



A New Model for Supporting Sustainable Development

DEVELOPMENT EFFECTIVENESS REPORT 2018



ACKNOWLEDGMENT

Development Effectiveness Report 2018 of the Islamic Development Bank (IsDB) is the product of a strong collaborative work within the Country Programs Complex. The Report was prepared under my guidance with contributions from various Departments/Units in the Bank.

I am grateful to Operations Quality and Results (OQR) Division for leading the preparation of this report and recognized valuable contributions made by colleagues in the Country Programs Complex.

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Vice President, Country Programs
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April 2019

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IsDB's Commitment to SDGs



ABBREVIATIONS

ABS	Agricultural Bank of Sudan	LLINs	Long Lasting Insecticidal Nets
ADB	Asian Development Bank	LLITNs	Long Lasted Insecticide Treated Nets
ADFD	Abu Dhabi Fund for Development	LMICs	Lower Middle-Income Countries
AfDB	African Development Bank	MCs	Member Countries
APIF	Awqaf Property Investment Fund	MICs	Middle-Income Countries
BMGF	Bill and Melinda Gates Foundation	MMR	Maternal Mortality Ratio
BPM	Business Process Management	NGOs	Non-Governmental Organization
CEAPAD	Conference amongst East Asian Countries for Palestinian Development	OECD	Organization for Economic Co-operation and Development
CPC	Country Program Complex	OED	Operations Evaluation Department
DFU	Decentralization and Facilitation Unit	OIC	Organization of Islamic Cooperation
DoA	Delegation of Authority	OMS	Operation Management Solution
EA	Executing Agency	OMVG	Mandates of the Development of the Gambia River
GAVI	Global Alliance for Vaccine and Immunization	P5P	President's Five-Year-Program
Gbps	Gigabits Per Second	PCR	Project Completion Reports
GCC	Gulf Cooperation Council	PPF	Project Preparation Facility
GVC	Global Value Chain	QFFD	Qatar Fund for Development
HICs	High Income Countries	QnP	Qualification & Prioritization Mechanism
HRMD	Human Resource Management and Development	RCREEE	Regional Centre for Renewable Energy and Energy Efficiency
ICT	Information, Communication and Technology	RDT	Rapid Diagnostic Test
IFAD	International Fund for Agricultural Development	RHs	Regional Hubs
IFC	International Finance Corporation	RMF	Results Management Framework
ICD	Islamic Corporation for the Development of the Private Sector	SDGs	Sustainable Development Goals
IFIs	Islamic Financial Institutions	Sfb	Skype for Business
IFSB	Islamic Financial Services Board	SLA	Service Level Agreement
IQA	Integrated Quality Assurance	SMEs	Small and Medium sized Enterprises
IsDB	Islamic Development Bank	SP	Sulfoxide pyrimethamine
ISFD	Islamic Solidarity Fund for Development	SRIs	Socially Responsible Investments
ITFC	International Islamic Trade Finance Corporation	STI	Science, Technology and Innovation
KSRelief	King Salman Humanitarian Aid and Relief Center	TA	Technical Assistance
LDMCs	Least Developed Member Countries	UMICs	Upper Middle-Income Countries
LICs	Low-Income Countries	UN	United Nations
LLF	Lives and Livelihood Fund	UNFPA	United Nations Population Fund



FOREWORD

The Annual Development Effectiveness Report showcases how IsDB is fostering sustainable development in MCs and around the globe.

I am pleased to present the 2018 edition of the Development Effectiveness Report (DER) highlighting key contributions made by the Islamic Development Bank (IsDB) towards achieving developmental results in our Member Countries (MCs) and Muslim communities in non-Member Countries.

The DER showcases how IsDB is fostering sustainable development in MCs and around the globe. The report sheds light on progress towards achieving key objectives of the President's Five-Year Program (P5P) and IsDB Group's 10-Year Strategy (10YS) for MCs' socio-economic development. The report provides evidence of IsDB's profound commitment in supporting the achievement of sustainable development goals (SDGs).

In 2018, the Bank made progress in implementing P5P in order to transform IsDB to become more effective and efficient development partner for its MCs, focusing on delivery and results. The P5P also aims to address the root causes impeding sustainable growth in our MCs. The Bank's new business model of 'Making Markets Work for Development' is based on the objectives of strengthening the competitiveness of our MCs in strategic industries to become comparatively advantageous in creating value chains.

The Bank's renewed attempts for greater efficiency and effectiveness in delivering development in MCs are progressing well and on track with the recent decentralization program, thus bringing IsDB closer to its key stakeholders. Organizational changes have been institutionalized to ensure that the Bank transforms itself from being a "financier of development" to a "Bank for Development and Developers". Deepening our partnerships and increasing resources mobilization to finance core development activities and

provision of knowledge services in MCs will further enhance the impact of our development interventions.

Yet, we must be vigilant in our efforts. The global development landscape is changing rapidly, as are the development status of our MCs. The growing specter of protectionism and global economic slowdown threatens the progress of globalization that has been vital to the development of our MCs. At the same time, many of our MCs have crossed the middle-income threshold, while a small number of Sub-Saharan African MCs remain under-developed and lacking in basic human needs. Some MCs, especially in the MENA region, continue to suffer from fragility and its spill over affects.

The Bank is fast adjusting to the new global realities and circumstances facing its MCs in order to contribute effectively to the achievement of the SDGs. Overall, the major challenge is promoting inclusive and sustainable economic growth and providing basic human needs which remains as high priority in Sub-Saharan Africa. For the middle-income MCs, skills and capacity development are priorities while for the fragile countries, humanitarian assistance combined with laying the groundwork for future development is critical. From Developmental point of view, facilitating and reinforcing cooperation amongst MCs, as a South-South Institution and with the rest of the world remains a key objective for the Bank to achieve SDGs. Our focus on Islamic Finance is essential, in that it offers a unique window to promote equitable and inclusive growth in MCs and globally.

I hope that we will continue to make progress and take focused and targeted actions to enhance our development effectiveness in MCs. Only then, will we be able to meet our goals of achieving better development results and contribute to the achievement of the SDGs.

Dr. Bandar M. H. Hajjar
President, Islamic Development Bank



I am delighted to share with you the 2018 Development Effectiveness Report of the Islamic Development Bank. The report assesses the progress and performance of the Bank towards achieving its 10 Year Strategy, anchored on three corporate goals of inclusive growth, enhancing regional integration, and supporting Islamic financial sector growth. The report highlights how our work is contributing to and supporting our Member Countries (MCs) in achieving the Sustainable Development Goals (SDGs).

The year 2018 was a transformative year for the Bank as it adopted a new approach to achieve its 10 Year Strategy, guided by the President's Five-Year Program (P5P). The presidency program has spurred several shifts to enhance the development effectiveness of our interventions. The constituent part of the P5P include a comprehensive operational decentralization and the establishment of 11 Regional Hubs (RHs) as a platform to bring the Bank closer to our Member Countries (MCs). A remarkable achievement during the year was the operationalization of 7 RHs in 2018 which will lead the process of project design and implementation in collaboration with MCs and other stakeholders, with four more set to open in the future.

Additionally, we have bolstered our operational arms with technical and knowledge from our newly established Global Practices. The 5 Global Practices (GPs) are at the forefront of providing the technical underpinnings for enhanced project design, lesson sharing, and cross fertilization of knowledge from our diverse portfolio of operations. The Global Practices are also leading the development and roll out of our new country partnership strategy model, centered around enhancing competitiveness of our Member Countries in Global Value-chains by harnessing the potential of science, technology and innovation.

As per the President's vision, IsDB is committed to making markets work for development by being pro-active and partnering with our international and local partners, including the public and the private sector as well as the civil society. The Bank's Partnership Development Complex is playing a key role in this regard by strengthening development partnerships and spearheading resource mobilization efforts. These efforts will allow us to design and implement developer deliver solutions, in collaboration with our partners, addressing the core issues rather than symptoms of underdevelopment and poverty.

I am also happy to note that the Bank has taken new strides towards achieving its inclusiveness and sustainability agenda. The new GPs have fostered our efforts to make our operations more targeted towards the women, youth, poor and the destitute. We have also made inroads in mainstreaming climate resilience in our operations and building institutional frameworks and capacities to better support our fragile countries.

As stated in the report, mobilizing external financing through innovative Islamic Financial models is at the heart of our new operational model. Under the new presidency program, the Bank is reorienting Islamic financial industry to fill the large development financing gap, estimated at around US\$1.5 trillion, in its Member countries. We worked closely with the international Islamic finance Infrastructure Institutions (Triple I's) to create an enabling global environment which would allow Islamic finance to be channeled to development projects. I am happy to note that we are spearheading development and promotion of Awqaf sector, which we intend to significantly scale-up over the coming years. We have also utilized Sukuks to mobilize development financing from the market, while also setting market benchmarks for Sukuk standards.

To achieve the above indicated strategic shifts, we have implemented ways to fast-track resource transfer to the countries. As such, we have reoriented our focus from approvals to implementation, recording highest ever disbursements in Bank's history. We also put specific efforts in improving portfolio management by fast-tracking processing cycles and utilizing innovative portfolio management dashboards, which has resulted in improved portfolio quality.

Our efforts have contributed to significant development results in our MCs. From improving educational outcomes for more than 161,000 students to contributing in reducing Malaria from 44% in 2012 to 15% in 2016; from taking the last mile in polio eradication by reaching out to 38 million people in Pakistan to providing safe water for 21,000 people, the Bank has achieved much in contributing to the journey towards achievement of SDGs. The report delves much deeper into these results.

I hope that this report will enable our clients, partners and other stakeholders to know more about our development objectives and the results we have delivered on the ground. It is an endeavor by the Bank to become more transparent and to develop partnerships in order to jointly deliver on the 2030 Development Agenda.

Sincerely,

Dr. Mansur Muhtar
Vice President, Country Programs
Islamic Development Bank

Executive Summary

Project Results from 2018 Independent Evaluation*



Agriculture and Rural Development

1,945 SMEs were supported creating 3,500 jobs in Tunisia

In Mali, Bank financed 15 Childhood Centres and 11 schools

92,000 inhabitants benefitted from various Training Programs



Education

161,000 students benefitted from construction and rehabilitation of educational facilities in Indonesia and Uzbekistan

2 million students trained in formal vocational programs in 5 MCs



This report sheds light on progress towards achieving key objectives of the President's Five-Year Program (P5P) and IsDB Group's 10-Year Strategy (10YS) for MCs.

The 2018 Development Effectiveness Report (DER) presents IsDB's contribution to achieving sustainable development in its Member Countries (MCs).

The Bank uses a Results Management Framework (RMF) to monitor its operational performance in the MCs. The Framework is based on the Bank's 10-Year Strategy (10YS) to meet the development needs of its MCs. The 10YS has three strategic objectives: **Inclusiveness**; **Connectivity**; and **Global Development of the Islamic Finance Sector**. A new

development model emphasizing Value Chain based Member Country Partner Strategy (MCPS) is currently being piloted in four MCs. A regional Rice Value Chain program will benefit 5 MCs in Africa.



A new development model emphasizing Value Chain based MCPS is being developed in four MCs

*These are highlights of results from 15 projects evaluated in 2018 by the Independent Evaluation Department. For results achieved by projects completed in 2018 see section 2 of chapter 3.



Health

Decline in **Malaria** prevalence rate from **44%** in 2012 to **15%** in 2016 by distributing insecticide treated nets to **two million** people

38 million people reached through a **polio eradication** awareness program in Pakistan



Energy & Telecommunications

5 million more **mobile subscribers** reached through building of **optical networks** in Bangladesh

100 MW Wind Power generation capacity was added and **400 sub-station** of under-ground transmission cables were laid in Pakistan and Iran



Urban Development

21,000 more people accessed **potable drinking water**

55 Km of **Expressway**, **6 Interchanges** and **4 Toll Plazas** were Built in Kyrgyz Republic, Lebanon and Malaysia

The President's Five-Year Program (P5P) launched in 2017, accelerates the implementation of 10YS by adapting to the rapidly changing development needs of MCs, and to foster realization of developer network. The Bank is transforming itself from a 'financier of development' to a catalyst for making markets work for development, and to become a "bank for development and developers". Under P5P, the Bank has made substantial progress on decentralization with 7 fully functional Regional Hubs (RHs). Progress is being made on the operationalization of the remaining 4 RHs currently operating virtually at the Headquarters in Jeddah.

Development Context in the Member Countries

Out of total 57 MCs, 40 are either classified as middle-income countries (MICs) or higher. Most of the remaining low-income countries (LICs) are in Sub-Saharan African region (SSA). IsDB is tailoring its efforts to suit the specific development needs of the MCs by focusing on the root causes of poverty and addressing the binding constraints for achieving SDGs 1 to 11, 13 and 16. The Bank will further strengthen its catalytical role as a facilitator of South-South and triangular cooperation.

Its global leadership role in developing and promoting Islamic Finance Sector will be further enhanced to enable mobilization of additional resources from the markets for SDGs.



The 10YS supports MCs in achieving SDGs 1 to 11, 13 and 16. The Bank will strengthen its role as a facilitator of South-South and triangular cooperation “

Contributions to Development Results

During 2018, IsDB approved projects worth US\$1.27 billion and achieved record disbursement of US\$2.64 billion reflecting a strategic shift from approval-based business model to the one focussed on accelerating delivery of products and services to MCs. The energy and transport sectors accounted for half of the approvals. There has been an improvement in the project portfolio performance - 120 projects worth US\$1.72 billion were completed while 43 operations (US\$574 million) were cancelled. 130 operations worth US\$1.93 billion were signed and 148 operations (US\$2.12 billion) were declared effective for implementation.

Promoting Islamic Finance

In promoting Islamic Finance, the Bank is facilitating the development of regulatory frameworks and leading capacity development efforts in the MCs. Ten technical assistance grants were provided to MCs and institutions, twelve workshops/seminars organized. The Bank is currently implementing a de-risking strategy resulting in the sale of two equity investments. The capital of the Awqaf Property Investment Fund (APIF) was increased by US\$4 million and four new Awqaf projects were approved. To date, the Bank has raised US\$21 billion from the markets through issuance



To date, the Bank has raised US\$21 billion from the markets through issuance of Sukuk to finance the projects and development of Islamic Capital Markets “

of Sukuk to finance the projects and development of Islamic Capital Markets.

Partnership Development and Resource Mobilization to support SDGs

Three new partnerships for knowledge formation and resource mobilization were undertaken. The Bank co-financed projects, leveraged resources from partners and managed a number of trust and special funds. For example, donors have pledged US\$250 million for the Bank's program for campaign for Avoidance of Blindness. A Public Private Partnership (PPP) Advisory Fund was also established to create enabling environments in the MCs to encourage private sector participation in development projects. A Regional Connectivity and Integration (RCI) Strategy was developed aimed at promoting cooperation amongst MCs.

Mainstreaming Strategic Initiatives

The Bank is intensifying efforts to mainstream the thematic aspects for delivering more inclusive and sustainable development. It will integrate contribution of Women and Youth in the development interventions. Focus on addressing fragility and building resilience, finance the projects that are climate friendly, and further enhance technical cooperation and reverse linkage programs. The Bank is further improving scholarship program; encouraging science, technology and innovation in its operations. It is also working to enhance engagements with the NGOs and the Civil Society and has finalized Civil Society Engagement Policy for implementation in 2019.





Improving Operational and Organization Efficiency

The Bank developed and mainstreamed a number of critical operational policies, procedures and guidelines to facilitate effective delivery of products and services, including business process streamlining, new project procurement and disbursement guidelines, project financial management framework, new delegation of authority instruments, and the establishment of a Project Preparation Facility for projects.

The new approach of the Bank and its determination to transform is motivated by the strong desire of the MCs to meet the SDGs. IsDB's transformation is driven by decentralization which is at the heart of the 5YP. This move will enable the Bank to deliver tailored made development solutions to MCs.

The Bank is operationalizing its Human Resource Management Strategy and related policies to attract and retain the best talents. The Bank continues to enhance and upgrade its IT systems and applications for efficient business delivery. Communication and document management systems are being enhanced to improve responsiveness to clients.

Challenges and Conclusion

IsDB's diverse MCs face a variety of systemic and emerging development challenges. Achieving the SDGs in these

countries will require a new way of engagement including development of strategies suited to their specific development needs within the context of a challenging global development landscape and geopolitical situation.

There has been a noticeable improvement in the Bank's development results in 2018, most notably in infrastructure and private sector development. In addition, the Bank's resources are being efficiently deployed and leveraged strategically for maximum impact in MCs. Further improvements are possible by raising the quality of development support by the Bank and improving quality and readiness at entry, enhancing project supervision, greater familiarization of the MCs with the Bank's procedures and adopting sound standards set by the Bank to facilitate growth of the Islamic Finance Sector.

In 2019, the Bank will redouble its efforts to focus more on strategic sectors based on the needs of the MCs, improving responsiveness to client needs and ensuring effective delivery. The Bank remains committed to supporting the MCs to meet ambitious SDG targets.



In 2019, the Bank will redouble its efforts, focus on improving responsiveness and ensure effective delivery “



IsDB aims to
evolve from being a
financier of development to
becoming a **“Bank for development
and developers”** by expanding
partnerships and engaging all actors
to **support development**
in MCs

Strategic Direction

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This Chapter describes IsDB's strategic framework for monitoring development progress of MCs on SDGs and the achievement of the goals set out in the 10YS. The P5P will be used as the primary instrument for assessing institutional performance of IsDB.

In 2015, the Board of Governors of IsDB endorsed a Ten-Year Strategy (10YS) for the Bank which established high level goals and the resulting strategic objectives based on aspirations of Member Countries (MCs) and global Muslim communities. The 10YS was developed concurrently with the Sustainable Development Goals (SDGs) and is aligned with 13 out of 17 SDGs. The strategic objectives of 10YS are based on the evolving global development landscape in general, and development aspiration of the 57 MCs in particular.

The President's Five-Year Program (P5P) was launched in 2017 in order to accelerate the implementation of 10YS and support MCs to achieve the ambitious targets of SDGs by 2030. The P5P requires a shift in the strategic orientation of the Bank in order to contribute to development in MCs by offering a menu of development financing solutions through mobilization of resources from national and international markets and by engaging the private sector.

1. IsDB's Ten-Year Strategy (2016-2025)

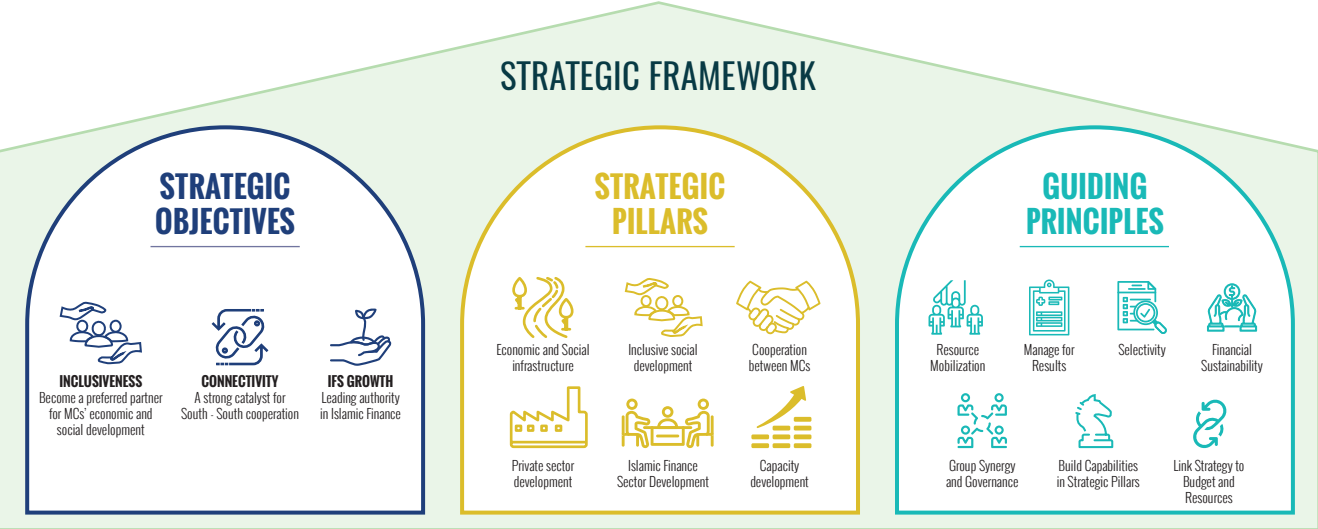
The 10YS is driven by three strategic objectives: **Inclusiveness** (becoming the preferred partner for MCs for supporting inclusive and social and economic development), **Connectivity** (leveraging IsDB Group's strength as a unique South-South development institution for promoting cooperation between MCs and their integration with rest of the world), and **Islamic Finance Sector Growth** (becoming the leading institution for supporting Islamic Finance both in the MCs and globally). These three objectives reflect IsDB Group's unique mandate among the multilateral development banks (MDBs) in terms of solidarity with its MCs and the international development community, South-South cooperation and Islamic finance.

Realization of these objectives are based on implementation of five critical pillars - (i) **inclusive social development**, (ii) **private sector development**, (iii) **enhancement of the Islamic finance sector**; (iv) **improvements in the economic and social infrastructure**; and (v) **cooperation between the MCs**. Capacity development of the MCs is regarded as a cross cutting theme.

The Strategy Map (Figure 1 next page) of 10YS supports evidence-based decision making and translates development priorities into operational activities. The implementation of the 10YS is monitored using composite indicators at three levels on the Strategy Map (Level 1 - Goals, Level 2 - Results and Level 3 - Performance). The achievement of the three broad objectives - inclusiveness, connectivity and Islamic finance sector growth - are anchored on the five Pillars and the cross cutting theme of capacity development guided by seven principles to ensure better delivery.



Figure 1: IsDB Group 10 Year Strategic Framework (2016 - 2025)



2. The President's Five-Year Program (P5P)

The P5P provides an integrated and holistic implementation agenda for engagement with MCs based on the root causes of development challenges rather than the symptoms. It aims to take advantage of the potential competitiveness and comparative advantages of MCs and integration of their products and services in global markets. The aim is for IsDB to evolve from being a financier of development to becoming a catalyst to making “markets work for development” and becoming a “bank for developers” by expanding partnerships and engaging all actors to support development in MCs.

Other objectives of P5P are to enhance internal efficiency in delivering products and services, be more responsive to development needs of MCs, and be adaptive to the fast-changing development landscape.



The implementation of the P5P vision is aided by the unprecedented decentralization of IsDB’s operations in recent years and the creation of, and emphasis on building its knowledge and expertise.

Six key performance drivers of P5P are:

-  Improving visibility of IsDB through more strategic communication and positioning the newly launched brand identifiers
-  Generating resources from the market as an alternate source of financing through wider partnerships and tapping on market opportunities
-  Building organizational capacity in strategic knowledge areas such as a value chain approach in key sector and industries
-  Effective decentralization both functionally and geographically, and empowering field staff to manage operations
-  Ensuring financial sustainability and increasing funding growth through off-balance sheet resource mobilization
-  Managing for development results by increasing efficiency and effectiveness of the IsDB

IsDB's objectives of inclusion and connectivity address the emerging issues in its MCs, particularly those in the middle-income countries (MICs). In addition, the growth of Islamic finance sector offers opportunities for creating equitable and inclusive societies that pay particular attention to the poor and for creating conditions for participation in global value chains for MCs development aspirations using Islamic modes of finance.



The growth of Islamic finance sector offers opportunities for creating equitable and inclusive societies “

3. Strategic and Operational Priorities

Economic growth will continue to remain the primary prosperity driver and engine for poverty reduction in most of the MCs. Many IsDB MCs are now MICs and others will soon follow. The continuation of this prosperity will require increased private sector participation for sustainable development. To achieve this, the MC governments will need to address pervasive policy and infrastructure issues such as creating enabling environment for private sector development, provision of and access to adequate funding, and building transportation and communication networks. The international development community including the IsDB will have to assess and explore viable options and strategies to optimally utilize the available billions (US\$) from international assistance to the trillions (US\$) needed to achieve the SDGs by the MCs.



The relationship between the international development community and the MIC MCs is changing from a donor-recipient nexus to more of a development partnership as these countries are now starting to exercise greater ownership of their development processes “

The relationship between the international development community and the MIC MCs is changing from a donor-recipient nexus to more of a development partnership as these countries are now starting to exercise greater ownership of their development processes. This was part of the motivation for IsDB to transform itself from a development bank to a “Bank for development and developers” where development efforts are primarily led by the MCs and can include bilateral and international development institutions, development solution providers, academia and civil society. In this context, IsDB is widening its scope of activities beyond financing projects to also becoming a facilitator and a catalyst for mobilizing resources and finding development solutions from across the globe to meet the challenges of its MCs.



IsDB is widening its scope of activities beyond financing projects to also becoming a facilitator and a catalyst for mobilizing resources and finding development solutions from across the globe “

While introducing this new facilitator and catalyst role as its strategic intent, IsDB will continue to finance projects to meet its objectives. These projects will address basic developmental needs in terms of poverty, health and education in low-income countries (LICs) and countries in conflict. For MICs, the Bank has prioritized its operations to focus on capacity development and knowledge-based products.



The P5P operationalizes these strategic priorities. P5P aims to create an efficient Bank that is capable of delivering its products and services in a competitive manner. This will be achieved through enhancing organizational efficiency by decentralizing operations management to regional hubs, as well as gaining operational efficiency through the established Global Practices Departments relevant to thematic areas like Climate Action, Resilience, Youth and Women Empowerment and Science, Technology and Innovation (STI). The mainstreaming of these thematic areas could serve as a catalyst for MCs, to make progress towards achieving the SDGs.



P5P aims to create an efficient Bank that is capable of delivering its products and services in a competitive manner

The Bank is gradually moving towards innovative programming and financing delivery mechanisms in its ambition to be a 'Bank for development and developers'. It is pursuing new partnership relationships with the MDBs, International Financial Institutions (IFIs) and other development partners as well as Civil Society Organizations (CSOs) to collaboratively design Global Value Chain (GVC) programs. The most important consideration for the Bank is how the MCs integrate themselves into GVCs and adapt to changing global circumstances through investments in science and technology to advance development. Successful participation in GVC results in higher value-added domestic production and increases the ability to move up on the value chain. These are two important factors in economic development that help generate productive and sustainable development activities that ultimately contribute to increasing income levels and employment in MCs. Such activities also result in other benefits such as attracting foreign direct investment (FDI), incentives for knowledge transfer that strengthen skills and competencies, and establish backward linkages leading to a more broad-based economic growth.

This new business model is already evident in two recent programs.



The Bank has set up a regional rice value-chain program covering five countries - The Gambia, Guinea, Senegal, Sierra Leone and Niger.



A new set of four Member Country Partnership Strategies (MCPS) are being prepared for strengthening MC competitive advantages in identified global value-chains.

The Bank has played a catalyst and a facilitator role in mobilizing resources through building crowd sourcing networks and helping MCs replicate their successful projects in other MCs with similar development needs through reverse linkage programs and initiatives. The Bank has emphasized its focus on supporting the evolution of its MCs towards middle-income levels by establishing a STI fund called "The Transform Fund", as well as recalibrating its existing scholarship program to meet emerging skills needs.

The Bank also recognizes the increasing role of Public Private Partnerships (PPP) in building the infrastructure sector in the MCs. It has launched a PPP Advisory Fund to help create an enabling environment to catalyze private sector engagement in promoting inclusive and sustainable infrastructure development.

4. Measuring Results and Corporate Performance

The Bank has been monitoring the implementation of its 10YS through a composite set of indicators measuring progress in achieving its results and corporate performance. The Development Effectiveness Report (DER) is another tool that helps in assessing and articulating lessons useful for future program and project design. Establishment of the Operations and Development Effectiveness Committee, Effectiveness Committee of the Board, and work of Operations Evaluation Department (OED) also provides assessments on the effectiveness of the Bank's operations in the MCs.

The performance monitoring of the Bank's activities is based on a Results Management Framework (RMF) designed to facilitate the alignment of the Bank's operations in MCs to the 10YS and the P5P.



The RMF establishes the link between the **objectives of 10YS** and its **operations**. **Key performance indicators** and **targets** are used to determine the extent of attainment of the 10YS “

The RMF establishes the link between the objectives of 10YS and its operations. Key performance indicators and targets are used to determine the extent of attainment of the 10YS. The RMF uses a set of indicators that measures results of the Bank's operational interventions in the MCs at three different levels:

Figure 2: Development Results Management Framework



LEVEL **01**

Development context and progress made by MCs in priority sectors of the Bank



LEVEL **02**

Bank's contributions to development outcomes in MCs; level of financial assistance deployed by the Bank and results achieved



LEVEL **03**

Quality and effectiveness of Bank's operations in MCs, and internal organizational efficiency in delivering products and services to MCs

This DER is organized around the above three levels of the Results Management Framework as given in Figure 2.

The Core Sector Indicators (CSI) is another set of indicators that capture outcomes and outputs of Bank's operations and are linked with its strategy. The set of outcome indicators among these CSIs have also been mapped to SDG targets, thus enabling the Bank to assess and monitor its contribution to the global development agenda.

The RMF allows for the alignment of the developmental interventions of the Bank to the MC needs and the Bank's 10YS. Nevertheless, there is room for improvement as the Bank is adopting its new business model to reflect the changing needs of MCs.



The RMF allows for the alignment of the **developmental interventions** of the Bank to the **MC needs** and the **Bank's 10YS** “





As many of our **Low-Income member countries** moved to become **Middle-Income countries**, they have shown a willingness to own their **own development processes**, necessitating a shift in the relationship with the international development community from a **donor-recipient nexus** to more of a **development partnership**



Status of Economic Development in Member Countries

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This chapter briefly reviews economic progress in MCs, identifies key development challenges at country/regional levels and reports on the status of progress on SDGs identifying where the rate of improvement needs to be enhanced or where progress has been lagging.

1. Global Outlook

In 2018, the global economy continued to be marked by uncertainty. The isolationist and protectionist sentiments became more pronounced in Europe and in the United States slowing down globalization processes and spread of global production patterns like global value chains. With China and other emerging economies becoming global manufacturing hubs, reduction in manufacturing jobs in the West in addition to technological innovations, have raised the prospect of jobless growth and that of “trade wars”. This changing environment could stall globalization and in turn, global prosperity including among the MCs. The rapid rise of strong economic forces in the Americas and Asia has meant that the United States is no longer the dominant global economic power. These trends have implications for the IsDB MCs.

In addition, most of the “developing countries”, including the MCs, are now at least MICs with increased ability to pay for their own development, but also with increasing internal inequity both in terms of income and other development

indicators. Despite the slowdown in the globalization process, the prosperity of these countries will depend on their ability to enhance their links with the global economic processes.



Most of the MCs, are now MICs with **increased ability** to pay for their **own development**, but also with **increasing internal inequity** both in terms of **income and other development indicators** ”

2. Economic Progress in Member Countries

By 2017, of the 57 IsDB MCs, 40 had attained the status of MICs or more (Figure 3 next page). The LICs were concentrated mainly in Sub-Saharan Africa underlining a regional imbalance in the level of economic development. While income levels are not the only determinant of poverty, they are useful in identifying a country's ability to provide resources for its own socio-economic development¹.



¹It is expected that countries with higher income levels can finance a greater proportion of their own economic and social development.

Figure 3: IsDB Group Member Country Classifications by per capita Gross National Income - 2017

Country Classification		22 Africa and Latin America	10 Asia	25 Middle-East & North Africa (MENA), and Europe*
Low Income	15	<ul style="list-style-type: none"> ▶ Benin ▶ Burkina Faso ▶ Chad ▶ Gambia ▶ Guinea ▶ Guinea-Bissau ▶ Mali ▶ Mozambique ▶ Niger ▶ Sierra Leone ▶ Somalia ▶ Togo ▶ Uganda 	<ul style="list-style-type: none"> ▶ Tajikistan 	<ul style="list-style-type: none"> ▶ Afghanistan
Lower Middle-Income	18	<ul style="list-style-type: none"> ▶ Cameroon ▶ Comoros ▶ Cote d'Ivoire ▶ Djibouti ▶ Nigeria ▶ Senegal 	<ul style="list-style-type: none"> ▶ Bangladesh ▶ Indonesia ▶ Kyrgyz Republic ▶ Uzbekistan 	<ul style="list-style-type: none"> ▶ Algeria ▶ Egypt ▶ Mauritania ▶ Morocco ▶ Pakistan ▶ Sudan ▶ Tunisia ▶ Yemen
Upper Middle-Income	15	<ul style="list-style-type: none"> ▶ Gabon ▶ Guyana ▶ Suriname 	<ul style="list-style-type: none"> ▶ Kazakhstan ▶ Malaysia ▶ Maldives ▶ Turkmenistan 	<ul style="list-style-type: none"> ▶ Albania ▶ Azerbaijan ▶ Iran ▶ Iraq ▶ Jordan ▶ Lebanon ▶ Libya ▶ Turkey
High Income Countries	07		<ul style="list-style-type: none"> ▶ Brunei 	<ul style="list-style-type: none"> ▶ Bahrain ▶ Kuwait ▶ Oman ▶ Qatar ▶ Saudi Arabia ▶ UAE

Source: World Development Indicators, 2019 (<https://data.worldbank.org/indicator/ny.gdp.pcap.cd>).

*Data for 2017 for Syria and Palestine were not available.

A noticeable trend in recent years has been the willingness and determination of the middle-income MCs to take greater ownership of their own development processes. This has meant that the relationship with the international development community for these countries is changing from a donor-recipient nexus to more of a development partnership. In the latter instance, the lead for identifying development issues and their solutions is often taken (in consultation with other development participants) by the countries themselves. The

role of the country's development partners is to support, where it is appropriate, the implementation of the solutions. This is highly consistent with IsDB's strategy of transforming itself from a "Development Bank" to a "Bank for development and developers" where developers are primarily led by the MCs and include bilateral and international financiers, development solution providers, academia and civil society.



The role of the country's **development partners** is to **support**, where it is appropriate, the **implementation of the solutions**. This is highly consistent with the **IsDB's strategy** of transforming itself from a **"Development Bank"** to a **"Bank for development and developers"** 

























A challenge for many oil-producing MCs are the low oil prices compared to their historical trends. Oil prices fell to a historical low of US\$30 per barrel in January 2016 before recovering somewhat in recent years. The lower oil prices have had differential impacts on the MCs. Overall, the oil exporting countries experienced a drastic reduction in earnings resulting in lower economic growth. This was particularly evident in the Gulf Cooperation Council (GCC) states, where oil receipts typically account for 80% of the government revenues. As a result, government expenditures, particularly capital expenditures, have slowed and unemployment has become a factor. At the same time, the declining oil prices have allowed major oil-importing MCs to accumulate an "energy dividend".

3. Development Challenges in Member Countries

There are varied levels of socio-economic progress across 57-member countries. Many of the MCs continue to face significant development challenges.

Figure 4 summarizes five-year trends for a number of socio-economic indicators of the MCs based on the latest data available.

Figure 4: Selected Socio-Economic Indicators of Member Countries

		Indicator (latest year available)	2013	Latest Value	Trend
		Population (billion) - 2017	1.67	1.80	
	Economic Outlook	Real GDP Growth Rate (%) - 2018	4.8	3.4	
		GDP Per Capita (Nominal - Current US\$) - 2018	4,305	3,837	
		Human Development Index - 2017	0.6	0.6	
	Poverty and Health	Poverty headcount ratio at US\$1.90 a day (2011 PPP) (% of population) (2017)	5.7	5.7	
		Urban Poverty headcount ratio at National Poverty Lines (% of urban population) - 2015	10.9	23.8	
		Mortality Rate, under 5 (per 1,000 live births) - 2017	54.6	47.6	
		Maternal Mortality Ratio (modeled estimate, per 100,000 live births) - 2015	267.9	256.5	
		People Using at least Basic Drinking Water Services (% of population) - 2015	81.8	82.8	
	Education and Empowerment	People Using at least Basic Sanitation Services (% of population) - 2015	60.5	61.8	
		School Enrollment, Secondary (% gross) - 2017	65.9	81.2	
		Total Government Expenditure on Education (% of GDP) - 2017	3.7	2.8	
	Infrastructure	Literacy Rate, Adult Female (% of females ages 15 and above) - 2016	64.9	82.7	
		Access to Electricity (% of population) - 2016	77.8	81.1	
		Individuals Using Internet (% of population) - 2017	21.3	48.5	
		Job Creation (million) - 2017	14.6	12.9	
		Person Employed (million) - 2017	576.2	623.1	
		Manufacturing, value added (% of GDP) - 2017	13.2	14.9	
		Research and Development Expenditure (% of GDP) - 2015	0.52	0.59	

Economic growth for IsDB MCs is expected to stay relatively stagnant at about 3.75% per annum over the next 5 years, largely driven by lower energy and commodity prices and trade uncertainties. Annual growth for the low-income MCs will be high at about 6% over the same period. Nevertheless, poverty headcount ratios for these countries will continue to remain high around 20%, compared to an average of about 5.7% for all the IsDB MCs. There has been a noticeable increase in urban poverty over the recent years, a trend that is likely to continue.



Economic growth for IsDB MCs is expected to stay **relatively stagnant** at **low annual rates** of about **3.75%** over the **next 5 years**, largely driven by lower energy and commodity prices and trade uncertainties “

Other salient development indicators that may have a significant influence on future IsDB efforts and with strong links to the achievement of SDGs are illustrated in the following diagram:



4. Regional Development Status

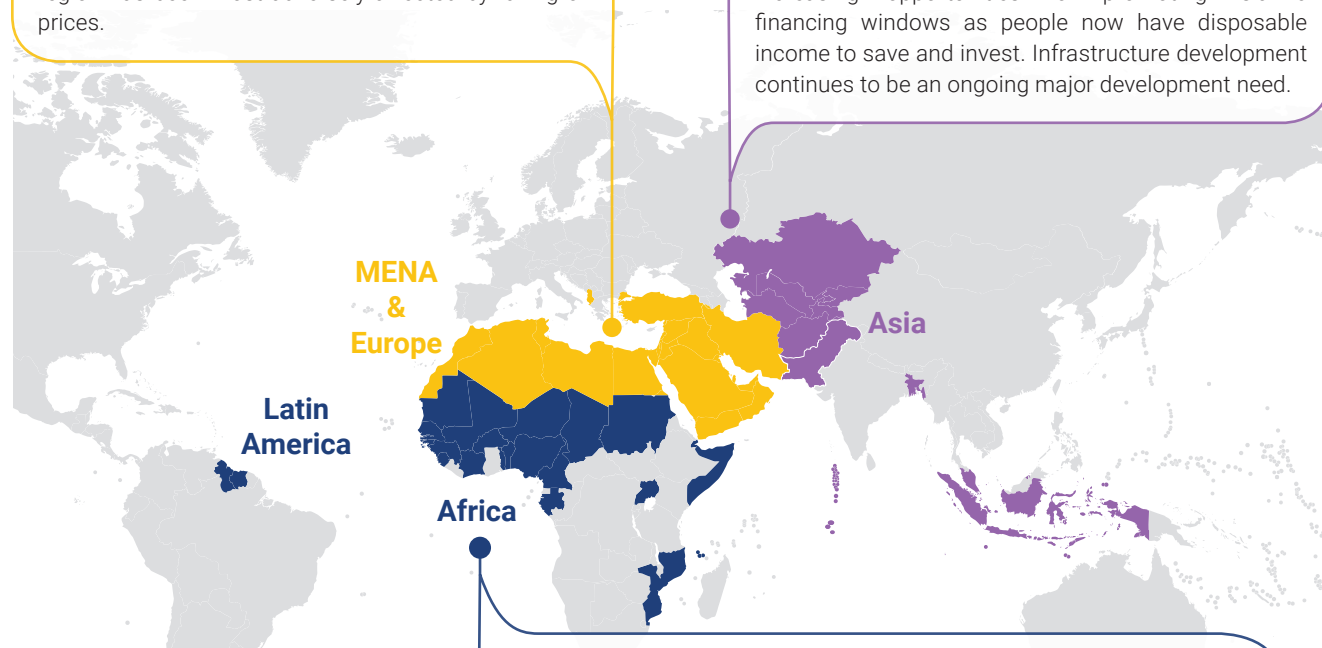
There has been considerable regional variations in development progress. Following is a brief description on the status and progress of each of the three regions of IsDB.

MENA and Europe

Many MCs in these regions have suffered from prolonged conflicts inflicting tremendous human costs. These countries will remain fragile for the near future. Other MCs are dealing with an increasing influx of refugees. This fragile and conflict prone situation has deterred private sector activities and there is rising youth unemployment. Basic needs such as delivery of health and education services remain unfulfilled. Humanitarian assistance remains the primary requirement in some countries. In addition, MENA region has been most adversely affected by falling oil prices.

Asia

In South and South-East Asia, MCs continue to benefit from lower energy prices and relative political stability. The private sectors in most of these countries are developing fast and becoming internationally competitive. The critical need will be access to financing and continuing opportunities to participate in global value chains as the countries evolve from production of relatively labor-intensive products to more sophisticated capital and knowledge intensive products and services. This region will provide increasing opportunities for promoting Islamic financing windows as people now have disposable income to save and invest. Infrastructure development continues to be an ongoing major development need.



Africa and Latin America

Most MCs in these regions remain low-income economies and politically fragile. However, a number of countries have shown encouraging economic signs recording average annual GDP growth of about 6%. Nevertheless, most MCs continue to experience high unemployment rates, illiteracy and disease. It is estimated that about 66% of the population in Sub-Saharan Africa live below the poverty line. Basic human needs such as food, shelter, health and primary education remain top development priorities overcoming disconnect between education system and market needs and supporting demand driven education. Creating employment through sustainable small or medium enterprises (SMEs) remain one of the most potent instruments for alleviating poverty. Addressing these challenges will require IsDB to contribute towards diversifying the economic base, enhancing competitiveness through building links with global value chains, and building human and institutional capacity.

5. SDGs and MCs

The major challenge for the MCs seems to be related to inclusive and sustainable economic growth. Some of specific SDG priorities of the MCs are.



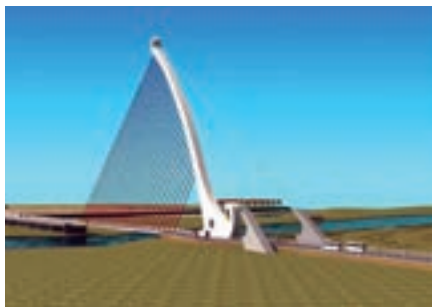
- ▶ In 29 MCs², Goal 9 (Industry, Innovation and Infrastructure) has the highest priority ranking among the rest of the SDGs. However, progress towards the achievement of this goal varies widely ranging from 10% to 60%. The IsDB Group can most usefully direct its resources in the 12 MCs where Goal 9 achievement is less than 10%.



- ▶ Despite progress on some Goals, such as Goal 13 (Climate action) and Goal 12 (Responsible consumption and production), challenges remain for a number of other goals including Goal 14 (Conserve and sustainably use the oceans, seas and marine resources for sustainable development).



- ▶ SDG achievements among the MCs vary widely, reflecting the need for country-specific focus for IsDB, including engagement with MCs in identifying and addressing the particular SDGs of concern.
- ▶ Of the 39 MCs reporting on the progress of achieving SDGs, no MC can be considered 'low' in terms of overall SDG achievement (below 40%). However, nine countries experienced achievement below 50%, (Chad, Yemen, Afghanistan, Nigeria, Sierra Leone, Niger, Sudan, Benin and Mali). In these countries, the three most challenging Goals are - Goal 9 (Industry, Innovation and Infrastructure), Goal 7 (Affordable and Clean Energy) and Goal 4 (Quality Education).



² Afghanistan, Albania, Algeria, Azerbaijan, Bangladesh, Benin, Cameroon, Cote d'Ivoire, Djibouti, Egypt, Gabon, Gambia, Guinea, Indonesia, Iraq, Kazakhstan, Kyrgyz Republic, Lebanon, Mauritania, Morocco, Mozambique, Pakistan, Senegal, Sudan, Tajikistan, Togo, Tunisia, Uzbekistan, Yemen.

6. IsDB Support to MCs to realize SDGs

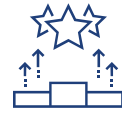
The IsDB Group is well positioned to provide support to MCs in achieving SDGs 1 - 11, 13 and 16 through direct and participatory funding mechanisms. In addition, as a southern development Bank, it will strengthen its role as a facilitator of South-South and Triangular Cooperation among its MCs by identifying and providing development solutions in the South and catalyzing linkages among MCs to support each other through solidarity-based partnership relationships.



Specific initiatives are undertaken to support the implementation of the SDGs and to align the interventions of the Bank with the SDGs. Collectively, the IsDB Group entities - Islamic Corporation for the Development of Private Sector (ICD), International Islamic Trade Financing Corporation (ITFC), International Corporation for Investment and Export Credit (ICIEC), Islamic Solidarity Fund for Development (ISFD) and Islamic Research and Training Institute (IRTI) - are all committed to supporting MCs to realizing their 2030 SDGs Agenda. Each entity brings its unique capabilities and contributes to the collective group level efforts in order to support development initiatives aimed at achieving the SDGs.

IsDB's commitment to SDGs is further strengthened by their consistency with the principles and objectives of Islam. IsDB Group's value-addition in contributing to the SDGs also comes from its global leadership role in developing and promoting the Islamic finance industry. The Group integrates Islamic finance solutions for development needs of MCs that includes Public and Private Sector, Public-Private Partnerships, Trade Financing and Insurance, as well as Capacity Development. Furthermore, IsDB sees great potential in leveraging Islamic financing as a mode of finance to support the achievement

of SDGs by introducing new financing instruments such as Social Impact bonds, Green Sukuk (Islamic bonds), and FinTech.



IsDB Group's value-addition in contributing to the SDGs also comes from its global leadership role in promoting and developing the Islamic Finance Industry “

Although the Sukuk (Islamic bonds) market is still in its formative stages and constitute only a fraction of global fixed income market, it has developed at a significant pace and holds good potential for further development. In addition to other Islamic modes of finance, IsDB has been using Sukuk to raise additional finance from the market to meet the development needs of MCs.





In monitoring
and **assessment** of results
and the effectiveness of the Bank's
interventions, we use the **Core Sector
Indicators (CSIs)** and links
them to the **10YS** as
well as the **SDGs**

IsDB's Contribution to Development Results

“

This chapter presents a snapshot of development results achieved by IsDB in partnership with the MCs and other national and international development institutions in 2018.



The Bank has been and continues to be an **effective development partner** for its MCs addressing their most important development needs consistent with **10YS** and **P5P** and has contributed substantially towards the **achievement of the SDGs** in MCs “

The Bank has been and continues to be an effective development partner for its MCs addressing their most important development needs consistent with 10YS and P5P and has contributed substantially towards the achievement of the SDGs in MCs. The examples provided below demonstrate the consistency of IsDB's contributions with the development needs of the MCs (LIC, LMIC, UMIC or HIC).

The evidence presented in this chapter is derived from independent evaluation of projects, Project Completion Reports (PCRs), and project plans. The Bank continually seeks to improve its operational performance and contribute effectively towards the development needs of the MCs. Assessment of the effectiveness of operational interventions are facilitated using the Core Sector Indicators (CSIs) capturing the outputs and outcomes of the Bank's projects in terms of achievement of the intended objectives. The set of outcome indicators among these CSIs have also been mapped to SDG targets enabling the Bank to assess and monitor its contributions to the achievement of SDGs by the MCs.



1. Results from 2018 Independent Evaluation of Projects

Development results at the outcome level become apparent in the intermediate to long run and are generally derived from ex-post evaluations of projects. Outputs are defined as results

which occur at completion stages of a project or right after. The Independent evaluations of 15 IsDB projects in 2018 have revealed a number of key results achieved in various sectors. The chart below highlights some of the results achieved.



Education

In Indonesia and Uzbekistan, IsDB projects include the construction of three new buildings comprising 88 classrooms, 15 laboratories and renovation of 15 existing buildings. The implementation of the above project and capacity building events have benefitted more than 161,000 students. In addition, eight capacity building workshops were conducted for building staff capacity.



Energy

IsDB has facilitated the enhancement of both energy generation and transmission in Pakistan and Iran. IsDB projects added 100 MW wind power generation capacity and constructed 400 KV GIS substation; 400 KV Switch yard; and three 230 KV under-ground transmission cables.



Health

IsDB distributed one million long lasting insecticide treated nets (LLITNs) benefiting about two million people, 350,000 units of rapid diagnostic test (RDT), 150,000 doses of quinine, and 50,000 doses of sulfoxide 500mg - pyrimethamine 25mg (SP) for the intermittent preventive treatment for pregnant women and under-five infants. The project contributed to the decline of malaria prevalence rate from 44% in 2012 to 15% in 2016 and the increase of household access to LLITNs to 69% in 2016 compared to 25% in 2012.



Mining and Industry

IsDB projects led to the installation of a new plant to produce four million tons of iron ore high-grade magnetic concentrate annually and constructed one concrete sleeper factory plant in Mauritania.



Transport

In five road and air transport projects, IsDB financed more than 55 km of expressway and roadway, six Interchanges and four toll plazas in Kyrgyz Republic, Lebanon and Malaysia. In Jordan, the Bank contributed in the financing of the country's main international airport while in Uzbekistan, the Bank financed the acquisition of two B767 aircrafts for the national carrier. These developments represents significant contributions consistent with the middle-income status of the country.



Water, Sanitation and Urban Services

In Cote D'Ivoire, IsDB financed, the construction of a new water treatment station with a capacity of 12,000 m³ per day with storage facilities, and about 30 km of distribution pipes. In addition, 12.74 km of urban roads and a technical school were also reconstructed and equipped.



Agriculture and Rural Development

Various IsDB programs financed 1,945 SMEs that led to the creation of 3,521 jobs in Tunisia. In Mali, the Bank constructed 15 early childhood centers and 11 schools, set up two revolving agricultural input programs, two mutual funds and conducted series of capacity building and training sessions/activities benefiting over 92,000 inhabitants.



2. Results from Projects Completed in 2018

IsDB has assessed the development effectiveness and results of 71 projects and 272¹ grant operations completed in 2018. The Bank's contributions in these projects was approximately US\$6.5 billion covering 34 MCs. The grants were extended to MCs and nearly 80 organizations and institutions in non-MCs. Some significant output level sectoral results achieved by these projects are outlined below including alignment with various sectors and SDGs are also highlighted. Overall, the projects appear to be consistent with the development needs of the MCs which are at different stages of developmental aspirations.



71 projects and 272 Grant-based Operations were completed in 2018. The Bank's contributions in these projects were approximately **US\$6.5 billion** covering **34 MCs** “

a) Agriculture

The Bank has completed a total of 31 projects and grant operations in the agriculture sector amounting to US\$653 million and covering 15 MCs mainly in Africa including Algeria, Burkina Faso, Cameroon, Cote D'Ivoire, The Gambia, Guinea, Mauritania, Niger, Senegal, Sierra Leon, Sudan, Tunisia and Uganda. These projects contributed towards the respective developmental targets in MCs for the following SDGs:



31 projects and grant operations in the agricultural sector amounting to **US\$653 million** covering **15 MCs** were completed “

These projects contributed to cultivating nearly 2,762 hectares of irrigated land and building storage capacity of 41,500 tons of agriculture products. They also contributed to an increase of over 3,000 tons in crop production. Moreover, the projects contributed in opening market centers and establishing farmer associations to facilitate the marketing of the products.



The Agro-Pastoral Development Project The Gambia, Guinea, Guinea Bissau, Senegal



This project aims to promote sound management of the environmental and economic challenges of the shared river basins of the Gambia River by the above mentioned four countries.

IsDB provided US\$7.51 million towards the agro-pastoral development of these countries including improvement of crop and animal production, forest and bio-diversity development, hydro agriculture and hydraulic infrastructures development.

Overall, the project helped in developing 332 hectares of irrigated land and supported economic development with the creation of 173 market associations including the paving of 174 km of rural road.

¹ Including Special Assistance operations.



Livestock Development Project Eastern Senegal and Upper Casamance Regions

The purpose of the project was to improve livestock and productivity for meat and dairy products through innovative environmentally friendly grazing management techniques. IsDB provided financing worth US\$10.3 million for the project.



Tangible outputs include building of the agro-pastoral infrastructure (boreholes, wells, storage, slaughter facilities, markets, etc.). Over 11 million vaccinations were provided for the livestock. The project contributed to the capacity building and research facilities in the field of livestock genetics and artificial insemination.

b) Health and Social Services

IsDB has completed seven projects in this sector in the MCs and several interventions for Muslim communities in non-MCs with total spending of nearly US\$500 million.

These projects supported the establishment of over 5,000 health facilities mainly through integrated community-driven development projects in Indonesia and Sierra Leone. Awareness programs through the Polio eradication project reached over 38 million people in Pakistan. Malaria prevention programs in Sudan and Senegal distributed over two million insecticidal nets to the designated catchment areas.



In Health Sector IsDB has **completed seven projects** in this sector in the MCs and several interventions for **Muslim communities in non-MCs** with total spending of nearly **US\$500 million** 



Phase II of the Polio Eradication Program Pakistan




IsDB's contribution for the Polio Eradication Program in Pakistan was US\$100 million

The program contributed to the reduction of polio cases from 50 in 2015 to four in 2018. In addition to procuring over 300 million doses of the Polio vaccination, the program reached 38 million people through media awareness campaigns. Religious scholars addressed misconceptions about the vaccination program. 121,930 trained female nurses participated in the vaccination program.

c) Education

IsDB has completed six projects and 112 grants operations of US\$181 million benefiting six MCs as well as Muslim communities around the globe.



Six projects and 112 grants operations with an amount of **US\$181 million** benefiting **six MCs** and **Muslim Communities** 

These projects have contributed to building nearly 1,000 educational institutes benefiting over 2 million students and trainees in various formal and vocational programs. Over 12,500 teachers and staff also benefitted through training programs.





Accessibility of Quality Education at Primary and Lower Secondary Levels Project

Togo



The purpose of the project was to increase the capacity of Togo to offer primary and secondary level education in remote areas of Togo. IsDB provided financing of US\$15 million.

The result was the construction of 100 new schools, an increase of student enrollment from 20,357 in 2011 to 40,933 students of which 49% were girls. This represented an increase of an average of 80 students per classroom. Over 500 teachers in lower secondary school were trained. Sensitization programs were conducted in over 100 localities with 6,893 attendees to increase the enrollment of girls.

d) Urban Development

IsDB has completed 12 urban development projects in 2018 mostly in the provision of water supply and housing. These projects were worth nearly US\$800 million spread over nine MCs: Indonesia, Uzbekistan, Yemen, Cote d'Ivoire, Albania, Djibouti, Iran, Mali, and Sierra Leone.

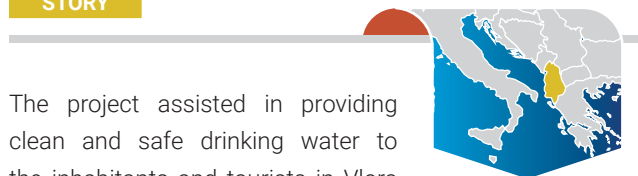


IsDB has completed 12 urban development projects in 2018 mostly in the provision of water supply and housing. These projects were worth nearly US\$800 million spread over nine MCs “

Together these projects enabled access to potable water supply for nearly 21,500 households through a water supply network of over 600 km. In addition, several sewage projects were implemented, mainly in Iran and Indonesia including the construction and installation of over 3,000 km of sewerage networks. Similarly, the integrated community driven project in Indonesia provided housing for over 8,000 people.



Orikum Water Supply and Sanitation project Albania



The project assisted in providing clean and safe drinking water to the inhabitants and tourists in Vlorë region - about 150 km south-west of the capital Tirana.

The Bank contributed US\$13.3 million to this project.

90% of the people of Orikum now have access to safe and reliable drinking water as a result of this project. Over 13,000 households are now benefitting from clean and safe water supply. In addition, the number of tourists increased at a rate of 15% annually in this coastal city contributing to the economic development of the region.



Kalabancoro Water Supply Project Bamako, Mali

The purpose of this project was to relieve the acute shortage of supply of drinking water for the population of Bamako city and its surroundings.

IsDB contributed nearly US\$13 Million for this project.

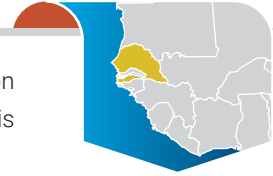
Nearly 2,000 new households are now connected to potable water supply through a supply network that extends nearly 75 km.



Blaise Diagne International Airport Project Senegal

IsDB has provided Euro 90 million for the partial construction of this airport.

The new airport became operational with the capacity to handle an estimated 1.7 million passengers per year. The project has created around 800 jobs. The airport has positioned Senegal to be an African hub and has attracted reputed airlines boosting the tourism and service industry.



e) Transportation

The Bank has completed a total of 13 projects in the transportation sector totaling US\$905 million in 12 MCs: Albania, Benin, Chad, Cote D'Ivoire, Guinea, Indonesia, Kyrgyz Republic, Mauritania, Senegal, Sierra Leone, Togo and Turkey.

These projects have contributed to the construction of nearly 500 km of highways and 14,500 km of local roads. It is expected that these projects will result in increased annual number of airport passengers by 868,000. Other key achievements include the construction and rehabilitation of 14,548 km of local and rural roads.



The Bank has completed a total of **13 projects** in the transportation sector totaling **US\$905 million** in **12 MCs** “



Adagali-Atakpame Road Project Togo



The purpose of this project was to reduce time and vehicle operating costs and improve the lives of neighboring communities. IsDB contributed US\$13 million of the total cost of US\$94 million.

The built paved road is 78 km long and connects the cities of Adagali and Atakpame in the densely populated Plateaux region. It facilitates easy access to educational establishments within the area. The road resulted in a net reduction of 1.5 hours in travel time, and a reduction of 55% in vehicle operating costs. The road has contributed to increasing the average daily traffic by 5%. The project has integrated other components including the building of 350 markets, latrines, three classrooms, 1.7 km of school fencing and 752 meters of cemetery fencing.

f) Energy and ICT

IsDB has completed seven energy projects and one ICT project. Together, these projects cost nearly US\$700 million and were implemented in Bahrain, Mali, Mauritania, Pakistan, Sierra Leone, Tunisia and Bangladesh.

Completed projects in the energy sector were mostly concentrated in the building of power plants which together generated 631 MW of energy, a network of 1,500 km of transmission lines and 1,400 substations were established. The telecommunication project in Bangladesh led to an increase of more than five million subscribers and the building of 1,215 km of fiber optic network.



Sousse Power Plant Project Tunisia



The purpose of the project was to increase power supply in Tunis.

IsDB participation amounted to Euro 150 million of the total project cost of Euro 277 million.

The project contributed to the building of 400 MW combined cycle power plant resulting in an additional 5360 GWh of power annually to the national grid. Gas Turbine Generators also added 200 MW, while another 200 MW was generated by Steam Turbine Generator units.

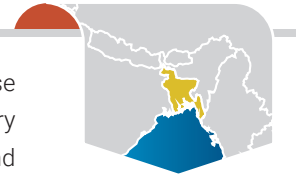


IsDB has completed **seven energy projects and one ICT project**. Together, these projects cost nearly US\$700 million “



Regional Submarine Telecommunication Project Bangladesh

The project aimed to increase bandwidth capacity of the country from 200 gigabits per second (Gbps) to 1,500 Gbps by end of 2018.



IsDB contributed US\$44 million towards the implementation of this project.

The increased bandwidth has reduced the customer's internet access cost substantially and helped in increasing subscriptions to the internet (estimated five million additional access). The submarine cable extends from Singapore to France and covers a length of 20,000 km of which the Bangladesh branch covers 1,215 km.

g) Capacity Development

The Bank contributed to capacity building in MCs through vocational and non-vocational training for creating employment opportunities in addition to skills and competency development.

During the year 2018, about 2,000 people were trained in several MCs which led to creation of new employment opportunities for 12,000 people.





Belawan and Sibolga Fishing Port project Indonesia



This project has created nearly 4,000 jobs.

3. Highlights of Expected Results of Projects Approved in 2018

In 2018, IsDB approved projects worth US\$1.27 billion. The energy sector accounted for 31% of the approvals followed by transportation (19%), health and agriculture (13% each) and water, sanitation and urban services (9% each.).

Expected on results² of projects approved in 2018 are provided below:

In 2018,
IsDB approved
projects worth

US\$1.27 billion



Energy sector accounted for
31% of the approvals



Transportation

19%

Health and Agriculture

13%
each

Water, Sanitation and
Urban services

9%
each



a) Agriculture



Five countries (The Gambia, Guinea, Senegal, Niger and Sierra Leone) will benefit from IsDB's Regional Rice Value Chain program with total IsDB contribution of US\$103 million supported by Lives and Livelihoods Fund (LFF). The expected results from the programs will enable more than million people to have access to Islamic microfinance; irrigation of over 20,000 hectares of land; create about 88,000 jobs; provide support for farmers association with a membership of more than 330 farmers and paving of over 300 km of rural roads.

b) Education



IsDB launched an Out-of-School Children Program with an allocation of US\$100 million to provide education facilities to out of school children in MCs. This five-year program is expected to extend education to 2.4 million students, train nearly 245,000 teachers and establish 8,800 new schools.

Also, the Bank approved US\$121 million to support the development of the University of Bondoukou in Côte D'Ivoire to add an estimated 3,000 students for tertiary education.

² Results of approved projects will be realized at completion.

c) Energy



IsDB has approved a US\$134.5 million project for Natural Gas transmission in Tunisia which is expected to generate 2,640 MW electricity through gas transmission line that extends nearly 620 km. In addition, US\$149 million project was approved for Tunisia for construction of 210 km electricity transmission line.

In Guyana, a US\$20 million project for power utility upgrade is expected to install 153 km of transmission lines including construction or upgrade of 185 MVA substations as part of improvements and upgrading of the Energy sector for increased connectivity of the people.

d) Health



In Tajikistan IsDB approved a US\$23 million (LLF) project for improving maternal, neonatal and child health services in four districts of the Khatlon Region. The expected outcomes of this project will lead to significant reductions in the maternal mortality rate in the region from 45 to 25 per 100,000 live births and in the under-5 years mortality rate from 34 to 20 per 1000 live births. The project aims to construct or upgrade 134 health facilities reaching over 280,000 out-patients and providing essential training for more than 2000 health personnel.

A US\$25.8 million project supported by LLF for strengthening the health sector in Djibouti with emphasis on maternal, newborn and child health, construct 8 health centers and provide training to nearly 190 health personnel including 20 medical doctors.

IsDB will also provide financing of US\$3.8 million to increase capacity of the Simao Mendes National Hospital in Guinea Bissau including an upgrade of the hemodialysis center through acquisition of modern medical equipment and providing staff training to facilitate efficient utilization and maintenance of equipment.

In Tunisia, IsDB approved a US\$34 million project for the construction of two 105 bed hospitals as contribution towards improvements in the health and living standards of the people.

e) Water and Sanitation



The Conakry water sanitation project in Guinea for which IsDB has contributed US\$54 million (co-financed by LLF) is expected to benefit over 20,000 households through provision of waste water treatment plant and sewerage networks extension for over 56 km. In addition to protection against flooding, the project is expected to reduce malaria outbreak and other water borne diseases.

IsDB has also approved a US\$35 million project for water supply and sanitation in Kyrgyz republic and Tajikistan benefitting about 210,000 people.

f) Transportation



IsDB approved a US\$19.2 million for a 52 km road construction project in Senegal using an innovative soil stabilization technology called PROBASE developed by a Malaysian company. This is an example of the South-South cooperation partnership between MCs being promoted and encouraged by the Bank. This road is expected to increase the daily traffic by 629 vehicle per day with a resultant decrease in travel time by 50%.





ISFD

Approved Projects and Programs in 2018



Guinea Bissau

Project: Strengthening the Capacity of the Simao Mendes National Hospital

ISFD Contribution: US\$4.24 million

Total Cost: US\$3.8 million

Partners: ISFD, IsDB, Government of Guinea Bissau

Expected results include:

- ▶ By 2030, Premature Mortality Rate from NCD reduced by 1/3 (SDG-3): from 28% to 10%
- ▶ By 2021, the use of comprehensive hemodialysis treatment within SMNH increased from 0% to 85%
- ▶ By 2021, medical evacuation abroad for hemodialysis reduced by 75%
- ▶ By 2020, Hemodialysis Center within the SMNH established and functional



Guinea

Project: Regional Rice Value Chain Program

ISFD Contribution: US\$2.0 million

Total Cost: US\$29.33 million

Partners: ISFD, IsDB, BADEA, Government of Guinea

Expected results include:

Impact on Lives & Livelihoods:

- ▶ Rice self-sufficiency gaps reduced from 5% to 25% per country
- ▶ 175,000 jobs created in seeds, paddy production and rice milling
- ▶ Average farmers' income per hectare improved by 69%

Main Agriculture Outcomes:

- ▶ 200,000 tons of quality seeds produced & disseminated
- ▶ 40% increase in crop yields for 3 type of production system



The Gambia

Project: Regional Rice Value Chain Program

ISFD Contribution: US\$2.0 million

Total Cost: US\$29.8 million

Partners: ISFD, IsDB, BADEA, The Gambia Government, AfDB

Expected results include:

Impact on Lives & Livelihoods:

- ▶ Rice self-sufficiency gaps reduced from 5% to 25% per country
- ▶ 175,000 jobs created in seeds, paddy production and rice milling
- ▶ Average farmers' income per hectare improved by 69%

Main Agriculture Outcomes:

- ▶ 200,000 tons of quality seeds produced & disseminated
- ▶ 40% increase in crop yields for 3 type of production system



Senegal

Project: Regional Rice Value Chain Program

ISFD Contribution: US\$2.0 million

Total Cost: US\$47.50 million

Partners: ISFD, IsDB, AfDB, Government of Senegal

Expected results include:

Impact on Lives & Livelihoods:

- ▶ Rice self-sufficiency gaps reduced from 5% to 25% per country
- ▶ 175,000 jobs created in seeds, paddy production and rice milling
- ▶ Average farmers' income per hectare improved by 69%

Main Agriculture Outcomes:

- ▶ 200,000 tons of quality seeds produced & disseminated
- ▶ 40% increase in crop yields for 3 type of production system



Sierra Leone

Project: Regional Rice Value Chain Program

ISFD Contribution: US\$2.0 million

Total Cost: -

Partners: ISFD, IsDB, BADEA, AfDB

Expected results include:

Impact on Lives & Livelihoods:

- ▶ Rice self-sufficiency gaps reduced from 5% to 25% per country
- ▶ 175,000 jobs created in seeds, paddy production and rice milling
- ▶ Average farmers' income per hectare improved by 69%

Main Agriculture Outcomes:

- ▶ 200,000 tons of quality seeds produced & disseminated
- ▶ 40% increase in crop yields for 3 type of production system

Regional

Project: The Youth Job Creation Program in OIC Member Countries

ISFD Contribution: US\$80.0 million

Total Cost: US\$368.3 million

Partners: ISFD, Silatech, Other partners

Expected results include:

- ▶ 400,000 entrepreneurs receive capacity building / training
- ▶ 1,586,000 micro and small enterprises receive funding

Multi

Project: ISFD - EAA Enroll and Retain Out-of-School Children Program

ISFD Contribution: US\$100.0 million

Total Cost: US\$375.29 million

Partners: ISFD, Education Above All (EAA), Beneficiary countries, Other donors

Expected results include:

- ▶ 2,400,500 out-of-school children enrolled and retained in school
- ▶ 244,800 teachers, including 13,800 new recruits, and 13,000 government education officials trained
- ▶ 18 national and international NGOs/agencies engaged as new partners
- ▶ 8,800 new schools established
- ▶ 59,600 school management committees established and community outreach and awareness expanded



Niger

Project: Regional Rice Value Chain Program

ISFD Contribution: US\$2.0 million

Total Cost: US\$18.64 million

Partners: ISFD, IsDB, Government of Niger

Expected results include:

Impact on Lives & Livelihoods:

- ▶ Rice self-sufficiency gaps reduced from 5% to 25% per country
- ▶ 175,000 jobs created in seeds, paddy production and rice milling
- ▶ Average farmers' income per hectare improved by 69%

Main Agriculture Outcomes:

- ▶ 200,000 tons of quality seeds produced & disseminated
- ▶ 40% increase in crop yields for 3 type of production system



Kyrgyz Republic

Project: Rural Water Supply and Sanitation Improvement

ISFD Contribution: US\$20.0 million

Total Cost: US\$60.0 million

Partners: ISFD, Saudi Fund for Development, Government of Kyrgyz Republic

Expected results include:

- ▶ The project will result in improved water supply for 150,000 rural people and access to improved sanitation facilities for 11,500 people in the project's area.



Tajikistan

Project: Improvement of Water Resources Management in the Khatlon Region

ISFD Contribution: US\$15.0 million

Total Cost: US\$53.5 million

Partners: ISFD, Saudi Fund for Development, Government of Tajikistan

Expected results include:

- ▶ The project will result in increase of agriculture production by 110,000 tons per year
- ▶ 2,000 new permanent and 15,000 seasonal job opportunities will be created
- ▶ 60,000 rural people will be provided with access to improved water supply



Islamic Solidarity for Development Fund was officially launched in 2007 and is headquartered in Jeddah Saudi Arabia, with a principal target capital of US\$10 billion. All IsDB member countries are expected to contribute to the Fund which seeks to reduce poverty through:

- ▶ Promoting pro-poor growth
- ▶ Emphasizing human development, especially improvement in health care and education
- ▶ Providing financial support to enhance the productive capacity and sustainable means of income generation for the poor


LLF

Approved Projects and Programs in 2018

Prioritizing quality socioeconomic investments for the most vulnerable



Côte d'Ivoire - LMIC (Sub-Saharan Africa)

SDGs directly covered



Water Sanitation Project for Abidjan and 15 Secondary Cities Project

Small infrastructure US\$49.2 million

To help achieve a sustainable improvement in the provision of sanitation service in Abidjan and 15 regional cities

Development partners involved: Currently being explored by the government

Expected results include:

- ▶ 7,366,519 inhabitants provided with improved sanitation
- ▶ Number of deaths caused by diarrhea reduced from 500,000 in 2016 to 250,000 in 2025
- ▶ Number of deaths caused by malaria reduced from 4,431 in 2016 to 2,000 in 2025
- ▶ Thousands of permanent and temporary jobs created

Envisioned timeline: 4 years after effectiveness

Status: In preparation stage



Nigeria - LMIC (Sub-Saharan Africa)

SDGs directly covered



National Malaria Elimination Program Scale-Up Project

Healthcare US\$100 million

To improve the delivery and uptake of malaria prevention and treatment activities in selected states

Development partners involved: African Development Bank, World Bank

Expected results include:

- ▶ 80% households protected by LLINs
- ▶ 80% coverage of ACTs and high quality case management
- ▶ 80% coverage of Seasonal Malaria Chemoprophylaxis (SMC) to children under 5
- ▶ Improved knowledge of Malaria prevention and treatment

Envisioned timeline: 3 years after effectiveness

Status: In preparation stage



Gambia/Guinea/Niger/Senegal/ Sierra Leone - LDMC (Sub-Saharan Africa)

SDGs directly covered



Regional Rice Value Chain Development Project

Agriculture US\$100.5 million

To help governments close the rice self-sufficiency gap in five countries through an integrated value chain approach

Development partners involved: African Development Bank, BADEA

Expected results include:

Impact on Lives and Livelihoods:

- ▶ Rice self-sufficiency gaps closed by 5% to 25% per country
- ▶ 175,000 jobs created in seeds, paddy production and rice milling
- ▶ Average farmers' income per hectare improved by 69%

Main Agriculture Outcomes:

- ▶ 200,000 tons of quality seeds produced and disseminated
- ▶ 40% increase in crop yields for 3 type of production system

Envisioned timeline: 3 years after effectiveness

Status: Project approved by IsDB BED Dec 2018



Cameroon - LMIC (Sub-Saharan Africa)

SDGs directly covered



Strengthening Cameroon's Primary Healthcare and Emergency Management Systems

Healthcare US\$29.4 million

To enhance system integration and capacity for improved public health management and emergency response

Expected results include:

Operational decentralized National Public and Emergency Management system with integrated public health programs including:

- ▶ National Public Health Institute and 3 multi-regional public health hubs constructed and equipped
- ▶ Strengthened CERPLES through trained mobile staff, resources and robust surveillance systems for effective epidemic control
- ▶ Op research to improve infectious disease control

Envisioned timeline: 5 years after effectiveness

Status: In preparation stage

Egypt - LMIC (Middle East)



SDGs directly covered



Auto-disable syringe manufacturing -
Support to the Hepatitis C Elimination Program

Healthcare US\$40 million

To prevent the spread of infectious disease in Egyptian healthcare centers for Hepatitis C elimination by 2030

Development partners involved: World Bank

Expected results include:

- ▶ Modern ADS manufacturing plant established with production capacity of 200 million p.a.
- ▶ 100% of immunization services use country-made ADS
- ▶ Hepatitis C infection is reduced from 10% to 2%
- ▶ WHO accreditation and ISO certification obtained making the plant competitive for regional/ international markets

Envisioned timeline: 3 years after effectiveness

Status: In preparation stage

Pakistan - LMIC (Asia)



SDGs directly covered



Support to the Polio Eradication Program (2019-2021)

Healthcare US\$100 million

To support the third phase of the national polio program

Development partners involved: World Health Organization, Save the Children

Expected results include:

- ▶ Eradication of the poliovirus and the threat of resurgence
- ▶ Sustained population immunity levels to prevent transmission
- ▶ Increased immunization rates for other essential vaccines reducing disease burden and mortality in children under 5

Envisioned timeline: 3 years after effectiveness

Status: In preparation stage

Indonesia - LMIC (Asia)



SDGs directly covered



Development of Integrated Farming Systems in upland areas

Agriculture US\$66 million

To lift the poorest populations of the upland areas out of poverty through improved agriculture productive capacities

Development partners involved: IFAD

Expected results include:

- ▶ 25,000 households will receive project investment, technical support and agriculture services
- ▶ 20,000 households with increased asset ownership
- ▶ Benefits to 15,000 women and 10,000 young people

Envisioned timeline: 5 years after effectiveness

Status: In preparation stage



IsDB
البنك الإسلامي للتنمية
Islamic Development Bank



BILL & MELINDA
GATES foundation



مركز الملك سلمان للإغاثة
والاعمال الإنسانية
KING SALMAN HUMANITARIAN
AID & RELIEF CENTRE



**QATAR FUND
FOR DEVELOPMENT**
صندوق قطر للتنمية

The Lives and Livelihoods Fund (LLF) was established by IsDB in collaboration with donor partners including the Abu Dhabi Fund for Development (ADFD), Bill and Melinda Gates Foundation (BMGF), Islamic Solidarity Fund for Development (ISFD), King Salman Humanitarian Aid and Relief Center (KSRelief), and the Qatar Fund for Development (QFFD). The projects focus on health, agriculture, and basic infrastructure with a grant portion of up to 35% for LDMCs.



The Bank has
launched a number of
thematic strategic initiatives
to support the implementation of its strategy,
such as promotion of **Islamic Finance**,
engagement with **NGOs and Civil**
Society, and promotion of
regional connectivity
and **integration**

Progress on Strategic Initiatives

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Over the recent years, the Bank has launched a number of strategic initiatives to augment its contribution to the development of the MCs, particularly in achieving the SDGs. This chapter illustrates the progress achieved in these initiatives in 2018.

The Bank's strategic initiatives help realize its developmental objectives as expressed in the 10YS. These programs and initiatives are consistent with the developmental status and needs of the MCs and aligned with their national development plans.

1. Promoting Islamic Finance

The promotion of Islamic finance globally is one of three strategic objectives specified in the 10YS. The Bank has supported the Islamic financial services Industry by helping to establish Islamic finance infrastructure in the MCs as well as globally. It supports Islamic Infrastructure Institutions, provides equity investment to Islamic financial institutions and works with partners including MDBs to promote Islamic Finance through operational ventures and by undertaking joint knowledge building activities.

Globally, the Islamic financial services industry continues to grow and is proving to be a viable option and providing ethically sound financial solutions. Islamic Banking remained

resilient even during the last global financial crisis. Islamic Financial Services are now available in 56 countries through 1,389 Shariah compliant financial institutions having assets of US\$2.4 trillion as of 2017. These assets are expected to reach US\$3.8 trillion by 2022. Islamic Banks continue to be the major institutions providing Islamic financial services, accounting for 71 percent of total assets. However, their growth has been muted over the recent years as some of Gulf based lenders have scaled down their lending in an era of lower oil prices.



Islamic financial services are now available in **56 countries** by **1,389** Shariah-compliant financial institutions having assets of **US\$2.4 trillion** as of 2017. These assets are expected to reach **US\$3.8 trillion** by 2022 50



During 2018, the Bank supported several initiatives to facilitate building a globally conducive environment for reinforcing the development of the industry such as the development of regulatory frameworks and undertaking a lead role in capacity development activities in MCs and for the promotion of Islamic Finance.

Ten technical assistance grants were approved in 2018, of which six were for MCs and the other four were for Islamic Infrastructure Institutions, and other development partners such as the Islamic Financial Services Board (IFSB), International Islamic Financial Market (IIFM), and Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC). In addition to this, 12 Islamic finance awareness events were organized in the MCs as well as non-MCs to promote Islamic financial services.

The Bank is starting to rationalize its activities in equity investment. A de-risking strategy was implemented with the sale of two equity investments in specific Islamic financial institutions for a total value of US\$37 million. At the same time, the capital of the Awqaf Property Investment Fund (APIF) was increased with an injection of US\$4 million to scale-up activities. Four new Awqaf projects were approved for a total value of US\$217.5 million. Fifty-one active Islamic micro-finance programs worth US\$431 million are designed to empower the marginalized segments of society with no access to finance. A new job creation program is earmarked for implementation in MCs as one of the Bank's contributions towards the sustainable development in the MCs.



Four new Awqaf projects were approved for a total value of **US\$217.5 million**. **51 active Islamic micro-finance programs** worth **US\$431 million** are designed to **empower the marginalized segments of society with no access to finance** “

2. Public-Private Partnerships (PPPs)

IsDB considers PPP a viable mechanism to help its MCs to meet their infrastructure needs, IsDB helps MCs build their PPP capacity by offering technical advisory services to address and support development of an enabling environment for greater private sector inclusiveness and to ensure bankability of infrastructure concessions tendered for private sector participation.

The rationale for this initiative is based on the premise that its MCs can only meet their infrastructure needs if they are able to successfully attract private capital given the substantial investment required to meet these needs. There is a realization that governments by themselves, cannot provide the high magnitude of the required capital and that there are efficiencies to be gained by engaging the private sector. Infrastructure development is also important as economic growth continues to be the major source of sustainable development. This is true in all IsDB MCs who are at various stages of development.

Successful PPP projects are based on well-designed contracts, a stable economy with good governance, sound regulatory environment and high level of institutional capacity. IsDB helps to develop these essential attributes in the MCs to promote PPP.



Successful Public Private Partnership Projects (PPP) are based on **well-designed contracts, a stable economy with good governance, sound regulatory environment and high level of institutional capacity**. IsDB helps to develop these essential attributes in the MCs to promote PPP “

During 2018, IsDB initiated a number of workshops and seminars focused on the benefits of PPP and critical success factors in addressing risk issues in PPP contracts. The continued implementation of such series of workshops will help and assist its MCs to understand the benefits of PPPs.



It supports conscious efforts of MCs in enhancing the regulatory framework and PPP laws and policies that are essential to attract private sector participation. Only when the MCs can provide a conducive environment for private risk-capital, will they and the private sector development partners be able to effectively use PPPs to promote sustainable growth and development.

The Bank piloted provision of advisory services through a program of PPP Technical Advisory functions for Ministry of Health (MoH), Saudi Arabia. Program is designed to attract private sector participation in the health laboratory services in the Kingdom. In addition, the Bank also worked with the Turkish Capital Market Authority to identify changes in the regulatory framework of the Sukuk and Islamic financing legislation in Turkey in order to support a larger share of Islamic capital in Ijarah (Leasing) based financing for PPP concessions.

To supplement its internal PPP advisory capacity, IsDB has established a Project Preparation Fund that will be scaled up through support from like-minded institutions and partners to provide required finance to its MCs in strengthening the capacity of public agencies to develop bankable projects for participation by the private sector to achieve long term sustainable growth of their economies.

3. Mainstreaming Role of Women and Youth

Women empowerment and youth development are at the forefront of the Bank's strategic agenda. The Bank has developed its first Women's Empowerment Policy and Youth Development Strategy to highlight the potential of women and youth as critical agents of change, enhance their vital contribution in socio-economic development and their key role in the realization of the SDGs in the MCs.



The Bank has developed its **first Women's Empowerment Policy and Youth Development Strategy** to highlight the potential of women and youth as **critical agents of change** “

In 2018, efforts were enhanced to integrate women and youth empowerment strategies and programs in the Bank's operations. The 'SheTrades' Global flagship program for women was launched to facilitate business-to-business interaction. Eleven Gender and Youth country profiles were developed to facilitate MCPS and project preparation.

The "Tamkeen" Program aimed at empowering young Arab Women working on food, nutrition and water security issues, to develop a set of critical skills and competencies, was launched in partnership with Bill and Melinda Gates Foundation (BMGF) and International Centre for Biosaline Agriculture (ICBA). Annual Youth and Women forums were conducted highlighting the importance of engagement of these groups in ensuring that no one is left behind.



Resource mobilization efforts has resulted in generation of additional funds from international agencies notably from the Women Entrepreneurs Finance Initiative (We-Fi) where the Bank received US\$32 million grant resources for the program to be implemented in Yemen, Mali, and Nigeria to enhance the resilience of SMEs. A Youth Employability platform was

developed for disseminating knowledge, good practices, strategies, and programs from MCs aimed at improving youth employability skills. Joint events were organized with organizations such as GIZ, Gender Working Group, OECD Gendernet, and the International Trade Center (ITC).



The Women Entrepreneurs Finance Initiative (We-Fi) received US\$32 million grant resources for the program to be implemented in Yemen, Mali and Nigeria to enhance the resilience of SMEs “

4. Addressing Fragility and Building Resilience

Fragility and Resilience Policy

IsDB has developed its first-ever Fragility and Resilience Policy aimed at setting the Strategic direction for building resilience and to contribute to social cohesion and sustainable development in MCs. The Policy seeks to address the drivers of its fragility ranging from social, economic exclusion and marginalization to unequal development and cultural indignity. This policy is particularly relevant at this juncture given the scenario where half of the world's poor (including those in the MENA Region in particular) are expected to live in conflict-ridden areas by 2030.

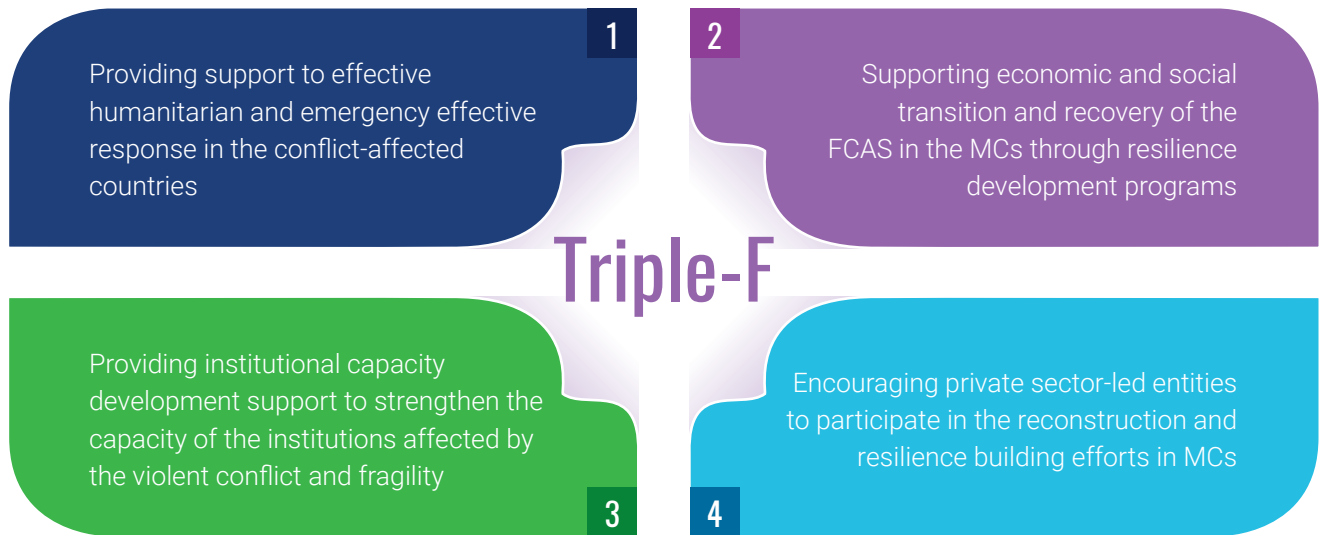


Fragility Financing Facility (Triple-F)

The Bank in close coordination with the other development partners has introduced the Triple-F which introduces new and innovative financing mechanisms such as the humanitarian impact certificate and the development impact certificate. The overall objective of the Triple-F is to support the Fragility and Conflict-Affected regions (FCAS) in the MCs to effectively respond to the humanitarian, reconstruction and resilience development through leveraging resources from non-traditional partners and donors. More specifically, the Triple-F aims at:



The overall objective of the **Triple-F** is to support the **Fragility and Conflict-Affected regions (FCAS)** in the MCs to effectively respond to the **humanitarian, reconstruction and resilience development** through leveraging resources from non-traditional partners and donors “



Fragility and Resilience Risks Assessment (FRRA)

The Bank is currently piloting FRRA - a diagnostic tool aimed at designing relevant and effective resilience response interventions. The FRRA aims at (i) understanding the risks and shocks landscape; (ii) assessing how the risks and shocks will affect the social systems; (iii) collecting information and data on the systems coping with the risks and their resilience and; (iv) identifying what needs to be done to enhance resilience to enable different parts of the systems to absorb the shocks, adopt them and transform into deterrents.

MENA Economic Resilience Task Force Meeting

The Bank in close cooperation with the OECD and partners has conducted high-level MENA Economic Resilience Task Force

Meeting at its HQs in Jeddah with the following objectives:

(i) Complement the efforts of the MCs to strengthen economic resilience and effectively achieve sound growth and inclusive social development; (ii) create a platform to share global best practices and experiences; and (iii) increase the Bank's visibility as a Bank for Developers and supporting efforts to address fragility and build resilience.

5. Engagement with NGOs and Civil Society

Civil Society Engagement

The Bank recognizes the critical and growing role of the Civil Society Organizations (CSOs) in effectively addressing the development challenges facing the MCs. It has carried out a number of activities to systematically structure its engagement with the CSOs and introduce innovative and transformative initiatives empowering the NGOs in MCs.



The Bank recognizes the critical and growing role of **Civil Society Organizations (CSOs)** in effectively addressing the **development challenges** facing the MCs “

The Bank has finalized its Civil Society Engagement Policy aiming at setting guiding principles and the ISDB's approach to work with the CSOs and NGOs in MCs and Non-MCs. The policy objectives are to: (i) create a framework of dialogue and consultation with NGOs to foster the sharing of knowledge and experiences; and (ii) improve the direct assistance to local communities in MCs through CSOs.

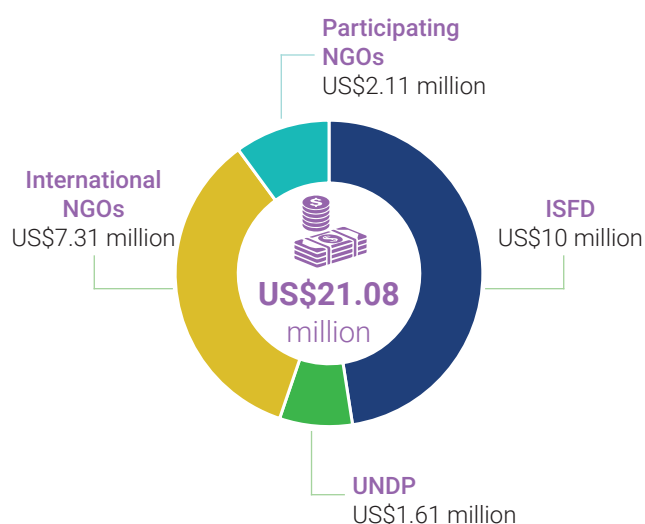


NGO Empowerment for Poverty Reduction Program

The Bank in collaboration with ISFD and UNDP are working on a transformative initiative aimed at empowering the NGOs to improve the socio-economic well-being of the hard-to-reach communities through refugees' education, job creation, building resilience and community livelihoods development. The components of the program include: (i) mapping, screening and categorizing national CSOs in the least developed MCs; (ii) providing institutional capacity development programs to mainstream the NGOs and CSOs as network of developers to participate in the implementation of the Bank's operations and programs, (iii) setting up sustainable financing system through the development of national and regional crowd sourcing platforms; and (iv) allocating ISFD

grants to support the economic empowerment program to strengthen community resilience.

The total cost of the Program is estimated at US\$21.08 million. The ISFD will participate in the financing of the Program through a grant of US\$10 million. UNDP will contribute an amount of US\$1.61 million to the Program. International NGOs will also contribute an amount of US\$7.31 million to the Program. Participating NGOs will provide in-kind contribution amounting to US\$2.11 million. The program includes other donors and partners such as International Federation of Red Cross (IFRC), and Spark.



6. Climate Change

Mainstreaming climate change action and building environmental resilience is central to the new business model of the Bank which places great importance on enhancing the sustainability of its development interventions. A climate risk screening tool, sector guidance notes in agriculture, energy, transport and water and sanitation sectors were prepared in 2018 for effectively mainstreaming climate change in the



A climate risk screening tool, sector guidance notes in **agriculture, energy, transport and water and sanitation** sectors were prepared in 2018 “

Bank's future interventions. The Bank has joined the MDBs Climate Finance Working Group and reported its climate change financing contribution for the first time along with other MDBs. This will facilitate harmonization of Bank's approach to mainstreaming climate change and resilience with other multilateral institutions.

The Bank also held regional workshops on climate smart agriculture and climate resilient transport systems to build capacity in MCs. Climate finance initiatives were undertaken to support programs relating to renewable energy and energy efficiency in the MENA region with the Government of Netherlands, and the Dutch Development Bank (FMO) for potentially setting up a climate change financing facility along with European Union (EU) in cooperation with the Regional Centre for Renewable Energy and Energy Efficiency (RCREEE).

The Bank had published a number of reports to underscore the importance of climate change and resilience building in its operations in MCs including the IsDB Report on Low Carbon Transport for Development (with SLoCaT), Report on Climate Smart Agriculture in MENA Region (in collaboration with United Nations Food and Agriculture Organization (FAO)). Finally, the Bank contributed to the MDB Lessons Learned Report on the application of the Common Principles to

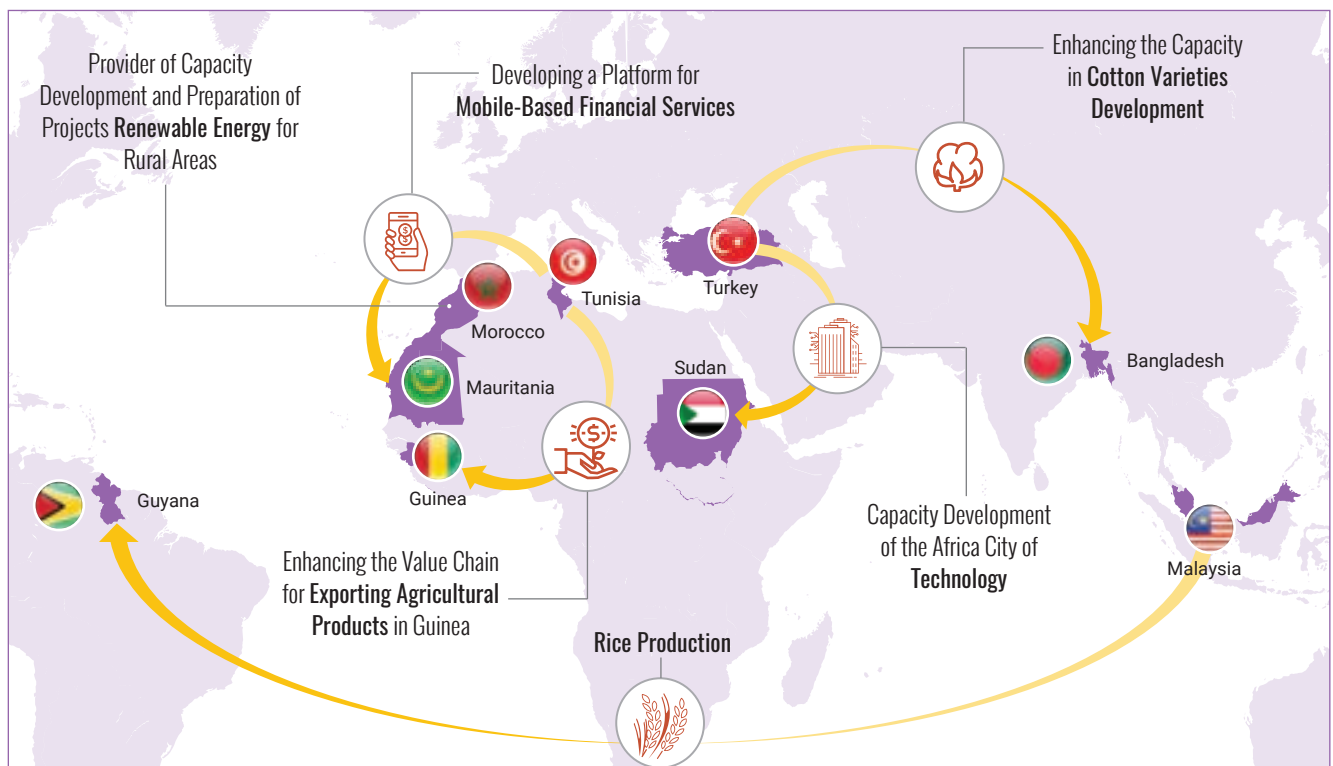
Climate Adaptation Financing which was released at which was released at the 24th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP24).

7. Technical Cooperation and Reverse Linkage

During 2018, 42 technical cooperation operations were approved for a total of US\$1.4 million. Out of these, 5 were for recruitment of experts, 15 of them related to job training, and 22 were for seminars/conferences/meetings. These operations directly benefited more than 24 MCs and 18 Regional organizations.

In 2018, IsDB expanded its Reverse Linkage (south-south capacity building interventions) portfolio. Six new Reverse Linkage operations were approved for a total amount of US\$1.64 million.

In addition to its own contribution, IsDB was able to mobilize an additional US\$4.0 million from its partners to support these Reverse Linkage Operations. These projects focused on two priority sectors of the Bank - Agriculture and Health. The approved Reverse Linkage (RL) operations are shown in the picture below:





Alliance to Fight Avoidable Blindness (AFAB)



The second phase of AFAB program was launched in 2018 on the sidelines of 43rd Annual Meeting of IsDB, pledges of US\$250 million were made from 32 technical and financial partners.

The Bank with the support of the Alliance's partners carried out 59,725 consultations and 9,432 cataract surgical operations in six countries (Burkina Faso, Chad, Mali, Mauritania, Niger and Togo). These cataract treatment campaigns were implemented in both rural and urban areas in cooperation with the Ministries of Health and included a one-month training program for 25 young ophthalmologists in October 2018 in Istanbul, Turkey.

The Strategy calls for a scale-up of IsDB support for regional cooperation and integration efforts to focus on

- ▶ Enhancing cross-border connectivity
- ▶ Improving investment climate and competitiveness
- ▶ Mainstreaming trade and Islamic finance
- ▶ Facilitating cooperation to provide regional public goods

The IsDB in partnership with the UN Economic Commission for Europe (UNECE), has initiated the creation of the Geographical Information System (GIS) of Regional Infrastructure Networks. The first phase of the initiative covers 11 countries in the Eurasia region was completed. The GIS initiative is now being expanded to the Arab and Africa regions in close coordination with UNESCWA, Center for Transport Studies for Western Mediterranean (CETMO), and UNECE. IsDB has also given priority to connect landlocked MCs to international seaports. Studies for the commercialization of two existing corridors that the IsDB has contributed to building were commissioned in 2018.



Studies for the commercialization of two existing corridors that the IsDB has contributed to building were commissioned in 2018 

8. Enhancing Regional Cooperation and Integration

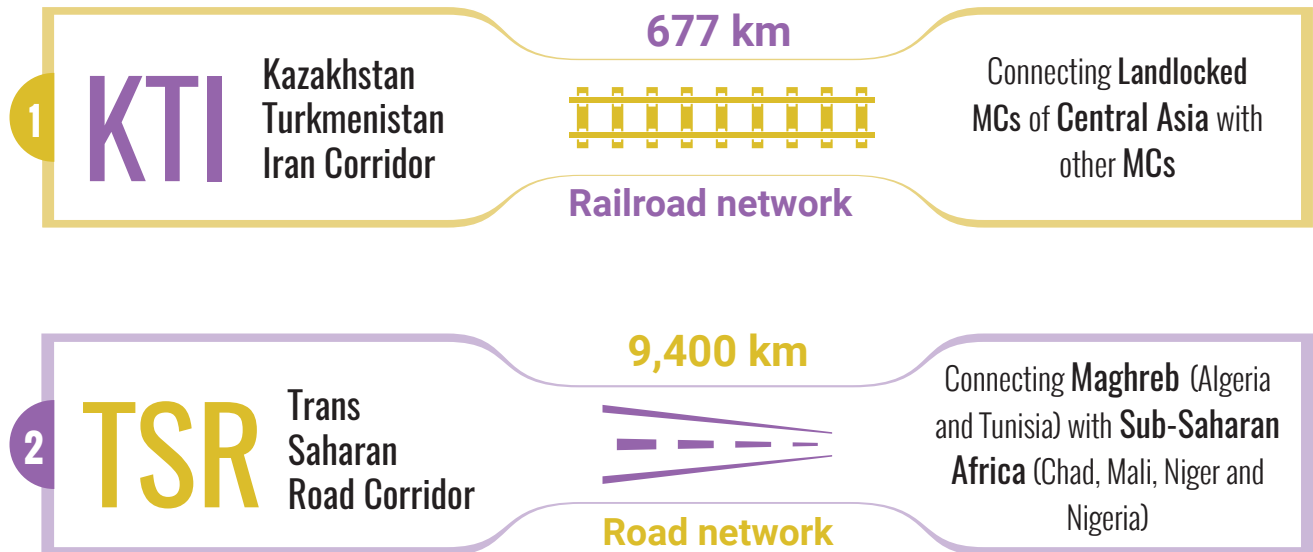
Enhancing Connectivity for increasing cooperation among MCs is one of the three major objectives of the 10YS.

In 2018, the Bank developed a coherent Regional Connectivity and Integration (RCI) Strategy that drew upon IsDB Group experience and that of other MDBs and Regional Cooperation Organizations (RCOs). The RCI Strategy will enable IsDB to become a primary connecting platform for MCs, RCOs and relevant communities to cooperate with each other.



The two corridors are: (i) Kazakhstan-Turkmenistan-Iran railroad (KTI) Corridor, connecting landlocked MCs of Central Asia with other MCs with a 677 km railroad; and (ii) Trans

Saharan Road Corridor (TSR) connecting Maghreb (Algeria and Tunisia) with Sub-Saharan Africa (Chad, Mali, Niger and Nigeria) through a road network spanning over 9,400 km.



The Bank implements Technical Assistance Program (TAP) for regional and global Integration in trade. The Program covers wide range of issues concerning trade and market integration such as exploring practical options to increase OIC Ministers of Trade Coordination, getting the most out of Regional implementation of the trade facilitation agreements of Caribbean MCs, and impact of WTO reform agenda on African, Asian and Arab Member Countries.

Under the Investment Promotion mandate of RCI, the Bank's Investment Promotion Technical Assistance Program (ITAP) played an important role in promoting and attracting domestic and foreign direct investments as well as improving its investment climate in the MCs. ITAP's programs in 2018 ranged from capacity development and experience sharing programs to investment conferences and forums including, provision of training and professional networking, training and investment promotion opportunities for over 60 officials of IsDB MCs.



9. Scholarship Program

The Bank continues to support capacity building efforts in MCs and Muslim communities in non-member countries' through provision of scholarships for qualified students to pursue higher education in recognized educational institutions in development-related fields to support the achievement of the SDGs.

In 2018 the Bank selected 380 students and scholars from 100 countries. Scholarships were provided for 280 Undergraduates, 50 Masters, and 50 PhD and Post-doctoral research students. In terms of gender, 61% of the scholarship recipients were male and 39% were female.



To ensure that the IsDB students and scholars are able to acquire and transfer the most advanced science and cutting-edge technological knowledge and expertise to their respective countries, the Bank places its students/scholars at the world's top ranked universities. The Bank has established cooperation agreements with top universities to ensure cost effective quality education for its students/scholars.

The IsDB Alumni also play a vital role in enhancing the outcome of IsDB scholarship programs for promoting the development of knowledge-based economies in the MCs as well as in the Muslim communities in non-member countries around the globe.

An Alumni Chapter is being set-up to work on full utilization of the research works of the graduates as well as bringing them together through an interaction network promoting professional development and exchange of ideas on implementing new projects leading to sustainable development.

IsDB will also continue to engage with its Alumni and invite them to participate through among others, in an annual Call for Innovation program through its recently launched "Engage Platform & Transform Fund". The winning applicants will

receive financial support to translate their innovative ideas into development solutions and possible commercialization.

A Joint Scholarship Program funded by the ISFD has also been launched for the Least Developed Member Countries (LDMCs). This program will provide scholarships to financially impoverished and academically meritorious students to study in vocational training and undergraduate programs to empower them to serve the needs of their communities.



10. Encouraging Science, Technology and Innovation

Capacity in Science, Technology and Innovation is of paramount importance to deal with the several challenges related to sustainable development in our MCs.



An STI Transform Fund was established with an initial capital of US\$500 million to support MCs in finding solutions to their developmental challenges through STI “

An STI Transform Fund was established with an initial capital of US\$500 million to support MCs in finding solutions to their developmental challenges through STI. In this regard, 32 of the best innovative ideas and projects were selected from among 1,570 submitted proposals. These ideas ranged from proposals for start-ups and small enterprises as well as capacity building in STI. These ideas cover SDGs 2, 3, 4, 6, and 9.



Another initiative was the Engage Platform which was launched in February 2018. It is an on-line platform for innovators, SMEs, private sector, NGOs and other stakeholders to share STI ideas that can be translated into bankable projects.

The Bank launched a Joint Program with The World Academy of Science (TWAS) in Italy for building critical mass in the field of Science, Technology and Innovation to address sustainable development challenges of MCs. Under this program several research grants and post-doctoral fellowships will be sponsored. Moreover, the Program will support 40 refugee scientists and other scientists at risk in the IsDB member countries.

11. Special Operations

Each year the Bank undertakes several special operations to advance the causes of Muslim communities in non-Member countries, especially in the areas of health and education. In 2018, the Bank approved operations amounting to US\$3.9 million benefiting 15 Non-MCs.



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Projects were approved for the construction or expansion of schools - from elementary to high school - in Austria, Canada, Cyprus, France, Ghana, Croatia, India, Malawi, Tanzania, USA, and Zimbabwe. In addition, construction of two medical centers are planned in Congo and South Africa.





The bank has improved delivery of products and services to MCs through adopting efficient measures in portfolio enhancement, reinforcement of operations quality, developing operations policies, guidelines and designing new business processes

Enhancing Organizational Efficiency and Effectiveness

49

The Chapter describes several measures implemented by the Bank to enhance the effectiveness of its operational interventions and organizational efficiency to ensure improved delivery of product and services to MCs.

In addition to achieving significant development results, IsDB has implemented several measures to enhance the effectiveness of its operational interventions and organizational efficiency to ensure improved delivery of product and services to MCs. These measures include portfolio enhancement, reinforcement of operations quality, developing operations policies, guidelines and designing new business processes.

1. Improving Operational Efficiency

Portfolio performance: The Bank has witnessed a significant shift from focus on project approvals to project implementation and achievement of results. Project approvals have recently been scaled down while disbursements have increased to pave way for expeditious implementation of projects in the pipeline. As a result, in 2018, the Bank achieved its highest level of project disbursement of US\$2.64 billion which is double the amount of approvals. Focus on fast tracking project completion resulted in completion of 45 projects worth US\$1.32 billion.

The magnitude of the active project portfolio showed an upward trend until 2016. However, since the implementation of the new delivery focused business model in 2017, the

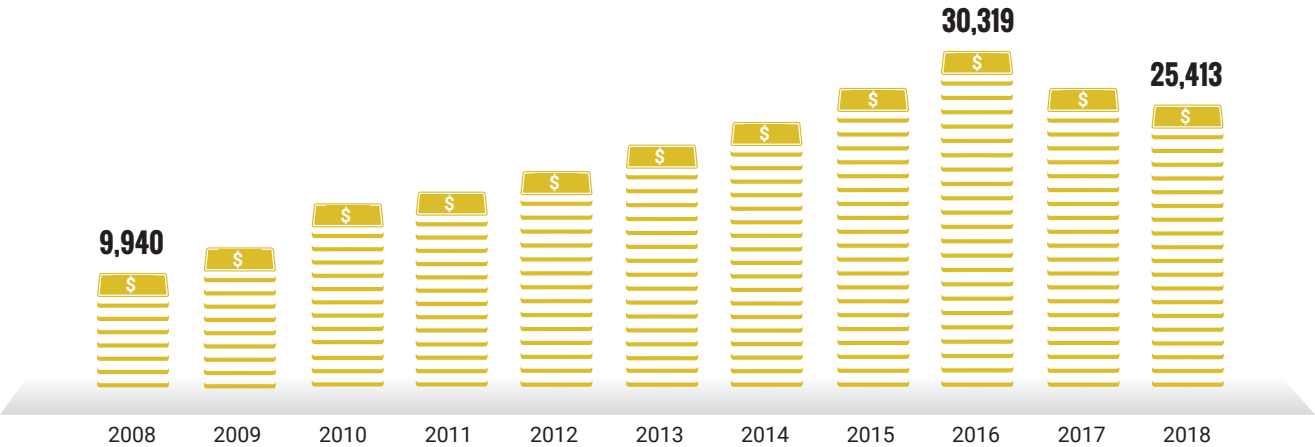
active portfolio has shown a declining trend - the size of the portfolio declined from an all-time high of US\$30.3 billion in 2016 to US\$25.4 billion in 2018 (figure 5).



In 2018, the Bank achieved its **highest level of project disbursement of US\$2.64 billion** which is double the amount of approvals. Focus on **fast tracking project completion** resulted in completion of **45 projects worth US\$1.32 billion**



Figure 5: Evolution of Bank's Active Portfolio (US\$ millions)



The cumulative amount of completed projects was US\$26.6 billion at the end of 2018. Projects worth US\$25.4 billion are currently being implemented. As shown in the figure below, if current trends in project implementation continue, the projects completed as a percentage of total approvals will significantly increase in the coming years.

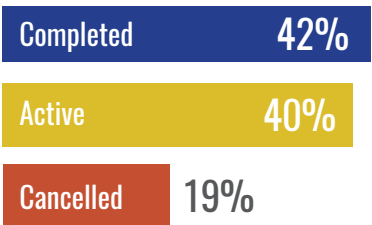


Projects completed
US\$26.6 billion



Projects under implementation
US\$25.4 billion

It is anticipated that with RHs leading the project design and implement process, there will be further improvement in the quality of the portfolio given that the Hubs are closer to the clients leading to efficiency gains in client engagement.



2. Measures to Enhance Quality of Operations

Business Process Efficiency and Client Orientation

Development of Thematic/Sectoral Policies & Strategies:

In 2018, the Bank placed a high priority on the development and mainstreaming of key Thematic/Sector policies and Strategies to reinforce strategic engagement with MCs and other development partners. These policies and strategies are expected to shape the future of IsDB support for sustainable socio-economic development of MCs. The mainstreaming of Sectoral Policies and Strategies will align the Bank's operational interventions in MCs with the objectives of the 10YS and the P5P. Sectoral Policies were approved for Agriculture, Energy, Education, and Transport and will guide the Bank's operations in 2019 and beyond.

Quality at Entry Enhancement Measures: Improvements in the quality of operational interventions is one of the key objectives of the recent organizational transformation. New policies, procedures, mechanisms and relevant tools to augment project quality and guide effective delivery to MCs have been developed.



The perennial issues of project quality, readiness and implementation are being addressed through measures for improvement of institutional mechanisms in a number of areas:

1

The Project Preparation Facility (PPF) fund was set up to enhance availability of financial resources to improve project quality at entry and implementation readiness

2

A Project Qualification & Prioritization Mechanism (QnP) is currently being finalized as an early identification and selection tool for viable and bankable projects. Shortcomings in project quality are identified at an early stage and addressed by deploying PPF resources in order to i) enhance the quality of feasibility studies and other aspects of project design, and ii) ensure project implementation readiness for realizing desirable development results

3

An Integrated Quality Assurance (IQA) Framework is being finalized to provide a robust mechanism for ensuring project quality during preparation and implementation. IQA will ensure that the Bank's projects assess, identify and address project risks, and enhance development effectiveness and results delivery to MCs

A new process for preparing Project Completion Report (PCR) has been introduced and will be led by the Global Practices to preserve objectivity. In 2018, a slightly lower percentage of projects were rated as "Highly Successful" and "Partially Successful" using standard assessment criteria of relevance, efficiency, effectiveness and sustainability.

Project Procurement, Disbursement and Financial Management: These functions are critical in improving efficiency of project implementation and will be facilitated by the newly developed policies, procedures and guidelines for downstream implementation of projects by RHs. These measures are expected to reduce the procurement lead time, expedite project implementation and enable the Bank to become more client oriented and flexible in adopting MC systems. Service Level Agreements (SLAs) have also been developed with key stakeholders for

enhancing responsiveness. They will facilitate the design and development of management information dashboards to monitor and report the Bank's responsiveness to client requests throughout the project cycle.

The fiduciary functions of Financial Management in operations was also reinforced to complement project disbursement and procurement functions to ensure that the projects adhere strictly to Bank's financial management policies, procedures and guidelines including industry best practices.

Partnership Development and Resource Mobilization for Sustainable Development: The new business model of the Bank requires it to expand development partnerships for knowledge and resource mobilization to support sustainable development in MCs. Several partnership agreements and MoUs were undertaken by the Bank during 2018 including with (i) Agency Française de Développement (AFD), (2) the Deutsche Gesellschaft für internationale Zusammenarbeit GmbH (GIZ) and (iii) United Nations Development Programme (UNDP).

In 2018, Bank co-financed development projects with various United Nations Agencies. With UNICEF, a project was co-financed for primary education system, and vocational training to the Rohingya refugee children and youth in Bangladesh. UNICEF, is also expected to participate in the implementation of IsDB fund Project for Improving Maternal, Neonatal and Child Health Services in four districts of the Republic of Tajikistan.

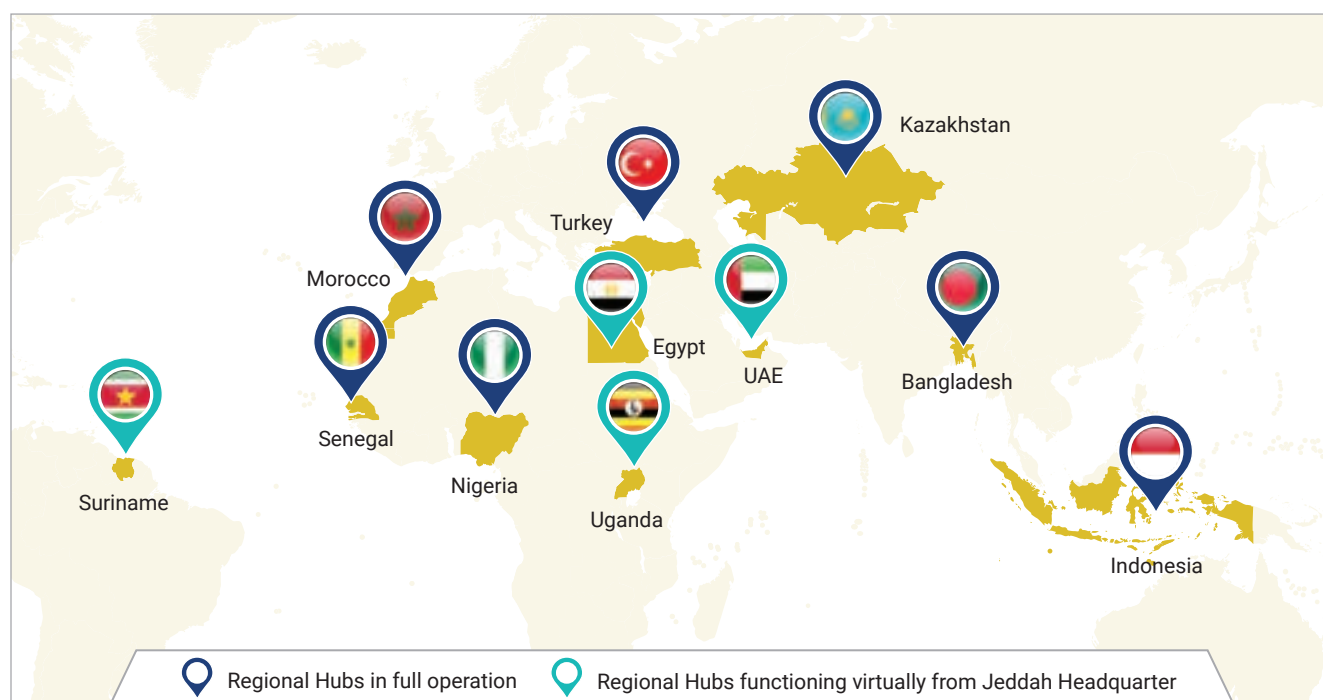
The Bank is also managing several trust funds, special funds and other thematic platforms and initiatives. These include; the US\$ 10 billion Islamic Solidarity Fund for Development (ISFD), US\$ 2.5 billion Lives and Livelihood Fund (LLF), US\$ 698 million Fael Khair Program, the US\$ 100 million Awqaf Properties Investment Fund (APIF) and the US\$3 million Conference amongst East Asia Countries for Palestinian Development (CEAPAD) and Facilitation Mechanism [CEAFAM] to complement Ordinary Capital Resources of the Bank for development financing.

The Banks has signed a Cooperation Framework Agreement (CFA) Indonesian Hajj Funds Management Agency (BPKH) with the mandate to manage paid deposit of approximately US\$ 8 billion from more than 3.4 million prospective pilgrims for the next 15-20 years.

3. Decentralized Organizational Delivery Measures

To ensure effective and efficient delivery of the Bank's products and services to MCs, the Bank has fully decentralized its operations management by establishing and empowering 11 Regional Hubs (RHs). The RHs will act as a catalyst for effective client relationship management, client responsiveness, and the pro-active participation of the MCs in designing and implementing projects. These measures will bring operational delivery much closer to beneficiaries. During

2018, 7 Regional Hubs (RHs) were made fully operational including Bangladesh, Indonesia, Kazakhstan, Morocco, Nigeria, Senegal and Turkey. The mapping of project portfolios, relocation of international staff, and fast-track recruitment of critical regional/local staff was successfully accomplished. The remaining 4 RHs namely: Egypt, Suriname and UAE are temporarily functioning virtually from the Head Quarters in Jeddah awaiting finalization of host country agreements and other logistical arrangements prior to the inauguration of the RHs in the above designated MCs.



Business Process Enhancement: The Delegation of Authority (DOA) instrument was revised to further empower field staff in tandem with the development of new business processes to facilitate efficient delivery of products and services to MCs. These business processes and DOA are expected to be integrated in the IT based Operation Management Solution (OMS) for reference and guidance in conducting the Bank's operations in MCs through RHs.

Human Resource: Effective and efficient human resources management is pivotal in supporting the delivery of products and services to MCs.

The bank in 2018 initiated a transformation of its HR function to improve its ability to attract, retain and develop

the workforce it needs. In 2018, the recruiting function was overhauled, the compensation and benefits structure aligned with market practice, and a new performance management model was introduced. Throughout 2019, the focus will be on the identification and development of the Bank's talent by introducing a new talent management strategy, launching a new leadership development program and introducing new and modernized learning and development programs and supporting infrastructure.

Technology: The Bank has been at the forefront of mainstreaming and digitization of its documents, processes and follow-up systems with the objective of improving communication and responsiveness. The decentralization process requires adoption of new and efficient methods of

communication both internally and externally. Communication with RHs is facilitated by deployment of collaborative tools including Skype for Business (SfB), cloud-based MS Office 365, and JIRA (software development tool for agile teams). These work flows, communication tools and business intelligence platforms help in keeping track of progress on key initiatives.



4. Group Synergy for Coherent Offering

The 10YS and the P5P have reiterated the need for IsDB Group Members namely ISFD, IRTI, ICIEC, ITFC and ICD to work together to deliver complementary products and services to MCs. The objective is to benefit from group-wide synergy as a way to ensure effective and efficient delivery of products and services. The group synergy will be mainstreamed during the preparation of the New Member Country Partnership Strategy (MCPS) and country Diagnostic Studies involving greater country engagements and the implementation of the new generation of MCPS for Gabon, Maldives, Morocco and Turkey. The enhanced field presence in RHs will be instrumental in leveraging the synergy of the IsDB Group members. In addition, joint programs for SDGs implementation, promoting economic cooperation and integration among MCs, trade promotion, private sector development and investment promotion illustrates the areas of increased collaboration between the Bank Group Members under the "One Bank" principle.





Key lessons
learned from evaluation
of projects completed include the
quality of project designs,
close supervision of projects and
ensuring familiarity of the
MCs with Bank **procedures**
and **standards**

Ex-Post Evaluations and Lessons Learned

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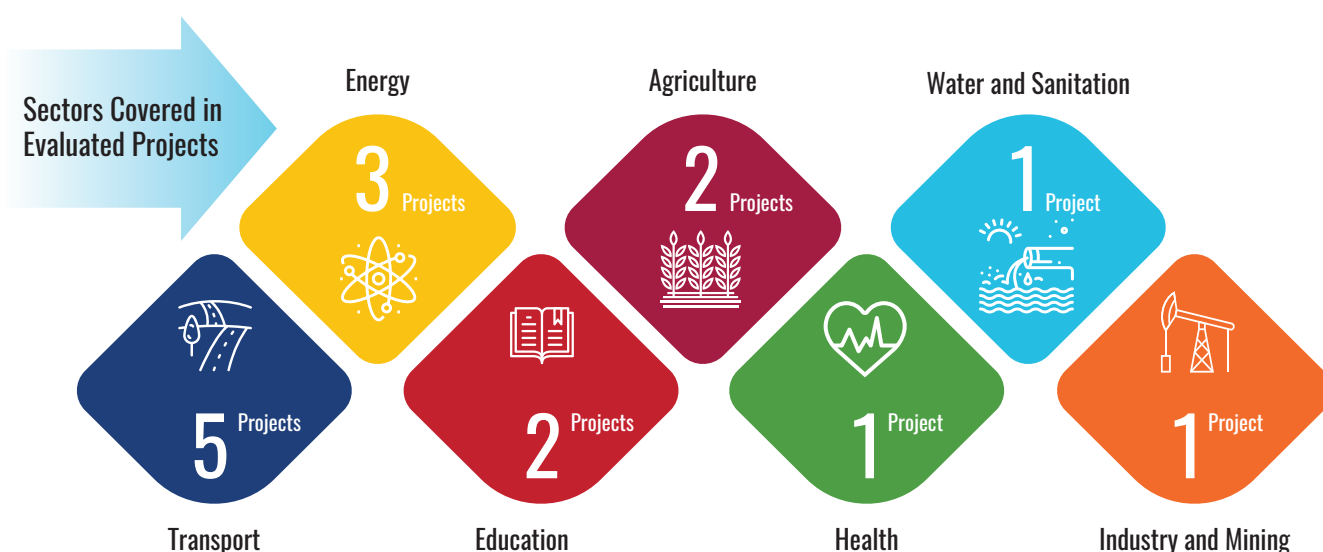
In light of the new global development agenda (i.e., the SDGs) and the IsDB's commitment to results, the OED assess selected IsDB programs and activities with a view of identifying contributions to the SDGs.

and ex-post evaluations, and through adopting sound methodological approaches to evaluation compliant with the international Standards.

In 2018, OED evaluated (on an ex-post basis) 15 OCR-funded projects in 14 countries. The evaluated projects covered several sectors including Transport (5 projects), Energy (3 projects), Education (2 projects), Agriculture (2 projects), Health (1 project), Water and Sanitation (1 project), and Industry and Mining (1 project). In addition, OED undertook a special evaluation of the "Ebola Emergency Response Program" funded by Fael Khair in West Africa. The OED also reviewed and validated 21 Project Completion Reports (PCRs).

1. Independent Evaluations at IsDB in 2018

The Operations Evaluation Department (OED), as the independent evaluation arm of the IsDB, provides objective and unbiased information for use by management and staff at the Bank in order to promote accountability and learning across the institution. It does this through periodic monitoring



The meta level evaluations undertaken by OED in 2018 included completion of four MCPS Implementation Reviews for Chad, Morocco, Mauritania, and Pakistan and the initiation of MCPS review for Suriname, and the preparation of a Synthesis Report of the Evaluations in Education Sector. The

Department also finalized two evaluations of the “Microfinance Support Program” of ISFD and the Islamic Finance TAs.

The section below provides highlights of key findings based on evaluations conducted in 2018.

2. Key Lessons Learned in 2018

1

Good quality at entry, strong capacity of the Executing Agency, and close follow-up and supervision by IsDB facilitate successful achievement of project outcomes: Good project design, selection of Executing Agencies with strong implementation capacity and continuous supervision from IsDB can help the project achieve its planned output without major changes, resulting in effective development outcomes.

2

Start-up workshops and familiarization visits contribute to better understanding of IsDB procedures and facilitate understanding of complex financing agreement with numerous legal instruments: Start-up workshops on IsDB project financing and procurement procedures can familiarize project partners with the complexities of financing agreements and tendering requirements at the beginning of the project.

3

Selection of project location should be based on the local context and the needs of beneficiaries: The mismatch between project location and local context has adverse impact on project sustainability as well as the efficient utilization of constructed facilities. Properly located projects can provide more relevant outcomes to project beneficiaries.

4

Uniformity in the standards of civil works and equipment for multi-site projects is critical to overall project success: It is necessary to ensure that use of different contractors for projects with multiple locations does not compromise the quality of output.

5

The growth of Islamic Finance will depend on the adoption of the standards set by the main standard-setting organizations, as well as building the capacity of the stakeholders: IsDB’s support and advocacy for adoption of these standards will contribute to the growth of Islamic Finance in the member countries.





IsDB will define **varied engagements and financing modalities** with MCs that suite their specific development status and to meet the **SDG requirements** within the context of a challenging global geopolitical context, a slow economic outlook, and a large financing gap for **achieving the SDG targets**

Conclusion and Challenges

“

Despite challenging global geopolitical context, slow economic outlook, and huge international financing gap for achieving the SDG targets, IsDB continued to make significant contributions towards socio-economic development of MCs and helping them to achieve their developmental needs.

There is an increasing emphasis on integrating and mainstreaming the SDGs in the Bank's operations. The Bank has also remained vigilant in adapting to the fast-changing global landscape in general and in the MCs in particular.

The 2030 SDG agenda provides a critical reference point for all development stakeholders to support sustainable development through its set of globally accepted objectives, specific and measurable targets and strategic focus on environmental sustainability. Implementation of the SDGs is gaining momentum. However, success in achieving SDGs by developing countries by 2030 will largely depend on country ownership of development processes and availability of resources from all stakeholders including national governments, civil society, the private sector and the international development partners. A new development finance architecture with a more strategic and integrated approach is needed to increase financial resource availability while ensuring effective use of available resources to achieve desired impact.



Success in achieving SDGs by **developing countries** by 2030 will largely depend on **country ownership** of development processes and availability of resources from **all stakeholders** including **national governments, civil society, the private sector** as well as the **international development partners** ”

For IsDB to meet the diverse SDG requirements of its 57 MCs requires different engagement and financing modalities suited to the development status of the countries. The Bank's transformative journey articulated in its 10YS has allowed it to adapt to this fast-changing development landscape.



IsDB's MCs face a variety of systemic and emerging socio-economic development challenges.

For example, a sizeable number of MCs are experiencing fragility and conflict-prone situations. The challenge here is how to support recovery of economic, social and physical capital of these countries. This calls for new financing mechanisms for building resilience and social cohesion in conflict affected MCs.

Many of the MCs have passed the middle-income threshold and have now assumed ownership of their development needs. The most pertinent role of the IsDB in the milieu is that of a development partner helping the MCs achieve their sustainable development objective. This requires increasingly specific knowledge of the MCs particularly its private sector as the latter takes on a more important role as the driver of economic growth. The Bank is prioritizing its interventions towards boosting the private-sector and promoting science, technology and innovation as a key enabler for these countries to avoid middle income trap and contribute meaningfully to sustainable socio-economic development efforts. In 2018, the Bank established a PPP Advisory Fund to create an enabling environment and to strengthen the ability of public agencies in MCs to develop bankable projects for private sector engagement.



The Bank is prioritizing its interventions towards **boosting the private-sector and promoting science, technology and innovation** as a key enabler for MCs to avoid middle income trap and contribute meaningfully to sustainable **socio-economic development efforts** “

Many of the low-income MCs are bestowed with rich natural resources and human capital, yet a number of these countries have not engaged in the GVC in a manner that takes advantage of their comparative advantages and adding value to their products. IsDB has taken a leadership role in helping these

countries to integrate into the global marketplace to enhance economic growth prospects in the process. The concept is one of making markets work for development. Through the GVC approach, countries will be able to increase private sector participation and increase Foreign Direct Investment (FDI) to create employment opportunities. This will also help to partially overcome the financing gap for implementation of SDGs.



IsDB has taken a **leadership role** in helping MCs to **integrate** into the **global marketplace** and enhance **economic growth prospects** in the process “



To further enhance its contribution to achieving the SDGs, the Bank has established Global Practices Departments to provide knowledge and value-added services to its MCs in thematic areas such as Climate Change, Resilience, Youth, Women, including Civil Society participation. The Bank will gradually build knowledge and capacity in order to serve an advisory role and complement its knowledge services with financing to support developmental efforts of MCs.



The Bank has established Global Practices Departments to provide knowledge and value-added services to its MCs in thematic areas such as Climate Change, Resilience, Youth, Women, with Civil Society participation “

The Bank has recently undertaken several steps in enhancing its efficiency and development effectiveness. It has redefined itself by transforming from a financier of development to a ‘Bank for development and developers’. This is explicit in the P5P. This redefinition has included structural changes such as decentralizing operational activities to regional hubs. The decentralization of Bank’s project preparation and execution to regional hubs is a great enabler for achieving better results and to enhance engagements with its stakeholders and partners. By being closer to the field, it will help in identifying high impact projects, enhancing project quality and readiness, and expediting support for project implementation. The Bank is strengthening fiduciary functions with robust oversight on mechanism to ensure compliance with the delegated decentralized authorities.



By being closer to the field, it will help in identifying high impact projects, enhancing project quality and readiness, and expedite support for project implementation “

The Bank is also leveraging its financial abilities including its sovereign borrowing status to become facilitators and engage other partners including the MDBs, other financial institutions and the private sector to generate additional funds for sustainable development of the MCs. It will be developing new partnerships and deploying innovative financing mechanisms to tap financial markets to make available additional resources for development of MCs.

The result of the Bank’s strategic and operational transformations has been a noticeable improvement in the development results. These are evident in all sectors but particularly so in infrastructure and private sector development at the outcome and output levels. In addition, Bank resources are being deployed and leveraged strategically for maximum impact.

In 2019, Bank will redouble its efforts to enhance focus on improving quality and ensure effective delivery of product and services to MCs and helping them to achieve SDGs. Further development and use of the Results Framework will be useful to assess the extent of impact in MCs of the Bank’s development efforts and integrating the lessons learnt into future programs and projects. Communicating the Bank’s role in the development of the MCs will be important in increasing the Bank’s visibility as a responsive and responsible development partner.












In 2019, Bank will redouble its efforts to enhance performance by focusing on improving quality and ensure effective delivery of products and services to MCs and helping them to achieve SDGs “




















Annexes

Annex 1: Sectoral Results from completed projects in 2018

Sector	Indicator	Achieved
 Agriculture	▶ Agricultural storage capacity built or upgraded (tons)	41,500
	▶ Area irrigated (hectares)	2,762
	▶ Associations established or actively promoted (numbers)	173
	▶ Crop production increased (tons)	3,133
	▶ Crop yield increased (tons/hectare)	4
	▶ Livestock (Dairy) production increased (tons)	2,030
	▶ Livestock (Meat) production increased (tons)	41
	▶ Market centers established, upgraded or rehabilitated (numbers)	393
 Capacity Development	▶ People employed (number)	12,822
	▶ People trained (number)	2,008
 Education	▶ Classrooms built or upgraded in primary/secondary educational institutions (number)	3
	▶ Institutions built or upgraded or equipped (number)	998
	▶ Students benefitted (number)	2,304,751
	▶ Teachers/Faculty/Staff trained (number)	12,500
	▶ Vocational and non-formal	13,122
	▶ Vocational and non-formal Faculty & staff	980
 Energy	▶ Installed energy generation capacity using non-renewable sources (MW equivalent)	631
	▶ Sub-stations installed, upgraded or rehabilitated (MVA)	1,447
	▶ Transmission/Distribution lines installed, upgraded or rehabilitated (km)	1,494

Sector	Indicator	Achieved
 Health	▶ Health facilities constructed or upgraded or equipped (number)	5,283
	▶ Preventive healthcare - Number of Long Lasting Insecticidal Nets (LLINs) distributed (Malaria) (number)	2,160,000
	▶ Preventive healthcare - Number of people reached through awareness campaigns (number)	38,000,000
 Rural Development	▶ Population accessing microfinance (number)	223,636
 Telecomm & ICT	▶ Increase in subscribers of Internet/Mobile/Land Line Phone (number of users)	5,215,900
	▶ Length of Fiber Optic Network built (km)	20,127
 Transportation	▶ Annual capacity increased at airports (number of passengers or tons of cargo)	867,733
	▶ Annual capacity increased at other transport or logistics gateways and hubs (intermodal platforms, logistics parks, etc.) (TEU, tons, m3, vehicles or passengers)	150,000
	▶ Expressways and National or Regional highways built, upgraded or rehabilitated (km)	379
	▶ Local/Rural roads built, upgraded or rehabilitated (km)	14,548
 Water, Sanitation & Housing	▶ Households with access to potable water supply systems (number)	21,498
	▶ Increased potable water treatment capacity (m3/day)	30,500
	▶ Increased wastewater treatment capacity (m3/day)	154,000
	▶ Sewerage network installed or upgraded (km)	3,309
	▶ Shelters/houses built, upgraded or rehabilitated (number)	8,115
	▶ Water supply network installed or upgraded (km)	636













Annex 2: Results by Countries*

Country		CSI Sector	CSIT Name	Results Achieved
 Albania		Transportation	▶ Expressways and National or Regional highways built, upgraded or rehabilitated (km)	27
		Water, Sanitation & Housing	▶ Increased wastewater treatment capacity (m3/day)	4,000
			▶ Water supply network installed or upgraded (km)	27
 Bahrain		Energy	▶ Installed energy generation capacity using non-renewable sources (MW equivalent)	27
			▶ Sub-stations installed, upgraded or rehabilitated (MVA)	1,447
			▶ Transmission/Distribution lines installed, upgraded or rehabilitated (km)	1,471
			Water, Sanitation & Housing	▶ Water supply network installed or upgraded (km)
 Bangladesh		Telecomm & ICT	▶ Increase in subscribers of Internet/Mobile/Land Line Phone) (number of users)	5,215,900
			▶ Length of Fiber Optic Network built (km)	20,127
	 Benin		Agriculture	▶ Market centers established, upgraded or rehabilitated (numbers)
		Capacity Development	▶ People trained (number)	1,209
		Employment Generated	▶ People employed (number)	1,107
		Rural Development	▶ Population accessing microfinance (number)	138,355
		Transportation	▶ Expressways and National or Regional highways built, upgraded or rehabilitated (km)	118
			▶ Agricultural storage capacity built or upgraded (tons)	41,500
 Cameroon		Agriculture	▶ Area irrigated (hectares)	1,500
			▶ Crop production increased (tons)	2,174
		Transportation	▶ Local/Rural roads built, upgraded or rehabilitated (km)	181

* Only countries with results achieved in 2018 are listed

Country	CSI Sector	CSIT Name	Results Achieved
 Cote d'Ivoire	 Agriculture	▶ Area irrigated (hectares)	332
	 Transportation	▶ Local/Rural roads built, upgraded or rehabilitated (km)	13
	 Water, Sanitation & Housing	▶ Increased potable water treatment capacity (m3/day)	12,000
		▶ Water supply network installed or upgraded (km)	20
 Indonesia	 Education	▶ Institutions built or upgraded or equipped (number)	898
	 Employment Generated	▶ People employed (number)	4,000
	 Health	▶ Health facilities constructed or upgraded or equipped (number)	5,243
	 Rural Development	▶ Population accessing microfinance (number)	84,176
	 Transportation	▶ Local/Rural roads built, upgraded or rehabilitated (km)	14,216
		▶ Households with access to potable water supply systems (number)	19,823
	 Water, Sanitation & Housing	▶ Sewerage network installed or upgraded (km)	2,524
		▶ Shelters/houses built, upgraded or rehabilitated (number)	8,115
 Iran	 Water, Sanitation & Housing	▶ Increased wastewater treatment capacity (m3/day)	70,000
		▶ Sewerage network installed or upgraded (km)	785
 Kyrgyz	 Transportation	▶ Expressways and National or Regional highways built, upgraded or rehabilitated (km)	93
		▶ Households with access to potable water supply systems (number)	1,675
 Mali	 Water, Sanitation & Housing	▶ Increased potable water treatment capacity (m3/day)	18,500
		▶ Water supply network installed or upgraded (km)	73

Country	CSI Sector	CSIT Name	Results Achieved
 Mauritania	 Agriculture	▶ Area irrigated (hectares)	124
		▶ Crop production increased (tons)	959
		▶ Crop yield increased (tons/hectare)	4
		▶ Livestock (Dairy) production increased (tons)	1,873
		▶ Livestock (Meat) production increased (tons)	31
		▶ Market centers established, upgraded or rehabilitated (numbers)	3
	 Energy	▶ Installed energy generation capacity using non-renewable sources (MW equivalent)	60
	 Transportation	▶ Expressways and National or Regional highways built, upgraded or rehabilitated (km)	63
 Morocco	 Education	▶ Students benefitted (number)	2,284,174
		▶ Teachers/Faculty/Staff trained (number)	12,000
 Niger	 Agriculture	▶ Area irrigated (hectares)	474
 Pakistan	 Employment Generated	▶ People employed (number)	1,361
	 Energy	▶ Installed energy generation capacity using non-renewable sources (MW equivalent)	147
	 Health	▶ Preventive healthcare - Number of people reached through awareness campaigns (number)	38,000,000
 Senegal	 Agriculture	▶ Area irrigated (hectares)	332
		▶ Associations established or actively promoted (numbers)	173
		▶ Livestock (Dairy) production increased (tons)	157
		▶ Livestock (Meat) production increased (tons)	10
	 Employment Generated	▶ People employed (number)	784
	 Health	▶ Preventive healthcare - Number of Long Lasting Insecticidal Nets (LLINs) distributed (Malaria) (number)	1,500,000
	 Transportation	▶ Annual capacity increased at airports (number of passengers or tons of cargo)	867,733
		▶ Local/Rural roads built, upgraded or rehabilitated (km)	128

Country	CSI Sector	CSIT Name	Results Achieved
 Sierra Leone	 Agriculture	▶ Market centers established, upgraded or rehabilitated (numbers)	6
	 Capacity Development	▶ People trained (number)	135
	 Health	▶ Health facilities constructed or upgraded or equipped (number)	40
		▶ Preventive healthcare - Number of Long Lasting Insecticidal Nets (LLINs) distributed (Malaria) (number)	30,000
	 Transportation	▶ Annual capacity increased at other transport or logistics gateways and hubs (intermodal platforms, logistics parks, etc.) (TEU, tons, m3, vehicles or passengers)	150,000
 Sudan	 Health	▶ Preventive healthcare - Number of Long Lasting Insecticidal Nets (LLINs) distributed (Malaria) (number)	630,000
	 Capacity Development	▶ People trained (number)	532
 Tajikistan	 Education	▶ Vocational and non-formal	13,122
		▶ Vocational and non-formal Faculty & staff	980
	 Rural Development	▶ Population accessing microfinance (number)	1,105
 Togo	 Agriculture	▶ Market centers established, upgraded or rehabilitated (numbers)	350
		▶ Classrooms built or upgraded in primary/secondary educational institutions (number)	3
	 Education	▶ Institutions built or upgraded or equipped (number)	100
		▶ Students benefitted (number)	20,577
		▶ Teachers/Faculty/Staff trained (number)	500
	 Transportation	▶ Expressways and National or Regional highways built, upgraded or rehabilitated (km)	78
 Tunisia	 Employment Generated	▶ People employed (number)	5,570
	 Energy	▶ Installed energy generation capacity using non-renewable sources (MW equivalent)	400
	 Energy	▶ Transmission/Distribution lines installed, upgraded or rehabilitated (km)	23
 Uzbekistan	 Transportation	▶ Local/Rural roads built, upgraded or rehabilitated (km)	10
	 Water, Sanitation & Housing	▶ Increased wastewater treatment capacity (m3/day)	80,000
		▶ Water supply network installed or upgraded (km)	16

Annex 3: SDG Trends in Member Countries

Country	SDG Achievement (%) (IsDB average: 57)	SDG on Track ▲	SDG Progress Decreasing ▼
Afghanistan	46		
Albania	68	 	
Algeria	68		 
Azerbaijan	71		
Bangladesh	58		
Benin	49		 
Burkina Faso	50		
Cameroon	55		
Chad	43		
Cote D'Ivoire	54	  	
Djibouti	50		 
Egypt	62	 	
Gabon	62		
Gambia	51		   
Guinea	51		
Indonesia	62	  	
Iraq	53		
Jordan	64		 
Kazakhstan	68	   	
Kyrgyz	69	 	

Country	SDG Achievement (%) (IsDB average: 57)	SDG on Track ▲	SDG Progress Decreasing ▼
Lebanon	64		  
Malaysia	70	   	
Mali	49	 	
Mauritania	50		
Morocco	66		
Mozambique	51		
Niger	48		
Nigeria	48		 
Pakistan	54		 
Senegal	56	  	
Sierra Leone	48		
Sudan	48		
Tajikistan	66		 
Togo	51		
Tunisia	66	  	
Turkey	66		
Uganda	55		
Uzbekistan	70	    	
Yemen	44		  

- ▶ No MC with available data achieved all SDG targets
- ▶ Made moderate progress in at least one SDG
- ▶ All MCs with available data has at least one SDG stagnating
- ▶ Following MCs do not have sufficient data: Bahrain, Brunei, Comoros, Guinea Bissau, Guyana, Iran, Kuwait, Libya, Maldives, Oman, Palestine, Qatar, Saudi Arabia, Somalia, Suriname, Syria, Turkmenistan, United Arab Emirates



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