITFC impact

Through monitoring and evaluating its operations, ITFC learn from its own experiences, allowing the organization to refine its tools, revise its approaches and allocate resources based on evidence of development effectiveness.

Self-Assessments

At the completion of every operation, a self-assessment is completed by the client. Self-assessments were designed with the aim to ease the burden of reporting on the client by focusing only on measurable outputs of the operation. The data collected serves to feed the DIF model and contributes to the annual corporate-level assessment of ITFC development impact. Out of 34 operations fully disbursed in 2019, 22 self-assessments were completed by the clients. The data serves, among other purposes, to compare expected and actual results of the operations and to build the evidence for the Annual Development Effectiveness Report.

Operation Performance Evaluations

In 2019, ITFC introduced Operation Performance Evaluations to promote accountability and learning for better development effectiveness. Evaluations are led by the Strategy and Organizational Performance Office, on a sample of operations which reached maturity and taking into consideration geographical and sector diversity. In 2019, five OPEs were conducted in Burkina Faso, The Gambia, Bangladesh and Uzbekistan. The OPEs are conducted in accordance with the directives of ITFC development evaluation policy and in line with the Multilateral Development Bank – Evaluation Cooperation Group (MDB-ECG) Good Practice Standards (GPS) for Private Sector Investment Operations. 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, iii) to constitute an important building block for the preparation of the Annual Development Effectiveness Report.

Introduction of Management Response to Recommendations

For evaluation to play its roles, there needs to be careful consideration of evaluation recommendations as a basis for management decisions. All evaluations in ITFC must receive a Management Response and a Follow-up report. The purpose is to indicate 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, delineating those responsible for their implementation as a measure to ensure thorough follow-up of recommendations.

**MAIN OBJECTIVES AND INTENDED USERS OF THE OPERATION PERFORMANCE EVALUATIONS**

**PURPOSE**

- **Accountability:** To respond to the information needs and interest of actors with decision-making
- **Improvement:** Enhancing the quality of ITFC’s operations
- **Learning:** In-depth understanding of operational or strategic interest to ITFC

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**Inform Decision-making**

**Provide Accountability**

**Improve Operations**

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

**EX-ANTE ASSESSMENTS**
Provide a score for expected development impact to guide management decisions.

**SELF-ASSESSMENTS**
Provide data on measurable outputs of ITFC operations.

**OPERATION PERFORMANCE EVALUATIONS**
Focus on outcomes and impact. Promote learning and accountability within the institution.

**ANNUAL DEVELOPMENT EFFECTIVENESS REPORT**
Institutional Reporting tool on ITFC contribution to the 2030 Development Agenda.

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**INTENDED USER**
- ITFC Senior Management
- Trade solutions complex / Relationship Managers
- Client Organization
- ITFC staff
- IsDB Group

**ITFC END-TO-END PROCESS FOR MONITORING AND EVALUATION**
CHAPTER 2

SETTING THE CONTEXT:
TOWARDS MORE INTEGRATION IN OIC COUNTRIES

A. Recent Developments in the Intra-regional and Global Economic Integration of OIC Countries
Page 32 - 35

B. The AfCFTA: What it Means for ITFC
Page 36 - 39
Recent Developments in the Intra-Regional and Global Economic Integration of OIC Countries
Growth remains low and risks remain tilted to the downside. Most importantly, trade and geopolitical tensions have intensified. We will continue to address these risks and stand ready to take further action. We reemphasize that international trade and investment are important engines of growth, productivity, innovation, job creation and development.”

Final statement, G20 Finance Ministers and Central bank Governors Meeting, Fukuoka, June 2019

Global Trade Turmoil

The global trade growth for 2019 was undermined by rising trade tensions and a sluggish global economy. The growth forecast estimated by the World Trade Organization were further affected by a notable slowdown in the expansion of global value chains, causing reduced trade linkages. If current GDP estimates (2.3%) are realized in 2019, the WTO expects the world merchandise trade to grow by only 1.2%, substantially slower than the 2.6% growth initially forecasted.

In the first half of 2019, export and import growth slowed across all regions and regardless of the countries’ level of development. Exports of developing economies rose by 1.3% while their import declined by 0.4%. The regions of Africa and Middle East recorded the slowest export growth of any region at 0.1%.

Trade tensions and a reduced growth in dominant markets such as China, the European Union and the United States, affects all countries, especially those depending on export revenues from a small set of commodities. It means that global demand is on a downward trend which is likely to lower prices of key commodities and reduce export revenues. The World Bank forecasts that energy prices, which include oil, natural gas and coal, are expected to fall by about 15% in 2019 compared to 2018. A similar trend is forecasted for agricultural commodity prices, such as soybeans and corn, also expected to fall in 2019. The decrease in the price of key commodities reflects the challenging global context in which ITFC operated.
Economic Outlook of OIC Countries

The average overall GDP growth of member countries is expected to reach 2.7 percent in 2019, lower than the 3.4 percent growth in 2018. In current prices, the share of OIC member states in the global GDP is approximately 8% representing US$6.6 trillion out of US$86.6 trillion, estimated by the IMF in 2019.

The average Human Development Index of OIC member countries is 0.636, positioning the region within the medium human development category. Nonetheless, there are important disparities within member countries, as the HDI ranges from a minimum of 0.377 to a maximum of 0.848.

Status of Intra-OIC Trade

Promoting Intra-OIC trade is at the heart of ITFC mandate and the global trends are showing encouraging results. Intra-OIC trade value and share have showed a remarkable ascending trend since 2007. The volume of intra-OIC trade (intra-OIC exports + intra-OIC imports) reached in 2018 a value of US$763.4 billion compared to US$644.3 billion in 2017, i.e. an increase of 18%. The OIC member countries are on track to the 25% threshold of intra-OIC trade targeted by the New Ten-Year Plan of Action (TYPOA) OIC-2025. About 28 countries reached the target and the share of intra-OIC trade in the total trade of member states went from 18.69 percent in 2016 to 21.22 percent in 2018.

The share of OIC member states in world trade accounted for 9.22% in 2018, a stagnation with the 9.29 percent recorded in 2016, but a decrease if compared with the 11% of world trade reached in 2014. OIC imports, also, followed the same trend and reached US$369.4 billion in 2018 namely an increase of 14.9 percent from 2017. OIC imports, also, followed the same trend and reached US$369.4 billion in 2018 namely an increase of 14.9 percent from 2017.

Main Foreign Trade Actors Among Member States (ICDT, 2019)

1. Malaysia
2. Turkey
3. United Arab Emirates
4. Saudi Arabia
5. Indonesia
6. Iran
7. Iraq
8. Qatar
9. Egypt
10. Kuwait

These Ten Countries Accounted for 72.7% of World Trade of Member Countries

Main Players in Trade in Services Among Member States (ICDT, 2019)

1. UAE
2. Saudi Arabia
3. Malaysia
4. Turkey
5. Indonesia
6. Qatar
7. Egypt
8. Kuwait
9. Morocco
10. Iran

These Ten Countries Accounted for 80% of the Total Trade of the OIC Countries

Biggest Shares of Intra-OIC Trade by Country (ICDT, 2019)

Turkey, United Arab Emirates, Saudi Arabia, Malaysia, and Indonesia still top the OIC member states in exports accounting for about 61 percent of total intra-trade OIC volume (COMCEC, 2018).

The top OIC importing countries, namely Turkey, United Arab Emirates, Saudi Arabia, Pakistan, and Indonesia accounted for about 43% of all intra-OIC imports.

Main products marketed by Member countries were:

- Miscellaneous Manufactured Goods: 28%
- Food Products: 24%
- Mineral Fuels: 21%
- Transportation Machinery and Equipment: 11%
- Chemicals: 11%
- Non-Edible Raw Materials: 5%
The AfCFTA gathers all 55 member states of the African Union, out of which 27 are OIC member countries, covering a market of more than 1.2 billion people, and a combined gross domestic product (GDP) of more than US$3.4 trillion, which makes it the largest trade agreement since the World Trade Organization was established in 1994.

The AfCFTA agreement went into effect on the 30th of May 2019.

55 Heads of State

Single Continental Market for goods and services

Free Movement of business persons, and investments
Despite the global trade turmoil, regional economic integration in Africa took a major step forward with the entry into force of the Agreement establishing the African Continental Free Trade Area (AfCFTA), in May 2019. On 7 July 2019, the operational phase of the AfCFTA Agreement was officially launched at an Extraordinary Summit of the African Union in Niamey, Republic of Niger. The first meeting of the AfCFTA Council of Ministers also took place in Addis Ababa on 24-25 October 2019.

The AfCFTA gathers all 55 member states of the African Union, out of which 27 are OIC member countries, covering a market of more than 1.2 billion people, and a combined gross domestic product (GDP) of more than US$3.4 trillion, which makes it the largest trade agreement since the World Trade Organization was established in 1994. The main objectives of the AfCFTA aim to create a single continental market for goods and services, with free movement of business persons and investments. The Agreement contains special and differential treatment provisions which gives African LDCs special rights for tariff negotiations.
By collaborating with ITFC we are able to fast-track many of the benefits of the new Continental Free Trade Area including support to African SMEs, support to State Parties to implement complementary measures for the productive sector and facilitation of the emergence of “big and innovative companies” on the continent. With these interventions, AU-ITFC’s partnership will undoubtedly contribute to boosting trade not only between the 27 African OIC countries but also between them and the other African countries and beyond.”

Albert Muchanga
African Union’s Commissioner of Trade and Industry
The AfCFTA identified seven priority action clusters, namely: trade policy, trade facilitation, productive capacity, trade related infrastructure, trade finance, trade information, and factor market integration. As such, the AfCFTA offers a unique opportunity for African countries to develop regional value chains and to grow intra-Africa trade.

While the AfCFTA demonstrates a strong commitment of the African countries to accelerate their development, a number of challenges will have to be addressed to facilitate the implementation of the ambitious agreement. One major challenge relates to the trade finance gap. The African Development Bank estimated it at least US$90 billion in 2018. Yet, in order to meet the expected increase in intra-Africa trade of $119.6bn by 2022, it is forecasted that the continent will need an additional US$40 billion of trade finance. In this regard, ITFC, alongside other financial institutions, will have a major role to play in order to scale up financing. In addition to trade finance, the Arab Africa Trade Bridges (AATB) Program, a flagship program developed by ITFC in collaboration with different regional developmental institutions, will become even more relevant as it aims at creating business opportunities and promoting exports of both Arab and Africa regions. In light of this, a Memorandum of Understanding was signed with the African Union to partner on joint activities to boost inter-regional trade between African and Arab OIC member countries and help enterprises tap into large-scale opportunities across the region.

In order to meet the expected increase in Intra-Africa trade of US$119.6 billion by 2022, it is forecasted that the continent will need an additional US$40 billion of trade finance.
CHAPTER 3

CONTRIBUTION TO DEVELOPMENT RESULTS

More than 80 operations in 24 countries led to results in enhancing food security, supporting electricity generation, and generating employment. This chapter provides an overview of ITFC development results over the year with a specific focus on ITFC support to Global Agri-Food Chains.

A. Special Focus on ITFC Support to Global Value Chains in the Agri-Food Sector
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B. Energy Security
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C. Fostering Private Sector Growth and Competitiveness
   Page 58 - 61

D. Supporting Intra-OIC Trade Through South-South Cooperation: The Arab Africa Trade Bridge Program
   Page 62 - 63
**Advancing Trade**

- **US$3.9 Billion** towards Intra-OIC trade, representing 67% of portfolio disbursed.
- **US$5 Billion** total financing approved.
- **US$5.8 Billion** total financing disbursed.

**US$367.9 Million** disbursed to enhance Private Sector access to finance.

**US$755 Million** disbursed for food and agriculture.

**US$3.7 Billion** disbursed for the import of energy inputs.

**2 BUYERS/SELLERS MEETINGS** organized in the pharmaceutical and food sectors.

**333 people** trained in Islamic trade finance.

**Delivery Effectiveness and Portfolio Management**

- **US$4.6 Billion** additional resources mobilized.
  - For every US$ 5 approved by ITFC, US$ 4 were mobilized from external resources.

- **9 Country Framework Agreements Signed in 2019**
Improving Lives

An estimated 13 million people provided with access to energy

At least 500,000 farmers benefitting from financing and capacity building

LDMCs represented 36% of approvals and disbursements

US$290 MILLION worth of income redistributed to groundnuts and cotton producers

US$1.8 BILLION disbursed for LDMCs

120 corporations, mostly SMEs, employing around 45,000 persons were financed

70% of financing towards countries with HDI below world average

1.3 million tonnes of wheat / 260 thousand tonnes of rice imported through ITFC financing

1.5 METRIC TONNES per annum of LNG imported

84 Transactions in 25 Countries

60% of operations processed through Regional Hubs

15% of ITFC Staff in Decentralized Offices

Contribution to Development Results
Special Focus on ITFC Support to Global Value Chains in the Agri-Food Sector

The objective of this section is to report on ITFC development results through the lens of Global Value Chains. Indeed, compared to reporting by country or region, this approach provides an overview of ITFC role in Global Agri-Food Chains. It reflects more accurately ITFC’s positioning and contribution within the complex network structure of flows of goods, services and capital across national borders.

Global value chains in the agri-food sector are not recent, but they now play a predominant role. Meeting the SDG2 - Zero Hunger – targets is an ambitious undertaking. Indeed, the Goal stands out particularly for unsatisfactory progress across many regions, including OIC countries. It is among the worst-performing goal in North Africa, East and South Asia, and progressing poorly in sub-Saharan Africa (UN, 2019, SDG Center for Africa, 2019). More than ever, investments in the agricultural and food systems are needed if we are to achieve a world without hunger.

Among the Global Value Chains, food and agriculture are of fundamental importance to member countries, both for meeting their growing food consumption needs and for alleviating poverty in rural areas. The agriculture sector is still predominant in most OIC member countries, especially in Africa, where it represents on average 15 percent of the continent’s total GDP and where around 60% of the population still live in rural areas (World Bank, 2019). Yet the potential of agriculture is not fully exploited, and the sector faces many challenges related to production, quality, processing and smallholders’ inclusion in markets. Considering the low productivity of agricultural resources and high population growth rates, the import of basic commodities is, therefore, crucial to ensure food security in member countries. The current development trends highlight the essential

**ITFC Modes of Intervention**

- Financing the import of agricultural inputs
- Capacity Building of farmers
- Soil Fertility Program (Burkina Faso)
- Aflatoxin Mitigation Program
- Coffee Export development Program
- Reverse Linkage Programs in Comoros (Vanilla) and Guinea (Mango, Cashew)
role that trade plays in achieving world food security.

Global Value Chains are one of the four core pillars of the President’s Five-Year Plan. In a recent lecture, the President of the IsDB Group underlined that “IsDB’s new development model is adopting a value-chain based approach to build on the country’s inherent competitive advantages to accelerate growth, improve productivity, and foster decent work.” (IsDB, 2019).

Through its interventions, ITFC contributes to connecting member countries, including firms and smallholders’ farmers, to agri-food value chains. According to a survey conducted by the WTO, lack of access to trade finance is perceived as a critical obstacle to low-income countries participating in global value chains (WTO, OECD, 2013). Indeed, trade finance enables firms to link to expanding global value chains and thus contribute to employment and productivity growth (ADB, 2017). In 2019, ITFC disbursed 755 US$ million towards the food and agriculture sector. ITFC supported different categories of agricultural commodities, including staple food crops (rice, wheat, sugar), food export commodities (coffee) and non-food (export) commodities (cotton). The support includes the provision of pre-export and import financing, strengthening capacities of producers, and adding value to the export commodities. ITFC financing benefitted a range of different actors along the value chain, from smallholder farmers and rural SMEs to agricultural state-owned companies and private retailers.

Agriculture value chains involve many different players (local and foreign) which contributions ranges from production, transportation, processing, marketing and retailing (UNCTAD, 2009). The below chart, adapted from a typical value chain in the agri-food sector developed by UNCTAD (2009), provides a simplified overview of the chain and identify ITFC contribution to each segment:
Boosting Production Through Enhanced Access to Inputs and Knowledge

Alleviating the Burden of Inputs Costs on Smallholder Farmers

Since its inception, ITFC extended 18% of its total approvals in food and agriculture towards the import of agricultural inputs.

Increased areas, yields and product quality are possible provided that producers have access to affordable inputs (seeds, fertilizers, phytosanitary products). For most African farmers, especially cotton producers, the cost of agricultural inputs is a burden. Cotton utilizes more inputs in its production than any other crop grown in Africa, mostly due to pest pressure on the production.

However, in cotton value chains, the use of contract farming usually facilitates farmers’ access to credit to finance production inputs. Indeed, State-Owned ginning companies, such as SODECOTON in Cameroon, provides all of the production inputs to growers, on credit, and the prices are set annually through a joint price-fixing mechanism. Improved access to inputs can have significant spillovers on small-holder farmers and household food security. Since 2012, over 85 US$million were disbursed through ITFC facility to purchase fertilizers and provide forward payments or provision of inputs to cotton producers, in Cameroon. The volume of inputs imported from ITFC financing went from 15 000 tonnes in 2015 to 45 000 tonnes in 2019. Alongside government subsidies, ITFC financing reduces finance costs for SODECOTON and plays a key role in maintaining production inputs at an affordable cost for producers. Data collected from SODECOTON shows that the ratio between the selling price of inputs and the cotton purchase price have stabilized around 1.5 during ITFC financing period, down from a peak of 2.08 reached in 2010.

ITFC support, through the provision of inputs and incomes to farmers, has enabled the cotton sector to get back on track and to consolidate its development opportunities. Our self-assessment shows that ITFC funds have contributed to expand the cultivated acreage, to increase production and yields and to enhance farmers’ incomes by 31% since 2012.

SODECOTON, Evaluation Report of ITFC financing
Using Science and Innovation to Build Resilience of Smallholder Farmers in Senegal

In Senegal, the agriculture sector is extremely vulnerable to climate change. An extensive agriculture, the decline of rainfall, changes in seasonal production, and recurrent pest and diseases are increasingly hampering productivity. Reversing the degradation of environmental resources becomes crucial for the development of sustainable systems of production for Senegalese farmers. ITFC builds the resilience of smallholder farmers by addressing one of the key drivers of fragility: soil fertility.

In partnership with OCP Africa, a subsidiary of OCP Group, ITFC launched on November 6th the third OCP School Lab in the agro-ecological zone of Niayes, Thiès region, Senegal. The National Agency of Agricultural and Rural Council will oversee the implementation of the project. OCP School Lab is an innovative program aimed at increasing the yields and the incomes of smallholder’s farmers on strategic crops by offering a full set of Agri-services. The program targets potato and onion crops in the agro-ecological zone of Niayes and will benefit a total of 5,000 farmers. The main objectives are to train farmers with live demos on good agricultural practices and animated videos in local dialects. Also, the program will conduct soil-testing using latest innovations (X-rays, big data and machine learning) and formulate recommendations for fertilizer application that meet soil and crop needs.

“There is a real opportunity for Africa’s smallholder farmers to be more integrated into the agriculture value chain and to benefit from sustainable enterprise in the sector. The partnership with OCP Africa will support this outcome through innovation, knowledge sharing and capacity development.” Hani Salem Sonbol, CEO of the ITFC.
Promoting the Culture of Organic Coffee in Indonesia

North Sumatra is one of the largest, internationally recognized, coffee-producing regions in the world. Yet, coffee production in Indonesia has remained stagnant due to limited access to financing and capacity development by its coffee farmers.

The total annual export value from the coffee industry is US$1.2 billion. However, the increasing market demand for coffee is not offset by production growth and eventually this becomes an issue in meeting the market needs. A large number of coffee farmers are not applying best practices for the cultivation of Arabica coffee, thereby affecting the quality and the volume of their production.

To tackle this issue, ITFC has partnered with local NGOs, Sustainable Coffee Platform Indonesia (SCOPI) and PETRASA to implement the Coffee Farmers Field Training Program (CFFTP) with coffee farmers in North Sumatra. The CFFTP is part of a broader Coffee Export Development Program which also includes trade finance facilities for SME coffee exporters. It aims to improve the knowledge and skill of coffee farmers, to help them find solutions and adopt good practices, combining both environmental protection and agricultural productivity.

The program officially began on September 1, 2018 and provided training to 349 coffee farmers in 11 villages in Karo and Dairi Districts. The trainings were provided using a Farmer Field School approach. As such, 15 farmers’ leaders were identified and nominated as master trainers, 2 demo plots were established, and 8 series of trainings were extended to the farmers. In addition, more than 250 seedlings and shading trees were distributed, and chopping machines were bought for training needs. Among the outcomes reported, trained coffee farmers now have the knowledge and understanding to produce organic fertilizer and organic pesticides and they also now apply the organic fertilizer and organic pesticides to their plants. Although it is still too early to assess, the enhanced knowledge of the farmers will most likely result in increasing the volume and quality of their coffee, resulting in higher incomes.

In July 2019, ITFC hosted a graduation ceremony in appreciation of the coffee farmers who have completed their participation in the series of trainings.
Fighting the Aflatoxin in Gambian Groundnuts

In the Gambia, groundnut products are the most important source of proteins and fats for the poorest segments of the population and are the most important agricultural export, accounting for 60 per cent of domestic exports. Groundnut cultivation also provides an important source of income to an estimated 57,000 producers, which equals over 80 per cent of the country’s agricultural households. Yet, over the past years a human carcinogen produced by mould that grows on crops stored, known as aflatoxin, is causing a major concern for human and animal health, agricultural productivity and trade.

Aflatoxin is one of the key barriers to profitable market access. The European Union (EU), for instance, as the main export destination of Gambian groundnuts, has stringent rules on aflatoxin levels (15 parts per billion (ppb) for groundnuts intended at further processing and 4 ppb for nuts for direct consumption), which are often not met by Gambian exports. As a result, Gambian groundnuts suffer from prices discounted by between 65-70 per cent on the international market.

In 2015, the International Institute for Tropical Agriculture started the commercialization of the Aflasafe, a natural fertilizer which cuts aflatoxin levels in groundnuts by 80% to 100%. The product was successfully tested in the Gambia and was first introduced by the National Food Security, Processing and Marketing Corporation (NFSPMC), an ITFC trade finance client.

In 2018, ITFC partnered with the NFSPMC to scale up the intervention and provide a holistic approach to combat aflatoxin. In addition to the provision of Aflasafe to farmers, the ITFC-funded Aflatoxin Mitigation Program also included training and awareness of farmers on the use of Aflasafe, the implementation of a quality testing system and a guaranteed price increase for farmers producing Aflasafe groundnuts. The program is targeting the regions of Kerewan, Kuntaur and Janjabeur where the levels of aflatoxin are the highest.

The first pilot was effective in June 2018 and was completed by March 2019. A second pilot is currently under implementation and expected to conclude in March 2020. As of June 2019, the program achieved the below outputs.

The results from the first pilot showed some encouraging results in aflatoxin reduction with half of the samples recording levels under 10ppb, the maximum set for acceptance by the EU and 65.31% within the FAO-WHO codex limit of 20ppb. The processed groundnuts which meet the requirements will be presented for export to the EU for a price per ton that is expected to be 40% higher compared to 2016.

PILOT PROGRAM OUTPUTS ACHIEVED IN 2019

- **7,000** estimated farmers trained on the use of Aflasafe and danger of aflatoxin on human health.
- **47.6** tonnes of Aflasafe was applied to **4,753** hectares.
- **10%** increase on market price offered to farmers who applied Aflasafe.
- **Two** Testing lab equipment were delivered to the NFSPMC in addition to field test kits.
Recent years have not been easy for cotton producers in Burkina Faso. The average production per producer is on a downward trend, having decreased from 2.9 tonnes in 2014 to 2.4 tonnes in 2018. For the most recent campaign (2018/2019), the production did not exceed 436,000 tonnes, a 29% decrease compared to the previous campaign and the country dropped to the 4th rank of African cotton producers.

Since the country’s decision to phase out from genetically modified cotton, the pressure of pest infestation on cotton fields has become so rampant to the extent that many farmers chose to abandon cotton production. Those who decided to continue were forced to spend more money on increased pesticide use and physical labour. Yet, cotton remains the main source of monetary income of rural areas. The sector benefits from important subsidies from the Government and the Fonds de Lissage, a “price smoothing fund” established in 2007, assumes a decent farm-gate price, independently of the volatility of international prices. The inclusion of farmers in contract schemes, which involves the provision of inputs on credit and an annual guaranteed price, provides them with much needed stability in rural areas.

ITFC supports SOFITEX, the main cotton ginning company of Burkina Faso, in providing a timely payment to producers. The relationship with SOFITEX dates back to 2006 when the first operation was approved under Structured Trade Finance. For the most recent transaction (2018/2019), ITFC disbursed US$85 million which represented approximately 37.4% of the total estimated cost of purchase of the raw cotton for the season. By providing crop finance at low cost, ITFC support is most likely to provide a basis for bargaining power during annual price negotiations between producers, ginning companies and the Government. During the ITFC financing period (since 2008), producers’ prices have increased by 14% in Burkina Faso.

The operation is contributing to a key sector of the economy, cotton being the second-largest source of export revenues, comprising 12 per cent of total exports, and fiber exports generating around 50% of the country’s foreign exchange inflows. ITFC financing was crucial to keep the producer’s motivation to cultivate the crop and to maintain the trust between the value chain stakeholders.

Supporting Farmers’ Incomes in Times of Uncertainty

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Promoting Smallholders’ Inclusion Through Contract-Farming Schemes

The participation of smallholder farmers in contract farming schemes with exporters is an important way to ensure they get their share from agri-food exports and the increased value in export sectors (FAO, 2016). The contract farming business model ensures that farmers are able to access their inputs needs 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 allows ITFC clients to provide producers with the timely payment of their production, less than one month after collection. In 2019, ITFC redistributed 290 US$ million worth of income to groundnut and cotton producers in West Africa.

At least 500,000 farmers benefitting from ITFC financing and capacity building in 2019

US$ 290 million worth of income redistributed by ITFC to groundnut and cotton producers in West Africa in 2019
“Since I produce the cotton, the yields have never been so low. This is mainly due to pest infestation and the low quality of fertilizers. But it is still better than other crops. At least we can estimate how much we will earn at the end of the campaign and when we will be paid. There were years when even after all the cotton was sent to the factory and processed, we waited for one to two months for payment. But now there is a big difference and we are paid in seven to ten days. I can use the money to pay for my kids’ schools and other basic expenses of the household”

Kakuy Ouanko, cotton producer, Hauts Bassins Region, Burkina Faso

Cotton Prices at Collection and Export (FCFA per kg) in Burkina Faso
The wheat policy is of strategic importance to the Egyptian Government to ensure the food security for all Egyptians. The crop represents almost 10 percent of the total value of agricultural production and about 20 percent of all agricultural imports. Wheat is the main energy source in terms of daily calorie intake in Egypt and the consumption of bread is fundamental to the Egyptian diet (FAO, 2015).

For decades, the bakeries benefitted from subsidized flour granted by the Government and sold bread on a “first come, first served” basis, leading people to queue up for hours in the morning to get it before it runs out. But in 2014, the Egyptian government introduced an ambitious and innovative program to reduce waste and to guarantee bread for all.

Following the reform of the Baladi Bread program, Bakers no longer purchase flour at a heavily subsidized price but are compensated by the Government for the subsidized loaves they sell. In addition, a smart-card bread subsidy system was introduced, allowing card owners a fixed ration of five loaves of bread per person per day, at a price of only 5 piastres a loaf, less than one U.S. cent. If this allocation is not used, it can be converted into credits to buy other subsidized foods (vegetable oils, sugar, rice and tea).

The government purchases wheat both from imports and from domestic production to produce subsidized baladi bread (FAO, 2015). Indeed, although Egypt is a major wheat producer, with a production volume expected to reach 9.2 million tonnes in 2019 (FAO, 2019), the country still relies on imports to meet its own consumption. Egypt is the world’s largest wheat importer and the General Authority for Supply Commodities (GASC), an entity of the Ministry of Supply and Internal Trade of Egypt, is the world’s biggest wheat purchaser (FAO, 2015). Due to a growing population, the demand has been on a constant increase over the recent years. Since 2018, ITFC is supporting the Governments’ efforts through a trade finance facility benefiting the GASC, Egypt’s largest wheat purchaser. In 2019, ITFC disbursed US$393 million for the import of 1.3 million tonnes of wheat and 130 thousand tonnes of rice.
Rice and Food Security in Africa

A Growing Demand in Africa
Rice is one of the most important food crops on the African continent. In 2018, rice consumption in Sub-Sahara Africa was estimated at approximately 26.6 million metric tonnes (MT) a year. This number will increase even further by 2026 when rice consumption is expected to reach more than 34 million MT. Despite this increase in consumption in Africa, the production volume of rice falls short of meeting the demand. The gap between demand and supply of rice across Africa is hence filled by substantial amounts of imported rice. In 2018, Sub-Sahara African countries imported approximately 14 million MT of milled rice (CARI, 2018).

Securing Food Stocks in Mali
In Mali, ITFC supported OPAM (Office des Produits Agricoles du Mali), a government entity playing a key role in ensuring food security. It is in charge of regulating the market, prices and managing the national security stock. Although Mali has suitable conditions for rice cultivation, local production does not satisfy the demand. OPAM replenishes its stock each year when the price of rice is low on the market. As such, OPAM can intervene during the dry season and make rice available when there is a shortage of supply in remote regions of the country or when prices are peaking throughout the year. In 2019, around US$10 million of the financing was disbursed for the purchase of 24,000 tonnes of rice. The funding covered around 78% of the total volume of rice imported by OPAM and benefitted around 295,000 households in Mali.

Supporting Rice Importers in Burkina Faso
Similar to Mali, Burkina Faso is a landlocked Sahelian country which relies on rice imports to meet its consumption needs. Those needs were estimated at around 480,000 tonnes per year, out of which only half were produced locally. In 2019 ITFC extended around US$13 million, through a line of financing with CORIS Bank, for the import of 33,000 tonnes of rice in Burkina Faso.

Financing Comoros Total Rice Import Needs
Rice is also an essential food commodity in Comoros. However, unlike Sahelian countries, Comoros domestic production is very modest. The Government-owned entity, ONICOR, imports 75% of the rice in the country which amounts to 70,000 tonnes of white rice annually. The rice is imported mainly from Pakistan and arrives pre-packed in 25 or 10 kg bags. The government sets the price of this imported rice and private importers are only allowed to deal in more expensive basmati rice. ITFC partnership with ONICOR dates back to 2017 and, in 2019, US$28 million was extended for the purchase of 70,000 tonnes of rice, representing 100% of Onicor’s import needs.

In 2019, around US$10 million of financing was disbursed for the purchase of 24,000 tonnes of rice in Mali

127,000 tonnes of rice imported in African LDMCs through ITFC financing in 2019
Availability of Food (Domestic Production)
ITFC financed the import of fertilizers and conducted training of farmers on enhanced agricultural techniques.

Access to Food
ITFC provided producers with the timely payment of their production through pre-export finance, hence supporting their income and food security.

Stability of Supply
ITFC ensured the supply of basic commodities (wheat, rice, sugar) in member countries.

Food Utilization
ITFC implemented programs to enhance quality and safety standards in key value chains (coffee, groundnuts).
What Can We Learn From ITFC Contribution to the Global Agri-Food Chains?

1 ITFC operations are contributing significantly to the development goal of ending hunger in all its forms by 2030 (SDG 2). Being positioned in different segments of the Global Agri-Food chain – from downstream to upstream – the Corporation provides a holistic solution to its member countries to tackle food security issues. ITFC interventions have covered the four dimensions of food security: availability, access, stability of supply, utilization.

2 In reporting ITFC development contributions through the lens of global value chains, the ADER highlighted the comparative advantage of ITFC in enhancing productivity and standards, as well as in supporting the member countries financing needs for export and import of strategic commodities. ITFC interventions are more impactful when they include integrated approaches to enhance smallholders’ access to inputs, knowledge and markets. Yet, there are opportunities to further improve the inclusion of smallholders’ producers in the value chain by focusing on processing and value addition, and by providing them with certifications to integrate high-value markets.

3 As such, the potential for synergy within IsDB group is considerable. As an example, in the Gambia, IsDB and ITFC work hand in hand to support the competitiveness of the groundnuts sector. ITFC is providing pre-export financing and implementing the Aflatoxin Mitigation Program. In parallel, ITFC client, the National Food Security, Processing and Marketing Corporation, is also benefiting from an IsDB financing to upgrade its groundnuts processing facilities. Such interventions consolidate IsDB Group role and comparative advantage in increasing member countries’ revenues from agribusiness, mainly through adding value to exports and enhancing the poverty alleviation impact of export agribusiness.

4 Finally, the rise of global value chains and their mainstreaming in development approaches calls for new ways of measuring and assessing the impact in our member countries. Reporting results on a sector and country basis may not be the most accurate reflection of the development impact, given the critical interlinkages and cross-border activities in trade operations. The OECD developed the Trade in Value Added Database which contains a wide range of indicators on the value-added components of gross exports and the level of GVC participation by economy and industry. The World Trade Organization is also introducing GVC indicators, which make it possible to decompose a country or sector’s GDP and final goods production into GVC and non-GVC activities (WTO, 2019). Incorporating those metrics may be helpful to capture better our member countries inclusion in the global value chains.
Energy Security

There is no development without electricity. A sustainable supply of energy inputs is key to the member countries’ economic growth. The 2030 Development agenda calls for universal access to electricity in the poorest countries by improving energy efficiency and promoting renewable energy. Yet, the world, especially OIC member countries, still rely heavily (for more than 80%) on fossil fuels (oil, coal and gas) for electricity generation. These fossil fuels are the largest source of CO₂ emissions but any global transition towards clean energy will take time. ITFC interventions have been focused in supplying member countries with the energy inputs crucial for their industries to function and thrive, while at the same time supporting them to enhance their energy mix with less polluting sources of energy, such as liquefied natural gas (LNG).

In 2019, ITFC extended 4.4 US$ billion towards the energy sector. The financing benefited two types of clients: i) state-owned companies, as the sole importer of fossil fuels (eg. Burkina Faso, Bangladesh or Comoros), and ii) electricity companies (eg. Mauritania, Gambia, Mali). For instance, in the Gambia, ITFC is financing both the Gambia National Petroleum Company, in charge of the country’s petroleum import, and the National Water and Electricity, the national electricity company. When the client is a government entity in charge of fossil fuels imports, the financing may benefit different sectors such as transportation, electricity, construction and agriculture. However, if the client is an electricity company, fossil fuels imported is used exclusively for electricity generation. ITFC financing proved to be highly additional for our member countries as it represented a substantial share of the total financing needs of our clients, reaching up to 100% in Maldives, Comoros and Djibouti.

Top Beneficiaries by Disbursed Financing

Based on an input-output model, an estimated 13 MILLION people were provided with access to electricity in OIC countries as a result of ITFC financing in 2019.
Supporting the Energy Transition in Pakistan

In Pakistan, natural gas plays a crucial role in the country’s energy mix, as it represents around 48 percent of the country’s primary energy. To meet increasing demand, the Government invested in a massive network of gas pipelines providing natural gas to domestic, industrial, commercial and transport sectors. Recently, the construction of two LNG handling terminals at Karachi Port was considered as a significant achievement to mitigate gas shortage in the country. Besides, gas utility companies expanded their distribution network by 12,300 Km in 2018 and there were around 9.2 million consumers on their network. However, due to rising demand from various sectors particularly power, domestic, fertilizer, captive power and industry the supplies are not sufficient to satisfy this demand.

Expected Demand for LNG in the Next Five Years

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity in metric ton per annum</th>
</tr>
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<tbody>
<tr>
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</tr>
<tr>
<td>2023</td>
<td>10.5</td>
</tr>
<tr>
<td>2022</td>
<td>9.75</td>
</tr>
<tr>
<td>2021</td>
<td>9.00</td>
</tr>
<tr>
<td>2020</td>
<td>8.25</td>
</tr>
</tbody>
</table>

Distribution of LNG Consumption by Sector. FY 2017-2018

- **37%** Power
- **17%** Fertilizer
- **20%** Domestic
- **5%** Transport
- **10%** Captive power
- **2%** Commercial

ITFC Trade Finance Solution

ITFC is supporting the Government of Pakistan to meet the growing demand in LNG and avoid any gas supply outages. In 2019, the Corporation extended around 270 US$ million to Pakistan LNG Limited (PLL) for the import of 1.5 metric ton per annum (mtpa) of LNG, representing 22% of the country’s total needs. The gas was imported from OIC countries, namely Nigeria, Algeria, Qatar, UAE and Oman. The financing amount is part of a broader operation supporting the Pakistan energy sector and which also includes petroleum imports.

**KEY FIGURES**

- **1.5 mtpa** imported through ITFC financing, representing 22% of the country’s needs
- **100%** disbursement rate
- **100%** Intra OIC trade
- **VERY SATISFACTORY** Operation impact and management rating by PLL

“ITFC has been a valuable partner for the furtherance of the LNG supply chain in Pakistan and the innumerable positive impacts of LNG for the economic outlook of Pakistan. PLL is certain that with ITFC’s continued partnership with the Government of Pakistan, the Country can boost the prominence of LNG within the energy mix which will greatly benefit Pakistan’s economy.”

Farhan Aslam, Manager Finance, Pakistan LNG Limited
Fostering Private Sector Growth and Competitiveness

Small and Medium-Sized Enterprises (SMEs) are considered one of the major drivers of the economy, as they play a crucial role in job creation, poverty alleviation and economic growth. However, limited access to finance among the SMEs remains a major obstacle for their business expansion and growth. As such, in its 10-year Strategy, ITFC has further prioritized the importance of establishing partnerships with regional and local Financial Institutions (FIs) for the provision of alternate sources and modes of financing for private sector support, with a particular focus on SMEs.

In 2019, ITFC contributed to foster private sector growth by providing Lines of Financing to the amount of US$677 million, while ITFC’s overall private sector financing stood at US$821 million. ITFC was able to successfully establish new partnerships with a total of 13 Line Financing Banks in the portfolio. Based on six lines of finance that were disbursed and assessed in 2019, ITFC provided trade finance to over 120 corporations employing around 45,000 jobs. About half of these corporations were SMEs with less than 50 employees. The financings were mainly used for the import of crucial production outputs (steel, metal, fertilizers, chemical products, plastic…). Part of the funding was also extended to trading companies in the food and energy sectors.

What Was the ITFC Lines of Finance Used For?

- 29% Chemical Products and Fertilizers
- 16% Construction Inputs
- 9% Others
- 14% Food Import
- 7% Petroleum Import
- 17% Iron and Steel
- 8% Textile

Profile of Corporations and SMEs Financed by Number of Employees

- 31% Less than 20 Employees
- 18% Between 20 and 50 Employees
- 14% Between 200 and 500 Employees
- 13% Over 500 Employees
- 24% Between 50 and 200 Employees
Unlocking SMEs Exports in Central Asia

Accompanying the Uzbekistan Government’s Ambitious Reforms
Since 2017, the Government of Uzbekistan embarked the country in a vast and ambitious program of reforms aiming at turning the economy towards a market-based; a private sector-driven; and an export-oriented economy. To achieve its objectives, the Government is positioning SMEs development as a key priority to reduce unemployment, promote exports and contribute to the country’s economic diversification. Over the years, SMEs have played a significant role in the economy as their contribution to GDP increased to 54.9% in 2017 from 38.2% in 2005. Besides, the share of SMEs’ exports in total country export performance increased to 27.2% in 2017 from 6% in 2005, and SMEs’ imports accounted for 50% of total imports in 2017 (ADB, 2019).

ITFC is supporting the Government’s ambitious reforms and signed a Framework Agreement, in May 2018, with the Government, under which ITFC will make its best effort to mobilize financial resources of US$100 million over a period of two years. Among the key objectives of the Agreement is to provide line of finance to local banks to support SMEs.

Introducing Islamic Trade Finance in Uzbekistan
The first ever Islamic Trade finance product was introduced in the country in 2018 through a Line of Finance of US$9 million approved for Asia Alliance Bank (AAB). The financing benefited six SMEs in relevant sectors of the economy (manufacturing, processing) and supported around 285 jobs within these SMEs. Among the SMEs, Marwin Brands, created in 2007 and specializing in juice production, was granted an amount of US$1.5 million for the import of packaging material. The SME exports a substantial share of the production to neighbouring countries, namely Kazakhstan, Kyrgyzstan, Afghanistan, and the Russian Federation.

Another Line of Finance, worth US$4 million, was approved for Trust Bank, to finance the import needs of SMEs. Among them, JV LLC Grandtechno-lux, specialized in plastic production, received a facility of US$818,000 for the import of production inputs. The financing contributed to the increase of the production volume by 25% within nine months.

Supporting micro-SMEs in Kyrgyzstan
Kyrgyzstan is another country in which the demand for Islamic Finance products is growing. ITFC is supporting financial inclusion by partnering with Mol Bulak, a leader in the field of microfinance and socially responsible lending in the country. At least half of Mol Bulak clients are underserved population, who have no previous experience with the formal financial sector. The potential for the development of Islamic Finance in the country is tremendous and Mol Bulak is one of only two microfinance institutions who have been granted a license for an Islamic window from the central bank. To support the client’s efforts in promoting financial inclusion and Islamic Finance, ITFC approved a trade finance facility worth US$2 million. In 2019, the financing benefited 20 micro SMEs in the agriculture sector, out of which seven were women-led.
A trade finance facility for SMEs can only be impactful and sustainable if it creates an enabling environment through capacity building at both the client and the SME levels. Indeed, most SMEs have low financial literacy and business skills, thereby constraining their access to finance. This further stresses the importance of integrated programs when it comes to SME financing. For this purpose, ITFC is building Islamic trade finance capacity in partner banks and implementing integrated solutions to improve access to finance for local SMEs.

Building Capacity in Islamic Trade Finance

In 2019, ITFC conducted a series of training workshops in the CIS region to spread the knowledge about Islamic Trade Finance. The trainings were delivered by well-known Islamic Finance experts and were designed to provide a thorough understanding of Islamic Banking and Finance, give an overview of existing financial products, explain how Islamic financial institutions operate and elaborate on the main differences between conventional banking and finance and Shari’ah compliant banking.

In Uzbekistan, an ‘Islamic Trade Finance Training’ was held from 22-25 January 2019 and saw the participation of 12 local financial institutions.

In Turkey, in partnership with the Istanbul School of Central Banking (ISCB) and the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SES-RIC), ITFC hosted a four-day training program on Islamic Banking and Finance. The training sessions brought together representatives of Central Banks and other relevant authorities from Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Uzbekistan and Afghanistan who are responsible for the regulation and development of Islamic banking and finance.

In 2019, ITFC Trained 332 People in Islamic Trade Finance
Burkina Faso
Providing SMEs with the necessary tools and capacities to submit solid financial requests is key to foster sustainable access to finance. In 2019, ITFC successfully completed the first pilot of the West Africa SME Program, implemented in Burkina Faso with Coris Bank International (CBI). The Program aims to improve access to finance for local SMEs through the provision of lines of finance, capacity building and advisory services. The pilot in Burkina Faso, which spanned eight months, shortlisted and trained 22 SMEs, previously rejected by Coris for financing. The program resulted in over US$1 million in additional financing granted and over US$300,000 currently under consideration for local SMEs that underwent the program.

Senegal
Building on the results of the first pilot, the program was extended to Senegal in November 2019. ITFC is partnering with Coris Bank Senegal, the Delegation for Rapid Entrepreneurship (DER) and the International Organization of la Francophonie (OIF) for the implementation. Up to 200 multisector Senegalese SMEs will be selected by the partners to undergo a 15-month long pilot program. These SMEs are identified based on pre-defined criteria relating to business and organizational readiness with up to 20% of the qualifying spots reserved for women-led enterprises.

Bangladesh
Among other programs initiated by ITFC in 2019, the Export Launchpad Bangladesh was launched in partnership with TFO Canada. The program builds on lessons learned from the Export Launchpad Senegal which was completed in 2018. It aims at addressing key constraints faced by SMEs for exports and value addition, with a special emphasis on women-led SMEs. A field mission on the ground was held from 12th to 14th November 2019 and the programme is still ongoing.
Contribution to Development Results
Supporting Intra-OIC Trade Through South-South Cooperation: The Arab Africa Trade Bridge Program

South-South Cooperation is at the heart of the IsDB Group’s mission to connect and engage key stakeholders and partners to foster development in its member countries. Realizing the untapped potential to develop regional trade between Arab States and African Member countries of OIC, ITFC, in partnership with IsDB, Saudi Export Program (SEP), Arab Bank for Economic Development in Africa (BADEA), and the Islamic Corporation for the Insurance of the Investment and Export Credit (ICIEC), agreed to form a partnership platform to address this issue by developing a regional trade promotion program to boost trade between the two regions. The Arab-Africa Trade Bridges Program (AATB) was therefore officially launched in February 2017.

One of the key activities of the program is the organization of exporters’ and importers’ meetings which aim to link exporters and importers directly for strengthening trade partnerships in the private sector among member countries, filling trade gaps and increasing trade flows among Arab and African countries.

In 2019, ITFC organized various Business Matching activities. A second edition of the B2B on Agri-food products was held in Dubai, from 30th April to 1st May 2019, in partnership with Dubai Exports, the export promotion agency of the Department of Economic Development in Dubai. The two-day forum, which was attended by 40 companies from 15 African countries, witnessed over 200 business-to-business (B2B) meetings on building mutual relations and enhancing agri-food exports. In the Pharmaceutical sector, a business to business meeting was held in Dakar, in November 2019, and corporations from 18 African countries and 10 Arab countries attended the event.

Together with the African Union and the Afreximbank, ITFC has continued to play an important role, especially in the preparatory activities of the forthcoming second Intra-African Trade Fair to be held in Kigali in 2020. The partnership with Afreximbank has also resulted in the signature of a US$500 million Arab Africa Trade Finance and Promotion Programme (AATFPP) under AATB during IsDB Annual Meetings in April 2019.

In 2019, the share of Intra-OIC trade in ITFC approvals reached 67%, amounting to US$3.9 billion.
CHAPTER 4

ENHANCING EFFECTIVENESS AND EFFICIENCY OF ITFC OPERATIONS

There are no development results without an effective delivery of operations and a well-balanced portfolio. Attaining ITFC development goals requires increased resource mobilization, improved resource allocation and effective resource management. This chapter captures ITFC’s efforts to enhance the effectiveness and efficiency of its operations.

A. Allocating Resources Where it Matters
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B. Leveraging Resources and Partnerships for the SDGs
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C. Strengthening the Delivery of ITFC Operations
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D. Communicating for impact
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E. Making ITFC a Better Place for Work
   Page 79
With over US$4.4 billion, the energy sector still receives the largest share of overall approvals, reflecting ITFCs commitment to ensure the sustainable supply of energy inputs in our member countries.
Allocating Resources Where It Matters

Allocating the Right Type of Resources

According to the latest Trade Finance Gap, Growth, and Job Survey, released by the Asian Development Bank (ADB, 2019), the global trade finance gap, estimated at US$1.5 trillion is constraining the global efforts to foster growth and prosperity. As one of the leading providers of trade finance solutions, ITFC contributes to bridging the gap in financing, with a particular focus on reaching the underserved markets. In 2019, ITFC’s total trade finance approvals increased by 12% from US$5.2 billion in 2018 to US$5.84 billion in 2019. The financing was channelled through 84 operations and benefited 25 countries.

In terms of portfolio breakdown by security type, sovereign exposure continued to comprise the bulk of the portfolio, accounting for 86% of the total, compared to 83.98% in 2018.

Development considerations are fully balanced with financial sustainability. In 2019, the Corporation reported a net profit of US$33.4 million, return on equity of 3.50% and return on assets of 3.24%.

ITFC financing targeted strategic sectors in member countries, mostly energy, private sector, and food and agriculture. With over US$4.4 billion, the energy sector still receives the largest share of overall approvals, reflecting ITFCs commitment to ensure the sustainable supply of energy inputs in our member countries. The commitments in the private sector, which are mostly benefiting SMEs, increased by 8% compared to the previous year.

In terms of geographical distribution, 65% of ITFC financing was oriented to Asia and the remaining in Africa. Egypt, Pakistan, Bangladesh, Tunisia, Burkina Faso and Senegal were among the main beneficiaries of the ITFC financing.

Geographical Distribution of ITFC Approvals

Evolution of Portfolio Mix as Share of Portfolio (%)
In July 2019, ITFC announced the successful implementation of US$ 1.13 bn of Trade Financing in favour of the Arab Republic of Egypt.

To celebrate this milestone, a high-level ceremony was organized in Cairo in July 2019, with the presence of the Minister of Investment and International Cooperation, the Minister of Petroleum and Mineral Resources, and the Minister of Supply and Internal Trade. The event was well attended by syndicate partner banks and financial institutions.
As additionality is at the core of its strategy, ITFC is committed to allocating substantial amounts of financing towards the underserved markets. Out of the current 47 LDCs listed by the UN, 22 are OIC members (UN, 2018). The average HDI value for the OIC of 0.636 is below the average HDI for developing countries (0.668) and also below the world average of 0.717 (UNDP 2016). Also, 23 countries out of the 57 OIC members are in the low human development group.

Across the total trade finance approvals for 2019, 36% was allocated to LDMCs, compared to 32% in the previous year, amounting to US$2.1 billion in 2019. The average HDI of countries supported by ITFC was 0.59, well below the average of 0.66 in developing countries. In terms of value of trade finance provided, 70% of ITFC’s financing was oriented towards countries ranked in low and medium human development categories, reflecting ITFC’s continued commitment towards serving first those who are furthest behind.

ITFC approvals in LDMCs were mostly directed towards the energy sector (86%), reflecting a high priority in member countries to secure the energy supply. The commitments in the agriculture and private sector represented respectively 10% (US$ 210 million) and 4% (US$ 43 million) in 2019.
Leveraging Resources and Partnerships for the SDGs

Resource Mobilization

In setting the development agenda, the global community identified the financing gap as a major obstacle on the road to the SDGs. To meet the annual financing gap estimated at US$3 to 4 trillion (UNCTAD, 2014), a global alliance of different actors – public and private – must be mobilized.

ITFC contributes to unlock and direct substantial sources of finance toward realizing the SDGs. In 2019, ITFC mobilized US$4.6 billion from Syndicate Partners in the market and other external sources. The mobilized funds represented 79% of the total trade financing provided by ITFC this year.

For every five dollars approved by ITFC, four were mobilized from external sources.
In December 2019, ITFC organized its Partners Forum. Over 350 participants, including Ministers, CEOs, and senior managers were gathered to celebrate successful partnerships and to share reflections around the theme of the event: Investing for Impact.

The event, under the patronage of the President of IsDB Group was attended by high-level officials such as the Minister for Economic Affairs of Pakistan, the President of Afreximbank and the Chairman of Jeddah Chamber of Commerce, Industry & Agriculture.

Among the main take-ins of the panels held during the event, investors underlined their desire in embracing the Sustainable Development Goals as the main reason behind their partnership with ITFC.
New Products

To scale up its financing for the SDGs and increase the outreach of its interventions, ITFC developed two Shariah-compliant products that were approved for pilot by end of 2019: LC confirmation and Salam.

**LC Confirmation**

LC confirmation will support the diversification of ITFC portfolio, especially in the private sector. Since LC Confirmation provides the LC Beneficiary with an additional assurance of payment, it is thus an important tool which will enable ITFC to further facilitate trade in member countries. The LC confirmation will particularly help to target export-oriented SMEs.

**Salam**

Salam will further consolidate ITFC position as a leading financier of strategic value chains and enhance the financial inclusion of smallholder’s farmers. The product will offer new solutions tailored to the needs of producers and agricultural clients for pre-harvest or pre-production financing. Compared to a Murabaha financing, it provides more flexibility such as advancing the financing amount up front as well as covering indirect costs such as labor, rental and brokerage expenses.

**Country Framework Agreements**

In 2019, ITFC signed 9 country framework agreements with the Governments of Uzbekistan, Mali, Niger, Djibouti, Maldives, Tajikistan, Kyrgyzstan, Suriname and Senegal. The Agreements defines the strategic sectors to be supported by ITFC in a country for a period not exceeding five years. It also estimates, for effective implementation, a financing amount to be mobilized by ITFC on a best effort basis. The nine framework agreements signed in 2019 are worth US$4.8 billion of trade finance commitments.

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In 2019, ITFC has announced a strategic initiative aimed at supporting women entrepreneurs in Morocco. The She Trades Morocco initiative, supported by ITFC and IsDB (Women and Youth Empowerment Division), will be jointly implemented by the International Trade Centre (ITC) within the framework of its global She Trades umbrella program and the Trade Facilitation Office (TFO) Canada, in partnership with the Ministry of Industry, Investment, Trade and Digital Economy in Morocco.

The project’s specific objectives are as follows:

(a) To enhance export capacity of women-owned enterprises and enhance their compliance with market requirements

(b) Connect women entrepreneurs with global value chains.

Among the partnerships consolidated in 2019, ITFC actively participated in the International Chamber of Commerce (ICC) Banking Commission and the Sustainable Trade Finance Working Group. Also, engagements were executed with the WTO, notably the Heads of Institutions, meetings on Trade Finance and the Aid for Trade Global Review.

Resource mobilization for trade development enabled ITFC to engage with partners to implement trade development programs, including the West Africa Program in Senegal, She Trades Morocco and the Export Launchpad Bangladesh.

Partnerships for Capacity-Building and Integrated Programs

ITFC efforts also include mobilizing resources for capacity-building and integrated programs. In 2019, ITFC mobilized US$1.2 million through grants for trade development interventions in agriculture, financial institutions, capacity building and trade promotion. Among the sources of funding, ITFC mobilizes resources from IDB and other donors, project-oriented donations and sponsorships. Partners such as the Enhanced Integrated Framework (EIF), Arab Bank for Economic Development in Africa (BADEA) and other non-traditional partners such as think tanks and foundations are key to increase ITFC mobilization of funds for Trade Development intervention.

Partnering for Gender Empowerment

In 2019, ITFC has announced a strategic initiative aimed at supporting women entrepreneurs in Morocco. The She Trades Morocco initiative, supported by ITFC and IsDB (Women and Youth Empowerment Division), will be jointly implemented by the International Trade Centre (ITC) within the framework of its global She Trades umbrella program and the Trade Facilitation Office (TFO) Canada, in partnership with the Ministry of Industry, Investment, Trade and Digital Economy in Morocco.

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Supported by
PREPARING THE TRADE LEADERS OF TOMORROW
By 2030, ensure all learners acquire knowledge and skills needed to promote sustainable development

In 2019, ITFC partnered with the IE School of Global and Public Affairs, the International Trade Centre (ITC), and the International Chamber of Commerce (ICC), to launch the Executive Master in Internationalization and Trade. This high-level diploma is the result of a unique example of partnership between multilateral agencies and a top tier university.

The Master was designed with the purpose of shaping trade leaders to navigate in a world of disruption, characterized by recurrent tests of the multilateralism system and the global trading architecture. The program offers a unique blended format, combining face-to-face modules in Madrid and Geneva with live online sessions and interactive forums.

The Executive Master in Internationalization and Trade is a window into the disruptive role of innovation and emerging technologies in international businesses, and the associated challenges and opportunities for companies that want to expand their international footprint.

IE School of Global and Public Affairs
Strengthening the Delivery of our Operations

Moving Closer to our Clients

By bringing ITFC closer to its operations and to the country development context and clients, regional presence is imperative to improve the effectiveness of ITFC operations, enhance engagement with stakeholders and increase the outreach of ITFC in member countries. ITFC, in partnership with the Decentralization Facilitation Unit (DFU) of the IsDB, has established a decentralization unit. Its goal is to initiate, manage, and maintain decentralization of client-facing staff to the field so that they can be closer to Member countries and act in a more responsive and efficient manner.

In line with this strategy, ITFC has relocated 15 staff to the Regional Hubs and is maintaining close and continuous collaboration with IsDB in the Regional Hubs of Dakar (Senegal), Dhaka (Bangladesh), Istanbul (Turkey), Jakarta (Indonesia), and Rabat (Morocco). In 2019, three staff were outposted in Dakar and Istanbul regional Hubs and one local staff was hired in Cairo. The level of approvals managed by the Regional Hubs in 2019 reached 60% in 2019.
Disbursements

The level of disbursements is an accurate reflection of an institution’s actual development results. In 2019, ITFCs disbursements reached new heights, increasing by 8.7% from US$4.6 billion in 2018 to US$5 billion in 2019, representing 86% of total approvals. The disbursement effectiveness, reflected by a high disbursement ratio, is a result of the continuous efforts in ITFC to streamline and enhance internal processes to respond to client’s needs.

The energy sector accounted for 74% of total disbursements with US$3.7 billion disbursed for the import of energy inputs in member countries. The food and agriculture sector benefitted from US$755 million of disbursements in 2019, out of which 62% was allocated for food imports and the remaining as pre-export finance of strategic value chains. Finally, US$367.9 million were disbursed to enhance access of Private Sector and SMEs to trade finance.

The geographical distribution of ITFC disbursements in 2019 shows a broadly balanced repartition between the two main regions in which ITFC operates: Asia and Africa. The disbursement amount for Asia (including the CIS countries) reached US$2.6 billion representing 52% of total disbursements. The main benefitting countries were Pakistan, Bangladesh, Turkey and Maldives. In Africa, ITFC disbursed US$2.4 billion, corresponding to 48% of total disbursements. Main beneficiaries included Burkina Faso, Cameroon and Egypt. In 2019, the share of total disbursements in LDMCs was 36%, amounting to US$1.8 billion.

Disbursements by Sector

Disbursements by Region (in US$ billion)

Enhancing Effectiveness and Efficiency of ITFC Operations
Communicating for Impact

Increasing awareness is a central focus of the ITFC strategic direction. Specifically, ITFC aspires to become a global hub for Islamic trade finance through an integrated communications strategy including international events, communications and thought-leadership.

ITFC led 16 global events in 2019 while the CEO of ITFC led 36 high-level engagements – placing ITFC on the international stage.

Media Coverage

Press release coverage, articles and interviews have been published in titles such as Al Sharaq Aawsat, Finances News Hebdo, IC Publications, Aujourd'hui Le Maroc, Islamic Finance News, Trade Finance Global, Business Money, CNBC, How We Made it In Africa, OKAZ, and more.

Media coverage has touched on key ITFC programs and projects including the West Africa SMEs Program, AATB Program, Islamic Factoring, Cotton Program as well as various signing ceremonies with governments and organizations such as Kyrgyzstan, Maldives, Egypt, Morocco, Senegal, The Gambia, Djibouti, Turkey, etc.

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Making ITFC a Better Place for Work

Employee Engagement

In 2019, many initiatives and processes were introduced to further consolidate ITFC as a performance-driven organization and to create an employee experience. Achieving development results needs committed staff who fully embraces the corporations’ mandate and values. ITFC tracks employee engagement through Peakon, one of the world’s leading platforms for measuring and improving Employee Engagement.

ITFC employee engagement score at the end of 2019 reached 8.0 (out of 10), which is above finance benchmark. One of the strength areas highlighted by the survey is that the employees can relate to the organization’s mission in a way that enables them to connect the work they do with its overarching goal of “advancing trade, improving lives”.

Fostering Innovation in ITFC

Making of ITFC an innovative player is critical in a rapidly changing world in which science, technology and innovation are setting the trends in development approaches and processes. In ITFC, the employees are the main drivers of change, bringing innovative solutions to the way we work. Throughout 2019, ITFC continued with its innovation initiative, called “innov@ITFC” – designed to embed a culture of innovation across ITFC.

The 2019 Innovation Season gathered ideas around the following theme: How can ITFC be innovative in communication, internally and externally? The theme triggered a lot of interest from staff and more than 30 ideas were submitted. A dedicated platform was created for the submission of ideas, and their evaluation by ITFC staff. The three winning ideas were awarded a lump-sum for their implementation.

Enhancing Effectiveness and Efficiency of ITFC Operations
ITFC is committed to introducing eco-friendly office practices at its premises. A recycling program was initiated in May 2019, in partnership with Naqaa Sustainability Solutions, an enterprise created in 2008 in Jeddah and dedicated to raising awareness about environmental issues and sustainability in the Middle East.

**Going Green**

The program consists in collecting every month paper and plastic materials (eg. cardboard and mixed paper, plastic cups, bottles...) as mixed recyclables waste. A periodical report is issued by the implementing partner to state the amount of recyclable waste (paper, plastics and cans) that has been recycled at ITFC offices in Jeddah. Based on the first report, which covers the period from July 2019 to December 2019, the total recyclable waste that has been recycled by ITFC amounts to 1.16 tonnes. In parallel with these recycling efforts, constant awareness is conducted by the project team to win employees’ engagement.

**From July 2019 to December 2019, the total recyclable waste that has been recycled by ITFC amounts to 1.16 tonnes**

- Increased employee awareness helps reduce operation costs by consciously using office paper and other materials
- Contribute in raising awareness in environmental sustainable living and engaging employees to practice recycling and reduce waste sent to landfill
- 1.16 tonnes of office waste recycled
LOOKING FORWARD

Providing Support in Times of Disruptions
The global context in 2019 was characterized by a sluggish economy, a slowdown in world trade and a high volatility in commodity prices. In addition to the ongoing trade tension, the fragile growth will continue to be undermined by disruptions and external shocks. As we start 2020, the novel coronavirus (COVID-19) continues to spread rapidly all over the world. The effects on the global economy, while too early to assess, will be significant and the outbreak raises the spectre of a global recession. Among other external shocks, smallholder farmers are experiencing the impacts of climate change with rising temperatures, unpredictable rainfall and extreme weather events affecting crop yields, pest and disease incidence, income generation and food security. This year’s ADER emphasized the concept of additionality, at the core of ITFC strategy and its role in providing support to member countries in their time of need. It is during such challenging times, in fact, that ITFC work becomes even more crucial to come up with creative and innovative solutions to meet member countries’ needs.

Promoting a Holistic Approach to Development
Adopting integrated approaches are at the core of the President’s PSP Plan which seeks to promote innovative interventions that empower beneficiaries. This report showed that ITFC interventions are more impactful when trade finance is associated with integrated programs addressing the needs of our member countries. The support provided by ITFC to enhance the inclusion of smallholder farmers in global value chains is a good illustration. Similarly, line of financing for SMEs are more effective when coupled with capacity building for financial institutions and SMEs. ITFC will further consolidate its capacity building interventions given the importance it plays in achieving the national development goals of member countries. Moreover, the focus will also be to utilize technology to include E-training/Digital training, which is expected to contribute towards enhancing the number of people trained.

Synergies with IsDB group and partnerships are essential when it comes to implementing holistic approaches. IsDB is a key partner in the implementation of ITFC Flagship Trade Development Programs such as the Arab Africa Trade Bridge Programs (AATB) and the Aid for Trade Initiative for Arab States (AFTIAS). Partnerships will be further strengthened and ITFC will work towards increasing partner membership and enlisting support from government agencies and corporations. The focus will be on partners with high additionality and possessing comparative advantage of strategic importance to ITFC.

Consistency of Reporting
This is the fourth edition of the ADER and since 2016, ITFC has been consistently reporting on development results. Over the years, ITFC has adapted its processes and methods to be able to collect reliable and solid evidence on its development results. The data generated is used to inform decision-making before approving ITFC operations and to learn from the actual results of ITFC interventions. Learning and improving are a continuous process and ITFC will further strengthen its Development Impact Framework and its alignment with the SDGs. The focus is to promote accountability and learning in ITFC in order to enhance its development effectiveness.
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