ECONOMIC EMPOWERMENT
An IsDB Innovative Approach for Poverty Alleviation and Sustainable Development
The IsDB Economic Empowerment (EE) approach enables the disadvantaged populations to play an active role in the economic cycle in their countries and let them realistically aspire for a decent living. The EE, as perceived by IsDB, relies on 7 fundamentals:

1. Not to consider the Poor and socially disadvantaged people as a burden on their family and society
2. Consider that the targeted populations have great capabilities that need to be explored and developed
3. Work on the mindset of the poor so that they exploit their abilities
4. Shift from a relief assistance approach to a mix of development and market-based support
5. Consider the poor as a potential economic actor in the value chain
6. Carefully consider the equilibrium between social, economic and financial performances
7. Rely on self-employment and job creation

Economic Empowerment is “The expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control and hold accountable institutions that affect their lives” (The World Bank, 2002).
Considering the multi-faceted nature of poverty, at least 6 obstacles needs to be removed from the poor’s path to unlock his/her full potential.

1. Lack of access to well designed & profitable project opportunities
2. Low social capital for the poor to build intelligent partnerships that support his/her economic activity
3. Lack of sufficient affordable infrastructure that support poor’s economic activities
4. Lack of access to appropriate funding
5. Lack of capacity and weak belief in self-potential
6. Lack of access to relevant markets

EE interventions provide the poor with the appropriate access to the required inputs/means to achieve not only financial inclusion but also ensures that the poor is fully economically included.
Since 2001, IsDB has been improving its microfinance interventions by learning from best practices and lessons learned. Economic Empowerment was developed as a comprehensive methodology to address the poverty challenge in a structured manner.

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**3 How does the Economic Empowerment approach work?**

1. Engineering EE projects, providing supportive infrastructure and proposing investment opportunities
2. Creating partnerships serving a market need
3. Establishing contractual business relationships and partnerships
4. Implementing EE Projects through Capacity Building, Technical Assistance and Adequate Financing

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**4 Is this approach new at the Islamic Development Bank?**

Since 2001, IsDB has been improving its microfinance interventions by learning from best practices and lessons learned. Economic Empowerment was developed as a comprehensive methodology to address the poverty challenge in a structured manner.

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**56 Interventions**

**548 million USD Approved Financing**

**1.2+ million Jobs were created**

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<thead>
<tr>
<th>Country</th>
<th>Program/Project</th>
<th>Outcome/Impact</th>
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<tr>
<td>Palestine</td>
<td>Deprived families Economic Empowerment Program (DEEP)</td>
<td>- 131 projects</td>
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<td>- 52,000 direct and indirect job opportunities</td>
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<td>Guinea</td>
<td>Doubling the number of targeted beneficiaries of the project</td>
<td>- 16,000 + projects</td>
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<td>Repayment rate, outperforming the sector by 8%</td>
<td>- 97%</td>
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<td>Financing facilities from other donors converted to Islamic Finance</td>
<td>- 50%</td>
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<td>Sudan</td>
<td>IRADA Projects</td>
<td>- 189 projects</td>
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<td>Strong involvement of the banking industry</td>
<td>- 172,000 poor enabled every year</td>
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<td>- 13 financing methods, whereby Murabaha represents 10% only</td>
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<td>Tunisia</td>
<td>Zitouna Tamkeen Institution</td>
<td>- 7 EE Value Chains were developed and implemented in 4 sectors</td>
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<td>- 16,000 + income generating projects</td>
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<td>- 40,000 + direct and indirect jobs</td>
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The Economic Empowerment Department (EED), as part of the President Complex, will serve as the sole bank-level addressee in the field of EE. In this context, the EED mandate is to lead, supervise, develop, and institutionalize all of IsDB Economic Empowerment Operations (EE Funds, Institutions & Programs) in all Member Countries.

The Department consists of four sections with the following mandate for each section:

**EE Funds Section**
- Establish regional/country specific investment & trust funds;
- Assist the establishment of international funds initiated by ISFD;
- Support in partnership building and resource mobilization.

**EE Programs Section**
- Formulate, develop, and execute the EE Programs;
- Serve as the focal point for all microfinance programs/components and support the RHs/departments in the design and implementation of such programs/components.

**EE Institutions Section**
- Establish new EE Institutions or invest in transformed institutions;
- Serve as a focal point and ‘resource center’ for all matters related to equity investments in EE Institutions (including Islamic MFIs);
- Monitor ISFD equity portfolio in EE institutions.

**SEED Section**
- Support the development of relevant value chains and to well-design interventions through the EE Approach;
- Mainstream the EE Business Engineering Approach to be adopted by EE Institutions and Programs;
- Develop manuals, policies, toolkits and on-field operating guides for IMFIs/FIs

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**The Economic Empowerment Resources**

Islamic Solidarity Fund for Development (ISFD) allocates 30% for "Development Waqf" initiatives.

Economic Empowerment interventions will be financed through all available internal and external resources including OCR, ISFD resources and Trust Funds.

It is worth mentioning that the ISFD board of directors allocated 30% of its capital for "Development Waqf" which includes Economic Empowerment initiatives. Such initiatives will be designed and implemented by EED.
The IsDB established the Economic Empowerment Fund for the Palestinian People (EEFPP), with an initial capital of $500 million, to invest in individual and collective EE projects that aim to empower the Palestinians.

- **500 million USD**: The capital of the fund.
- **empower the Palestinians**: To invest in individual and collective EE projects that aim to empower the Palestinians.
- **152 million USD**: IsDB approved financing.

**Objectives of the EEFPP**

- **Empowering 300,000 Palestinian families**
- **Lifting 1.5 million poor Palestinians out of poverty**
- **Creating job opportunities for 200,000 unemployed youth**

**Resource Mobilization efforts for EEFPP**

Of the EEFPP’s targeted capital, the fund successfully raised USD225 million as follows: USD152 million from IsDB and ISFD; and the rest was mobilized from 3 strategic partners.
Overview of the Economic Empowerment Initiatives
Pipeline for 2021 - 2024

Funds

- +20 Member Countries
- +3 Regional Funds
- 3 Thematic funds in Energy, Agriculture, COVID-19 Response
- USD +2.5 B Total Expected Portfolio Size
- 15x Resources Mobilization coefficient
- USD 133 M Total IsDBG Commitment

Institutions

- +5 Institutions
- 40% LDMCs
- USD +70 M Total Expected Portfolio Size
- USD 17.5 M Total IsDBG Commitment
- 3x Resources Mobilization coefficient
- Partners
  - Financial Institutions
  - Private Sector

Programs

- +12 Member Countries
- +8 Programs
- 40% LDMCs
- USD 300 M Total Expected Portfolio Size
- USD 162 M Total IsDBG Commitment
- Governments
  - Financial Institutions
  - SMEs

* Includes total commitments from IsDBG and its Partners