Embracing Disruption to Build Back Better
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List of Abbreviations

AATB  Arab Africa Trade Bridge Program
ADB  Asian Development Bank
ADER  Annual Development Effectiveness Report
AFCTA  African Continental Free Trade Area
AfDB  African Development Bank
Afreximbank  African Export-Import Bank
AfTIAS  Aid for Trade Initiative for the Arab States
BCM  Business Continuity Management
BIS  Banque Islamique du Senegal
CEO  Chief executive officer
DFI  Development Finance Institution
GASC  General Authority For Supply Commodities
IMF  International Monetary Fund
IsDB  Islamic Development Bank
ITC  International Trade Center
ITFC  International Islamic Trade Finance Corporation
LDCs  Least Developed Countries
LDMCs  Least Developed Member Countries
LIBOR  London Inter-bank Offered Rate
MCs  Member Countries
MoU  Memorandum of Understanding
MSMEs  Micro, Small & Medium Enterprises
OECD  Organisation for Economic Cooperation and Development
OPAM  Office des Produits Agricoles du Mali
P5P  IsDB President Five Year Program
SDGs  Sustainable Development Goals
SOFITEX  Société burkinabé des fibres textiles
SMEs  Small and medium-sized enterprises
SPRP  Strategic Preparedness and Response Plan (IsDB Group)
TSI  Trade Support Institution
UN  United Nations
UNCTAD  United Nations Conference on Trade and Development
UNDESA  United Nations Department of Economic and Social Affairs
UNWOMEN  United Nations Entity for Gender Equality and the Empowerment of Women
WTO  World Trade Organization
I am pleased to present the 2020 edition of the Annual Development Effectiveness Report highlighting critical contributions made by the International Islamic Trade Finance Corporation (ITFC) towards achieving developmental results in our member countries. This year’s report emphasizes the ITFC response to the unprecedented challenges caused by the COVID-19 pandemic.

In addition to the enormous burden brought by the pandemic on national health systems, it continued to cause significant disruptions to the global trade and economy. The most vulnerable to external shocks, such as women, farmers, and small and medium-sized enterprises (SMEs), have been hit the hardest by the crisis.

The COVID-19 crisis has led us to have a second look at our resources to see how we can use them more effectively relevant to our member countries’ needs. On this basis, IsDB has rolled out a US$2.3 billion Strategic Preparedness and Response Program (SPRP) to help member countries contain, mitigate, and recover from the impacts of the pandemic. The Group’s response builds on each entity’s comparative advantages to provide holistic solutions to member countries, focusing on emergency relief and sustainable recovery.

ITFC has proven instrumental in supporting the SPRP since the beginning of the crisis. The Corporation has approved US$605 million under the first phase of this program, demonstrating a solid commitment to the initiative at the right time. As we move forward, we expect ITFC to play a significant role in the recovery phase, building on its experience in expanding access to finance for SMEs and other underserved groups.

Building resilience in our member countries requires innovative solutions to shift the focus to the private sector and make global markets work for development. The COVID-19 pandemic has highlighted the gaps between the rich and the poor as some countries lack the necessary financial resources to combat the crisis and its socioeconomic impact.

This situation necessitates getting out of our comfort zone as we cannot rely on the public sector alone to improve our member countries’ economic outcomes. ITFC mobilized US$2.4 billion from external financial partners in 2020, cementing its role as a catalyst in mobilizing resources for the development of our member countries. With this, the Corporation is contributing immensely to boosting IsDB Group’s vision and strategy and pushing the boundaries of development finance.

International trade is recognized as a critical enabler to achieving Sustainable Development Goals (SDGs). Restoring supply chains and building a sustainable trade environment is crucial to building back better from the pandemic. This report highlights ITFC’s integrated approach covering trade finance and trade development components to achieve a more resilient, inclusive, and sustainable trade in our member countries.
A message from the Chief Executive Officer, ITFC

I am honored to introduce you to the fifth edition of the ITFC Annual Development Effectiveness Report. The year under review, 2020, was a year like no other, a year in which we experienced a deadly pandemic, a global recession, and an increased social divide. But it was also a year of opportunities with disruptions affecting our daily routine, bringing out the best in us and leading us to innovate. More importantly, it was a year to reflect on the future we want and what role we want to play in achieving it.

As I look back on the last year, it is remarkable to see how ITFC, as an institution, displayed organizational resilience and proactiveness to stay relevant to our clients’ needs. In 2020, ITFC lived up to its vision of becoming the leading provider of trade solutions in the Global South and stepped up to this role with efficiency and resilience. This would not have been possible without engaged staff who showed commitment and creativity while working from home.

COVID-19 response
As the pandemic unfolded, ITFC reacted swiftly to help member countries respond to the immediate public health emergency and ensuing social and economic impact. The ITFC response to the crisis aimed at supporting our clients to meet their immediate needs during the outbreak and strengthening their long-term resilience to external shocks. As part of the Strategic Preparedness and Response Program of IsDB Group, we disbursed up to US$495 million of trade financing to support our clients with the objective of alleviating the health crisis, restoring trade supply chains, providing affordable and quality food, and maintaining jobs within micro, small, and medium-size enterprises. ITFC support was delivered through a blended approach combining trade finance facilities with grants, enabling us to extend support to those clients who were most in need.

Delivering despite turbulence
Trade finance is essential to keep trade flowing and save livelihoods. The COVID-19 pandemic has exacerbated the decline in global trade volume that was already notable in 2019 due to international trade tensions and slowing global economic growth. Despite a challenging context, we were able to maintain our approvals and disbursements at a high level of US$4.7 billion and US$4.1 billion, respectively. Out of every three dollars approved by ITFC, two were mobilized from external partners. Building on these figures, we can deliver on our core development priorities namely: energy, food and SME financing.

ITFC disbursed US$2.7 billion to secure the supply of energy inputs in member countries, supporting an estimated 8 million households to access electricity. Our food and agriculture financing increased by 11% year-on-year to reach US$776 million. We financed the purchase of 1.5 million tonnes of food commodities to ensure that over 25 million households in member countries had access to affordable, safe and sufficient food. We redistributed US$240 million worth of income to over 600,000 cotton and groundnut producers in West Africa. Disbursements for micro, small, and medium-sized enterprises reached US$373 million benefiting over 7,500 MSMEs across member countries.

Towards a resilient and sustainable recovery
ITFC is about much more than providing financing. In line with its Ten-Year Strategy and the IsDB President’s 5-Year Program (P5P), ITFC promotes holistic solutions to complex development issues. Our integrated solutions supported our member countries to mitigate the pandemic’s immediate consequences and to lay the foundation for a better future. The launching of the Trade Development Fund in 2020 was a significant milestone in our ambition to scale up resources for trade development interventions.

As we move forward, we need to adapt to the new realities. The ITFC Ten-Year strategy, which remains relevant, was fine-tuned to better navigate disruptions. More than ever, we need to promote a resilient, inclusive and sustainable recovery, in alignment with the Sustainable Development Goals.

Making trade more inclusive requires addressing trade finance gaps that disproportionately affect SMEs and countries not fully integrated into global supply chains or the international financial system. In 2020, we engaged with our partners from multilateral organizations to position trade finance at the forefront of the development agenda through various forums, publication of policy papers and major events, most notably at the G20. We also ensured that our disbursements to underserved markets such as LDCs and in the Sub-Saharan Africa subregion reached 30% and 57% of our portfolio, respectively.

Eng. Hani Salem Sonbol, Chief Executive Officer, ITFC

Digitization is opening new opportunities for international trade. Although this trend preceded the pandemic, it gained momentum in 2020 as digital technologies and e-commerce have become effective tools for a resilient recovery. Yet, the digital divide poses a serious threat and could prevent an equitable sharing of benefits. It is an ITFC aim to ensure that the ongoing digitization is fair and inclusive. In 2020, ITFC has successfully rolled out paperless trade solutions among selected clients and we will step up our efforts to promote inclusive trade using emerging digital solutions.

Five years of development reporting
This year’s ADER marks our fifth year of continuous development reporting. Over the years, ITFC’s Development Impact Framework (DIF) has evolved with continuous improvements by adopting lessons learned and other best practices. The DIF and analytics model enables us to rate our interventions at pre-appraisal stage based on their expected development impact and alignment with the SDGs, reflecting our ambition to allocate financing where it matters most. The pandemic has also reinforced the importance of generating and sharing timely data and lessons learned to enhance our operations. I am glad that the ITFC new evaluation policy came into effect last September, thus promoting a culture of learning and accountability within the Corporation. This year’s ADER has benefited from increased evaluative evidence to design the case studies.

The report, entitled “Embracing Disruption to Build Back Better”, lays out how ITFC responded to the unprecedented crisis and how it envisions the future. Global challenges require multilateral cooperation and shared solutions. I am thankful to all our partners who, despite a highly uncertain environment, reaffirmed their trust and confidence in our mission of “advancing trade and improving lives.”
Introduction

2020 Theme

Since 2018, the Annual Development Effectiveness Report (ADER) has been a theme-based exercise. Every year, the report showcases ITFC development effectiveness by focusing on certain thematic or operational aspects of its interventions. The theme selection is driven by the relevance of the topic both from an external point of view and internal focus.

This year’s ADER is titled ‘Embracing disruption to build back better’. The theme is not a surprise given the overwhelming disruptive impact the COVID-19 pandemic has had on our lives. The pandemic has caused significant disruption to our economies and societies. It has also led us to reimagine the way we do business to determine if disruption will be either positive or negative. This report chose to highlight how the COVID-19 pandemic created opportunities that can be leveraged to overcome the challenges it has imposed on us.

ITFCs’ Development Priorities

The Development Effectiveness Report is ITFC’s primary tool for monitoring and reporting on its performance in achieving development results. The ADER uses the indicators in the ITFC’s Development Impact Framework (DIF) as a yardstick for reporting. With 54 indicators, 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 Corporation. The indicators are structured around four development themes which reflects ITFC’s development priorities:

- inclusive growth,
- sustainability,
- technology, skills, innovation,
- private sector development.

The ITFC DIF adopts a four-tier structure to show the Corporation’s results through mutually reinforcing tiers:

- contribution to the SDGs;
- contribution to the shared IsDB and ITFC strategic objectives;
- development results; and
- operational and organizational performance.

Report Structure

The report is structured around four chapters, representing key facets of the chosen theme. These chapters are both external and internal, as well as retrospective and forward-looking.

01 Agility to face the challenges ahead

Highlights ITFC’s proactiveness and agility to stay relevant amid a disrupted world. Thanks to its organizational resilience, the Corporation moved swiftly to embrace the changes and meet its clients’ needs.

02 Responding to a World in Disruption

Focuses on the outcomes of ITFC emergency assistance to member countries (MCs) and its efforts to mitigate the Pandemic’s immediate impact.

03 Preparing for Disruption

Focuses on ITFC’s efforts to put member countries back on the path of economic recovery through restoring livelihoods, building resilience, and kick-starting economic growth.

04 Embracing the “New” Normal

is forward-looking. It shows how ITFC lays the foundation for a more inclusive, sustainable and resilient future in our member countries.

Corporate Results Framework

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- operational and organizational performance.

ADER Evolution

Since ITFC started reporting on its development results in 2016, the ADER has been evolving to analyze development effectiveness. This year’s ADER benefits from enhanced reporting metrics, enabling an assessment of ITFC results at a more detailed level. The DIF 2.0 became operational in 2020 and included 24 additional metrics compared to the previous version. Also, specific metrics were developed for COVID-19 related interventions to ensure ITFC captures the outreach of its health financing (number of doctors, medical facilities benefiting etc.). Finally, this ADER shows an increased effort in reporting at output level (volume of goods imported for example).

Emphasis on Disbursements

The level of disbursements is an accurate reflection of an institution’s actual development results. Since last year, the ADER started progressively to shift from approvals to disbursements to analyze development effectiveness. This year’s ADER is the first to assess development results exclusively through the lens of disbursements. As such, data comparability with previous years may be limited as the reporting focus has been shifted towards the more meaningful disbursement figures.

A systematic approach to data collection

To prepare the ADER, ITFC has discontinued the annual development survey to adopt a systematic data collection approach. At the end of each transaction, the client is requested to fill a self-assessment report informing selected development indicators. The results of these individual forms are aggregated and consolidated at the organizational level. This allows a better analysis of the effectiveness and crosscutting issues and challenges that influence ITFC over-all performance. The ADER also draws on the four evaluations (e.g. operation performance evaluations, etc.) produced over the year.

Increased reporting metrics

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Progress towards the SDGs

The progress on the SDGs has been deeply affected by the COVID-19 pandemic crisis. What started as a health crisis led to an unprecedented economic shock with global growth contracting by -3.3% (IMF, 2021) and around 255 million full time jobs being lost (ILO, 2020). The crisis has widened existing gaps and hit the most vulnerable the hardest. Global extreme poverty rose in 2020 for the first time in over 20 years (World Bank, 2020) and over 270 million people in 79 countries are acutely food insecure – or directly at-risk – an 83% increase compared to pre-COVID needs (WFP, 2020). International trade, a key enabler to achieve the SDGs, has plummeted due to the ensuing lockdowns, transport restrictions, business closure, and adoption of trade barriers (UNCTAD, 2020). Finally, the Pandemic has undermined government’s capacities to mobilize adequate resources for the SDGs (UN, 2021). Despite all these challenges, the COVID 19 pandemic offers an opportunity to refocus the development agenda around the core values of the SDGs: resilience, inclusiveness, sustainability.

Progress towards Strategic Objectives

For an effective, resilient and inclusive international trade, the trade finance gap, which widened amid the disruptions caused by the pandemic, need to be addressed. ITFC has contributed so far by extending around US$55 billion in Islamic trade financing since its inception in 2008, out of which 37% were allocated to Least Development Member Countries (LDMCs). Intra-OIC export flows have been steadily increasing since 2016 from US$254 billion to reach to US$331 billion in 2019. Over the last three years, intra-OIC exports increased by more than 30%, which is a significant achievement. ITFC has been contributing to this trend by extending US$ 40 billion of financing for intra OIC trade since its inception. In 2020 alone, ITFC provided US$3.7 billion to finance trade between OIC member countries. Beyond financing, ITFC has fostered regionalization and intra-OIC trade through two flagship programs: The Arab Africa Trade Bridges (AATB) Program and the Aid for Trade Initiative for Arab States (AfTIAS).

Development Results

ITFC supported member countries mitigate the immediate effects of the pandemic. In 2020, ITFC health financing reached US$15 million, and benefited an estimated 62,000 patients, 2,500 health workers and 40 medical facilities. In addition, ITFC disbursed US$484 million to import 1.1 million tons of wheat, 220 000 tons of rice, and 15 000 tons of sugar benefiting over 25 million households in Egypt, Suriname, Maldives, Mali, and Tajikistan, among other countries. ITFC energy financing provided over 8 million people with a reliable access to electricity. In parallel, ITFC supported economic recovery through restoring livelihoods and building resilience. The total amount of disbursed financing for MSME support equaled US$373 million, benefitting an estimated 7,500 MSMEs across member countries. Over 600,000 farmers were targeted by ITFC pre-export and inputs financing. The value of cotton and groundnut exported to international markets by ITFC agricultural clients reached US$360 million. Finally, around 309 individuals were trained through ITFC-supported trainings.

Operational and Organizational Performance

ITFC showed organizational resilience to navigate disruptions and deliver strong results. Trade finance approvals reached US$4.7 billion across 80 deals while disbursements amounted to US$4.1 billion. Out of every three dollars approved by ITFC, two were mobilized from other investors and institutional partners. In terms of sectoral allocation, the energy sector remains predominant with 67% of total approvals, followed by the food and agriculture sector, representing 15% of total approvals. ITFC disbursements to LDMCs amounted to US$1.2 billion, benefiting nine countries. The Corporation allocated 57% of disbursements in Africa. Around US$1.3 million were mobilized for the implementation of trade development interventions. As part of IsDB Group COVID 19 response, ITFC approved US$605 million towards facilitating the procurement of emergency medical equipment and supplies, as well as strategic commodities.
**Figures of Resilience - 2020**

**APPROVALS**

We approved 80 TRANSACTIONS worth US$4.7 BILLION of trade finance benefitting 21 MEMBER COUNTRIES, with the average tenor up by 55%.

**DISBURSEMENTS**

We disbursed US$4.1 BILLION of trade finance, benefitting 22 MEMBER COUNTRIES, 30% of which was allocated towards LDMCs. We sustained over 50,000 JOBS in our client’s institutions.

**COVID-19 RESPONSE PLAN**

We disbursed US$495 MILLION of trade financing and allocated grants amounting to US$1 MILLION as part of our RESPONSE PLAN to mitigate the impact of the Pandemic in member countries and sustain trade supply chains.

**ORGANIZATIONAL RESILIENCE**

We spent around 46,000 HOURS on audio/video conferences and HELD OVER 17,000 MEETINGS ONLINE to ensure business continuity. Our employee engagement SCORE REACHED 8.6 (/10).

**FOOD SECURITY**

We extended US$484 MILLION for the purchase of 1.5 MILLION TON of food commodities to ensure that over 25 MILLION HOUSEHOLDS in member countries have access to affordable, safe and sufficient food.

**AGRICULTURE**

We disbursed US$240 MILLION of income to farmers for the purchase of 455,000 MT OF AGRICULTURE COMMODITIES. Our pre-export financing brought US$360 MILLION of export revenues for African LDMCs, and our overall agriculture financing benefitted over 600,000 FARMERS.

**ENERGY**

We disbursed US$2.7 BILLION to secure the supply of energy inputs in member countries, supporting over 8 MILLION HOUSEHOLDS to access electricity.

**HEALTH**

Over 62,000 PATIENTS, 2,500 HEALTH WORKERS and 40 MEDICAL FACILITIES have benefitted from PPE, medical equipment and pharmaceutical products purchased from ITFC financing.

**PVT. SECTOR DEVELOPMENT**

Over 7,500 MSMES have benefitted from US$373 MILLION of financing channeled through 26 PARTNER BANKS.
From the COVID-19 pandemic and its toll on the most vulnerable to the urgency of climate change and inclusiveness, 2020 brought more challenges and opportunities than many could have imagined. ITFC showed organisational resilience to navigate disruptions and deliver results. We approved US$4.7 billion of trade financing, including US$2.4 billion mobilized from external investors. ITFC swiftly reacted to its clients’ needs through an ambitious and timely COVID-19 Response Plan.

01 Agility to Face the Challenges Ahead

A. Setting the Scene: From Crisis Comes Opportunity (P18 - 21)
B. Adapting and Evolving to Stay at the Pulse of Time (P22 - 23)
C. Organizational Resilience to Address Disruption (P24)
D. Leveraging Resources Against A Challenging Backdrop (P25 - 26)
E. Delivering in Turbulent Times (P27 - 29)
F. Joining Forces as One Group (P30 - 31)
A global health crisis led to an unprecedented economic shock
As we closed 2020, most of the world was battling a new wave of COVID-19 cases, probably the deadliest so far. As of 31 December 2020, there were 81,592,364 cases and 1,801,160 deaths reported globally, according to the World Health Organization (WHO). The health crisis and its underlying restrictions and disruption triggered an economic crisis of unprecedented levels.

According to the IMF, global growth have contracted by -3.3% in 2020. The impact on the economies vary across regions with the Middle East and Central Asia economies expected to face a contraction of -3.2% against -2.6% for Sub-Saharan Africa. Unlike previous financing crises, developing countries are also likely to experience negative growth in 2020. The IMF estimates that Low-Income Developing Countries GDP growth contracted by -0.8% in 2020 (IMF, 2020).

Global industrial production and employment were particularly affected. According to UNIDO, in the second quarter of 2020, global manufacturing output fell by 11.2% and grew by 2.4% in the fourth quarter of 2020 in a year-over-year comparison (UNIDO, 2021). The International Labour Organization (ILO) estimates that, in 2020, 8.8% of global working hours were lost relative to the fourth quarter of 2019, equivalent to 255 million full-time jobs. Such disruption is on a historically unprecedented scale.

In 2020, the average LIBOR US Dollar Deposits (six-month) rate declined from 2.3% in 2019 to 0.2% in 2020. The rate is expected to decline marginally further to 0.3% by 2021, according to the IMF.

The crisis deepened the plunge in international trade
International trade that had been on a downward slope before the pandemic crisis, weighed down by trade tensions and slowing economic growth in 2019 and a prolonged shortfall in global demand since 2009.

However, the impact of the COVID-19 Pandemic on trade volumes is multi-faceted and goes beyond the sharp contraction in economic growth and demand. It includes disruptions to the supply chains related to the ensuing lockdowns, transport restrictions and business closure. Likewise, the adoption of trade barriers by many countries, particularly concerning export restrictions on medical supplies and food products, has served to depress trade volumes further. According to the IMF World Economic Outlook Update (January 2021), World trade volumes growth declined from +1.1% in 2019 to -9.6% in 2020.

In the commodities sector, the slowdown in global economic activities resulted in a massive fall in demand for commodities, leading to a decline in export earnings among African and Middle Eastern countries. A large part of this decline in the commodity sector can be attributed to the collapse of oil prices.

Drying-up resources have widened the financing gap for sustainable development
2020 was the first year into the decade of action for the 2030 Development Agenda. As the international community was called to step up its effort and financing to achieve the SDGs, the COVID-19 pandemic placed tremendous pressure on the government’s financial resources.

Since the Addis Ababa Roadmap (2019), the SDGs financing strategy relies on endogenous growth and prioritizing domestic (fiscal) and private sector resources to finance sustainable development. Yet, the COVID-19 pandemic has enormous fiscal impacts and exacerbated risks of a debt crisis that were already elevated in many developing countries (44% of LDCs and other developing countries were already at high risk of or in debt distress in 2020, according to the UN). Most member countries will feel the economic impact through either being a resource- and commodity exporter or tourism-dependent. With the global demand for oil collapsing, one-third of member countries will face widening fiscal and external imbalances due to their dependence on oil export earnings.

Beyond domestic financing, the Pandemic has had an immediate and negative impact on foreign direct investment (FDI). UNCTAD estimates that the COVID-19 outbreak resulted in a drop in FDI by up to 43% in 2020, from their 2019 value of close to US$1.6 trillion. This would bring FDI to below US$1 trillion for the first time since 2005 (UNCTAD, 2020).

The 2020 Financing for Sustainable Development Report of the Inter-Agency Task Force (UNDESA, 2020) states “that the international economic and financial systems are not only failing to deliver on the SDGs but that there has been substantial backsliding in key action areas. Governments, businesses and individuals must take action now to arrest these trends and change the trajectory.”
Finally, a high proportion of microenterprises and SMEs have experienced heavy losses and are fighting for their survival. A comprehensive survey that covered 54 countries in Africa indicated that four-fifths of respondents were significantly affected. The rate of capacity utilization ranged from 30 to 40% for small businesses (Economic Commission for Africa and International Economics Consulting, 2020).

An effective and swift recovery will depend on adequate policy responses that focus on strengthening the most vulnerable groups’ resilience against external shocks.

Increasing momentum for digital technologies

The COVID-19 pandemic has introduced and accelerated significant changes in our habits that will most likely stay beyond the crisis. E-commerce became increasingly important as people wanted to sustain their consumption habits and ordered goods and services. E-commerce’s share of global retail trade rose from 14% in 2019 to about 17% in 2020.

In parallel, mobile telephone-enabled solutions played a crucial role in expanding access to essential financial services. Mobile money allows individuals to store and transact money in a digital form without the need for a bank account. In the wake of the Pandemic, many governments have implemented direct cash transfers to protect vulnerable households, and digital solutions can ensure that these transfers are made in a timely and secure manner and are adequately controlled and reported (IMF, 2020).

While digital technologies bring plenty of opportunities, it also comes with challenges. This emerging trend has shed light on the urgency to bridging the wide digital divides worldwide. In many member countries, digital infrastructure is insufficient and impedes leveraging existing technologies. As shown by UNCTAD, LDCs trail behind in the digital economy and rapidly need to overcome a range of barriers and bottlenecks.

Emerging digital technologies such as blockchain, three-dimensional (3D) printing, automation and robotics, and artificial intelligence reduce trade costs, further boosting global value chains (GVCs). They turn more services from non-tradable into tradable ones by reducing the need for face-to-face interactions enabling remote delivery. It creates opportunities for smaller firms and developing countries to grab the opportunities that trade in services provides. More than ever, there is a global shift in the industry towards acceptance of digital solutions as the backbone of the future international trade.

An additional 140 million people were pushed into extreme poverty this year, with Africa accounting for about 80 million and South Asia for 42 million.

Besides their geographic cumulations, women will be among the most affected as they are more often in precarious employment and are often less entitled than men to social protection. More than 740 million women worldwide work in the informal sector (UNCTAD, 2020) making them highly vulnerable in economic downturns. According to recent data, the income of women working in the informal economy fell by around 60% during the first months of the Pandemic (UN-Women, 2020).

E-commerce became increasingly important as people wanted to sustain their consumption habits and ordered goods and services.
Adapting and Evolving to Stay at the Pulse of Time

A strategy in action

In alignment with the SDGs, the ITFC Ten Year Strategy, adopted in 2017, puts a resilient, inclusive, and sustainable development at the core of ITFC interventions. The Strategy articulated the ambition to rebalance the portfolio towards filling gaps in the market for trade finance and reorienting its operations around holistic and integrated solutions, covering both Trade Finance and Non-Financial Trade Development components. The strategy emphasizes achieving a measurable development impact, which translated into a comprehensive Development Impact Framework for monitoring and evaluating ITFC interventions.

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

• Private Sector Development: A critical strategic anchor is the diversification of trade finance portfolios across geographic regions and sectors. The focus is on extending access to finance to MSMEs, increasing their competitiveness, and building their resilience to face external shocks.

• Co-operation between member countries through trade solutions, which specifically aims to increase trade between member countries. Fostering regional trade cooperation is crucial in light of the disruptions to supply chains caused by the Pandemic.

• Islamic Trade Finance Development: Scaling up finance for the SDGs requires innovative financing solutions that meet the needs of clients. ITFC focuses on developing Islamic Trade Finance solutions through its provision of products and working with local banks to increase their capacity to provide such products in line with both Islamic Finance rules and SDGs.

Adjusting to navigate disruption

Following the onset of COVID-19 health, economic and commodity crisis, ITFC conducted a strategy review in 2020. The results further confirmed the relevance of the ITFC Corporate Strategy. However, adjustments to the business model were introduced to adapt to the ‘new normal’ market across strategy, people, process, and technology.

Starting from July 2020, the Corporation designed a Strategy 2.0 Plan to identify areas to enhance the business model and ultimately better address current opportunities and client needs. ITFC Strategy 2.0 is about being proactive, not reactive to disruptions.

A total of 5 strategy-work packages were concluded:

1. Diversification Strategy
2. Funding Strategy
3. New Profit Formula Strategy
4. Sovereign Strategy
5. Enhanced Organizational Structure

Implementation of these five work-package recommendations is firmly underway as part of a 3-year Strategy 2.0 transformation program.
C. Organizational Resilience to Address Disruption

As it became clear that COVID-19 cases were spreading rapidly, ITFC moved proactively to guarantee business continuity without undermining staff safety. ITFC requested staff to work from home, and any non-essential travel was halted. From mid-March 2020, around 90% of employees were working from home. ITFC provided regular updates to staff and reminded the need to adhere to host country regulations concerning curfew. An IDB Group level Business Continuity Management (BCM) Team issued updates and instructions related to health safety, curfew and remote working.

A Business Continuity Plan was adopted, including several measures related to operations management, human resources management, IT management, communication and access to information, and protection of staff and their families’ health.

It is worth noting that ITFC was already working on building its organizational resilience before the Pandemic. The Corporation adopted a remote working policy as early as January 2020 to respond to staff needs for more work flexibility.

From a technological perspective, ITFC designed its New Cloud Infrastructure in early 2020, which included Disaster Recovery, Cybersecurity and Full Back up Options Enabled. ITFC also performed a vulnerability assessment & hardening of the ITFC technology infrastructure. All these efforts ensured IT readiness to adapt to remote working.

ITFC staff members were requested to ensure that their Laptops were configured with all the needed software and tools. Technology setup and support worked successfully under current remote working conditions in the HQ and Regional Hubs, and no major system issues or disruptions were reported during the current conditions.

ITFC staff have increasingly utilized advanced technologies for remote working (e.g., Video Conferencing, File Sharing, VPN, VDI, etc.) as indicated by the figures below:

- 46,000 Hours of total time spent on audio/video conferences
- 17,000 Meetings conducted online (MS Teams + Zoom)
- 1,000 IT requests served during 2020, ensuring around the clock support
- 87,500 Hours of HQ site connectivity without any interruptions

Employee Engagement Score

ITFC employee engagement score at the end of 2020 reached 8.6 (out of 10), an increase from last year figure of 8.0. A dedicated and engaged workforce, equipped with the right tools, has proven its ability to continuously deliver results under adversity.

D. Leveraging Resources Against A Challenging Backdrop

Stretching ITFC Internal Resources to Mitigate Turbulence in Global Financial Markets

The economic impact of the COVID-19 pandemic has heightened market risk aversion in ways not seen since the global financial crisis, creating a severe liquidity crunch. During the early months of the Pandemic, the liquidity premium (translated into the cost of borrowing) skyrocketed to unprecedented levels. Lenders either froze or severely scaled-down the counterparts’ limits and stopped or restricted their lending activities with selective borrowers. ITFC’s attempts to borrow from its usual treasury partners were restrained by the high cost of borrowing and partners’ reluctance to allow lending. As liquidity shortage prevailed in international markets, member countries’ needs for funds deepened as they tried to mitigate the health, social and economic consequences of the Pandemic.

Despite the challenging environment, ITFC could borrow on a large scale, confirming the treasury partners’ confidence and trust for ITFC. In 2020, ITFC mobilized US$2.4 billion from Syndicate Partners in the market and US$0.9 million from within the IDB Group through the Mudaraba Fund. The mobilized funds represented 70% of the total trade financing provided by ITFC this year. The trade finance resources mobilized in 2020 declined by 29% compared to 2019. ITFC funding increased by 5%, amounting to US$1.4 billion, reflecting the Corporation’s ability to stretch its own internal resources to meet its clients’ urgent needs.

Approved Resource mobilization for Trade Finance

The resource mobilization ratio decreased compared with the previous years but remained high. For every three dollars approved by ITFC in 2020, two were mobilized from external sources.
Resource mobilization for trade development maintained a steady growth

ITFC efforts also include mobilizing resources for capacity-building and integrated programs. In 2020, ITFC mobilized US$1.4 million through grants for trade development interventions in agriculture, financial institutions, capacity building and trade promotion. Trade development resource mobilization has maintained a steady growth, increasing by 14% from last year. Among the funding sources, ITFC mobilizes resources from IsDB and other donors, project-oriented donations and sponsorships. Global Partners such as the Afreximbank, Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC), International Chamber of Commerce (ICC), Enhanced Integrated Framework (EIF), Arab Bank for Economic Development in Africa (BADEA) and local partners, such as governments and executing agencies, are key to increase ITFC mobilization of funds for Trade Development interventions.

Scaling up Resources for Intra-OIC Trade through the Trade Development Fund

The Trade Development Fund (TDFD) was launched on 1 January 2020 to support and enhance trade development and promotion activities between OIC member countries. It is also mandated to fund solutions to the socio-economic impact of the COVID-19 Pandemic, which range from the provision of staple goods, medical equipment and fiscal stimulus for MSMEs and exporters. The TDFD is a Waqf based fund with an initial target capital of US$50 million. An Executive Committee, chaired and convened by ITFC, manages the Fund. The Fund is a Waqf, which from a Shariah perspective means endowed assets and restricting disposing of them, whilst the benefits are for charitable causes.

In 2020, the fund extended support through two grants addressing the needs of member countries to fight the socio-economic effects of COVID-19.

E. Delivering in Turbulent Times

Building on its organizational resilience and capacity to mobilize resources, ITFC was able to mitigate the impact of disruptions on its operations. While on a decrease from last year, approvals, disbursements and LDMC financing were not affected as much as their environment and were still able to respond to the challenges posed by the COVID-19 outbreak.

Approvals

* In 2020, ITFC approved US$4.7 billion of trade finance through 80 deals benefitting 21 countries. Approvals are down by 19% from the record US$5.8 billion approved in 2019. Disruptions in the financial markets and commodities prices are among the main factors behind this decrease.

* In terms of sectoral allocation, the energy sector remains predominant with 67% of total approvals, followed by the food and agriculture sector, representing 15% of total approvals. ITFC portfolio is further diversified compared with last year when the share of approvals of the energy and food and agriculture sectors were respectively 76% and 9%.
• The average tenor of ITFC operations in 2020 reached a record 9.1 months in 2020 compared with 5 months during the previous years. This sharp increase translates the Corporation’s willingness to respond to its clients’ short-term liquidity challenges and meet their financing requirements. It further highlights the ability of ITFC to keep approvals at a high level despite challenging capital markets and increased tenor requirements.

Disbursements

• In 2020, ITFC disbursed US$4.1 billion of trade finance, an 18% decrease from last year’s figure of US$5 billion. The disruptions caused by the Pandemic enabled ITFC to achieve a more balanced portfolio by sector and region.

• The decrease in disbursements was primarily felt in the energy sector, where disbursements fell by 27% Year on Year, driven down by the collapse in oil prices. This has further diversified the ITFC portfolio, which is concentrated in the energy sector. In 2020, energy financing represented 55% of total disbursements against 75% in 2019.

• The food and agriculture sectors benefited from the increasing demand from member countries to strengthen food security, with disbursements increasing by 11% to reach US$776 million. The sector represented 16% of total disbursements in 2020, a two-point increase from 2019.

While disbursements in the Asia and MENA regions were down respectively by 31% and 14%, ITFC financing to the Africa region (Subsaharan) increased by 5%, reaching US$1.4 billion. This further confirms the Corporation’s commitment to fill trade finance gaps in underserved markets.

• Allocating resources where it matters is at the core of ITFC strategy. LDMCs are among the most vulnerable to external shocks due to the lack of domestic financial resources, high debt levels and fragile health systems. Any marginal shock has the potential to eradicate growth and recovery. ITFC disbursements to LDMCs amounted to US$1.2 billion, benefitting nine countries. The Corporation allocated 57% of disbursements in Africa.

• The share of LDMC disbursements in the ITFC portfolio decreased YoY from 33% to 30%, mainly caused by disruptions faced by ITFC agricultural clients in West Africa.
ISDB Group Response to the COVID-19 Pandemic

The all-encompassing health and economic crisis prompted by COVID-19 called for rapid, large scale and unprecedented responses. To this end, the Islamic Development Bank (IsDB) Group repurposed its financing and responded swiftly to support member countries to bolster their defense against the Pandemic. In its 335th meeting, the Board of Executive Directors of IsDB approved US$2.3 billion for the Strategic Preparedness and Response Program (SPRP).

The Program supports member countries’ efforts to prevent, contain, mitigate and recover from the Pandemic impact. It envisages a holistic approach in the short, medium and long term, accommodating priorities beyond the immediate and emergency response to the health sector while putting member countries back on the path of economic recovery through restoring livelihoods, building resilience and kick-starting economic growth. The Program adopts a 3-R approach, with each component focusing respectively on Respond (R1), Restore (R2) and Restart (R3) and with technology playing a key role at each stage. The three components are defined as follows:

- **Respond (R1)**: Focuses on immediate actions through financing trade and SMEs, to sustain activity in core strategic value chains, and ensure continuity of the necessary supplies, mainly to health and food sectors and other essential commodities.
- **Restore (R2)**: Provides immediate support by focusing on strengthening health systems and dealing with emergency needs; building capacity in production of testing kits and vaccines; and building Pandemic Preparedness Capacity.
- **Restart (R3)**: Will deliver long-term support to build resilient economies on solid foundations and catalyse private investment by supporting economic recovery and growth.

ITFC contribution to the Group response

As the trade finance arm of IsDB Group, ITFC played a crucial role in the Group Response. The Corporation approved an initial Rapid Response Initiative allocating US$300 million towards facilitating the procurement of emergency medical equipment and supplies, as well as strategic commodities, such as staple food and energy supplies. As the crisis ran its course, initial financing was increased, reaching over US$600 million for OIC member countries. A further US$550 million is allocated under the second phase – Recovery Response Initiative – to support strategic sectors and enable member countries to benefit from the reorientation of supply chains over the next two years.

Since the inception of the Program, the IsDB Group approved a total financing of US$1.5 billion, out of which US$605 million were approved by ITFC. Around 78% of ITFC approvals were repurposed funding, while the remaining represented additional resources.

The operations were approved in favor of 10 member countries and one regional institution (Afreximbank). Seven operations worth US$476 million have been completed. The overall disbursements reached US$494.6 million, about 80% of the total financing amount. The food and agriculture sector represented 91% of the disbursed financing, while disbursements for the health sector amounted to US$15 million. The share of private sector financing is expected to grow in 2021 as the Corporation started implementing Line of Finance facilities as part of the Restore (R2) phase.

In parallel to trade finance, ITFC approved 16 Grants for trade development operations amounting to US$1.04 million. The grants were fully disbursed across 12 country-level projects and three regional-level projects that benefited food, agriculture, health and education sectors. Most of these grants aimed at purchasing urgent medical equipment and providing food assistance to the most vulnerable. They targeted those clients who were most in need of financial relief: 75% of the grants were allocated to Sub-Saharan Africa.
Responding to a World in Disruption

The COVID-19 pandemic has shown just how critical Development Finance Institutions (DFIs) are in moments of crisis. The ensuing health and economic crisis prompted by COVID-19 called for rapid, large scale and previously unprecedented responses. ITFC scaled up its financing and responded swiftly to support member countries to bolster their defense against the Pandemic.

A. Mitigating the Health Emergency Crisis in Member Countries (P34 - 37)

B. Providing Food for All: ITFC’s Role in Maintaining Affordable Food Prices (P38 - 41)

C. Safeguarding the Stability of the Energy Sector During the Pandemic (P42 - 45)
The COVID-19 pandemic is, first and foremost, a health crisis. The underlying economic and social impact can only be moderated if the transmission pattern curve can be flattened and the epidemic contained and managed. While member countries were somehow less impacted than European and American countries, the Pandemic placed a burden on already fragile health systems.

One major challenge facing the health sector in member countries is low public expenditure on health and higher out-of-pocket expenditures. Health expenditures accounted for only 8.4% of all government expenditures in member countries compared to the world average of 15.4%. And while people on average spend 18% of their income on health globally, 36% of total health expenditures in member countries were financed through out-of-pocket payment (SESRIC, 2020). This means that people spend a large portion of their income on health in member countries.

Another key health issue in OIC member countries is a shortage of quantitative and qualitative health personnel. The 2019 OIC Health Report indicates that on average, there are only 8 physicians and 18 nurses and midwives per 10,000 people in OIC member countries (i.e., 26 health workers per 10,000 people) as compared to an average of 48 health workers per 10,000 people, globally (SESRIC, 2020).

OIC member states are net importers of medical products and recorded a deficit of around US$38 billion between 2017 and 2018. Intra-OIC Trade in medical products grew by 7.4%, passing from US$10.8 billion in 2017 to US$11.6 billion in 2018, representing an average of 20.2% of OIC Trade in medical products (SESRIC, 2020).

How has ITFC responded to the urgent health-related needs of member countries?

The Pandemic called for accelerated supply chains for Personal Protective Equipment (PPE) (masks, gloves, disinfectants etc.) to protect the local population and health workers, as well as equipment (beds, ventilators, PCR tests etc.) and pharmaceutical products to provide much-needed supply to clinics, hospitals, pharmaceutical industry, and mobile laboratories.

ITFC support to mitigate the health impact of COVID-19 was provided through blended finance, associating two main financial instruments:

- **Trade financing** to enable member countries to purchase PPE, testing and health-related equipment, and pharmaceutical products to strengthen their speed and capacity to respond.
- **Grants**, providing ITFC clients and partners with crucial financing to purchase selected medical equipment.

In 2020, ITFC health financing reached a record US$15 million, reflecting the crucial importance of the sector. The financing benefited member countries such as Maldives, Suriname, Benin, Palestine, Tajikistan, and Burkina Faso. Overall, an estimated 62,000 patients, 2,500 health workers and 40 medical facilities have benefited.

### Key Results of ITFC Health Interventions

**Testing equipment**
- **(in unit)**
- **50,563**

**Personal Protective Equipment**
- **(in unit)**
- **364,900**

**Beds**
- **(in unit)**
- **239**

**ICU Ventilator**
- **1**

**Pharmaceutical products**
- **(in US$ disbursed value)**
- **7.2 MILLION**

**Other medical equipment (syringes, needles...)**
- **(in unit)**
- **300,000**

**Number of patients benefiting**
- **62,000**

**Number of doctors, health workers, frontline staff benefiting**
- **2,500**

**Number of medical facilities benefiting**
- **40**

### Overview of Grants Utilization

**TAJIKISTAN**
- **Beneficiary:** Ministry of Health
- **Grant Amount:** US$25,000
- **Output:** purchase of 1,750 coveralls and 1,000 respirators

**PALESTINE**
- **Beneficiary:** Ministry of Health
- **Grant Amount:** US$40,000
- **Output:** purchase of 1,500 N95 mask, 150,000 gloves latex non-sterile disposable, 150 protection clothes, 1 ICU ventilator

**MALDIVES**
- **Beneficiary:** National Disaster Management Authority
- **Grant Amount:** US$50,000
- **Output:** purchase of 239 semi fowler beds
PREVENTING A WORLD IN DISRUPTION

STORIES OF IMPACT

Preventing the Spread of the Pandemic in the Maldives

The COVID-19 pandemic has created an extraordinary health and socioeconomic impact on the Maldives. The country is highly vulnerable to natural hazards, including public health emergencies and extreme climatic events. This is due to its fragile ecological profile, low elevation, and economic dependence on the tourism sector, accounting for about two-thirds of GDP (directly and indirectly) employing 14% of the country’s workforce. By early August, Maldives was ranked sixth in Asia and first in South Asia in cases per capita. Announced restrictions on tourist flows on March 27th 2020, have resulted in many cancellations of total arrivals, resulting in lower growth and wider fiscal and current account deficits. The densely populated capital of Male was the most affected.

ITFC reacted swiftly to support the Government’s efforts to reverse the infection curve and limit the extent and duration of economic disruption. Making PPEs and other supplies available, enhancing testing capacity and boosting intensive care capabilities capacity were the most urgent needs.

ITFC support was channeled through the State Trading Organization (STO), the government’s entity entrusted with procuring medical supplies based on national requirements, including test kits, ventilators, and other PPEs required. The financing was provided through two instruments:

A trade finance facility worth
US$15 MILLION
to respond to immediate needs such as proper equipment and supplies to the health sector and food commodities.

A grant, worth
US$50,000
to purchase semi-fowler beds, requested by the National Disaster Management Authority.

By June 2020, US$12.1 million was disbursed to strengthen emergency health preparedness and response. The primary operation beneficiaries were COVID-19 infected people, medical and emergency personnel, medical and testing facilities, and public health agencies engaged in the Maldives’ national response. The financing was used for the purchase of:

- 50,563 TESTING EQUIPMENT (UTM swabs, PCR systems, testing kits, serology kits) and 300,000 SYRINGES AND NEEDLES to strengthen the testing and surveillance capacities.
- 203,536 GLOVES, 6,920 SANITIZER BOTTLES and 300 SURGICAL SCRUBS to protect health workers during the exercise of their duties.
- US$11 MILLION worth of PHARMACEUTICAL PRODUCTS and other MEDICAL ITEMS essential for patients with comorbidities.
- 239 SEMI FLOWER BEDS, supplied to the temporary medical facility (COVID-19 Village Hospital) developed in Hulhumale.

It is estimated that 12,154 patients, 850 health workers and frontline staff, and 20 medical facilities have benefited from ITFC financing. The goods were supplied between May and June 2020, in the middle of the first wave of the Pandemic. The below graph shows ITFC contribution to support further prevention of COVID-19 transmission in the Maldives. From June 2020, COVID-19 cases started stabilizing, and for the first time since the resurgence of cases in Male, the average number of daily cases in a week fell below the average of 15. As of 1 July 2020, around 50,000 tests were conducted. In light of the positive evolution, the Government reopened borders on 15 July 2020, to revive the tourism industry (Ministry of Health, Maldives, 2020).
Providing Food for All: ITFC’s Role in Maintaining Affordable Food Prices

Food security is not a new challenge. Since 2015, the world has witnessed an overall steady growth in chronic and acute hunger (WFP, 2020), after previous declines. At the beginning of 2020, WFP estimated that almost 168 million people required humanitarian aid and protection, a 15% increase from the previous year. A succession and combination of factors such as violent conflict, climate change and other human-made and natural disasters have prevented people from producing or purchasing enough food and have led to large-scale involuntary displacements.

How did the pandemic impact food security in 2020?

The COVID-19 Pandemic has worsened an already fragile global food security situation. Due to the additional impact of the Pandemic, food insecurity rose to unprecedented levels in 2020. The most recent WFP estimates (November 2020) suggest that 271.8 million people in 79 countries are currently experiencing acute hunger, and 370 million are at risk – due to the compounding effects of the COVID-19 pandemic, an 83% increase compared to pre-COVID needs.

What has ITFC achieved in strengthening food security?

For member countries, the question of food availability represents an urgent and strategic issue. Over the past years, ITFC’s main focus has been to support national food reserves to ensure access by all people to safe, nutritious and sufficient food all year round. ITFC clients are mostly State Trading Enterprises with the mandate of providing adequate supplies at affordable prices through price stabilization and the regulation of food supplies to urban/rural consumers.

ITFC supported member countries to secure their strategic food reserves and maintain basic staple food at an affordable price for the poorest factions in member countries. In 2020, ITFC disbursed US$484 million to import 1.1 million tons of wheat, 220,000 tons of rice, and 15,000 tons of sugar in Egypt, Suriname, Maldives, Mali, and Tajikistan, among other countries. Most of these interventions were approved as part of ITFC’s Response to COVID-19, including US$200 million disbursed in favor of AfreximBank and utilized to purchase 206,611 tons from different food commodities (soya beans, groundnuts, maize, sesame seeds) across 10 African member countries, thus boosting intra-African trade in agricultural commodities.

ITFC food financing increased by 15% compared with the previous year and benefited over 25 million households in member countries.

Food purchase Disbursements

Overview of ITFC’s Main Results in Enhancing Food Security

In Egypt, ITFC supports the government’s food subsidies program

Since 2018, ITFC is supporting the Egyptian Government through a trade finance facility benefiting the GASC, Egypt’s largest wheat purchaser. In 2020, ITFC extended US$276 million for the import of 1.1 million tons of wheat and 100 thousand tons of sugar.

The wheat imported indirectly supported the Governments’ Baladi Bread program, which includes a smart-card bread subsidy system, allowing card owners a fixed ration of five loaves of bread per person per day, at a price of only five 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 program annually benefits over 22 million Egyptian households.

In Suriname, ITFC supports child nutrition and food security

In 2020, ITFC disbursed US$7 million to import 16,000 tons of wheat and 15,763 cartons of baby formula and cereals. The financing corresponded to 60% of the Surinamese Market needs in wheat, hence providing the country’s population of 610,000 with flour and bread.

The Government supplied the five largest hospitals in Suriname and 11 pharmacies with baby formula imported through ITFC Facility. It is estimated that around 80% of the mothers who have to bottle feed their child benefited from ITFC-funded baby food, knowing that Suriname has approximately 10,000 births per year.

In Comoros, ITFC financing drives down rice prices

The Government-owned entity, ONICOR, imports 75% of the rice in the country, which amounts to 70,000 tons of white rice annually. The average annual consumption of rice per capita is estimated at 100kg, which explains the perception of rice as a strategic commodity for the Government. The government sets the price of imported rice, and private importers can only deal in more expensive basmati rice. ITFC partnership with ONICOR dates back to 2017 and, since then, over US$35 million were extended for the purchase of 100% of ONICOR’s import needs. ITFC financing has strengthened ONICOR’s capacities to purchase rice in large quantities at a better price, which positively impacted the local market. In April 2018, the price of a ton of rice went from EUR675 to EUR603, representing an 11% decrease.

In Kyrgyzstan, ITFC financed food distribution to vulnerable households

At the request of its partner and client, Mol Bulak, a leading microfinance institution in Kyrgyzstan, ITFC provided grant support of US$30,000 to fund humanitarian assistance to 2,000 families in need during the outbreak of the COVID-19. The financing was used to purchase food packages worth KGS 1200 a unit. The feed rations were distributed, during the support of US$30,000 to fund humanitarian assistance to 2,000 families in need during the outbreak of the COVID-19.

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In Mali, the COVID-19 pandemic has exacerbated an already fragile situation. The cumulative effects of frequent drought and widespread conflicts had already contributed to a progressive deterioration of livelihoods in the country. The number of internally displaced persons has quadrupled in only two years—from 50,000 in March 2018 to nearly 240,000 in March 2020. In the conflict-affected region of Mopti, 34,700 ha of cultivated land could not be harvested in 2020 (FAO, 2020). Every year since the 2012 crisis, 3.6 million people (18% of the population), on average, experience food insecurity, including 600,000 people severely affected (WFP, 2020). The COVID-19 pandemic has placed an additional burden on the country. When the first case was detected back in March 2020, the Government had just announced an emergency food and nutrition plan to mitigate the food deficits caused by severe droughts in 2018 and 2019 and growing insecurity. The pandemic and the resulting economic disruptions contributed to spread vulnerability to food insecurity in urban areas.

To mitigate the impact, the Government announced a COVID-19 relief plan worth US$67 million, including food assistance to the most vulnerable. The response built on the country’s long experience in implementing food transfers program. Indeed, every year the Government spends over US$280 million to ensure Malians have access to safe, affordable and sufficient food (PNSAN, 2017). The institutional set up for food security is under the umbrella of the Food Security Office (Commissariat à la Sécurité Alimentaire) and comprises three significant public food stock:

- The State Intervention Stock (Stock d’Intervention de l’Etat), which focuses on price stabilization in urban centers and rice price regulation.
- The National Food Security Stock (Stock National de Sécurité or SNS) used to provide free food rations to households affected by shocks.
- The Community-based cereal banks, present throughout the territory, supplying local associations to help them establish and maintain local food security stocks.

Since 2018, ITFC has been a partner of the Agricultural Produce Office of Mali (Office des Produits Agricoles du Mali-OPAM). As one of the Food Security Office’s operational arms, OPAM plays a crucial role in the institutional set up to strengthen national food security. The company is the backbone of the PRMC (Programme de Restructuration des Marchés Céréaliers – Cereal Market Restructuring Program), which involves food shortage prevention and response to emergencies. It has the mandate to manage the State Intervention Stock, which is at a standby volume of around 30,000 MT, ready to be mobilized to face shortages or price peaks.

In 2020, ITFC disbursed US$12.6 million to purchase 14,000 tons of rice, 15,000 tons of cereals and 16,000 tons of animal feed. The funding covered around 47% of the total financing needs of OPAM and benefitted around 300,000 households, corresponding to around 2.1 million Malians, targeted by the Government’s COVID-19 relief plan.

Since 2018, the government supports local rice commercialization by allocating a share of OPAM’s rice market to farmer’s organizations. A strategic partnership has been established between the PNPR-M, the CSA and other institutional actors involved. The collaboration resulted so far in 14,000 tons of rice sold by farmers’ organizations through institutional purchasing contracts. For the latest campaign, OPAM purchased 4,000 tons of rice worth €2 million from farmers. The operation supported local rice processors to sell off their stocks while obtaining reasonable prices. Rice producers gained significant benefits through purchasing prices varying between 313 to 330 CFA (€0.46 to €0.50) against an average price of 265 CFA (€0.40).
Safeguarding the Stability of the Energy Sector During the Pandemic

How did ITFC Ensure the Reliability of Energy Supply in Member Countries?

The pandemic in 2020 has further highlighted the role of reliable access to energy for citizens and businesses, especially hospitals and other essential services. As a major financier of energy inputs, ITFC contributes to sustaining vital electricity generation, transportation, construction and agriculture. This helps to ensure economic continuity.

In 2020, ITFC disbursed US$2.7 billion towards the energy sector, down 25% from last year figure of US$3.6 billion. Falling demand and cheaper oil were the main reasons behind this decrease.

The benefiting benefited two types of clients:

i) national oil and gas companies, with the mandate of ensuring a reliable and uninterrupted supply of petroleum products, and

ii) electricity companies using fossil fuels to generate electricity.

In 2020, oil and gas companies accounted for 82% of the disbursements in the energy sector. One of ITFC’s main comparative advantages is its capacity to leverage large amounts of financing from international markets to fund large-sized syndicated deals and meet member countries’ needs.

In 2020, 87% of ITFC disbursements in the energy sector were concentrated among five beneficiaries, with Pakistan and Egypt benefiting each from US$600 million.

Disbursements by type of beneficiaries:

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In terms of the portfolio’s share, the energy sector represented 55% of the total disbursements.

How was the Sector Impacted by the Pandemic?

The Pandemic has impacted the energy sector in an unprecedented manner. According to the IEA, global electricity demand in 2020 fell by around 2%. This is the most significant annual decline since the mid-20th century and far larger than what followed the global financial crisis, which resulted in a drop in electricity demand of 0.6% in 2009.

The sudden halt in economic activity due to travel restrictions and lockdowns had an immediate impact on global electricity demand. Electricity demand took less of a hit during lockdowns, affected due to the travel restrictions. Due to its prevalence as a heating fuel, natural gas demand took less of a hit during lockdowns, declining by only 2.1 million b/d (down 3.0%) from the pre-COVID forecast.

Due to the Pandemic, global demand for oil decreased by only 2.1 million b/d (down 3.0%) from the pre-COVID forecast. Falling demand and cheaper oil were the main reasons behind this decrease.

IEA estimates. Of the oil products, petrol, diesel and jet kerosene are the most immediately impacted energy inputs, especially fossil fuels.

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What has ITFC achieved to strengthen food security?

For member countries, the question of food availability represents an urgent and strategic issue. Over the past years, ITFC’s main focus has been to support national food reserves to ensure access by all people to safe, nutritious and sufficient food all year round. ITFC clients are mostly State Trading Enterprises with the mandate of providing adequate supplies at affordable prices through price stabilization and the regulation of food supplies to urban/rural consumers.

ITFC supported member countries to secure their strategic food reserves and maintain basic staple food at an affordable price for the poorest fractions in member countries. In 2020, ITFC disbursed US$484 million to import 1.1 million tons of wheat, 220,000 tons of rice, and 15,000 tons of sugar in Egypt, Suriname, Maldives, Mali, and Tajikistan, among other countries.

Most of these interventions were approved as part of ITFC’s Response to COVID-19, including US$200 million disbursed in favor of AfreximBank and utilized to purchase 204,611 tons from different food commodities (soya beans, groundnuts, maize, sesame seeds) across 10 African member countries, thus boosting intra-African trade in agricultural commodities.

ITFC food financing increased by 15% compared with the previous year and benefitted over 25 million households in member countries.
Tunisia’s power sector is well developed, with nearly the entire population, urban and rural, having access to the national electricity grid (respectively 99.8% and 99.6%). One of the country’s main challenges is to enhance its energy mix. Only 3% of Tunisia’s electricity is generated from renewables, including hydroelectric, solar, and wind energy (MEMTE, 2020). Approximately 97% of Tunisia’s electricity is generated from fossil fuels, mainly natural gas. In 2019, nearly 66% of Tunisia’s natural gas needs were met through imports (mainly from Algeria), while the remaining was sourced from national and foreign companies’ concessions.

The Tunisian Company of Electricity and Gas (STEG), as a public company, has the mandate to provide the national market with electric energy and gas and meet its customers’ needs (residential, industrial, tertiary...). The company is responsible for electricity service throughout the value chain, transmission and distribution of natural gas, and, since 2015, for gas imports from Algeria. The company controls 91.5% of the country’s installed power production capacity and produces 81% of the electricity, catering to almost 4 million customers in electricity and 850,000 customers in natural gas (World Bank, 2019).

Once a net exporter of oil and gas, the country has become heavily dependent on external supply to meet its energy needs, especially for electricity generation. The volume of imported hydrocarbons has constantly been increasing to meet an electricity demand increasing annually of around 5% over the last decade (STEG 2019). The COVID-19 pandemic has placed an additional burden on the company’s liquidity and undermined the country’s sustainable supply of energy. A slowdown in economic activities has led to a decrease in demand for electricity and gas, particularly from commercial and industrial customers, which accounts for 60-65% of customers. Besides, movement restrictions have hampered the company’s capacity to collect receivables from its customers. Finally, the Government announced a temporary suspension of bill payment obligation for households for two months (March and April). All these factors combined have contributed to a significant drop in revenue while STEG was obligated to pay suppliers and contractors to maintain uninterrupted supply.

Since 2018, ITFC has provided STEG with short term financing, worth an overall US$704 million. ITFC facility aims at ensuring electricity supply continuity by helping STEG address short-term liquidity shortfall and secure the supply of natural gas. In 2020, the Corporation extended around US$278 million to STEG for the purchase of 1,254,858,520 cm³ of LNG. In 2020, STEG could rely less on natural gas imports, with approximately a 34% reduction compared to the previous year and higher percentages of national natural gas.

The disbursements in 2020 increased by 25% compared to 2019, despite natural gas demand being adversely impacted by the Pandemic. This just reflects ITFC position as a reliable financial partner in times of need.
One main objective of ITFC’s interventions in 2020 was putting member countries back on the path of economic recovery through restoring livelihoods, building resilience, and kick-starting economic growth. For this purpose, ITFC placed particular focus on supporting MSMEs, sustaining agriculture value chains and building capacities despite the challenges.

A. **Leveraging Micro, Small and Medium Enterprises as a Catalyst for Economic Recovery** (P48 - 53)

B. **Safeguarding Agriculture Systems Through and Beyond the Crisis** (P54 - 61)

C. **Sustaining Capacity Building and Knowledge Sharing through Distance Learning** (P62 - 63)
getting ready for disruption: resilience by leveraging opportunities

Microenterprises and SMEs constitute the global economy’s backbone, accounting for over two-thirds of employment globally and 80 to 90% of jobs in low-income countries (ILO, 2020a). This is not just numerically, but also in terms of sectoral activities. Yet, they were among the most exposed during the Pandemic. According to the International Labour Organization (ILO), approximately 436 million enterprises worldwide operate in the four economic sectors hardest hit by the crisis: manufacturing, hospitality, retail trade, and real estate and business sector activities.

Why is the pandemic particularly impacting MSMEs?
- First, Government restrictions and the reduction in household income have disrupted supply chains in addition to significantly reducing demand for their products and services.
- Second, a high proportion of MSMEs have experienced heavy losses and are exposed to bankruptcies and firm closures.
- Third, the Pandemic further exposed existing challenges faced by MSMEs related to existing debt, lack of cash reserves and limited access to the financial markets.

These factors may ultimately increase unemployment, leading to a further demand shock. The rapidly rising levels of job losses among such enterprises highlight a severe unemployment crisis globally.

What has ITFC achieved to mitigate the impact and build the resilience of MSMEs?
ITFC support to SMEs was delivered around the following main pillars:
- Line of Finance, channeled through partner banks, to provide SMEs with working capital to purchase production inputs and sustain their activities during periods of slow business
- Corporate financing, direct trade financing to a private sector entity
- Capacity building and advisory services ensure that SMEs have the necessary tools to access finance and compete in international markets

ITFC provides trade solutions to MSMEs through strategic partnerships with local and regional financial institutions by extending financing lines. The support increases the access of small-scale industrial and other enterprises to financial services in developing countries.

In 2020, MSME support became an even greater focus of ITFC operations, becoming one of the key pillars of the COVID-19 Response Program. ITFC has approved 11 Line of Finance worth US$133.2 million as part of the IsDB Group SPRP for the COVID-19 Pandemic.

In 2020 alone, ITFC established new partnerships with eight Banks and FIs in member countries such as Bangladesh, Maldives, Cote d’Ivoire, and Uzbekistan. The total number of private sector clients stands at 29 out of which 26 are Bank partners, with 16 from Asia and the Middle East and ten from Africa, a 25% increase from last year.

Geographical Distribution - MSMEs Financing

The total amount of disbursed financing for MSME support equaled US$373 million, a 19% decrease from the previous year. The financing benefitted an estimated 7,500 MSMEs across member countries. In terms of geographical distribution, 39% of MSME financing, worth US$221.7 million, was allocated to Sub-Saharan Africa, with the remaining 61% being disbursed in Asia. It is worth noting that around US$24.1 million was disbursed for MSMEs operating in LDMCs.

ITFC fulfills its mandate of developing the Islamic trade finance sector by increasing its reach and continuously expanding its product offering to include the full scope of Islamic trade finance solutions.

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ITFC has approved 11 Line of Finance worth US$133.2 million as part of the IsDB Group SPRP for the COVID-19 Pandemic.
Micro-entrepreneurs and the self-employed—particularly those operating in the informal economy—are among the most affected by external shocks. In Kyrgyzstan, most micro and small enterprises (MSEs) are farmers-led, individual entrepreneurs and small businesses. Despite their importance, they face significant challenges such as inadequate access to finance. Only 5% of MSEs have access to adequate financial services through banks and other formal financial institutions (ADB, 2019).

ITFC partnered with Mol Bulak, a national leader in microfinance and socially responsible lending, to tackle these bottlenecks. Mol Bulak is one of only two microfinance institutions 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. An evaluation, conducted in November 2020, assessed the operational outcomes against the following development pathways:

i) Decreased reliance on solely informal networks.

In targeting primarily underserved rural micro-enterprises, the operation contributed to decreasing their reliance on solely informal networks. The beneficiary profile of the ITFC facility were micro-enterprises located in rural areas across the country and practicing agriculture (cereals and horticulture) and livestock. These rural MSMEs are characterized by informality, single ownership, self/family employment and reported no or limited access to finance. The financing was mostly disbursed in 2020, during the first waves of the COVID-19. Disbursements benefited 7,449 MSMEs, out of which 1,788 were women-led. Each SME received an average loan of KGS 14,717, which approximately amounts to US$177.

The facility could tap into Mol Bulak’s sizeable physical network in often inaccessible areas and proximity to its clients. Toraliev Alchynbay, a community leader in the village of Min-Chynar, Batken region, used the financing to purchase 10 tons of fertilizers to be applied in 10 ha of rice field he owns. He commends Mol Bulak’s local presence, explaining:

“Our village is located far from the center, and we do not have many financial institutions in our area. We used to work with local commercial banks, but their interest rates were high, and the conditions were generally quite complex. As soon as Mol Bulak opened its office in our district center, we started working with them. They provide very flexible terms and low-interest rates. Also, they are very actively involved in our village’s social life, providing free assistance to our residents. Sometimes, people cannot go to the district center to make a payment. In this case, they call Mol Bulak, and they come in their car to accept the payment. We started working with Mol Bulak around three years ago, and now more than half of the 3000 households in our village have been cooperating with Mol Bulak.”

ii) Promotion of Islamic Trade Finance.

The main value addition of the ITFC facility derives from being an innovative Islamic Trade Finance product. The Islamic banking sector in the Kyrgyz Republic is underdeveloped. There are two fully-fledged Shariah-compliant banks and two Islamic MFIs operating in the country despite increasing demand and interest for this financial product. Jeneishbek uulu Bozulan, a farmer from Zhany-Zher village (Batken region), appreciated Mol Bulak product for its Sharia Principles, commenting:

“The biggest advantage of Islamic finance is the stable price of products. At the beginning of the season, diesel’s price was the same both with Mol Bulak and on the market. Later, the market price increased, but not with Mol Bulak,” says Toraliev Altynai from Kenash village (Osh region). This opinion is shared by Zhumaev Asanbay, a farmer from Ak-Olon village (Batken region) who further stresses the easiness of the procedures: “I did not know what Islamic finance was, and I had never had contact with Mol Bulak before. I liked this product immediately. Because the price of fertilizer was lower than in the market, and besides, no charge for transportation. This is also a saving, especially this year when we had many problems with transportation because of COVID-19. The second thing I liked is the speed and simplicity of the documentation. Banks usually always require a lot of papers. But it was not the same for Mol Bulak. They arranged everything for me in a few days.”

iii) Increased spending on basic services

Microfinance plays a crucial role in agriculture (30% of total loan portfolio), and as such, is an effective tool for combating poverty, which remains high—25.4% of the Kyrgyz population, over 1.5 million people, are below the poverty line, the bulk of which (74%) live in rural areas.

For most of the surveyed beneficiaries, agriculture is their primary source of income. All respondents started working in this area to meet the food needs of their own families. They developed the farming business exclusively on their own, and after 30 years, their activities are developing into a family business and benefits only members of their family. Based on the data collected, borrowers predominantly allocate their profits toward food purchases and a lesser extent toward starting a business, or other productive purposes.

iv) Accelerated business expansion

The financing was used to purchase agricultural inputs (fertilizers, diesel, seeds) and sustain agricultural production and rural livelihoods during the Pandemic.

We always need fertilizers and diesel fuel. Without fertilizers, our work will stop. And of course, the profit is also very much dependent on it. For example, if the price of fuels and fertilizers rises, not only me, but all the farmers will have a problem with the fertilization of fields, and it will have a negative impact,” states Toraliev Altynai.

The evaluation tried to identify intangible and non-financial impacts affecting business development. Survey questions aimed to determine the impact of Islamic finance on business development and identifying the respondents’ main consumers. All respondents indicated that the financing main impact was an increase in the volume of trade, bearing in mind that the received fertilizers helped to get better productivity and, accordingly, more turnover.

Our village has been cooperating with Mol Bulak. Years ago, and now more than half of the 3000 households in our village have been cooperating with Mol Bulak.”

The operation mainly contributed to decreasing the subsidy rate, from 65% to 10%, and improving the overall efficiency of the service (ADB, 2019). The financing contributed to the following development pathways:

- Decreased reliance on solely informal networks.
- Promotion of Islamic Trade Finance.
- Increased spending on basic services.
- Accelerated business expansion.

The Kyrgyz Republic is underdeveloped. There are only two fully-fledged Shariah-compliant banks and as such, the financing contributed to decreasing the subsidy rate, from 65% to 10%, and improving the overall efficiency of the service (ADB, 2019). The financing contributed to the following development pathways:

- Decreased reliance on solely informal networks.
- Promotion of Islamic Trade Finance.
- Increased spending on basic services.
- Accelerated business expansion.
STORIES OF IMPACT

Repurposing SME Financing to Meet Member Countries’ Needs During the Pandemic

With the Mourabaha line of financing of EUR 8 million received from ITFC, BIS has enabled the State of Senegal to ensure the availability of basic products (rice, sugar, oil) and food security items to the populations at the time of an emergency state and lockdown measures were put in place by the authorities in the second quarter of 2020. It also contributed to the strengthening of cooperation between BIS, ITFC, the State of Senegal and key stakeholders of the trade sector,” says Mouhamadou Madana Kane, Managing Director, BIS.

In Uzbekistan, ITFC disbursed US$7.2 million in favor of SMEs channeled through Trust Bank. The financing benefitted those companies which were at the forefront of the COVID-19 pandemic response. Meros Pharm, a pharmaceutical company created in 2018 and based in Samarkand, was one of them. With a market share of 12%, the company is the leading Uzbekistani supplier of quality health care products. It has benefited from US$2 million financing granted by Trust Bank to purchase more than 2,500 types of medicines. It is worth noting that more than 1,200 large health facilities and more than 7,000 medium and small pharmacies use the company’s imported products.

The COVID-19 pandemic has led to an increase in demand for pharmaceutical products. PJSC Trustbank has offered new financing opportunities to meet the needs of the company. This is our first use of Islamic financial resources,” says Pulatov Sukhrob Shavkatovich, CEO, Meros Pharm.

In Bangladesh, Women-Led SMEs are Better Equipped to Access International Markets

The Micro, Small and Medium-sized Enterprises (MSMEs) have played a significant role in economic growth, employment generation, poverty reduction, and industrialization in Bangladesh. Around 91% of formal business enterprises in Bangladesh are SMEs. They account for about 75% of non-agricultural employment. Women own less than 10% of industries in Bangladesh, with 70% of these being micro and rural industries. Women entrepreneurs are involved in different kinds of businesses in Bangladesh, such as manufacturing, trade, services, etc. The highest proportions (69%) of enterprises are in the trade category, followed by manufacturing (19%) and services (12%) (Asian Development Bank Institute, 2016).

However, these enterprises face several challenges, such as limited access to institutional finance and markets, inadequate and poor-quality infrastructure, and the absence of a skilled workforce.

In this context, ITFC partnered with Trade Facilitation Office (ITFO) Canada to design and implement a capacity building program titled “Export Launchpad Bangladesh”, launched in November 2019. The Business Promotion Council was designated as the local implementing agency of this project in Bangladesh. The Export Launchpad Bangladesh aims at supporting SME exporters from Bangladesh to diversify its exports in terms of non-traditional products and markets to achieve sustainable and inclusive economic growth.

32 participants (17 women) from 9 Trade Support Institutions were trained during July and August 2020. Selected institutions included the Women Entrepreneurs Association of Bangladesh and the Women Entrepreneurs Network Development Association. The graduation ceremony was held on 28th November 2020.

In the Second Phase, there will be Gender Equality and Social Inclusion workshops for TSiS, market research and access training and technical assistance for Bangladeshi SME exporters to help them grow their export activities.
Small-scale farmers are proving key actors to guarantee access to food for local populations amid the disruptions food systems are suffering. Economic growth in agriculture is two to three times more effective at reducing poverty and food insecurity than growth in other sectors (IFAD, 2020). The latest statistics pointed out that, in 2018, the share of agriculture in the total GDP exceeded 20% in 18 OIC member countries. Meanwhile, the share of employment in the agriculture sector stood more than 20% in 36 OIC member countries (SESRIC, 2020). Yet, the sector is also affected by the Pandemic, which threatens poor rural communities who already face challenges such as weak resilience, poor nutrition and limited access to resources and services. The impact can be noted at two levels:

At the farm level, disruptions in input supply, labour availability, and extension services will most probably affect production in the coming years. A study from the Food and Agriculture Organization (FAO) indicated that small-scale producers face mounting challenges accessing inputs – such as seeds and fertilizers - because of rising prices of these inputs, severely reduced household incomes, and lack of availability of these inputs in markets.

Along the agri-food value chain, interruptions in logistics, processing and market access have affected the disposal of production and led to food and revenue losses. COVID-19 resulted in workers’ movement restrictions, changes in demand of consumers, closure of food production facilities, restricted food trade policies, and financial pressures in the food supply chain. Falling global demand for some agricultural products has also caused a sharp decline in food and non-food commodities prices.

How has ITFC responded to sustain the agriculture sector?

ITFC contributed to connecting member countries, including firms and smallholders’ farmers, to agri-food value chains through its interventions. ITFC support to the agriculture sector is delivered around the following main pillars:

- **Pre-export financing:** to ensure producers are paid promptly, less than one month after collection. It includes food export commodities (groundnuts) and non-food export commodities (cotton).
- **Inputs financing:** to ensure adequate availability and distribution of production inputs, such as fertilizers, seeds, pesticides to farmers.
- **Extension of support and advisory services to farmers:** to reduce disruptions to on-farm activities

In 2020, ITFC extended US$292 million towards the agriculture sector. Agriculture financing has been on a constant increase since 2018, growing respectively by 3% and 13% from 2019 and 2018 levels. The financing benefitted over 600,000 farmers in Africa and Asia.
GETTING READY FOR DISRUPTION:
RESILIENCE BY LEVERAGING OPPORTUNITIES

Strong agricultural output with significant export revenues
Despite the COVID-19 pandemic, Cameroon’s cotton production increased by 8.36% Year-over-year to 328,448 tons in the 2019-2020 season. This confirms the positive trend of the cotton sector in Cameroon. The country has achieved record production over the past three seasons. In Burkina Faso, the 2019/2020 cotton campaign ended with a total output of 460,114 tons of cottonseed, representing an increase of 5% compared to the previous campaign. SOFITEX, the state-owned ginning company, recorded a rise of 16% of the cotton production in its area. With this production, Burkina Faso and Cameroon rank respectively 4th and 5th among producers in the continent.

ITFC provided financing to SODECOTON and SOFITEX to purchase the output from cotton producers, under a contract farming scheme in which farmers and exporters agree on a specific volume of production and a minimum guaranteed price at the beginning of the agricultural campaign. In 2020, ITFC disbursed US$211.8 million to purchase 423,359 mt from 225,000 cotton producers. On average, producers were paid a record US$483 per ton. ITFC financing represented respectively 67% and 54% of SODECOTON and SODECOTON financing needs.

Despite a Challenging Year, the West African Cotton Sector Showed Signs of High Resilience

Cotton is a significant source of foreign currency revenues for African exporting countries. In Burkina Faso it is the second-largest source of export revenues, comprising 12% of total exports, and fiber exports generating around 50% of the country’s foreign exchange inflows. In Cameroon, cotton generates 5.5% of the country’s export revenues.

The context resulting from the pandemic is indeed difficult. Cotton producers face an uncertain market future as demand for cotton and cotton products, like apparel, tumbled due to COVID-19 lockdown measures and economic recession. Supply and demand were strongly disrupted as most textile industries were closed. In Cameroon, SODECOTON kept 46,193 tons of fiber cotton in its factories due to the temporary closure of borders in Cameroon.

Global cotton production is expected to fall to 25.6 million metric tons (mmt) during the 2020-21 crop season, slightly lower than the previous season’s 25.9 mmt. Stocks are projected to rise by 5% through the end of 2020, reaching the highest level observed in six years. The World Bank estimates that within the current outlook of ample supplies and weaker demand, cotton prices are expected to average 12% lower in 2020 than last year and recover at a modest rate in 2021.

Key results of ITFC pre-export financing

<table>
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<th>US$ 240 MILLION</th>
<th>280,000</th>
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<tbody>
<tr>
<td>Total pre-export financing</td>
<td>Farmers benefitting</td>
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<tr>
<td>455,000 MT</td>
<td>US$ 483 PER TON</td>
</tr>
<tr>
<td>Volume of export commodities purchased</td>
<td>Average price paid to cotton producers</td>
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<tr>
<td>459 PER TON</td>
<td>US$ 360 MILLION</td>
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<tr>
<td>Average price paid to groundnut producers</td>
<td>Value of exports financed</td>
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In North Sumatra, Indonesian Coffee Producers are Reaping the Benefits of ITFC-Funded Trainings

Indonesia is the world's fourth-largest coffee producing nation. More than 95% of Indonesia's coffee is produced by smallholder farmers working an average farm size of less than one hectare, and low productivity rates of only 700 kg/ha. Indonesian coffee producers are encouraged to shift their focus from producing high volumes to producing better quality and higher value coffee. But improving production quality requires investment in inputs, skills, and processing.

To address this issue, ITFC has partnered with PETRASA and SCOPI, the Sustainable Coffee Platform of Indonesia, to implement a program that aims at enhancing the quality and yield of the coffee industry in North Sumatra. Overall, over 350 coffee producers benefited from capacity building between 2018 and 2019, out of which 40% were women.

A post-evaluation conducted in 2020 found that the capacity building interventions have increased the adoption of good agricultural practices among beneficiaries. The evaluation compared the Good Agricultural Practice (GAP) adoption rate of beneficiaries with a control group.

The use of high yields seedling among beneficiaries reached 35%, while the control sample is only at 21%. The highest gap can be noticed in weed control, where 84% of the beneficiaries reported practicing weed control compared to only 9% of the control group. Similarly, 68% of the beneficiaries practiced improved harvesting techniques by applying selective harvest while only 4% for the control group.

A Farmers’-to-Farmers’ Approach for Increased Outreach

Mesta Capah, a member of the farmers group of Ulanadenggan is one of the women farmers who benefitted from the training. Following her participation, she improved her coffee field by practicing sanitation, coffee rejuvenation, composting, making trenches (rorak), and replanting the HY coffee seedlings.

“...practicing sanitation, coffee rejuvenation, composting, making trenches (rorak), and replanting the HY coffee seedlings."

Organic Farming for Enhanced Sustainability

The use of chemical fertilizers has reached alarming levels in the project’s Tanah Karo and Dairi districts and has led to a sharp decline in soil quality. The ITFC funded program introduced farmers to the production and use of organic fertilizers and promoted good agroecology practices through integrated pest control management. Farmers were trained to utilize available resources such as ginger, turmeric, cayenne pepper, fruit leaves, etc., to be processed as an organic pesticide used to control pest attack.

Since his participation in the training, Tarihoran, consistently practices organic coffee cultivation.

Transitioning towards organic farming is challenging for farmers in the area, as we are used to chemical inputs such as pesticides, herbicide, chemical fertilizers. However, I was determined to apply organic farming fully. The training I joined has opened my perspectives that using locally available organic materials such as falling leaves and branches of coffee, combined with livestock manure, can reduce the cost of purchasing fertilizers. Using organic materials, produce better coffee bean, and the harvest takes place throughout the year. Usually, with chemical fertilizers, there was a period when the harvest would not happen.

“...practiced improved harvesting techniques by applying selective harvest while only 4% for the control group."
Driving Agriculture Transformation in Africa with OCP

An ambitious partnership...

Improving African farmers’ access to quality inputs, including fertilizers, is essential as they drive higher yields and subsequent agricultural transformation. As a global leader in the phosphate-based fertilizer industry, Office Cherifien des Phosphates (OCP) plays a major role in providing sustainable agriculture solutions that help farmers feed a growing world population. The company vision relies on an inclusive and integrated approach to give farmers access to quality inputs, training, finance and market linkages for increased yields, incomes and livelihoods.

IFTC partnership with OCP is laid down through A Memorandum of Understanding, signed on behalf of IsDB group. The Parties expressed their intention to regularly exchange knowledge, expertise, and experience to foster agriculture development on the African continent. More concretely, potential areas of collaboration include:

- Partnerships around projects aiming at improving the farming ecosystem and in ways that allow sustainable and profitable value chains for farmers and the private sector to grow.

  • Supporting the sustainable fertilization practices in Africa and contributing to capacity building in soils, fertilizers and crops areas through specific training.
  • Providing laboratory equipment and facilities and developing plant nutrient management for identifying adapted fertilizers and widely extending them to smallholder farmers in the target countries.

...materialized through a trade finance facility...

A trade finance facility worth US$40 million was approved in 2020 in favour of OCP. The facility aims at importing sulfur, a key component in the production of fertilizers. About US$38 million were disbursed as part of the financing agreement. OCP provides a wide range of well-adapted fertilizer products to enhance soil, increase agricultural yields, and help feed the planet in a sustainable and affordable way.

...and the OCP school lab

In Senegal, reversing environmental resources’ degradation becomes crucial for the development of sustainable systems of production for Senegalese farmers. In partnership with OCP Africa, a subsidiary of OCP Group, IFC supported smallholder farmers’ resilience by addressing one of the key drivers of fragility: soil fertility.

The third OCP School Lab in the agro-ecological zone of Niayes, Thiès region, was launched on 6th November 2019. The program, implemented...
Sustaining Capacity Building and Knowledge Sharing through Distance Learning

Establishing a Sustainable Platform for Knowledge Sharing among African Health Practitioners

How can we continue connecting people to work together and exchange ideas if many of us are in lockdown and travels are impossible? The COVID-19 pandemic calls for different approaches to sustain capacity building activities. ITFC’s increased focus on utilizing innovative solutions to increase the reach and quality of its training started in 2018 when the Corporation launched a first online training in cooperation with the African Development Bank (AfDB) and the International Chamber of Commerce (ICC) in the context of the COVID-19 pandemic. This has proven to be a key measure of resilience in 2020.

By utilizing innovative methods of training delivery and certification processes and engaging in joint initiatives with several national and multilateral institutions, including IsDB, ICC, AfDB, EIF, and IRTI, ITFC aimed to expand its reach. More importantly, The Corporation sought to address a key measure of resilience in 2020.

ITFC, under the umbrella of an IsDB-led e-learning program, has attempted to navigate through these uncertainties by bringing health practitioners together to exchange experiences and learn from each other. Indeed, ITFC has been a key financial partner of the Electronic-learning platform to facilitate peer learning and knowledge sharing between medical staff in member countries on “preparing and responding to COVID-19 pandemic.”

Since its launch on 25th April 2020, the Platform has been offering awareness sessions and targeted training webinars in French and English languages to the African countries and facilitating the sharing of medical protocols and guidelines. Until today, the IsDB and its partners organized nine activities through this Platform: seven related to health-related issues, one on women entrepreneurship, and one on the challenges and opportunities facing South-South and Triangular Cooperation.

Key features
• Timeliness and relevance. The first webinars were conducted in April 2020. At that time, organizing webinars, especially in certain African countries, was challenging and innovative. The webinars were responding to a key need from beneficiaries.
• Group synergy. The program is a concrete illustration of group collaboration. ITFC partnered with IsDB and provided financial support to the first three webinars’ implementation.
• South-South approach. The intervention fosters South-South cooperation by showcasing successful home-grown solutions in IsDB member countries to fight the COVID-19, which can be shared within IsDB membership and outside.

Key achievements
In total, nine webinars were organized viewed by 17,500 persons, including more than 6,000 medical staff and paramedical attendees from 25 African member countries.

Around 132 speakers from 45 countries (member and non-member countries) had the opportunity to share knowledge, best practices and expertise.

As one of the many achievements of this program, bilateral partnerships were initiated such as an online certified training program on COVID-19 patient management between Morocco and Mauritania.

Perception survey results
100% of surveyed participants found the platform very useful or useful.
100% of surveyed participants, the platform was very successful or successful for knowledge sharing.
78% of surveyed participants found the platform very successful or successful in establishing networks and fostering collaboration.

Building Capacities Among Financial Partners to Narrow the Trade Finance Gap

Narrowing the trade finance gap can only be possible if Multilateral Development Banks work together, alongside commercial banks, both at the financing and capacity levels.

For this purpose, ITFC partnered with the ICC to leverage its ground-breaking e-learning platform for trade finance practitioners. The platform delivers online certification and professional development services to meet the educational needs of banks, corporates, and other organizations at the forefront of international trade.

The partnership has two objectives:
• Supporting local partner banks to strengthen their trade finance capacity, required to extend superior services to MSMEs engaged in international trade.
• Introducing more sophisticated trade finance products within the partner banks, in line with the evolution of the market and their clients’ needs, including in the area of Islamic finance.

A first successful pilot with African institutions...

The first Program began in September 2018 in partnership with the ICC and the African Development Bank. The Trade Finance E-Learning Program for African Financial Institutions aimed at providing online post-training to about 500 trade finance staff of 200 local partner banks in more than 35 African countries over three years. The program offers the Global Trade Certificate (GTC), a nine-e-courses curriculum designed to sell, deliver and process global trade finance solutions. At the initiative of ITFC, Islamic Finance Modules were also added progressively in the GTC, with the support of IRTI, IsDB Group research arm.

By the end of 2019, 56 trade finance certificates were made available to 56 candidates in 9 banks in 9 countries in West, Central and East Africa.

...further scaled up in the context of COVID-19

As we entered 2020, the program became even more relevant in light of the pandemic and movement restrictions. A new program was designed in 2020 in partnership with ICC and the EIF. The Global e-Learning Program expands the scope and the geographical targeting of the previous program to include all OIC member countries and additional certificates such as the Certified Trade Finance Professional (CTFP) certificate. It aims at providing online training in Islamic trade finance products, financial sector best practice, regulatory reforms and a greater understanding of operational risk in trade finance.

ITFC identified immediate demand for 45 certificates from 24 existing ITFC clients and prospects. Interest in a further 30 certificates has been expressed from an additional 20 prospective clients, and it is expected that a total of 90 certificates will be issued across 2020 and 2021, including 40 in Africa and 50 in Asia.

“We are grateful to ITFC for supporting CBK staff in enrolling to ICC Academy Certification Programs. We believe that this support will help the Bank to expand its trade finance capacity and offerings further.”

Sagyndykov Zharkynbek Zhumabaevich, First Deputy Chairman Of The Board, Commercial Bank of Kyrgyzstan.
There will be no way back to the “old” normal. Moving forward, ITFC has laid the foundations to build back better in a post-COVID-19 world. A more inclusive, sustainable and resilient future in our member countries can be achieved by increasing focus on policy dialogue, SDGs, regionalization, and embracing technological disruptions as key tools for better impact.

A. Shaping Global Policies for a More Resilient Trade Environment (P66-67)

B. Driving Responsible Investment in Alignment with the SDGs (P68-71)

C. Supporting Regional Economic Security for More Resilient Supply Chains (P72-75)

D. Mainstreaming Disruptive Technologies for Transformation (P76)
Policy dialogue is a key feature in ITFC strategy. It helps create an enabling environment and to set the conditions for a more efficient and resilient trade system. Building on its motto of advancing trade and improving lives, ITFC’s focus has been to raise awareness about the trade finance gap, especially in underserved markets. Trade finance remains a critical factor in the functioning and efficiency of supply chains and the creation of employment opportunities. For an effective, resilient and inclusive international trade, the trade finance gap needs to be addressed. In 2019, a study from the Asian Development Bank estimated the global trade finance gap at a staggering US$1.5 trillion. Amid the disruptions from Covid-19, this figure has skyrocketed and according to a recent study from the ICC (2020), we now need between US$3.4 trillion and US$6.5 trillion worth of trade finance to be able to meet the SDGs. Trade finance is more important now than ever before to ensure that the world’s most vulnerable countries are anchored to the international trade system and that they are not left behind.

In 2020, ITFC continued to engage in policy advancement to incorporate the trade finance agenda in global trade architecture. ITFC published the “Joint Statement by Heads of Multilateral Development Banks and the WTO” on “Supporting Trade Finance During the COVID-19 Crisis”, alongside the ADB, EBRD, IaDB and IFC/WBG, among others. Also, ITFC participated in the Joint Policy Publication with WTO / EIF on “COVID-19 Impact on Trade Finance Gap and Potential Solutions” and published jointly with the EIF a note titled: “COVID-19 pandemic is exacerbating the global trade finance gap. We must tackle it now!”

Other notable policy contributions in 2020 include the participation to WTO Expert Group meeting on trade finance. The CEO of ITFC, also participated in IFITI Global Symposium 2020, in Arab Brazil Economic Forum and Astana Economic Forum, showcasing perspectives on fostering sustainable development through innovation and trade in times of COVID-19.
B. Driving Responsible Investment in Alignment with the SDGs

The COVID-19 pandemic represents a tremendous challenge to the path of achieving the SDGs. Progress in key areas is slow or regressing. The recent Sustainable Development Goals report (UNDP, 2020) estimates that global human development—a combination of education, health, and living standards—could fall this year for the first time since 1990 when measurements began. The pandemic has widened the financing gap with private capital exiting developing economies and domestic spending diverted to crisis response. The annual financing gap is estimated at US$3.6 trillion, US$2.5 trillion of which is in developing countries (UN, 2020).

The 2030 Agenda provides the answers and outlines the pathway to build back better. The Agenda underlines the importance of transforming societies through green, sustainable, resilient and inclusive paths. As such, the pandemic serves a wakeup call to put the SDGs at the core of our interventions. It is also a reminder of the private sector’s important role in complementing the efforts of the public sector and civil society by providing solutions and financing needed to achieve the SDGs.

Integrative approaches that encompass environmental considerations and put the human at the center are what we need going forward. As a catalyst for growth and employment creation, international trade plays a critical role in achieving the SDGs. There is abundant evidence from the literature showing how the rise of trade has led to a decrease in global poverty (World Development Report, World Bank, 2020). Trade fuels economic growth, and most member countries aim for export-led growth. ITFC’s strategic focus is contributing to its member countries’ economic diversification and increasing Aid for Trade support for developing countries, mainly least developed countries. The support goes to those areas where the highest impact can be achieved: energy, agriculture, and private sector development and health.

The Development Impact Framework, designed in 2017, enables management and stakeholders to evaluate performance, from the perspective of development impact, by assessing how its activities are aligned with the priorities of ITFC.

In January 2020, an enhanced version of the framework, the DIF 2.0, became operational. The use of selected development indicators has been expanded (54 indicators against 36 in the previous one) and are clearly linked to SDGs. This allows operations to be better targeted to specific groups like women, SMEs, farmers, and sectors like agriculture and renewable energy. The DIF indicators are designed to facilitate reporting and aggregating results across private sector operations.

The metrics were identified as per the best practice and aim at incorporating environmental and social impacts into credit evaluation. For this purpose, a scoring model was designed. All operations are rated on a five-point grading system, before their approval, against their contribution to the DIF indicators. 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.

In 2020, 34 operations were scored for ex-ante development impact using the DIF model. The highest scores were registered for the Health and the Food and Agriculture Sectors, reflecting their addtionality during the Pandemic. The energy sector operations were the lowest-rated operations due to their negative externalities and concentration in fossil fuels.

The main goals of the evaluation policy is to:
- Promote accountability and learning through evaluation in ITFC
- Institutionalize/Formalize the evaluation exercise within ITFC
- Ensure that the way we conduct evaluation is standardized and follows international good practices (ECDL, OECD)
- Clarify roles and responsibilities

Since January 2020, ITFC is a member of the International Financial Institution (IFI) Working Group on Indicator Harmonization (HIPSO Whole Group). The HIPSO Whole Group results from a partnership of multilateral and national development institutions aiming to foster 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. In 2020, ITFC participated in the HIPSO Work Streams for SDG Alignment and jobs.

Towards the DIF 3.0, more focus on environmental sustainability

Measuring impact is a process in continuous improvement. Going forward, ITFC will seek to strengthen further its assessment of environmental and social related impact in the framework, Concretely, ITFC will further align the DIF metrics with HIPSO indicators. This will include the incorporation of additional environmental and climate metrics in the DIF such as, but not limited to:
- GHG emissions (tons of CO2)
- Energy Consumption (Kwh)
- Sustainable management of natural resources

A new ITFC evaluation policy

In September 2020, ITFC adopted its first evaluation policy. The policy describes the purpose of the evaluation, the evaluation methodology and defines the roles and responsibilities for the evaluation process. The policy is supported by detailed procedures and arrangements covering the entire evaluation cycle from the formulation of evaluation annual work programme to the finalization and disclosure of evaluation reports. The policy framework introduces three types of evaluations, representing different levels:

Harmonizing approaches for better impact measurement

The SDGs provide an opportunity to standardize contributions to sustainable development. Many development finance institutions (DFIs) want to strengthen their frameworks and capacity to measure development impact and engage in initiatives to harmonize impact measurement across DFIs and beyond. Convergence towards a standard set of impact indicators will help DFIs better compare, monitor, manage, and communicate to their stakeholders and their contributions to the SDGs.
**SDG 1 NO POVERTY**

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

- **US$240 MILLION** of income redistributed to smallholder farmers
- **US$4.1 BILLION** of trade finance disbursed to support international trade

**SDG 2 ZERO HUNGER**

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

- **US$776 MILLION** disbursed for the food and agriculture sector
- **OVER 25 MILLION** households benefitting from food financing
- **AROUND 600,000** farmers benefitting from ITFC financing and capacity building in agriculture

**SDG 3 GOOD HEALTH AND WELL-BEING**

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

- **OVER 62,000 PATIENTS**
- **2,500 HEALTH WORKERS** and **40 MEDICAL FACILITIES** benefitting from ITFC financing

**SDG 4 QUALITY EDUCATION**

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

- **309 PEOPLE** trained in Islamic Trade Finance
- **6** Integrated Trade Solutions

**SDG 7 AFFORDABLE AND CLEAN ENERGY**

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

- **US$2.7 BILLION** extended to the supply of energy inputs
- **OVER 8 MILLION** households provided with access to electricity

**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).

- **US$1.2 BILLION** disbursed towards LDMCs
- **5%** Financing up in Sub-Saharan Africa
- **1 MILLION** worth Grants allocated targeting the most vulnerable

**SDG 14 PARTNERSHIPS FOR THE GOALS**

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

- **US$4.7 BILLION** of total financing approved
- **US$3.3 BILLION** of trade finance mobilized from Syndicate Partners
- **US$1.4 MILLION** of co-financing for trade development projects
Supporting Regional Economic Security for More Resilient Supply Chains

COVID-19 has profoundly impacted global supply chains. As a result of escalating trade tensions and the COVID-19 pandemic, global economic uncertainty reached its highest levels, at least over the last two decades (SESRIC, 2020). The threat of protectionism has been exacerbated by the disruptions caused by the COVID-19 pandemic. As a response to urgent requirements for PPE and medical supplies, many exporting countries adopted protective trade policies, putting developing countries in a highly vulnerable situation in terms of availability and affordability. According to the International Trade Centre (ITC), 170 restrictive policies were implemented until 25 August, 115 of which are still active. The disruptions have led some countries to explore more localized supply chains and focus their attention on boosting domestic resiliency, particularly regarding the provision of essentials like food and hygiene products.

In this context, accelerating the regionalization of international supply chains networks could be the solution to mitigating global shocks and reduce the risk of over-reliance on trade with the world’s largest economies. It can also boost the localization of essential medical and food supplies to strengthen national resilience in emergencies.

Promoting the Intra OIC trade is one of ITFC’s strategic pillars and is at the heart of ITFC mandate. According to the latest edition of the OIC Economic Outlook 2020 by the SESRIC, intra-OIC export flows have been steadily increasing since 2016 from US$254 billion to reach to US$331 billion in 2019. Over the last three years, intra-OIC exports increased by more than 30%, which is a significant achievement. ITFC has been contributing to this trend by extending US$40 billion of financing for Intra OIC trade since its inception. In 2020, ITFC provided US$3.7 billion to finance trade between OIC member countries. Intra-OIC trade in the ITFC portfolio reached 78% in an increase from the 67% recorded last year but remains below the record share of 88% reported in 2017.

Beyond financing, ITFC has fostered regionalization and Intra-OIC trade through two flagship programs: the Arab Africa Trade Bridges (AATB) Program and the Aid for Trade Initiative for Arab States (AfTIAS).
Supporting African Trade Facilitation in the Health Sector Under the AATB Program

The Arab Africa Trade Bridges (AATB) Program is an ITFC flagship program launched in 2017 to promote and increase trade and investment flows between the Middle East and Africa, two major OIC regions. Today, AATB is a partnership of multilateral financial and development stakeholders, including Afreximbank, Arab Bank for Economic Development in Africa (BADEA), Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), IsDB, OPEC Fund for International Development (The OPEC Fund), and the governments of Egypt, Morocco, Tunisia, Benin, Cameroon, Senegal and Togo.

The COVID-19 pandemic highlighted the need for reinforcing regional value chains to scale-up the supply of quality medical products and build up resilience against external shocks. With Africa importing almost 95% of its medicines, timely access to appropriate and affordable medicines, vaccines and other health services remains a major challenge. Local production of quality-assured, affordable medicines is therefore critical but due to a lack of uniform standards Africa continues to be plagued by the production of poor quality and counterfeit medical products. Now more than ever, increased regulation in healthcare industries before achieving the 3rd phase, which harmonizes the related African standards their adoption on the continent.

The second phase of the project will analyze existing international, regional, and national standards for their suitability in meeting the unique challenges faced by African healthcare industries before achieving the 3rd phase, which harmonizes the related African standards their adoption on the continent.

Designing the AFTIAS 2.0: Towards More Efficient, Inclusive and Resilient Trade in the Arab Region

The Aid for Trade Initiative for the Arab States (AFTIAS) Program is a multi-donor, multi-country and multi-agency programme aiming to ‘Foster Arab trade through enhancing enterprise competitiveness and facilitating trade’.

The first phase of AFTIAS (AFTIAS 1) was implemented by ITFC on behalf of IsDB Group from November 2013 to December 2018. The AFTIAS 1 Programme Board commissioned ITFC in January 2019 to prepare a roadmap for the design and launch of the second phase of AFTIAS (AFTIAS 2.0). On this basis, and building on lessons learned from the First Phase, the design for AFTIAS 2.0 Programme was initiated in July 2019 and achieved in February 2020 with a validation workshop.

AFTIAS 2.0 is conceived as a five-year program with a targeted budget of US$40 million. Its development objective is to enhance the environment for international trade in the Arab region by making it more efficient and inclusive, thereby creating opportunities for employment and contributing to sustainable development. More specifically, it aims at (1) increasing intra-regional trade through the removal of market access barriers, (2) increasing the role of Arab states in global value chains, and (3) ensuring that the benefits of trade are shared more inclusively across all population groups, including, in particular, vulnerable groups, such as women, youth, and others.

The program is more relevant than ever due to the new challenges induced by the COVID-19 pandemic. It adopts a more focused and targeted approach by prioritizing interventions based on available resources and the broad geographical scope and heterogeneous needs of Arab countries. It will be implemented under five different program facilities providing the flexibility to respond to evolving requirements swiftly.
D. **Mainstreaming Disruptive Technologies for Transformation**

At ITFC, we consider that digitalization is now the future of trade. One of the main strategic focuses is to support our member countries and clients to leverage the existing opportunities. Our efforts started before the Pandemic and will be strengthened as we move forward.

In 2020, ITFC contributed to the publication of an eTrade Readiness Assessment Report for Iraq, offered paperless trade solutions to selected clients and fostered knowledge sharing on digital solutions for agriculture development.

### Filling the knowledge gap in eTrade Readiness

As a close partner of the eTrade for all initiative, ITFC signed an agreement with UNCTAD to facilitate an assessment of Iraq’s readiness to engage in and benefit from e-commerce. The agreement was signed under the ATTIAS to enhance the understanding of Iraq’s overall readiness for e-commerce through stocktaking and surveys and promote increased national readiness for e-commerce through stocktaking and surveys and promote increased national actions (policies and programs) to boost e-commerce adoption in the country

UNCTAD’s Rapid eTrade Readiness Assessments help developing countries take stock of their information and communication technology capabilities and formulate a strategy to overcome barriers and bottlenecks to e-commerce and digital trade growth.

The final report was published in October 2020, and a dissemination event was organized attended by ITFC CEO and high-level officials.

As per its methodology, the report assesses seven policy areas in e-trade readiness. Overall, the report found that "the environment for e-commerce growth in Iraq is relatively weak, and there are many challenges that need to be addressed. Key barriers include poor and slow Internet connectivity coupled with high prices, inadequate ICT, transport and logistics infrastructure, the lack of legislation governing e-commerce and related services, absence of laws and incentives to promote investment in e-trade, inefficient postal customs-transport processes, restrictions on money and profits transfer, lack of knowledge and skills related to the digital economy, online privacy concerns and the lack of user trust in online transactions" (UNCTAD, 2020).

### Leveraging the Power of AgriTech

In the years to come, digital technologies will become fundamental to making agriculture and food systems more sustainable and inclusive. With around 45% of crops produced going to waste and malnutrition levels increasing with pandemic impact, agri-value chains face enormous challenges and pressures to improve efficiency, promote financial inclusion and adapt to the current digital environment.

For this reason, ITFC, in partnership with the IsDB and in collaboration with IsDB Group Business Forum (THIQAH) organized a series of special webinars (October, December 2020) which explored how the Fourth Industrial Revolution solutions can transform supply chains and boost the flow of agricultural trade across borders.

The purpose of the webinars was three-fold:

- **Identify the most promising AgriTech solutions that could be deployed at scale to achieve food and nutrition security, sustainable food and farming systems.**
- **Raise environmental awareness and demonstrate how AgriTech solutions can transform supply chains and boost the flow of agricultural trade across borders.**
- **Establish strategic partnerships among various stakeholders to materialize the applications of AgriTech solutions and good agronomic practices at scale.**

Targeting public and private sectors, the events included presentations and panel discussions from specialists (FAO, IFAD, IsDB), academics and other leading innovators and stakeholders.
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2020 was a year of opportunities with disruptions affecting our daily routine, bringing out the best in us and leading us to innovate. More importantly, it was a year to reflect on the future we want and what role we want to play in achieving it.

Eng. Hani Salem Sonbol, Chief Executive Officer, ITFC