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International
Islamic Trade
Finance Corporation



Executive Summary

DEVELOPMENT EFFECTIVENESS REPORT 2022

ADVANCING TRADE, IMPROVING LIVES



A message from the Chief Executive Officer, ITFC



Trade is the solution to the global common challenges and ITFC has a unique role to play as the only development finance institution with the exclusive mandate of fostering Intra-OIC trade. (...) The year just ended was another year of record performance for ITFC. Approvals and disbursements reached new heights at **US\$6.8 billion** and **US\$7.4 billion**, respectively.



In 2022, our member countries were faced with unprecedented challenges. The convergence of crises, dominated by COVID-19, climate change, and conflicts, has created a major setback on the road towards the Sustainable Development Goals. As often, developing countries are the most affected by external shocks. Prices of commodities – particularly food and energy – soared in 2022, putting 345 million people in a situation of food insecurity and an additional 75 million into extreme poverty.

In this context, the Development Effectiveness Report offers an opportunity to reflect on what we have achieved to mitigate the impact of the crises and, going forward, how we can remain relevant to our member countries as they navigate a world of disruption. I will focus here on three main takeaways from the report:

1. In an increasingly complex world with interrelated crises, the work of ITFC is more important than ever.

Trade is the solution to the global common challenges and ITFC has a unique role to play as the only development finance institution with the exclusive mandate of fostering Intra-OIC trade. Our goal is to create a sustainable and inclusive economic environment that fosters growth, reduces poverty, and improves the overall quality of life for all.

The year just ended was another year of record performance for ITFC. Approvals and disbursements reached new heights at US\$6.8 billion and US\$7.4 billion, respectively. Disbursements to Least Developed Countries amounted to a record US\$2.2 billion, highlighting the Corporation's commitment to fill trade finance gaps.

More importantly, I am pleased to see the impact that ITFC financing made on people's lives in 2022:

- We disbursed **US\$2 billion** to support food safety net programs in member countries, providing around 22.4 million households access to affordable, safe, and sufficient food.
- We financed more than **33.3 million** COVID 19 vaccines in Africa, supporting an inclusive access to vaccines in the continent.
- Our energy financing provided an estimated **13 million** households with access to reliable electricity supply.
- In the agriculture sector, ITFC financing was used to purchase agricultural commodities from an estimated **600,000 farmers** in West Africa, supporting their income and livelihoods.
- Also, **1,218 people** were trained through various capacity building initiatives and programs in the field of agriculture, Islamic finance and trade development.

While these numbers can make us proud of our achievements, they also encourage us to do more to stay relevant to our member countries' challenges.

2. In mitigating external shocks, we need to put the resilience of people and the planet at the top of our priorities.

ITFC member countries are in regions that are most vulnerable to climate change risks, face social challenges, and have different degrees of economic development and regional integration. Climate change,

especially, is a growing matter of concern and urgent actions are needed to help member countries build resilience to current and future impacts of a changing climate.

In 2022, ITFC embarked on a strategic journey to achieve its ESG transformation. As a result, a climate change policy will soon be adopted, and we are designing a pioneering set of climate change actions that will guide the institution's work. The integration of ESG considerations into ITFC's products, services, and operations offers a new set of growth opportunities for the organization to advance trade integration among its member countries.

Leveraging the opportunities and managing the challenges from the new realities will be key to promoting sustainable development in a rapidly changing world.

3. ITFC's development effectiveness approach has a focus on learning, transparency, and accountability.

At the core of our operations is the commitment to development effectiveness. This commitment is materialized by the alignment of our interventions with the United Nations Sustainable Development Goals (SDG).

Our reporting on results has significantly progressed over the years to align with the best practices. The 2022 ADER went through an independent assurance process, positioning ITFC among leading peers that submit sustainability data to an external verification. We have also opted for a fully digital report that will support the dissemination of the results to a wider audience.

Going forward, the adoption of a new development effectiveness policy will strengthen our self-evaluation practice and enhance the quality at entry of our operations. ITFC will incorporate climate change actions and risks into its development effectiveness and disclosure reporting.

Amid the many current crises, we are called to reframe our development approaches under a different agenda that is greener, that is resilient, and that supports empowerment and prosperity of all people. I seize this opportunity to extend my gratitude towards partners who share our vision and mission for a resilient trade. I am also thankful to our engaged employees who showed commitment despite all the challenges and disruptions.

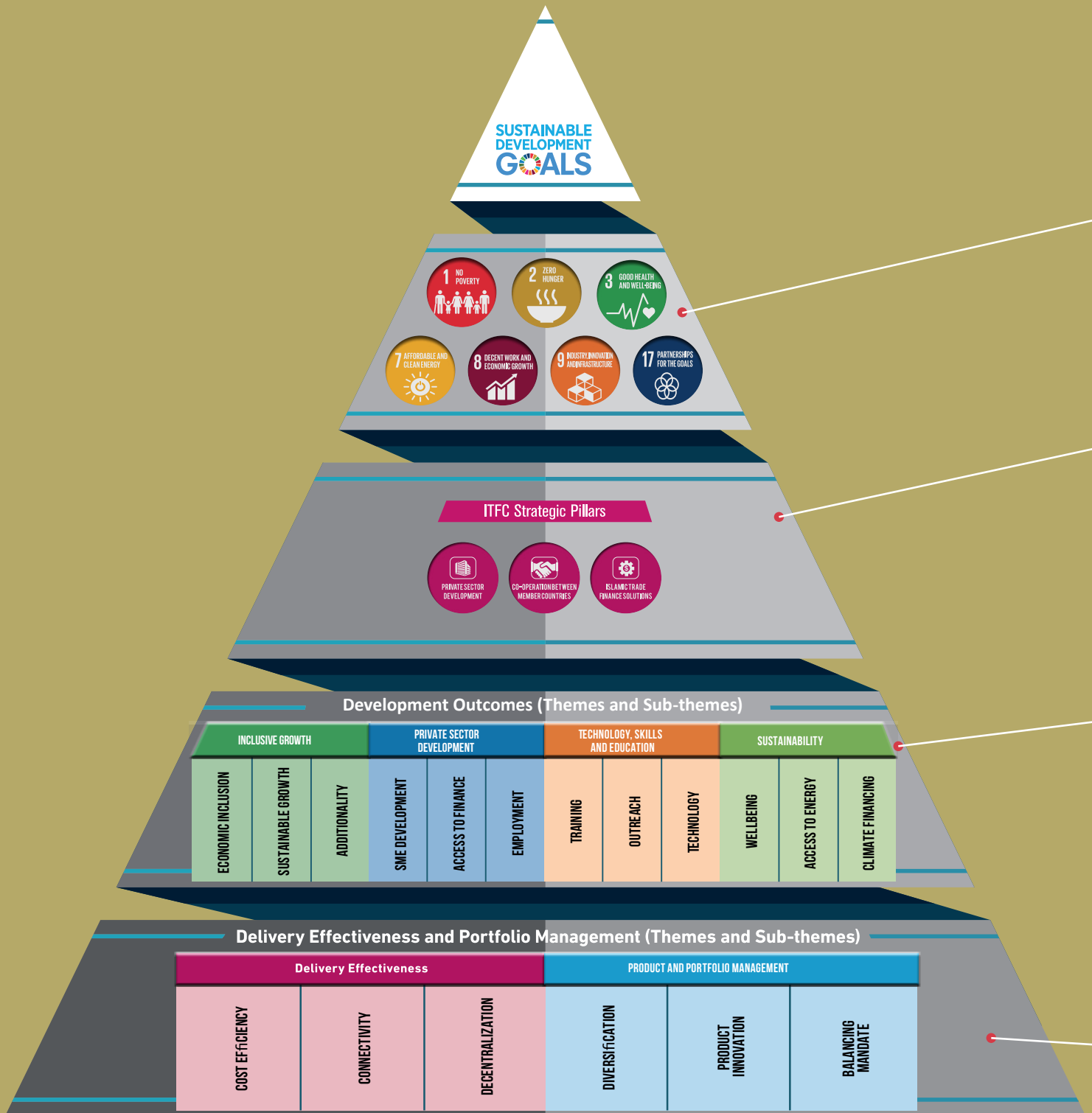
Thank you for your time and attention and enjoy the report.



Eng Hani Salem Sonbol,
Chief Executive Officer, ITFC

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2022 results against the Development Impact Framework



TIER
01

Strategic Goals and Context

An additional **75 million** to **95 million people** living in extreme poverty

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02

Up to **205 million people** faced acute food insecurity

19%

Share of Intra OIC-Trade between member countries

US\$2 trillion

Global Trade Finance Gap

TIER
03

ITFC's Development Results

13 million people

provided with access to electricity

22.4 million

households fed

600,000

farmers reached

1,218

people trained

33.3 million

vaccines procured

US\$528.8 million

export sales generated

180

corporates and MSMEs financed

110,000 jobs supported

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04

ITFC's Operational Performance

US\$7.4 billion

total disbursements

US\$6.8 billion

total approvals

30%

LDCs share of portfolio

72%

Intra-OIC trade share of portfolio

76.2%

resources mobilized, share of portfolio

121

transactions

10

New clients

10.5

Average tenor (in months)

THE WAY FORWARD

In times of disruption, ITFC financing becomes even more crucial to fill ever increasing trade finance gaps in Member Countries.

In a context of soaring commodity prices, challenging market conditions and disruptions in the supply chain, ITFC disbursed a record US\$ 7.4 billion of trade financing, with a disbursement ratio reaching 1.08. ITFC was effective in sustaining critical supply chains – energy, food, health – which are essential to the well being of people in Member Countries.

The ADER 2022 shows that ITFC has solid foundations to deliver for results.

Indicators assessing operational and organizational performance, where ITFC has the most direct responsibility and control, were met or surpassed in almost all cases. Notably, the sharp increase in food import disbursements led to a more diversified portfolio, with the energy sector now representing 60% of total disbursements.

Environment and climate change remains an area for improvement but is being addressed by a new Climate Change Policy.

With a portfolio predominantly concentrated in the oil/gas sector, ITFC will progressively mainstream the

concept of potential negative impact in its operations. The purpose is to mitigate potential impact to the environment by ITFC clients and to position the Corporation as a leader in Islamic green financing. A new climate change policy will be adopted in 2023 and will cover the whole spectrum of ESG related matters in ITFC portfolio.

Despite a sharp increase in 2022, there is room to further expand the private sector financing in ITFC portfolio and increase its impact.

The private sector financing represented about only 5% of total disbursements. The strategy 2.0 aims at scaling up ITFC non-funded guaranteed portfolio and new products such a local currency financing are under consideration. There is need to further engage with microfinance facilities in order to achieve higher development results.

Quality at entry of ITFC interventions will be strengthened by a new Development Effectiveness Policy.

The Policy will introduce quality assurance mechanisms to ensure that ITFC grants-funded interventions are designed for impact and have adequate monitoring and evaluation tools. It will also strengthen the current ex-ante assessment of ITFC trade finance operations.





ITFC engaged BlueMark, a Tideline company, to independently verify the quality of ITFC's external impact reporting based on industry best practices, including the Sustainable Development Goals and the Operating Principles for Impact Management, among others. BlueMark's assessment findings cover both areas of strength and areas for improvement, as reflected in the Verifier Statement for the Year 2022 reporting period.

A limited assurance was provided on a sample of indicators that were deemed to be representative of the DIF indicators. They included indicators at operational, output and outcome levels, based on different methodologies and data collection approaches.

Download the full report to read the Independent Auditor's Assurance and Verifier Statements

About Bluemark. BlueMark is a leading independent provider of impact verification services in the impact investing market. BlueMark is a subsidiary of Tideline Advisors, LLC, a specialized consulting firm that works with asset managers and allocators to design and implement best-in-class impact management and measurement systems.