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International
Islamic Trade
Finance Corporation

ITFC PROGRESS
REPORT ON
ENHANCING
INTRA-OIC TRADE

ITFC REPORT TO THE 35th SESSION OF THE COMCEC

Member of



25 – 28 November 2019
Istanbul, Turkey

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INTRODUCTION



Message from ITFC CEO

It gives me a great pleasure to present to the 35th meeting of the Follow up committee of the COMCEC, ITFC's report on the progress made by the Corporation to promote trade and enhance intra-trade among OIC Member Countries and to support the implementation of the relevant resolutions of the 34th Ministerial Session of the COMCEC.

As you are aware, ITFC commenced its operations in January 2008 with a mandate to enhance trade among OIC Member Countries through providing trade finance and trade-related technical-assistance. In line with this mandate, ITFC aims to be recognized as a leading provider of trade solutions for OIC Member Countries' needs. Since inception, the Corporation achieved commendable results in both trade finance and trade development. Total cumulative trade finance approvals and disbursements of ITFC reached US\$49.4 billion and US\$39.8 billion respectively as of the end of September, 2019, Total cumulative funds mobilized from partner banks and financial institutions reached US\$27.3 billion, reflecting ITFC's critical role as a catalyst to mobilize resources for large-ticket trade transactions for the benefit of Member Countries. In the midst of the recurring global financial and economic slowdown, ITFC succeeded to increase its trade finance approvals, while focusing on creating impact on Member Countries' trade and economic development. In this regard, I am pleased to inform you that ITFC continues to evaluate the development impact of its interventions through its Development Impact Framework (DIF).

This report also reveals how supporting trade development and cooperation amongst OIC Member Countries remained the primary focus of ITFC. In this regard, ITFC expanded its partnerships with international, regional, and national institutions to design and implement trade related technical assistance in OIC Member Countries through its various Flagship

Programs. These interventions fall under the domain of capacity building, trade promotion, trade facilitation, development of strategic commodities and trade mainstreaming.

As a custom, ITFC continues to work closely with the OIC Institutions to create the required synergy for developing and implementing programs and to further capitalize on mutual strengths and experiences to contribute to the accomplishment of the objectives set by the OIC Plan of Action-2025 and COMCEC Strategy.

In the coming years, the strategic framework of ITFC will pay more attention to several objectives including building partnerships to create sustainable development impact through providing integrated trade solutions to Member Countries. Furthermore, as an active player on the global arena, ITFC remains committed to efforts aimed at achieving the Sustainable Development Goals.

As a leader in Shari'ah-compliant trade finance, ITFC will continuously make efforts to develop customized Shariah compliant trade solutions programs, facilitate the transfer of know-how & experience between OIC Member Countries, diversify ITFC's trade finance, and support OIC trade development and cooperation initiatives.

Finally, ITFC is pleased to commend the confidence reposed by the member countries and its development partners in the achievement of its vision and mission.

Eng. Hani Salem Sonbol
Chief Executive Officer

Brief about ITFC

Commenced Operations on



January 10, 2008

Headquarter

Jeddah,
Saudi Arabia

Member



IsDB
The Islamic
Development Bank
Group

Mandate



Contribute to economic development of
Member Countries through trade advancement

Authorized Capital
2019

US\$ **3** billion

Subscribed Capital
2019

US\$ **856.2**
million

Paid- Up Capital
2019

US\$ **746.82**
million

Cumulative Approved Trade Finance
Operations (2008– Q3 2019)

730 operations
Totaling US\$ **49.4** billion

Cumulative
Disbursements
(2008 – Q3 2019)

US\$ **39.8**
billion

Cumulative Approvals by Sector (2008 – Q3 2019)



US\$ **36,641**
million



US\$ **6,025**
million



US\$ **2,206**
million



US\$ **4,540.8**
million

Cumulative Approvals by Region
(2008 – Q3 2019)



US\$ **43** billion



US\$ **6.65** billion

Total Number of Member
Countries Served (2008 –
Q3 2019)

42
Member Countries

2018 Approved Trade
Finance Operations

US\$ **5.2** billion

2018
Disbursements

US\$ **4.58** billion

2018 Number
of Operations

70

Key Achievements

up to September 30th, 2019



Building on its achievements of the first 11 years, ITFC this year, as at end of Q3 2019, reached Approvals and Disbursements of US\$4 billion and US\$4.2 billion respectively, which are in line with annual targets set at US\$6.2 billion and 5.0 billion respectively.



Assignment of Credit Rating by Moody's – Moody's Investor Service assigned a first-time long-term issuer rating of A1 to ITFC with a stable outlook. The credit rating is a stellar achievement, which will enable ITFC to gain better access to borrowing on the external markets at attractive rates. At the same time, this will facilitate the mobilization of resources from financial institutions. Moody's also assigned first-time short-term issuer rating of P-1. This historic milestone reflects ITFC's strong capital position, moderate leveraging scenarios, prudent treasury investment practices and adequate liquidity management policies.



Adoption of Integrated Trade Programs - ITFC is innovating in the way operations are structured through the introduction of Integrated Trade Programs. The Projects are defined as an approach that includes trade financing with a Trade Development intervention such as capacity development.



Launching of Arab Africa Trade Bridges (AATB) Program – ITFC launched a flagship trade development program, which is designed to enhance trade as a tool to expand economic opportunities and support inclusive and sustainable growth across the Arab and sub-Saharan OIC member countries. In 2019, Egypt became a full member, while Senegal, Tunisia and Kingdom of Saudi Arabia have the status of observers



Launching of the West Africa SMEs Program – ITFC has launched this flagship program in Burkina Faso in 2018, aiming at building the capacity of the SMEs in selected Member Countries to enable them to benefit from the lines of financing extended by ITFC to partner banks in those countries. In 2019, ITFC launched the Senegal SME pilot program, in cooperation with CORIS Bank, Délégation Générale à l'Entreprenariat Rapide des Femmes et des Jeunes (DER) and Organisation Internationale de la Francophonie (OIF). 100 SMEs in all sectors will be selected, 50 digital SMEs and 50 startups. The Banking cluster for both countries is expected to start end of Q4 2019.



Launching of Export Launchpad Program: In 2019, ITFC partnered with Trade Facilitation Office (TFO) Canada, for the launch and implementation of its capacity building program in Dhaka with the kick-off of a project titled "Export Launchpad Bangladesh". It aims to develop human resources in the field of international trade and to equip the local Trade Promotion Organization (Business Promotion Council "BPC") with the capacity to deliver trade training and support services to Bangladeshi exporters and potential exporters. The project is being implemented through two phases: The first one focusing in "Training the Trainers", however, the 2nd phase is aiming to assist some selected SMEs to access the Canadian market (Canadian Market access support).



Aid for Trade Initiative for the Arab States

The Aid for Trade Initiative for the Arab States (AfTIAS) Program is a multi-donor, multi-country and multi-agency program, aiming to "foster Arab trade through enhancing enterprise competitiveness and facilitating trade". During the first phase of AfTIAS Program (2013-2018), designed and launched by the ITFC on behalf of the IsDB Group, 28 projects were implemented in 19 Arab countries. The Arab Economic Summit held in Beirut (20/01/2019) called upon ITFC to prepare a road map for the design and launch of a 2nd phase of AfTIAS. The German Consulting Firm (BKP Economic Advisors) was selected for this assignment. It's expected to finalize and approve the Program Document in Q1, 2020.



Implementation of Business Process Reengineering (BPR) – The BPR project reviewed and assessed all core business processes, and a detailed gap assessment was conducted to validate, align and enhance processes to ensure they are relevant to the future operating model of ITFC.



Implementation of Transformational Strategy – ITFC reached another milestone achievement with the implementation of a 3 Year (2017-2019) transformational roadmap. The move aims to build a structurally new business model capable of generating sustainable returns, growth across trade finance markets, development of new products and new lines of business, good visibility on global platforms and achieving organizational excellence.



In 2019, ITFC enhanced the measurement system of its Development Impact Framework (DIF) by increasing the overall granularity of the framework, allowing to identify development impact on a more detailed level. The total number of indicators is now 54 compared to 36 in the previous DIF. The additional indicators were identified and tested based on inputs provided by ITFC departments and regarding their contribution to the SDG goals and best practice usage in other development institutions.



Between June and September 2019, ITFC conducted a performance evaluation of the Aflatoxin Mitigation Program (Pilot 1) in The Gambia to determine the results from the intervention and to identify key achievements and issues that could serve as lessons for future operations. The evaluation mission conducted meetings in Banjul with the main stakeholders of the program, as well as group discussions in the North Bank region with groundnuts producers and grass-roots organizations. A number of recommendations were formulated to enhance future similar interventions.

Excerpts from Resolutions of the 34th Session of the COMCEC

(Istanbul, 26-29 November 2018)

- 35- Requests the concerned Member States to actively participate in the activities to be organized by the COMCEC Coordination Office, SESRIC, ICDT, IDB Group (ITFC), ICCIA, and SMIIC in the field of trade and calls upon these institutions to send invitations to the Member States sufficiently in advance of the meetings so as to ensure their active participation.
- 56- Appreciates the trade finance, promotion and development activities of ITFC and the mobilization of funds from the international market and development partners for funding the trade operations in the Member States, contributing towards the achievement of intra-OIC trade target of 25 percent.
- 57- Takes note with appreciation that ITFC's cumulative approvals and disbursement in trade finance reached, since its inception in 2008 until now, US\$43.9 billion and US\$34.5 billion respectively, and its total approvals and disbursement in 2017 reached US\$4.9 billion and US\$3.4 billion respectively.
- 58- Commends the efforts of ITFC in financing SMEs and the Least Developed Member States and takes note of its efforts to diversify its portfolio and extend more financing for agriculture sector that has direct and prominent impact on improving productivity, job creation, increasing export revenues and alleviating poverty.
- 59- Calls upon the Member States to complete their membership requirements for the institutions of the IDB Group (ITFC and ICIEC) so that the IDB Group implements its mandate successfully.
- 60- Takes note of the trade promotion and capacity development initiatives being implemented by ITFC under its various flagship programs including Aid for Trade Initiative for Arab States (AFTIAS), Special Programme for Central Asia (SPCA), Arab Africa Trade Bridge Program (AATB), Trade Development Fund, West Africa SMEs Program and Trade Development Forum to raise awareness of the private sectors on the activities of the ITFC.
- 61- Takes note of the efforts of the ITFC in implementing integrated Trade Programmes for commodity development including Indonesia Coffee Development Programme, Guinea Reverse Linkage Programme and the Cotton Bridge Programme.
- 62- Also takes note of ITFC's efforts for the diversification of Islamic Financial Instruments, supporting training programs on Islamic finance and promoting Islamic Finance solutions at international fora.
- 63- Takes note of the ITFC's high level Capacity Building Program provided to CIS countries and Afghanistan on Market Intelligence as part of its trade-related Technical Assistance Programs provided to Member Countries and calls upon the relevant OIC Institutions to join and support these efforts.
- 64- Commends the ITFC for organizing the 1st Governing Board meeting of the "Arab-Africa Trade Bridges" (AATB) Program in Morocco, which calls upon the ITFC to continue the successful implementation of the action plan to boost the trade flows between the Arab and African Regions, and calls upon the Member Countries in both regions to support and cooperate with ITFC for the implementation of this program.
- 65- Commends the efforts of the ITFC for implementing the Gambia Afllatoxin Mitigation Programme.





ITFC TRADE FINANCE OPERATIONS FOR DEVELOPMENT

ITFC Trade Finance Operations for Development

ITFC fulfills its mandate through two main lines of business: 1) Trade Finance, and 2) Trade Development. On the trade finance side, ITFC extends trade financing to sovereign governments, private & public sector companies, and Small & Medium Enterprises (SMEs) through lines of financing extended to local and regional Banks.

ITFC's achievements since its inception in 2008 (1429H) till 2018 have been remarkable in both trade financing and trade development areas. Total cumulative approvals and disbursements reached US\$45.4 billion and US\$35.6 billion, respectively. Total cumulative funds mobilized from partner banks and financial institutions reached US\$27.3 billion, reflecting ITFC's critical role as a catalyst to attract funding for large-ticket trade transactions for the benefit of Member Countries. Furthermore, ITFC continues to extend financing to several Member Countries under the multi-year framework agreements in place for many of the large-ticket sovereign clients. Regional initiatives such as the Africa Initiative continues to make noticeable progress.

Despite numerous challenges faced in 2018, ITFC performed remarkably well. It remained resilient in the delivery of its mandate by sustaining its support, as evidenced by the impact and additionality of its intervention in Member Countries. As such, out of the total trade finance approvals, 32% was allocated to Least Developed Member Countries. In addition, 75% of approvals, representing US\$3.9 billion, supported trade between OIC member countries.

In terms of year-on-year comparison, trade finance approvals were higher by 6% in 2018, increasing from US\$4.90 billion in 2017 to US\$5.20 billion, although some Member Countries from SSA and the CIS continued to face the challenge of lingering negative impact of 2015-2016 low commodity prices and foreign currency shortages. Nevertheless, the increase in trade finance approvals reflects the modest improvements in market environment, particularly the increase and stabilization of oil prices in 2017 and 2018.

ITFC this year, as at end of Q3 2019, reached Approvals and Disbursements of US\$4 billion and US\$4.2 billion respectively,

which are in line with annual targets set at US\$6.2 billion and 5.0 billion respectively.

ITFC continues to enhance its development impact by illustrating noticeable achievements in moving away from transaction-based model of trade support to a program-based approach, where trade finance operations are integrated with trade development and capacity building in order to multiply the development impact. In addition, the Corporation continues to deliver on its commitments and maintain its solidarity with Member Countries on sectors that are key to economic and social development, particularly energy, agriculture and SMEs' access to finance.

In this respect, ITFC's cumulative financing for the energy sector amounted to US\$36.64 billion, while financing for the food & agricultural sector stood at US\$6.03 billion, industrial sector US\$ 2.2 billion and Line of Financing (SMEs) US\$ 4.54 billion.

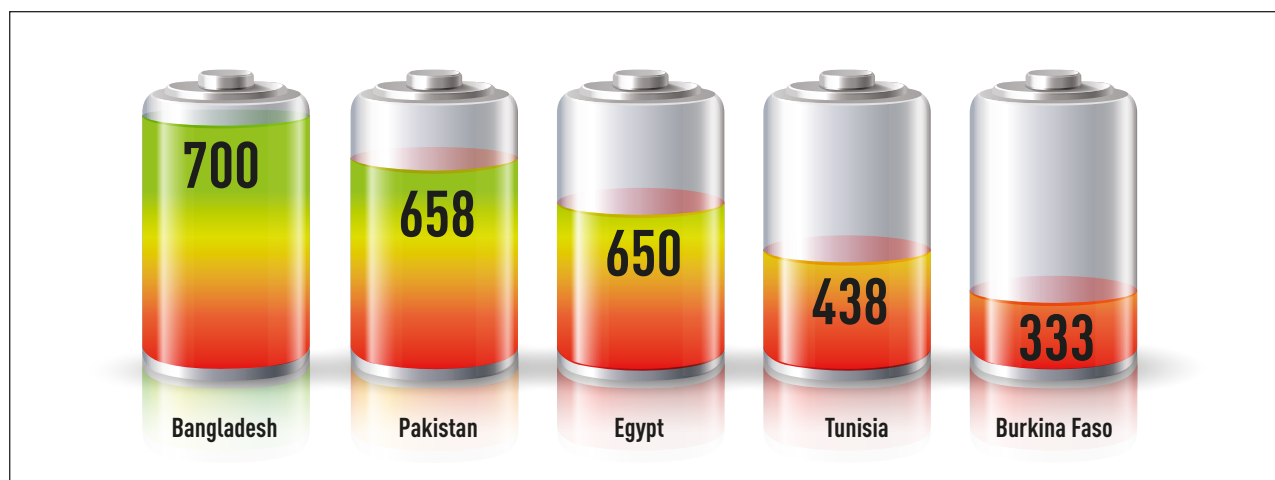
As we look forward, while taking the market conditions into consideration, ITFC is **"gaining momentum"** and stepping into 2020 with vigor and confidence to deliver on its mandate to serve its member countries by **"advancing trade and improving lives"**.

Sustaining Access to Energy

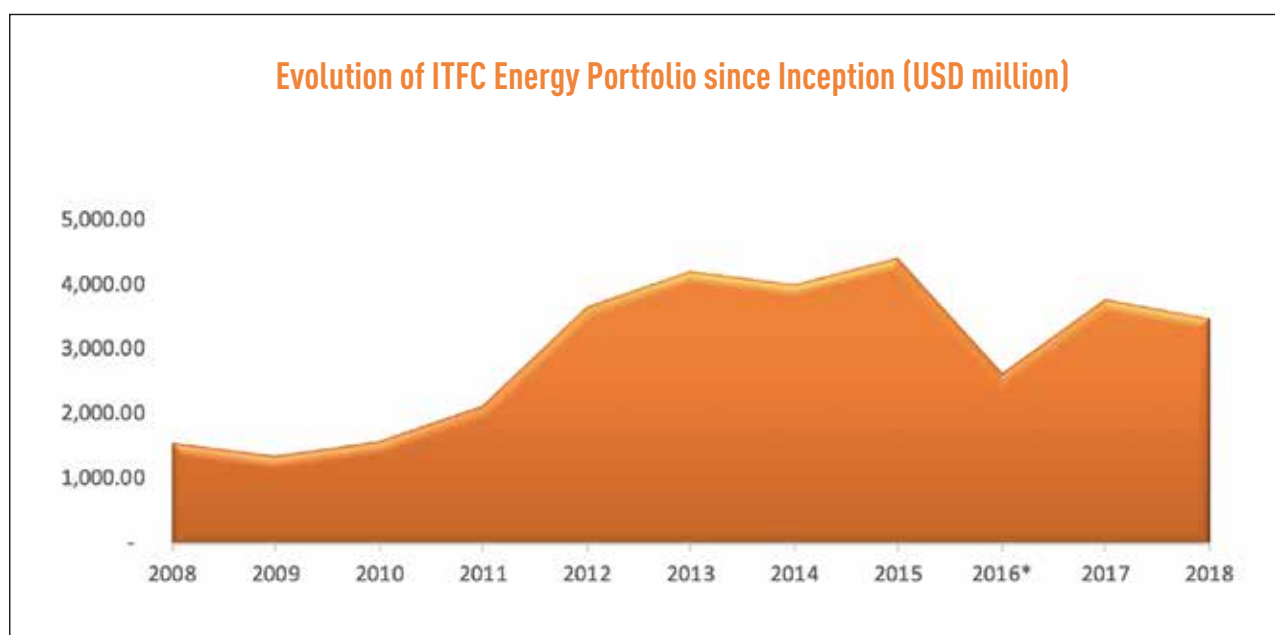
Sustainable and uninterrupted supply of energy is the key to economic and social development. ITFC helps the MCs, particularly the LDMCs, to combat poverty through providing needed financing for ensuring adequate supply of energy, which has multiple impacts on productivity, health, education, sustainable employment, food and energy security.

Therefore, improving access to energy is crucial to unlock the potentials for faster economic and social development in MCs. In this context, ITFC considers supporting the energy sector as one of the main pillars of its strategy and objectives. As such, in 2018 ITFC remained a reliable and steadfast partner in providing financing which reached US\$3,496 million to secure fuel and electricity supplies in order to maintain stable electricity generation and reaching large number of the populations including those residing in rural areas.



Figure 1: ITFC Energy Financing Top 5 Beneficiary Countries in 2018 (US\$ Mn)

In many Member Countries where there are only limited financiers willing and able to fund energy sector-related transactions, which often require sizable funding, ITFC acts as a catalyst in mobilizing resources from international markets to fund large size syndicated deals.

Figure 2: ITFC Energy Financing Portfolio 2008 – 2018

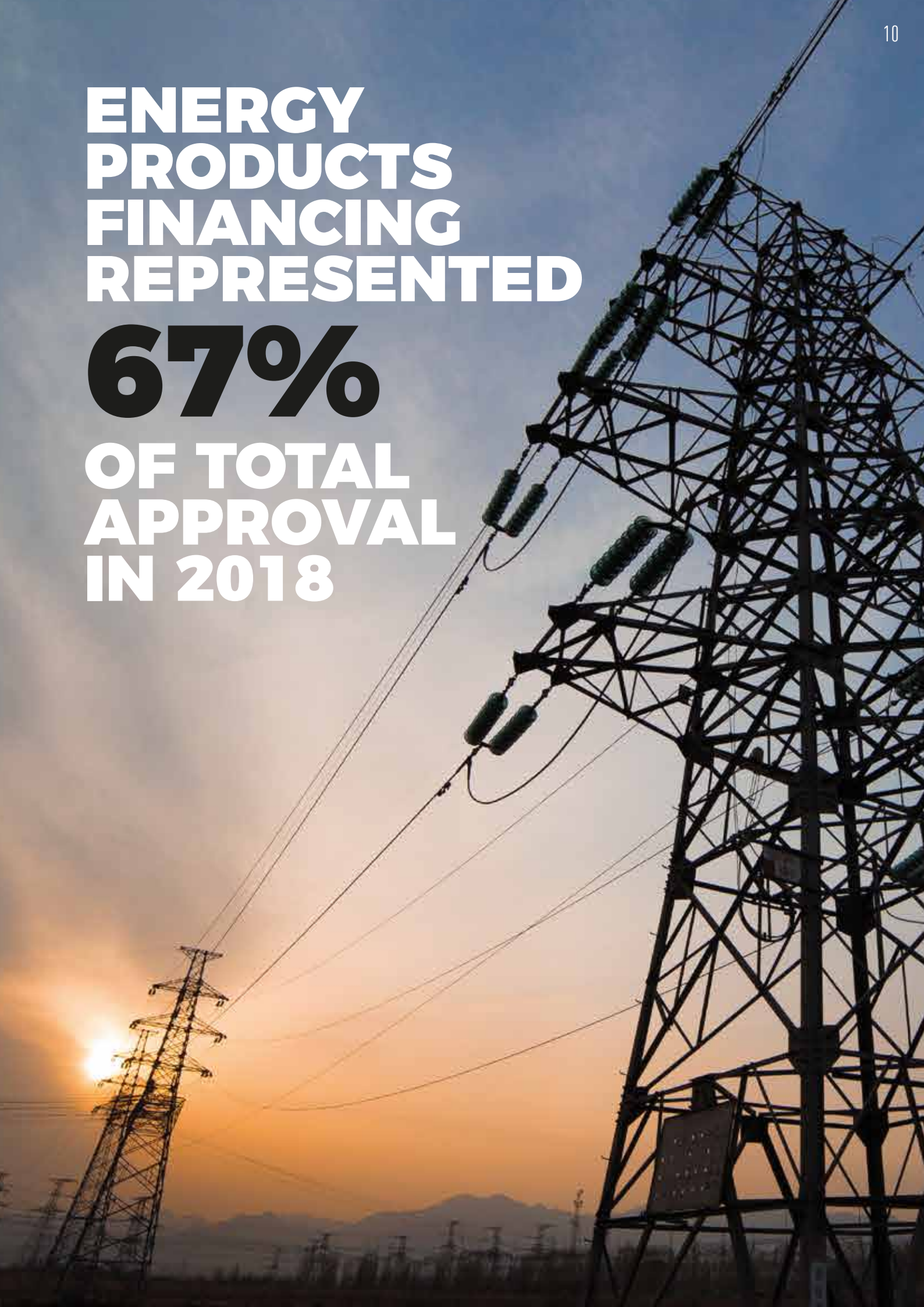
In 2018, the financing for the energy sector rebounded in dollar terms, reflecting the more stable oil prices, as well as increased demand for oil financing from some Member Countries. However, historically the volume of financing was much higher during the period of high oil prices (2012-2015). This environment impacted ITFC's financing towards the energy sector with the following outcomes:

- Energy products financing represented 67% of total approval in 2018, balanced between crude oil and petroleum products financing.
- The bulk of the energy-related financing are for countries in MENA, Asia and Sub-Saharan Africa.

**ENERGY
PRODUCTS
FINANCING
REPRESENTED**

67%

**OF TOTAL
APPROVAL
IN 2018**



Agriculture & Food Security

ITFC's interventions in agriculture continues to cover commodities that help the Member Countries to create jobs, improve productivity, alleviate poverty, and bolster food security. It is worth mentioning that ITFC provides significant support to food security in Sub-Saharan Africa, where a large portion of the trade finance portfolio is allocated to the agricultural sector, which has strong impact on enhancing food security for the countries. In fact, agriculture accounts for the largest share (59%) of ITFC's trade financing portfolio for Sub-Saharan Africa. Although agriculture financing is primarily for cash crops (namely cotton and groundnuts), it nonetheless helps boost food security as farmers use part of the agricultural inputs funded by the financing to grow food crops. Also, the funding allows farmers to receive timely payments for their crops, thereby enhancing their household income.

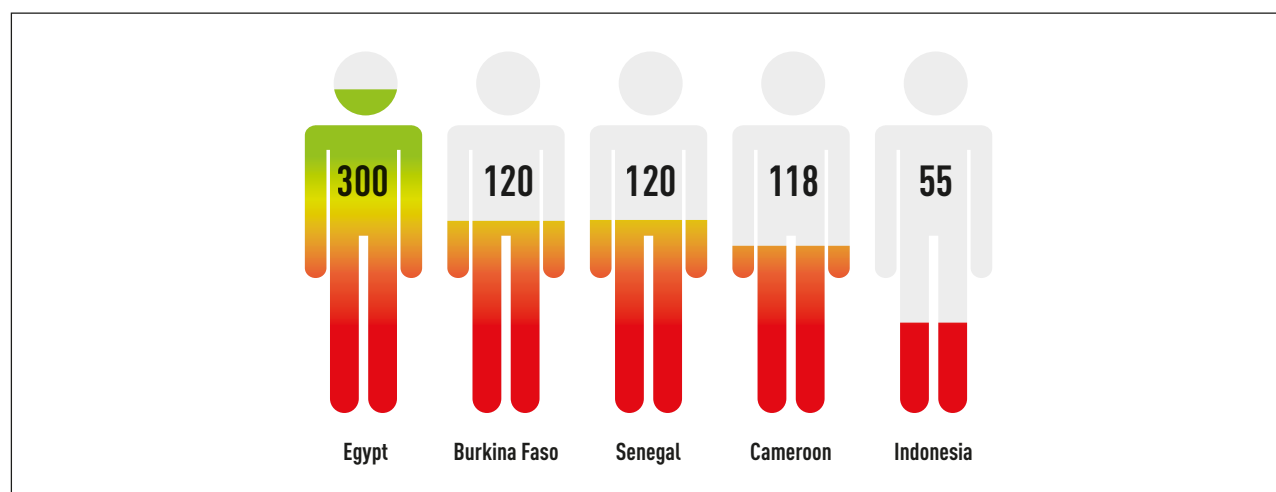
In addition to the interventions in Sub-Saharan Africa, ITFC also extended funding for sugar and palm oil (Indonesia), as well as rice and cotton (Turkey).

The following are some of the measures taken to enhance food security and further support the agriculture sector:

- Synergy and partnership with IsDB Agriculture Department to collaborate on boosting financing to the agriculture sector in Member Countries
- Providing Integrated Trade Solutions
- Linking the producers directly with the buyers in Member Countries.


In 2018, overall approvals for the agriculture sector amounted US\$749.6 million and reached 14.4% of the total financing portfolio, which received the second largest allocation after the energy. During the year, ITFC approved 12 operations for the agriculture sector in 6 Member Countries. See figure 3 for breakdown by countries.

Figure 3: ITFC Agriculture Financing Beneficiary Countries for 2018



The following are the key features of ITFC's financing in this segment:

- The agriculture portfolio is balanced between the strategic import of commodities (such as raw and refined sugar, fertilizers and other agriculture inputs) and support of key export commodities (such as cotton, groundnut and grains);
- Africa and MENA accounted for the largest share in this portfolio with the main beneficiaries being Egypt, Burkina Faso, Cameroon, Cote d'Ivoire, and Indonesia.
- In addition to the interventions in Sub-Saharan Africa, ITFC also extended funding in support of agriculture-related products such as rice (Comoros), coffee beans and palm oil (Indonesia), wheat and sugar (Tajikistan), as well as edible oil and soya beans (Egypt).



**IN 2018, OVERALL
APPROVALS FOR
THE AGRICULTURE
SECTOR AMOUNTED
US\$749.6
million**

Access to Finance for SMEs

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

In order to reach a larger number of SMEs in MCs, ITFC provides Murabaha Financing to local financial institutions through Two-Step Murabaha Financing (2SMF) and Lines of Financing mechanisms to banks which, in turn, extend the financing to SMEs and private sector clients. This not only contributes to creating needed access to finance, but it also helps promote Islamic banking as partner banks are introduced to Islamic financing instruments.

In line with the above, in 2018 ITFC continued to enhance its cooperation with existing partnerships and made fresh efforts to establish new partnerships with FIs aimed at enabling SMEs so that they can access needed financing for their trade operations.

ITFC made significant efforts in 2018 to establish partnerships with local Financial Institutions to provide alternative sources of finance to private sector participants and was able to successfully establish new partnerships with 6 Financial Institutions to reach and serve SMEs.

Through Two-Step Murabaha Financing (2SMF) and lines of financing to banks, which amounted to US\$635.8 million, ITFC's overall private sector financing stood at US\$837.8 million in 2018.

Mobilizing resources for funding Trade

Trade Development resource mobilization sources include mobilization of resources for the Trade Development Fund, allocation of percentage of net Income from ITFC to trade development activities, other contributions from ITFC, IDB and other donors, project-oriented donations and sponsorships. Partners such as the Enhanced Integrated Framework (EIF), Arab Bank for Economic Development in Africa (BADEA) and other non-traditional partners such as think tanks and foundations will be key in the coming years to increase ITFC mobilization of funds for Trade Development interventions. Despite the challenges in 2018, ITFC had been successful to mobilize a total of US\$2,983 million from within IsDB Group and its Syndicate Partners in the market for funding 36 syndicated operations in favor of 15 Member Countries. The mobilized funds from the market represents 58% of the total trade financing provided by ITFC that year.

In 2019, ITFC had been successful to mobilize a total of US\$3,591 million from January to August 2019, out of which US\$2,414.2million are from external resources. The mobilized funds from the market represents 67% of the total approvals.

Mobilizing resources for Trade Development

Trade Development resource mobilization sources include mobilization of resources for the Trade Development Fund, explore the allocation of percentage of net Income from ITFC to trade development activities, other contributions from ITFC, IDB and other donors, project-oriented donations and sponsorships. Partners such as the Enhanced Integrated Framework (EIF), Arab Bank for Economic Development in Africa (BADEA) and other non-traditional partners such as think tanks and foundations will be key in the coming years to increase ITFC mobilization of funds for Trade Development interventions. By beginning Q42019, ITFC mobilized 261,605 USD for 4 Trade Development projects in agriculture, financial institutions, capacity building and trade promotion. Several other projects are currently under resource mobilisation mobilization status and will bring the total to between 800 000 to 1 million USD.



C

TRADE AND BUSINESS DEVELOPMENT



Trade and Business Development

ITFC's Trade Development activity in the OIC Member Countries is emanating from its mandate to promote trade in these Countries. It also finds its illustration within ITFC's slogan "Advancing Trade, Improving lives", which is the ultimate goal of the Corporation through its different activities. For this purpose, Trade Programs are implemented through Flagship Programs, Integrated Trade Solutions and Targeted Interventions (FIT) interventions.

Regarding the trade development area, and within its adopted strategy 2016-2025, ITFC offers Trade Integrated Solutions, combining trade finance with trade development components, designed to address some of the trade development challenges of its Member Countries. In this regard, ITFC blends its trade development interventions, including its Trade Related Technical Assistances (TRTAs), with its trade finance solutions in designing and implementing thematic and regional trade integration and development programs.

Some examples of the trade integrated programs include, (i) the Indonesian Coffee Export Development Program, (ii) Uzbekistan Trade Integrated Solution, (iii) the West Africa SMEs Program. All projects incorporate trade development and trade finance components, with the aim to address twin challenges of the sectors and countries such as limited access to finance and international markets, development of sectorial and regional competitiveness through implementation of capacity development programs and trade facilitation measures.

Below is an overview of the initiatives and projects currently in the Trade and Business Development portfolio.



Arab-Africa Trade Bridges Program (AATB)

The level of inter-regional trade between Arab States and African Member countries of OIC does not reflect the trade potentials between both regions. As a result, the Islamic Development Bank (IsDB), the International Islamic Trade Finance Corporation (ITFC), Saudi Export Program (SEP), Arab Bank for Economic Development in Africa (BADEA), and the Islamic Corporation for the Insurance of the Investment and Export Credit (ICIEC), agreed to form a partnership platform to address this issue by developing a regional trade promotion program to boost trade between the two regions.

Following the official launch during 22-23 February 2017, the emphasis was given to establish a sound governance structure at IsDB Group level to integrate different programs and initiatives of the Group Members under this Program. In this regard, IsDB President has created the IDB AATB Steering Committee to coordinate IDB entities and complexes' interventions under the AATB Program. Moreover, the 1st meeting of the AATB Governance Board was held on 1&2 November 2018 with the participation of the countries members of the Board as well as the Member organizations. In addition, and since the launching of the program, ITFC has been leading the efforts for the implementation of various projects and activities. The 2nd AATB Executive Committee meeting was held on 5th April 2019 in Marrakech. The meeting discussed and

approved a number of documents and decisions related to the management and implementation of the program. The following are examples of activities which have already been implemented:

- 1st Edition of Sectoral B2B Meeting for Pharmaceuticals and Medical Equipment,
- Sectoral B2B Meeting for food products,
- ECOWAS – Agadir Technical Unit (ATU) Business Forum,
- Forum on "Promoting Arab Exports to Africa",
- 1st Afro-Arab Trade Finance Forum,
- 2nd Edition of Sectoral B2B Meeting for Pharmaceuticals and Medical Equipment (Cairo, Dec 2018),
- Second edition of the B2B on Agri-food products that was held in Dubai, UAE, (30 Apr – 1st May 2019).

The 2nd Governing Board Meeting of the Arab Africa Trade Bridges (AATB) Program was held on 7 November 2019 in Dakar, Republic of Senegal. On the sidelines of this important meeting, the following events were held from 6 to 8 November 2019:

- Launch of the Senegal Pilot of the West Africa SMEs Program;
- B2B meetings for Pharmaceutical Sector under the umbrella of AATB;
- Launch of the OCP School Lab Program under the umbrella of AATB.



Aid for Trade Initiative for Arab States (AfTIAS) Program

With a view to enhance the trade cooperation & integration among Arab States and with the rest of the world, ITFC has taken the initiative to design and implement a Regional Trade Development Program with a particular focus on “enhancing regional integration” to fuel the economic growth and development. The AfTIAS Program was prepared and launched in December 2013. More specifically, AfTIAS Program objectives are:

- Enhance regional competitiveness through trade policy reforms and strengthening Trade Support Institutions (TSIs) institutional capacities;
- Strengthen trade supply side and value chain integration;
- Strengthen regional and sub-regional trade cooperation organizations’ capacity to better administer trade integration policies & programs.

Five UN Agencies (ILO, ITC, UNCTAD, UNDP and UNIDO), the League of Arab States (LAS), the Permanent Missions of Arab Countries in Geneva, the Islamic Corporation for Private Sector Development (ICD), the Foreign Trade Training Center (FTTC) of Egypt, the “Société Nationale de Transports et de Logistique” (SNTL) of Morocco and the Arab Academy for Science Technology & Maritime Transport (ASTMT) had been selected as Executing Agencies of the projects approved by the AfTIAS Program.

The indicated projects approved and executed under AfTIAS Program aimed mainly to assist the Arab Member Countries (MCs) to develop their national export strategies and improve their institutional and human capacities in the area of trade development and trade facilitation. In this perspective, 28 projects were adopted for 19 Arab countries, (4 Least Developed Countries (LDCs), 9 Middle Income Countries and 6 Higher Income Countries).

The last AfTIAS Board meeting held in January 2019, expressed its satisfaction on the outcomes of the AfTIAS program evaluation carried out in 2018, and which emphasized on the lessons learned, as well as the recommendations to be applied to the Program in its 2nd Phase, and endorsed the decision of the Arab Economic Summit held in Beirut (20/01/2019), calling upon ITFC to prepare the 2nd phase of AfTIAS in cooperation with the LAS and the Arab countries.

It’s worth mentioning that the evaluation of the AfTIAS Program was carried out in 2018 by an independent firm (Ghubril Ltd) and Trade Facilitation Office (TFO)-Canada. The evaluation pointed out that, while the design could benefit from improvements, AfTIAS was perceived by most key informants as highly relevant and needed for the region. Although the 22 members of the League of Arab States (LAS) are dissimilar, they share the will and the need to bolster intra-trade, streamline their trade installations, alleviate trade barriers and ease the exchange of merchandise across borders. The main lessons learned from the evaluation are:

- Stakeholder mapping and consultative process are critical;
- Sustained commitment, ownership and shared responsibilities of Member States are crucial for success;
- Adequate financial and human resources are critical for effective, efficient and impactful program management;
- Institutionalized focal points help a sustained engagement of Arab States in the program;
- Neither a high number of projects nor the implementation of a few large projects lead, by and in themselves, to a high level of effectiveness. Each project to be funded will have to be selected based on its own merits.

Based on the outcomes of the indicated independent evaluation and the decision taken at the 4th Arab Economic Summit to design and launch a 2nd phase of the program (AfTIAS 2), a German firm (BKP Economic Advisors GmbH) had been contracted by ITFC on July 2019 to design AfTIAS 2 Program. Thus, it is planned to approve the Program Document of the AfTIAS 2 by the 1st Quarter of 2020.

Reverse Linkage Project between Guinea and Tunisia on Enhancing the Value Chain for Exporting Agricultural Products of Guinea:

Background:

- During the visit of H.E Pr. Alpha Condé, President of the Republic of Guinea to IsDB HQs in August 2017, he requested the support of ITFC in developing the export sector, particularly the agricultural products.
- Following this request, the IsDB and ITFC collaborated to support Guinea for the enhancement of the value chain for exporting agricultural products through the Reverse Linkage mechanism. Tunisia was selected to be the provider of knowledge and expertise given the sound experience of Tunisian institutions in agricultural products export.

Project Goal and Objective:

- **The main objective of the project** is to contribute to the efforts of the Government of Guinea towards developing and improving the whole value chain for exporting Mango and Cashew.
- **The specific objectives of the project are:** (i) Strengthen the technical and organizational capacities of the institutions in charge of promoting exports of the mango and cashew; (ii) Establishment of the inter-profession for the two mango and cashew sectors and the strengthening of their capacity in the development of strategies and plans for the development of market-oriented value chain; (iii) Diversify the exportable supply of the mango sector thanks to the development of dried mango activity; (iv) Upgrade of the Guinean Packaging and Carton Society and the Kankan Packaging Station; and (v) Supporting institutions and economic operators of two value chains in the market access process and training of export advisers.

The project's components are: (i) Improving the ecosystem of the export value chain by strengthening the capacities of the export support institutions and linking the stages/components of the value chain by establishment of two the inter-professional organizations; (II) Strengthening the value chain activities for mango preservation and processing; (iii) Providing tools and instruments for support to market access; and (iv) Coordination, communication and monitoring of project implementation.

It is expected to launch the activities of the Project during December, 2019.



Export Launchpad Program

The ITFC, as the trade development arm of the IsDB Group, attaches immense importance to strengthening human and institutional capacities in its Member Countries (MCs) in trade related areas by providing trade related capacity building programs in cooperation and collaboration with relevant development partners.

From this perspective, the Export Launchpad Program which was designed between ITFC and Trade Facilitation Office Canada (TFO Canada), proposes to address key constraints faced by SMEs with a special emphasis on women led SMEs. The rationale for this “aid-for-inclusive trade” project is to facilitate change towards an improved trade environment and leverage exports from developing countries, by addressing key constraints, to increase the benefits for Small and Medium Enterprise (SME) exporters in selected developing countries.

In this regard, in 2017, the first pilot program started in Senegal which was successfully implemented. The 2nd one is for the benefit of Bangladesh, which is planned to start its implementation in the last quarter of 2019.



International Trade Capacity Building and Market Access Support Program in Senegal

Export Launchpad Senegal is a joint initiative of the Trade Facilitation Office Canada (TFO Canada), ITFC, the Government of Canada, through Global Affairs Canada (GAC), and in collaboration with the Senegalese Export Promotion Agency (ASEPEX). Train-The-Trainer and Canadian Market access are the 02 components of the program which aimed to consolidate and expand the export assistance services offered by the Trade Support Institutions to SME exporters in Senegal, as well as to assist Senegalese SMEs to better access the Canadian market.

The Export Launchpad Senegal program had the following overarching objective: Develop human resources in the field of international trade and equip the ASEPEX (Agence Sénégalaise de Promotion des Exportations) with the capacity to deliver trade training and support services to Senegalese exporters and potential exporters. This goal is to support these firms grow their export activities and contribute to the sustainable economic development and poverty alleviation in Senegal.

Two training sessions organized in 2017 and 2018, delivered by 12 certified trainers including 5 female trainers, proved to be an excellent experience for both the group of companies as well as the trainers themselves who had the opportunity to put the newly acquired knowledge into practice. The training sessions were thus provided to 17 SME exporters, including 12 women led SMEs, in the agribusiness sector, and 13 SME exporters, including 10 women led SMEs, in the cosmetics sector.

On the Market access component, and following the Senegalese SME training program, 20 SME representatives (Agri-business sector and Cosmetics sector) were selected for a field visit to Canada with the purpose to:

- Understand the structure and dynamics of the Canadian market;
- Explore consumer needs;
- Assess competitor product ranges, prices, promotion methods;
- Engage with distributor directly with a view to secure export deals.

Export Launchpad – Bangladesh

With reference to the visit of H.E. IsDB President to Bangladesh dated 9th September 2018, where H.E. the Prime Minister highlighted the importance of the support that IsDB Group would offer in many developmental areas, notably the development of export sector, which is the key factor for Bangladesh economic development and job creation.

In this context, ITFC partnered with TFO Canada, for the implementation of its capacity building program in Dhaka with the kick-off of a project titled “Export Launchpad Bangladesh”.

The Export Launchpad Bangladesh project is designed to address key constraints faced by SMEs. The rationale for this “aid-for-inclusive trade” project is to facilitate change towards an improved trade environment and leverage exports from developing countries, by addressing key constraints, to increase the benefits for Small and Medium Enterprise (SME) in selected developing countries. It is planned to launch the project activities during the Q4 -2019.

Indonesian Coffee Export Development Program (ICEDP)

Under its new strategy to offer Trade Integrated Solutions to Member Countries, ITFC’s Indonesian Coffee Export Development Program (ICEDP) addresses the twin challenges faced by the Indonesian Coffee Industry. Within the scope of the program, ITFC will extend US\$100 million financing to exporting SMEs in 3 years period that will enhance their competitiveness in global markets and make cash ready for small farm holders as return for their crop.

In 2017, ITFC started to work closely with its local partners to prepare “Five Years Business Plan for Coffee Farmers Training”, which is based on the stakeholder consultation phase conducted by a contracted local NGO. As part of this program, ITFC started the implementation of an ambitious training program for the coffee farmers, starting from September 2018.

The Training, which was implemented in phases, provided the opportunity to the farmers to acquire the best farming practices in coffee farming, with the final aim to increase the production of Coffee. For this purpose, ITFC is partnering with SCOP1, a Sustainable Coffee Platform in Indonesia, to develop a 3-year nation-wide program employing latest technologies to train and upgrade Master Trainers who would then impart their skills and knowledge to the 2.0 million coffee farmers in Indonesia.

Trainings on organic farming and Good Agricultural Practices delivered to 349 coffee farmers in Dairi and Karo, North Sumatra. These trainings meant to equip the farmers in addressing the challenges brought on by climate change and increase the quality and quantity of their coffee production. It is envisaged that the output of the training will ultimately lead to improve the livelihoods of the farmers and ultimately enhance their export of coffee to the world. Making this Program an excellent example of enhancing the integration of our Member Countries in the global value chains.

In recognition of the farmers’ efforts to upgrade their skills set, a graduation ceremony was organised on 16th of July 2019 in Karo North Sumatra, Indonesia, attended by the farmers, the partner NGO and the local authorities.



West Africa SMEs Program

The West Africa SME Program is an integrated program between Trade & Business Development (T&BD) and Trade Finance (TF) designed to offset the trade finance gap for SMEs and facilitate access to finance. ITFC conducted an exploration and fact-finding mission to West Africa in August 2017 to get a clear understanding of the reasons why SMEs do not benefit as much as expected from the lines of finance provided to Banks. During this fact-finding mission, ITFC delegation met with over twenty (20) stakeholders in Togo, Benin, Burkina Faso, Senegal and Cote d'Ivoire to better understand the needs of SMEs in the region and how ITFC's interventions could be relevant to add more value. The key findings of the mission have indicated a clear need (business as well as development wise) to design and launch an ITFC's West Africa SMEs Program.

The Program will have a positive impact both on banks and SMEs alike. For Banks, it will increase, among others, trade finance products offering; provide training and SMEs assessment tools to start or strengthen their SMEs lending practices. For SMEs, it will increase substantially the number of bankable SMEs that access financing and build their capacity to decrease default rate on Bank loans.

The pilot is structured in two clusters: a Bank and SME cluster whose implementation expects to result in additional Banks' approval and disbursement of financing for SMEs and reduction in rejection of SMEs lending proposal. The program was launched on 5 September 2018 in Burkina Faso with Coris Bank, as part of the implementation of SME Cluster, 26 out of 50 flash diagnostics have been completed and 9 SMEs for a target of 20 were selected to benefit for technical training and business plan update. The remaining 24 diagnosis and 11 firms to be chosen is currently ongoing.

As of September 2019, 20 financing files have been submitted for study to Coris Bank International, five financing were approved.

Regarding the Senegal SME pilot program, CORIS, DER and OIF will provide a list of 500 SMEs to be ranked. At the end, only 200 SMEs will be selected for the Senegal SME Pilot Program.

Among the 200 companies selected: 100 SMEs in all sectors, 50 digital SMEs, 50 startups are expected.

To ensure an alignment of interests between the parties, an agreement will be signed between all the financial participants: ITFC, OIF, DER and CORIS. This convention (project agreement) will cover the roles, responsibilities and commitments of each. It was signed in November 2019.

The Banking cluster is expected to start end of Q4 2019.

Aflatoxin Mitigation Program in the Gambia

Background:

Groundnuts are of paramount importance to The Gambia. About 45% of agricultural land is devoted to production. The sector employs nearly 70% of the workforce, and exports account for 66% of the total exports of agricultural products.

- Aflatoxins (Aflatoxin) counts as the principal trade risk. It has prevented Gambian groundnuts to access premium markets in the European Union (EU), where permitted limits of aflatoxins are capped between 4 parts per billion (ppb) and 10 ppb, while The Gambian groundnuts have remained equal or above 20 ppb.
- Consequently, production has scaled down, resulting in low prices being earned on export, unattractive prices to producers and reduction in farm participation.
- Annual economic losses over the period 2000 - 2015 is estimated at USD\$20 million.
- The Aflatoxin Mitigation Program (AMP) was developed in response to this issue. It concerns the purchase of Aflasafe, a biological control product that has proven effective in reducing aflatoxin in groundnuts.
- When verified as aflatoxin-free, the groundnuts will be purchased from the farmers at a 10% premium on the declared farm gate price, processed and exported to the EU for a minimum 35% premium price.
- In this context, the Ministry of Finance & Economic Affairs requested ITFC's support for the implementation of the AMP, in collaboration with National Food Security Processing and Marketing Cooperation (NFSPMC). Thus, the Aflatoxin Mitigation Program (AMP) was designed to enhance the quality of Groundnuts for export into the European and other international markets.

AMP Expected Outcome:

- Reduction of Aflatoxin contamination in groundnuts to levels of zero and less than 10 ppb in order to export large volumes and generate high returns and income for the producers.

AMP Expected Outputs:

- Reduction of Aflatoxin contamination to levels of zero and below 10ppb in the targeted areas
- Increase export value of groundnuts revenues
- Enhance capacities of farmers and SMEs to produce high quality products in line with international market standards and clients' requirements;
- Reduce Aflatoxin contamination along the groundnut value chain.

Main Achievements 2018

The AMP is divided into two identical phases. The first pilot was effective on the 28th June 2018 and was completed by 31st March 2019. The second pilot implementation is currently ongoing.

For the season 2019, out of 5,300 hectares initially identified, the program will deal only 2,300 hectares, since the rain did not come on time and when it started raining, the country experienced long periods of dry weather. It is the reason why the program will use the equivalent of 23 tons of Aflasafe SN01 in 2019 instead of the 50 tons.

It is recommended to amend the technical assistance with NFSC and the Government of The Gambia and include a provision to prioritize the registered farmers and Aflasafe treated farms in the sequencing of groundnut purchase for the campaign 2019/2020.

Also, there are numerous other areas that can be used to mitigate aflatoxin contamination, including GAP (good agricultural practices), use of farmer field school, application of fertilizer, irrigation, introduction of groundnuts with short maturing duration. Therefore, beyond the use of Aflasafe, the Aflatoxin Mitigation Program is an Agriculture Development Program that will need to combined interventions or various stakeholders including the public and private sector.

ITFC's Innovation Master Plan

With the current ever-changing landscape of technological products, business models and value chains, innovation is key to any firm's positioning, sustainability, economic growth. 2018 was the year to establish the mechanism and run a pilot case, which was launched at the end of Q3 2018. The pilot's theme was selected to be **"How can you make ITFC offices more environmentally friendly"**. The pilot was successfully completed, and the winning ideas were implemented in the first half 2019.

In 2019, the innovation team focus has been on implementation of an intensive campaign on innovation culture for ITFC as culture is the make or break of innovation. In addition, the team worked to introduce an enhanced process based on the pilot case, develop and run the first official innovation season, and new Islamic trade finance product development.

Innovation in financial services has become a global industry trend and a new competition playground for banks. Therefore, ITFC will dedicate resources in the coming 3 years to develop new and adopt existing FinTech solutions, in order to establish itself as a lead innovator in Islamic trade finance solutions.

