

The Road to the SDGs

The President's Five-Year Programme
PROGRESS AND ACHIEVEMENTS



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The Road to the SDGs
The President's Five-Year Programme
Progress and Achievements

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At the Islamic Development Bank (IsDB), we are working to improve the lives and livelihoods of those we serve. We promote social and economic development in member countries (MCs) and communities worldwide, delivering impact at scale. We provide the infrastructure and training needed for people to lead better lives and achieve their full potential.

We believe all people have the right to live in dignity and prosperity, and that the best route out of poverty is to nurture economic growth while leaving no one behind.

We equip people to drive their own economic and social progress at scale, putting the infrastructure in place to enable them to fulfil their potential. We build collaborative partnerships between communities and nations across the public and private sectors.

We foster innovative and sustainable solutions to the world's greatest development challenges, as we work towards the United Nations Sustainable Development Goals (SDGs).

SUSTAINABLE DEVELOPMENT GOALS



The global development agenda, represented by agreement on the SDGs along with subsequent agreements (such as COP21 on climate change, the Addis Ababa Action Agenda, and the Sendai Framework for Disaster Risk Reduction), constitutes a trajectory shift in the global development dialogue. Operationalising this agenda requires a different business model that emphasises market-led growth, science, technology and innovation, and global partnership for development. It is time to shift global development action from short-term interventions addressing narrow and immediate pain points to tackling the root causes hindering sustainable growth.

IsDB has fully embraced the 2030 Agenda by formally incorporating the SDGs in its work programming. The SDGs gaps in its MCs lie at the heart of decision making. MC interventions are mapped against the SDGs, which provide a clear picture as to how our resources are adding value towards the attainment of the SDGs and how IsDB is playing its role effectively in the multilateral development bank ecosystem.



ACKNOWLEDGEMENTS

We thank all the organisations whose knowledge of development finance and other related subjects has informed this publication. They bring many insights into the global challenges of multilateral development banking in the twenty-first century.

This publication covers a wide range of complex topics and incorporates content from multiple stakeholders. Sources include member countries, United Nations bodies, various agencies and industry experts.

The Future is a series of publications led by IsDB Department of Strategy and Transformation (DoST) and dedicated to forecasting economic needs and helping MCs to be better prepared to meet them. The chief aim of the series is to help create global coalitions driven by a shared vision of the future of humanity.

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List of abbreviations

10YS.....	10-Year Strategy	EIB	European Investment Bank
ADB.....	Asian Development Bank	EIF.....	Economic Infrastructure Facility
ADER.....	Annual Development Effectiveness Report	ERM	Enterprise Risk Management
AfCFTA.....	African Continental Free Trade Area	ESG.....	Environment, social and governance
APIF	Awqaf Properties Investment Fund	ESSP	Environmental and Social Safeguards Policy
BED.....	Board of Executive Directors	EV	Electric vehicle
BoG.....	Board of Governors	FCD.....	Financial Control Department
BRAVE.....	Business Resilience Assistance for Value-Adding Enterprises	FDI.....	Foreign direct investment
CGS.....	Corporate Governance Section	FI	Financial institutions
COO	Chief Operations Officer	GCC.....	Gulf Cooperation Council
CoP.....	Community of Practice	GCF.....	Green Climate Fund
CP	Country Platform	GCP.....	Global Coordination Platform
CPO.....	Chief Product and Partnership Officer	GIF.....	Global Infrastructure Facility
CSO.....	Civil society organisations	GVC.....	Global Value Chain
CUC.....	Cumulative undisbursed commitments	IAEA.....	International Atomic Energy Agency
DEFAl.....	Development Finance Assessment Index	ICF.....	Integrated Control Framework
DoA.....	Delegation of Authorities	ICIEC	Islamic Corporation for the Insurance of Investment and Export Credit
DoST	Department of Strategy and Transformation	ID	Islamic Dinar
EBRD	European Bank for Reconstruction and Development	IFS.....	Islamic financial sector
EC	European Commission	ILO.....	International Labour Organization
EED.....	Economic Empowerment Department	IMDT.....	Information Management and Disruptive Technology Department
EEFPP.....	Economic Empowerment Fund for Palestinian People	IMF	International Monetary Fund

List of abbreviations

IsDB	Islamic Development Bank	RH	Regional Hub
IsDB Group...	Islamic Development Bank Group	RL	Reverse Linkage
IsDBI	Islamic Development Bank Institute	RMD	Risk Management Department
ISFD	Islamic Solidarity Fund for Development	SDGs	Sustainable Development Goals
ISPF	Integrated Strategic Programming Framework	SFD	Social Fund for Development
ITFC	Islamic Trade Finance Corporation	SMEs	Small and medium-sized enterprises
IWP	Integrated Work Programme	SPRP	Strategic Preparedness and Response Programme
KPI	Key Performance Indicators	SPV	Special purpose vehicles
LDMC	Least developed member countries	SSC	South-South cooperation
LLF	Lives & Livelihoods Fund	SSTrC	South-South and triangular cooperation
LMIC	Low- and Middle-Income Countries	STI	Science, technology and innovation
LoF	Line of financing	TA	Technical Assistance
M&E	Monitoring and evaluation	UNDESA	United Nations Department of Economic and Social Affairs
MC	Member country	UNDP	United Nations Development Programme
MCPS	Member Country Partnership Strategy	UNESCWA	United Nations Economic and Social Commission for Western Asia
MDBs	Multilateral development banks	UNOSSC	United Nations Office for South-South Cooperation
MoU	Memorandum of Understanding	WASH	Water, sanitation and hygiene
MSMEs	Micro, small and medium-sized enterprises	WB	World Bank
OCR	Ordinary capital resources	WIPO	World Intellectual Property Organization
OED	Operations Evaluation Department		
OIC	Organisation of Islamic Cooperation		
P5P	President's Five-Year Programme		
PPP	Public-private partnership		

The Islamic Development Bank is working for a SUSTAINABLE FUTURE

Leading through partnership, working with our MCs to support them in meeting their development goals and tackle complex global challenges

Looking to the future through our new business model and the President's Five-Year Programme, ensuring that goals are actionable and progress measurable

Creating an environment that is conducive to successful cooperation with donors and investors, taking a visionary approach to development finance and leading in Islamic finance

Ensuring long-term sustainability for our MCs by being a responsive organisation that leads by example in times of global crisis, acting for a better world



Highlights of the P5P Accomplishments

By Dr. Bandar Hamza Hajjar
President, IsDB

In 2017, I launched the President's Five-Year Programme (P5P) (2017-2021) entitled "The Road to the SDGs in a Fast-Changing World". The programme detailed the initiatives we intended to deliver on over the following five years, as well as the new IsDB business model. The programme was released as a book in IsDB's three languages: Arabic, English and French.

Today, five years after launching the P5P, I am pleased to share the accomplishments achieved.

As mentioned in this book, the accomplishments reflect a story of institutional transformation towards a prosperous present and a bright future for IsDB and its member countries (MCs). IsDB has revived itself so as to be, as its founders wanted it, pioneering, proactive and agile in meeting the needs of its MCs and in its interaction with the global development agenda. The transformation was not an easy process; it was fraught with challenges and difficulties that had to be addressed to avoid the truly painful probability of failing to read the present and foresee the future. Moreover, replicating traditional approaches reflects lack of adaptability to rapid changes in economic conditions.

The repercussions of the COVID-19 pandemic have reasserted the postulate we presented five years ago; **that we need to think differently and work differently to achieve different results.**

Our pursuit of change and transformation is a story of aspiration, determination and will, that was nurtured by the Board of Governors, Board of Executive Directors and MCs, especially our host country, the Kingdom of Saudi Arabia. To them all we owe our deepest praise and appreciation.

I must also thank my colleagues at IsDB for their substantial contributions towards operationalising and furthering the initiatives from conception to implementation.

Together, we devised more than 100 initiatives.

Investing in the future.

OUR THEORY OF CHANGE

If, as a starting point, MCs can mobilise only 1% of global markets' resources to expand domestic industrialisation in competitive industries, they can close their SDGs' financing gap, estimated at US\$ 1 trillion, and create 10 million jobs annually

Shaping new frontiers for development

Applying the 80/20 principle, by focusing on the specific industries where MCs have a comparative advantage, shows that these countries have the potential to trigger a process of reglobalisation that unlocks the 1/5/10 opportunity:

- ▶ US\$ 1 trillion can be mobilised by MCs from global market resources in areas of comparative advantage
- ▶ 5 industries of comparative advantage represent a solid starting point for expanded domestic industrialisation
- ▶ 10 million jobs can be created annually as a result of the expanded domestic industrialisation

Creating impact the smart way

Attracting global markets requires MCs to embrace comprehensive programmes characterised by transformations along six result areas:

- ▶ Improving access to market information to promote transparency and thus investment
- ▶ Maximising intra-OIC value-added as one global trade block
- ▶ Doing business the Industry 4.0 way to meet rising global productivity expectations
- ▶ Building an enabling infrastructure for green value chains to save the planet and sustain resources
- ▶ Repositioning finance for development by aligning risk with real economic growth
- ▶ Building resilient market systems that leave no one behind

Building an agile organisation

As a central hub capable of orchestrating such comprehensive MC programmes, IsDB is reinventing itself into an agile organisation that can take its MCs to new frontiers for sustainable growth along six tracks:

- ▶ Improving IsDB visibility
- ▶ Crowding-in resources from the market
- ▶ Building new organisational capabilities
- ▶ Decentralising functionally and geographically
- ▶ Ensuring sustainable financial growth
- ▶ Managing for development results

In reading the initiatives, the reader, especially if not specialised in the same field, might wonder about many things. For instance, why did IsDB develop a new business model? What is in switching to the new business model for our MCs? What would have happened had we not switched to the new business model? What is the link between IsDB's new business model and the pressing issues of development, such as climate change, external debt, refugees, protectionism, poverty, unemployment, innovation, etc? That is why I found it best to present those issues in Q&A form to enhance readability and facilitate better comprehension of the initiatives.

QUESTION: In October 2016, IsDB entered a new stage when its new President assumed office. A hundred days later, in January 2017, the P5P and the new business model were announced. What are their main features? Why were they developed and what are their contemplated results?

ANSWER: When I assumed office as President of IsDB in 2016, I made a deep reading of the existing economic regional and global landscape and future economic projections. My aim was to identify the optimum business model for IsDB to help its MCs build strong, diverse and viable economies capable of creating jobs, attracting domestic and foreign investment and fulfilling their commitments to achieve the SDGs, the Paris Agreement (on climate change) and IsDB's Articles of Agreement.

To put this into perspective, let us take a look at the economic and social map of the 57 MCs. We will find them in four continents: Asia, Africa, Europe and South America, with the vast majority being developing countries, along with a number of least developed countries (LDCs). Their economies all depend on exporting raw materials, and hence jobs, to industrialised countries. However, the prices of raw materials are subject to global factors beyond the control of their exporting countries, which affects the implementation of their national development plans or even disrupts it at times, when export prices suffer sharp drops. In these countries, the public sector plays a pivotal role in managing and controlling the economy, while the private sector's contribution is minor and virtually insignificant. The role of the tertiary non-profit sector is extremely modest, or even inexistent in some cases.

This situation caused unemployment to increase and debt to worsen, widened the funding gap and perpetuated balance of payments deficit. The number of new job seekers in the 57 MCs is estimated at about 10 million young people a year. By 2030, this figure would reach

90 million people. As such, failure to provide jobs has economic, social and security implications. Moreover, MCs need about US\$ 1 trillion annually to implement the SDGs, while aggregate developmental funding from multilateral development banks (MDBs), including IsDB, ranges from 160 to US\$ 170 billion annually. A leap from billion to trillion figures is thus required. These challenges are exacerbated by the steady increase in MC population, expected to rise from 1.7 billion in 2015 to 2.2 billion by 2030. Added to the rapid and successive changes around the world, all indicators point to an emerging new world order featuring economic, financial and social decentralisation and accelerated protectionism. Such an order is driven by unprecedented technological progress embodied in the various Industry 4.0 applications and their direct and indirect impact on the way countries and public and private institutions are managed, and on the patterns of financing, production, consumption and investment. This new order has lucidly manifested its features during the COVID-19 pandemic.

In the near past, discussions on such developments were more like speculation and science fiction. However, today such fiction has become reality on the ground with the developments in robotics, artificial intelligence, the Internet of Things, big data, drones and blockchain technology. Such technological and digital advances have an impact on the survival of industries in which our MCs enjoy comparative advantages as well as on their competitiveness, because innovation is the main driver of growth and competitiveness.

Adding the unprecedented repercussions of the COVID-19 pandemic to the aforementioned global economic landscape, we clearly realize the importance of building economies that can weather unpredictable events, especially the repercussions of climate change (for which we established a dedicated IsDB "Resilience and Social Development" department in 2018).

These changes can only be addressed by thinking outside the box. IsDB needs a new work programme and business model that can absorb these changes towards helping MCs build viable economies consistent with the new world order.

Accordingly, the P5P came out as an action plan that includes initiatives and programmes aimed at helping MCs build and develop viable and resilient economies and meet their commitments to achieve the SDGs, the Paris Agreement, IsDB's Articles of Agreement and the Global Development Agenda. To implement the P5P, a new business model was designed under the theme "Making Markets Work for Development: 1/5/10".

The President's Programme crafts a new business model that aims to **make markets work for development** to realise the **1/5/10 opportunity**



QUESTION: How can the new business model make markets work for development? What does making markets work for development mean? And what do the numbers 1/5/10 signify?

ANSWER: With this new business model, IsDB aspires to be a pioneering, proactive and at the forefront of developmental action, that meets the needs of its MCs. Under the second generation of member country partnership strategies (MCPS 2.0), IsDB has shifted from country programming based on financing projects as requested by MCs to proactive market-driven programming. This model focuses on selecting industries where each country has a competitive advantage then building value chains for such industries and connecting local value chains with global ones. By doing so, the country establishes an industry that provides economic added value, jobs and projects capable of attracting local and global investments.

In this endeavour to make markets work for development, IsDB assumes new roles to serve all groups, particularly the poor and the marginalised, improve livelihoods and reduce poverty. The new roles are those of a catalyst, guarantor, transformer, facilitator and partner that leverages its strengths, including its AAA credit rating, its field presence in 57 countries and its excellent relations with non-member countries and international organisations, to mobilize resources for its MCs from global markets and de-risk investments. This is particularly significant in view of our recognition that IsDB's own resources and co-financing with other MDBs would never be enough to fill the US\$ 1 trillion financing gap annually.

IsDB conducted in-depth and comprehensive studies on the following five strategic industries in which MCs enjoy relative advantages. The objective is to strengthen their competitiveness in these sectors, qualify them for Industry 4.0, and identify the trends that will shape the future of these industries in the 57 MCs by 2030 and beyond.

1. Agri-food

The agricultural sector in MCs remains inadequately exploited because of the focus on primary production, preventing it from generating higher added value and creating more jobs. The COVID-19 pandemic has exposed the weakness of global food supplies and raised questions about food security and ways to achieve it. To enhance their competitiveness, promote domestic value chains and facilitate their access to global markets, MCs need to position themselves within the complex agri-food value chains and protect the future of this industry through modernisation and investment in science, technology and innovation (STI) and in global partnerships. They should also include public-private partnerships (PPPs) in their strategies.

REALIZING OPPORTUNITIES FOR THE 21ST CENTURY THROUGH RESILIENT GLOBAL VALUE CHAINS

AGRI-FOOD



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REALIZING OPPORTUNITIES FOR THE 21ST CENTURY THROUGH RESILIENT GLOBAL VALUE CHAINS

MINING & CONSTRUCTION



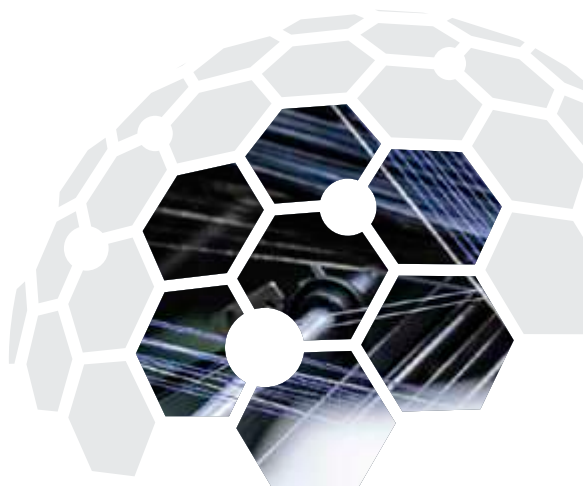
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Volume 3

2. Mining and construction

MCs have huge mineral reserves, accounting for 11% of the world production, but need to expand into the processing of those minerals. MCs are also rich in

construction minerals; a sector that can create many jobs. This industry must be prepared for the future, given the rapid technological changes. Development finance institutions can contribute to the financing of major

REALIZING OPPORTUNITIES FOR THE 21ST CENTURY THROUGH RESILIENT GLOBAL VALUE CHAINS TEXTILES & APPAREL



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THE FUTURE
Volume 5

FUTURE OF FINANCE

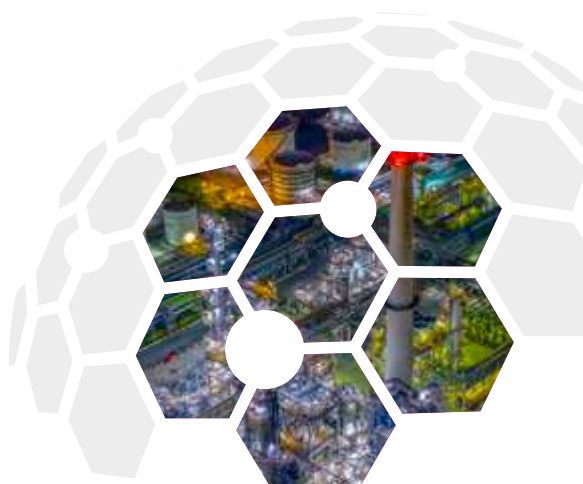
REDEFINING THE ROLE OF FINANCE IN AN INDUSTRY 4.0 WORLD



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projects, particularly power generation projects for the mining sector. Private investors can provide foreign direct investment in a fair win-win partnership, with IsDB playing the role of facilitator of such fruitful cooperation.

REALIZING OPPORTUNITIES FOR THE 21ST CENTURY THROUGH RESILIENT GLOBAL VALUE CHAINS PETROCHEMICALS



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3. Textiles and apparel

MCs are among the largest producers of textiles and apparel in the world, with a vital role in the supply of raw materials and in the various stages of the value chain. What is needed, however, is to increase their share in the global economy, enhance added value and create jobs to bolster their economic and social development. In this context, universities and research centres must play a key role in promoting innovation, partnerships and branding.

4. Petrochemicals

Petrochemical products are undoubtedly an important source of quality jobs. Some oil-exporting MCs still import high-value petrochemicals. In response, IsDB is developing a roadmap to establish a network of cooperation with public and private entities, with a focus on innovation to generate higher added value in this sector of high growth and impact.

5. Islamic finance

This is the crosscutting theme of all the other mentioned industries. We consider it to be our most important tool to support and promote our industries and to encourage inclusion of the finance-deprived sector so as to unleash

the potential of our MCs. Hence, developing the Islamic finance industry is one of IsDB's key strategic areas as stated in the P5P and IsDB's 10-years strategy (10YS). Unlike the conventional finance industry, Islamic finance is rooted in ethics and in a particular understanding of the economy that only supports transactions that are asset-backed. This feature makes Islamic finance capable of producing a sound economic policy that restores fairness to the financial system, where equity and inclusiveness would be prime, ultimately leading to financial stability.

Such characteristics encouraged MCs and quite a number of non-MCs to consider Islamic finance as an industry which complements conventional finance in terms of products, services and institutions, and as a promising empowerment tool to eliminate extreme poverty and promote common prosperity. IsDB has consistently been responsive to requests from those countries to help them develop the necessary legal and regulatory framework to establish this industry.

The new business model provides us with three historic opportunities, namely mobilizing and investing US\$ 1 trillion annually in 5 industries in the 57 MCs to create 10 million jobs. That is what is meant by 1/5/10. Our MCs form a broad market that would give rise to significant mutual benefits once it engages itself in those 5 industries and taps into their products. Each country would use its comparative advantages to serve other countries. As such, IsDB would be assuming its role as a catalyst to provide opportunities to integrate local value chains all over the world, which would allow expanding those markets and realising sustainable empowerment.

The Gabonese Republic was chosen to be the first country where the new business model would be applied. A technical team from IsDB, jointly with the public and private sectors in Gabon, identified two sectors where the country has competitive advantages: the manganese and timber industries. Accordingly, IsDB conducted an economic and financial feasibility study, designed the local value chains of these two industries and linked them to global value chains. Preliminary studies indicate the possibility of creating 27,000 jobs and up to US\$ 11 billion of added value in manganese casting, as opposed to the mere US\$ 1 billion in the case of producing raw manganese. There is enormous untapped potential to extend activity downstream in the value chain, thus creating additional jobs and further stabilizing the economy.

We currently have requests from 17 MCs to sign Member Country Partnership Strategies (MCPSs) applying the new business model. This model has made IsDB proactive in identifying the needs of countries and prioritizing the

projects it finances. The developmental impact manifests itself clearly in creating jobs, increasing exports and attracting investments, thus forging a viable economy. In contrast, merely financing scattered projects in various fields exclusively dominated by the government or the public sector as sole player will not enable us to achieve the required developmental impact.

That is why we must "make markets work for development", being aware that these markets involve many stakeholders, each having a role from which a developmental impact is expected. However, in some countries there is only one stakeholder, which is the government or public sector.

QUESTION: How did MCs react to IsDB's new business model?

ANSWER: The Board of Governors, which comprises MC ministers of finance and planning, and the Board of Executive Directors praised the new business model. IsDB has received requests from a number of MCs expressing their desire to join the second generation of Member Country Partnership Strategy (MCPS 2.0) applying the new business model. These include Guinea, Indonesia, Malaysia, the Maldives, Niger, Nigeria and Turkey. IsDB intends to implement MCPS 2.0 over the next five years, delivering 11 MCPSs a year.

QUESTION: Is it easy and feasible to mobilize US\$ 1 trillion of investments in MC projects?

ANSWER: Mobilizing the financial and human resources needed to implement projects in MCs is not an easy task, but it is doable. The difficulty is not in the availability of funds; there are approximately US\$ 300 trillion in the global capital market awaiting investment opportunities and projects that are feasible in terms of profitability and developmental impact. The real difficulty is twofold: the lack of well-studied projects that would clearly inform the investor of the underlying risks and opportunities, and the lack of a regulatory environment enabling profitable investments.

Our new business model focuses on sectors where MCs have a competitive advantage. It prepares projects that are ready for implementation within the relevant value chain, cover all fields (e.g. infrastructure) and are suitable for all partners. The role of IsDB, as mentioned earlier, is not limited to that of a financier, but also a catalyst and guarantor. IsDB will establish an investment body with a board comprising all project co-financiers, and that body can issue Sukuk to finance projects for each industry.

Under the new business model, IsDB also works on building capacity and human capital, developing laws and improving the investment environment.

When studying the value chain, we identify the organisational requirements needed, the financing services of all kinds and the statistical and technological databases needed by each stakeholder at each stage of the chain. We design projects as chains. After project design, there are different implementation options, including PPP, where the private sector participates in the entire lifecycle of the project starting from implementation to operation and, ultimately, profitability. This would enhance efficiency and help implement the largest number of projects possible at the same time. IsDB will go to the recipient markets

of these strategic industries to attract their financial and human resources to participate in implementation, because the profits they derive from the domestic final product of these industries would encourage them to invest in these industries. This is where IsDB fits in as provider of the guarantees necessary to secure such investments and reduce their risks to a minimum by leveraging its AAA rating.

This model transforms IsDB from an on-demand finance provider to a proactive institution that identifies the needs of countries based on competitiveness. Through this new style of business, IsDB seeks to put an end to the inefficient process of receiving and scheduling applications for scattered projects (most of which are sovereign projects that often require rescheduling) then making approvals



within the limits of its financial resources. Instead, it wants to focus instead on growth driven by markets, innovation and partnerships, thus shifting the essence of development from addressing symptoms to addressing causes.

QUESTION: The business model reflects the transition from theory to practice. This is quite evident in the choice of an LDC like Gabon to be the first country where the new business model would be applied. However, Gabon and other developing countries lack strong institutions, relevant regulations, qualified personnel and an investment-enabling environment. How can projects of such magnitude be implemented in countries missing those elements?

ANSWER: Some facts need to be explained before the question is answered.

► IsDB is a development bank whose main function is to promote economic and social development in developing countries and LDCs. It is the South institution whose members, unlike the other development banks, are all developing countries. It is also the only one among the eleven MDBs to gain the AAA credit rating from the top three global rating agencies, despite the fact that none of its MCs has that rating. In other words, its high rating reflects its own financial, administrative and governance strength. As IsDB deals with developing countries and LDCs, it is no surprise that the mentioned elements, such as laws, institutions and an investment-friendly environment, be missing.

► Financing alone will never solve the development issues in those countries. At IsDB, we consider financing as only one element in an integrated package of financial and non-financial services. Unfortunately, the business models applied in many institutions focus solely on providing financing, in the belief that this would reposition those countries into the group of advanced industrial countries. Development banks have invested in applying these models, and the result is that 60 or 70 years on, most of these countries still export raw materials to advanced industrial countries, and, hence, continue to suffer unemployment, emigration, poverty and other economic and social ailments. This is because the models applied focus on symptoms and ignore causes. Poverty, unemployment and increased indebtedness are all symptoms, not causes. Focusing on the symptoms and prescribing painkillers is simply futile. Naturally, continuing to apply the same business model will not lead to different results. That is why the new business model was designed to target the root causes of the ailments, even though the treatment of causes is not easy.

With that clarification, the question can be answered directly.

For developing countries to meet their SDG commitments, they must attract funding and private capital, which currently represents only 10% in the vast majority of these countries. This requires a radical shift toward a social, economic and environmental investment approach that considers any social or economic problem an issue with financial adequacy, identifies the cost of development obstacles -such as unemployment and management incompetence- and highlights the financial gains resulting from addressing this problem as an investment opportunity for the private sector, guaranteed by IsDB under the MCPS. As such, the portfolio of operations would be gradually transformed from financing separate operations and projects to implementing an integrated programme with MCs under MCPS 2.0. To that end, IsDB will work on the following five tracks:

- Improving access to market information. This requires building statistical capacity, which can be done by providing technical assistance to MCs.
- Focusing on the cohesion among OIC member states and their participation in value chains at the national and inter-OIC levels, followed by deploying Reverse Linkage as a tool for cooperation with global market stakeholders.
- Addressing the weakness of private sector participation by (1) reforming the investment environment, not only to attract investors but also to encourage the private sector to reinvest its savings domestically; and (2) enhancing productivity and, hence, competitiveness, and ensuring sustained growth in light of the radical changes brought about by Industry 4.0. To that end, IsDB will continue to focus on reforming business policies and providing scholarships for future leaders, especially in LDCs, in addition to leveraging STI to improve productivity and support entrepreneurship. Worker productivity in MCs will be benchmarked against peers in developed countries after implementing the programmes, especially in industries where MCs have a competitive advantage.
- Directing a large proportion of resources to infrastructure projects that raise the efficiency of market players within the value chains selected in the MCPS. There are two advantages to this method: (1) readily available industrial customers who have a high demand to mobilize investments from the market in these projects because they are financially feasible, and (2) addressing environmental sustainability issues due to the focus on developing industrial infrastructure, as industrial activities usually have the greatest impact on the environment. In this regard, IsDB will play an active role in sourcing

high-quality projects to attract the private sector. As such, it can deliver more on less of its own resources. One of the targets to be achieved is increasing the number of people who benefit from the infrastructure within the region covered by the core value chains. Residents of the value chain area would also be the natural beneficiaries of employment opportunities arising from the geographical distribution of economic activities of this chain.

► Redefining the role of Islamic finance in development, given that a strong financial services industry is critical to undertaking activities within value chains. Islamic finance is uniquely positioned to lead in this domain, as it combines finance and economic activity. IsDB seeks to use this advantage, especially as the volume of Islamic financing today exceeds US\$ 2 trillion, twice the volume of funding needed to achieve the SDGs.

QUESTION: The book or report on achievements includes more than 100 initiatives that were fully or partially implemented in about five years. What were the main difficulties you personally faced, as President, in the rapid shift from an existing business model to a new one?

ANSWER: The transition from the pre-2017 business model to the new one and gaining acceptance for this shift internally and externally were not easy, especially in view of the size of IsDB, which has more than 1,000 staff members and a centralised business, with 94% of staff located at the headquarters in Jeddah, Saudi Arabia. One of the most notable difficulties at the internal level was to convince the staff and win their support for the new business model. At times, even when staff are convinced, they might find it hard to leave their comfort zones and abandon their long-time working customs. This



is particularly true for staff members who have served the institution for long years and become programmed to work in a certain way. The issue is one of institutional culture, but we succeeded, with the grace of Allah, in making substantial changes to that culture in a short period of time. However, a great deal still remains to be done in this regard.

Another difficulty I faced during the transformation lied in the new skills required to implement the new business model. IsDB is the engine to implement the programme, and it was imperative that all its parts move at the same speed and efficiency. Implementing the new business model required skills in fields like value chains; science; innovation; digital platforms; crowdsourcing; economic empowerment; product development; preserving the environment, promoting governance, transparency and work values; attracting and retaining top-notch calibre, application of functional and geographical decentralisation and ensuring sustainable financial growth.

At the external level, the major difficulty was the dire need to build individual and institutional capacities in MCs. Improving access to market information was a priority in capacity building, as some countries lack important data on market dynamics in strategic industries where they have competitive advantages that can encourage investment and allow identification of investment opportunities and the nature of risks and profits in those industries. We also found that participation in the development of national plans was weak in some countries. That is why IsDB seeks to make the country programming process a participatory platform for all stakeholders in strategic industries, along with the government sector, the private sector and civil society internally and externally. This adds value and a further dimension to national planning. In some countries, poor private sector involvement in development requires reforming the investment environment, not only to attract investors but also to encourage the private sector to reinvest savings in local markets and improve productivity, thereby enhancing the competitiveness of MC products and sustained market growth.

I also found it difficult to reach the neediest segments in MCs, mostly because some countries focus on the governmental sector, leaving out its two partners, namely civil society organisations (CSOs) and the tertiary non-profit sector, who are closest to remote areas and to the aspirations of the youth. Some CSOs focus on certain segments, such as women and environmental sustainability. With its new business model, IsDB is currently working on converging all such stakeholders under the single framework of country programming. It is

also working on transferring global expertise in the area of market regulating policies to ensure that all stakeholders share the fruits and benefits of economic growth.

QUESTION: The year 2020 was an exceptional one, marked with unprecedented events due to the COVID-19 pandemic. What role did IsDB play to help MCs address the repercussions of the pandemic?

ANSWER: It was indeed an exceptional year in which IsDB worked simultaneously on the following three tracks:

- ▶ Launching the US\$ 2.3 billion Strategic Preparedness and Response Programme (SPRP).
- ▶ Participating in the G20 meetings, under the presidency of the Kingdom of Saudi Arabia.
- ▶ Chairing 2020 meetings of the heads of MDBs.

QUESTION: What are the details of each of those tracks?

ANSWER:

1. Launching of the US\$ 2.3 billion SPRP

Although COVID-19, as a pandemic, is a health issue, it also had economic and social consequences. Hence, any solutions or assistance to address this pandemic must address the health aspect, the economic aspect and the social aspect, and must also cover the short, medium and long terms. From that perspective, IsDB designed the US\$ 2.3 billion Strategic Preparedness and Response Programme (SPRP) with its 3R tracks (Respond, Restore and Restart).

On the **Respond** (addressing) track, IsDB provided immediate and urgent assistance focused on strengthening health systems to enable them to provide care for patients, build the capacity of health workers, provide screening and laboratory tools and transfer expertise.

On the **Restore** (support) track, the IsDB Group focused on providing financial support for SMEs and trade to ensure continued supplies for the health and food security sectors.

On the **Restart** (recovery) track, there are long-term measures to build strong and viable economies that can weather well pandemics and disasters by supporting economic recovery programmes and countercyclical spending.

The IsDB Group provided the three assistance packages through a single country platform based on blockchain technology, which provides a virtual marketplace where all partners, countries, IsDB and executing agencies can meet. It also ensures consistency of procedures, coordination among stakeholders, monitoring and follow-up of operations and resource mobilisation. IsDB partnered with several executing agencies, including WHO, UN bodies, charities and international NGOs.

All information about projects financed by IsDB, partners and executing agencies is publicly available in detail on read-only basis, as it uses blockchain technology.

Transparency and governance are ensured at a professional level and in accordance with best practices. When IsDB announced the launch of the assistance programme, it received many requests from MCs. In response, I personally held 42 virtual meetings with the governors of MCs, who are finance ministers, and 3 meetings with heads of state in less than one month,

at the rate of 3 meetings per day. Technical teams from IsDB and MCs participated in these meetings, and the discussions focused on the importance of fulfilling the necessary and urgent needs of the health and food sectors. These virtual meetings helped get the work done quickly.

At the internal level, a steering committee and ad hoc task forces were formed. They meet formally at least twice a week, and even more frequently when necessary to follow up and expedite delivery.

2. IsDB's participation in G20 meetings

The Kingdom of Saudi Arabia held the G20 presidency for 2020 under the theme "Realizing Opportunities of the 21st Century for All". I received a letter from H.E. the Saudi Minister of Finance inviting the IsDB Group to participate in the G20 meetings. IsDB participated in more than 120 meetings, including ministerial, extraordinary, Sherpa, outreach group and bilateral meetings with a number of countries and international organisations. Through those



meetings, we sought to convey the voice of MCs and Muslim communities in non-MCs to the world, highlighting the real challenges faced by developing and poor countries. We were also keen to reveal the investment opportunities available in a market of 1.7 billion people worth more than US\$ 7 trillion. One of IsDB's major contributions was the development of a comprehensive assessment report on global best practices in addressing political risks. IsDB also implemented two country platforms for Somalia and Uzbekistan. Moreover, IsDB was selected as an implementing partner of the G20 Global Partnership for Financial Inclusion (GPII) in recognition of its efforts and active contribution to GPII initiatives and to the discussion and formulation of its initiatives. Islamic finance is a participatory financing that gives IsDB a competitive advantage in attracting increasing numbers to deal with the banking system in MCs and Muslim communities in non-MCs. In our capacity as a GPII implementing partner, for the financial inclusion of nearly 1.7 billion people around the world who do not have access to banking services, I delivered a statement on behalf of IsDB at the G20 Leaders' Summit, held on November 21-22, 2020.

3. Chairing 2020 meetings of MDB heads

In 2020, IsDB chaired the meetings of the heads of MDBs, namely the World Bank Group, the International Monetary Fund, the International Finance Corporation, the African Development Bank, the Asian Development Bank, the European Investment Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Infrastructure Investment Bank, the Council of Europe Development Bank and the New Development Bank.

My chairmanship of heads of MDBs meetings coincided with the Saudi presidency of G20. We held three meetings and discussions focusing mainly on the best ways to help MCs face the consequences of the COVID-19 pandemic. In this context, we discussed the WB/IMF Debt Service Suspension Initiative (DSSI) for poor countries, an initiative adopted by the G20 to help poor countries channel their financial resources towards fighting the pandemic and mitigating its economic and social impacts. The DSSI was one of the most prominent G20 achievements, providing liquidity estimated at approximately US\$ 14 billion, in addition to the approval by MDBs of financial resources up to US\$ 230 billion to help developing and poor countries strengthen their health systems, support SMEs, maintain jobs and support social safety nets and food security. Moreover, on IsDB's initiative, a comprehensive report on the contribution of MDBs to the implementation of the 2030 Agenda was developed.

QUESTION: The debt service suspension initiative for poor or developing countries has definitely helped such countries respond to the COVID-19 pandemic and its repercussions. However, after the pandemic is over, they will face a problem in financing their future projects due to the colossal amount of accumulated debt. How can the issue of external debt be solved? Does IsDB have any initiatives in this context?

ANSWER: COVID-19 started as a health issue. However, the ensuing lockdowns also gave rise to economic and social repercussions. Although no country has been spared the impact, developing and poor countries, poor people, informal workers, investors and microenterprises were hit the hardest. Poor countries suddenly found themselves before two challenging demands: (1) providing the funds necessary for urgent medical supplies, health sector support, food provisions and support for small enterprises to ensure their survival, and (2) the debt service obligations towards creditors (countries, commercial or investment banks, MDBs, etc.).

As developing and poor countries have limited resources, they cannot meet both demands concurrently. That is why the World Bank and IMF introduced an important initiative that was discussed by MDBs in the meetings I chaired and subsequently endorsed by the G20 countries under the Saudi presidency. Pursuant to this initiative, poor countries received approximately US\$ 14 billion for health and food security expenditure.

As such, this initiative did not help solve the external debt problem suffered by developing countries for the following reasons:

- ▶ The initiative was designed as a temporary and time-limited solution to help poor countries address the health, economic and social consequences of the COVID-19 pandemic. This goal was achieved.
- ▶ The initiative specifically addressed bilateral debt between countries and did not cover private sector and MDB debts.

The debts of developing countries are over US\$ 50 trillion. Over and above, those countries combined need US\$ 1 trillion annually for SDG-funding. This indicates an increase in external debt that impacts the global banking and financial system, not just poor countries. The previous century witnessed numerous global crises due to external debt. It has now become evident that emerging from this snare requires a new business model to finance development in developing countries. It must be a model that addresses the root causes that drowned

developing countries in huge debts, not a painkiller model that only treats the symptoms. It must also be a model that provides development gains to all countries, advanced and developed alike. Such is the model that was introduced by the Islamic Development Bank under the theme "Making markets work for development 1/5/10" as I explained earlier and as IsDB actually started to apply.

The main reason behind the increase in external debt for developing countries is borrowing. Indeed, borrowing is needed to finance development, realize economic growth and provide jobs for the large numbers of labour market entrants every year, but the problem lies in the borrowing modes that do not ensure transparency and that the funding be directed to carefully studied income-generating projects that would enable the country concerned to repay its debt instalments and service. Add to that the humble role played by the private sector and the non-profit sector in development.

IsDB's new business model provides comprehensive solutions and well-studied projects. It focuses on sectors and industries where countries enjoy competitive

advantages and ensures transparency, thanks to a country platform based on the block chain technology that presents projects in full detail, including approvals, disbursements and tenders. The model also guides project design and implementation using the value chain approach, which ensures complete, not partial, solutions for industries. There are various methods for project implementation that ensure they continue in the long-term without stumbling.

The external debt crisis is a structural crisis largely caused by the reliance of developing countries on exporting raw materials to industrialised countries, with the prices of such materials being subject to external factors and global price volatility, added to increased protectionism recently, which has put globalisation on either of two tracks. All these factors affect the availability of foreign currency in developing and poor countries, thus forcing them to resort to ever-increasing indebtedness. The situation is further exacerbated by poor performance and lack of transparency. Recently, there has been an increasing trend towards exchanging external debt with public sector assets, in hope that this initiative would



reduce the magnitude of external debt and, hence, the creditors would own the assets in return for full or partial debt write-off.

There are many lessons to be learned from such practices. However, what I would like to emphasise briefly is that external debts can have a negative or positive impact on the lives of citizens in the borrowing countries, depending on the development financing model, the modes of financing, transparency and the involvement of the private sector in development. It is my view that IsDB's new business model includes many solutions that can solve the external debt crisis of developing countries.

QUESTION: The launch of the IsDB new business model was accompanied by an organisational migration and restructuring that included IsDB's regional hubs. What are the main initiatives and programmes of this restructuring?

ANSWER: The P5P and the new business model had to be reflected in an organisational structure that is consistent with them and meets the aspirations of IsDB Group institutions, as expressed in IsDB's 40-year assessment report, which were for IsDB to be proactive, pioneering and agile in identifying the current needs of MCs and placing safeguards for the future. In this context, we have taken several initiatives since 2017, including:

- ▶ Developing a comprehensive strategic programming framework to ensure that IsDB's financial and non-financial resources are effectively allocated to help realize the strategic priorities and maximize the developmental impact in MCs. The framework, which was the first among MDBs in terms of internal and external integration, helps ensure that IsDB meet the needs of MCs and select appropriate interventions. The framework enhances transparency in distributing resources based on strategic priorities and in measuring the developmental impact of activities. All our work is programmed in one framework according to an integrated approach in four key areas: strategy, operations, finance and budget.
- ▶ Updating current policies and developing 22 new policies to help implement the P5P in an institutional manner and in accordance with international standards.
- ▶ Applying functional and geographical decentralisation for IsDB to be close to MCs, private sector partners, CSOs, universities, research centres, etc. This will enable IsDB's transformation into an organisation with a light structure and higher quality in project implementation, leveraging cloud technologies and platforms. This, in turn, will lead to reducing project operational costs as a result of the expedited cycle. In 2016, only 6% of IsDB staff were working in regional hubs, while 94% ran the business from the headquarters. In contrast, we are currently aiming to redeploy 60% of the staff to regional hubs. We plan to have 11 regional hubs, and seven of them are already operational. The Kuala Lumpur hub was transformed into a centre of excellence in Islamic finance, STI, Halal industry and reverse linkage.
- ▶ Designing financial sustainability programmes to ensure that IsDB maintains its financial soundness and its AAA credit rating. Sustainability has become a critical element in decision-making, by focusing mainly on the effective alignment of approvals and disbursements. Internal financial reporting controls have been put in place in accordance with the internal control framework of the Committee of Sponsoring Organizations of the Treadway Commission to ensure that an independent body exists to provide internal controls similar to relevant practices of leading global organisations. IsDB has been awarded a recognition of delivery on the quality and improvement of its financial reporting and focus on governance and ethical practices. The delegation of authority matrix was also amended to enhance accountability, improve coordination between the four entities that make up the IsDB Group and reduce overlap in their activities. A separate complex was established to focus on the development of partnerships, mobilisation of external resources and new areas. An STI department was also established to carry out three key strategic tasks: (1) introducing and integrating innovation into IsDB business and activities; (2) helping MCs build an integrated STI ecosystem; and (3) enabling young innovating men and women to achieve their ambitions with an integrated package of support, including -in addition to funding- training and support in obtaining intellectual property rights. Moreover, a social development and resilience department was established, as well as a department to help MCs achieve resilience against climate change. We also launched a comprehensive workload assessment to identify current and future staffing needs and ensure that we have the best level of resources and the optimum size of calibre to implement our strategy and achieve our objectives. In other words, the assessment addresses the numbers and skills required to accomplish more with fewer resources.
- ▶ Mainstreaming result-based management and focusing on the developmental impact of financing, rather than the volume of financing and interventions, so that the impact of every dollar spent for development on the ground can be identified.
- ▶ Improving IsDB's media presence, enhancing its

visibility at the forefront of the global development landscape and making it proactive rather than reactive to developments.

- ▶ Building capacity in areas where IsDB lacks sufficient expertise, such as programming using value chains, crowdsourcing platforms, STI, mobilising resources creatively, etc. IsDB has resorted to forging partnerships with other institutions and seconding selected employees to accelerate the transfer of global expertise in the area of policies that control the operation of markets, thus ensuring that everyone shares the benefits of economic growth and maximizing the impact of interventions.
- ▶ Developing regulations that govern recruitment and human resources in general.
- ▶ Turning to the use of digital systems and eliminating the use of paper in all IsDB business and transactions. This is a quantum leap in the IsDB working environment. Business documents, correspondences, service requests and approvals are made 100% electronically, in a paperless fashion. The savings are estimated at US\$ 14 million per year.

QUESTION: The STI gap is widening by the day between developed and developing countries. Innovations and technology are determinants of competition among countries in different industries. Does IsDB have programmes or initiatives to help MCs build an STI ecosystem?

ANSWER: Science, technology and innovation have replaced natural and financial resources as the main drivers of economic growth now and in the future.

Currently, there are countries that do not have natural resources or have limited financial resources, but have been able to rank high on the list of country GDP and average per capita income. Innovation has contributed to reducing poverty and finding effective solutions for educational, health, environmental, economic and other issues. International data from the UNESCO Institute for Statistics indicate that the United States, China and Japan ranked top in terms of spending on science and innovation, and that 44% of international companies have plans to increase spending on innovation and development. If we take the example of Uber and Careem, we find that they do not have any physical assets such



as cars, buildings and the like. All they have is new untraditional ideas and electronic applications with a huge impact in terms of the number of jobs they have provided and the returns on investment they have achieved.

MCs will enjoy competitive advantages in five strategic industries, but the question is how to maintain their position and keep these industries competitive. For example, the textiles and apparel industry employs about 5 million workers in Bangladesh. As competition in the international market depends on innovation and productivity, Bangladesh must adapt to these changes, otherwise 5 million workers will find themselves jobless. If we assume that each worker supports 5 people, this means that 25 million people will be exposed to poverty and destitution.

This is what motivated me to help MCs build an STI ecosystem. Practical steps began in 2017, when we established the STI department. The latter prepared a long-term action plan focusing on three major tracks: (1) mainstreaming STI in all IsDB business and activities; (2) helping MCs build an integrated STI ecosystem; and (3) supporting innovators, small enterprises, universities and research centres with an integrated package of financial and non-financial assistance to contribute to finding out-of-the-box solutions for development issues and to achieve the SDGs in education, health, renewable energy, infrastructure and other areas. To achieve this plan, IsDB established in 2018 the US\$ 500 million Transform Fund to provide financial support to innovators, research centres and entrepreneurs, and we created the Engage Platform. IsDB also developed an annual programme for training, capacity building and assistance in obtaining intellectual property rights. It also established a strategic partnership with UNESCO and the STI profile was developed at UNESCO's Global Observatory of Science, Technology and Innovation Policy Instruments (GO-SPIN). IsDB also collaborated with UNESCO in supporting the STI ecosystem in Uzbekistan and Mozambique. Moreover, IsDB has organised STI conferences in Senegal, Bangladesh, Niger and the UK under the auspices of heads of government and prominent figures.

QUESTION: The number of refugees and displaced persons in the world is constantly increasing and the largest proportion of refugees is in IsDB MCs. What is IsDB's role in supporting refugee-hosting countries?

ANSWER: The number of refugees and displaced persons is indeed on the rise. It has now reached 79 million refugees, the highest since World War II, with most of them concentrated in IsDB MCs, among which are the origin and host countries of the largest number of

refugees in the world. Five origin countries (Afghanistan, Myanmar, Somalia, South Sudan and Syria) account for 68% of the refugees, three of which are IsDB members. The 12 top refugee host countries include eight IsDB MCs. Out of 50 armed conflicts the world witnessed in 2015, 30 occurred in IsDB MCs, resulting in mass displacement and a severe humanitarian crises.

In fact, armed conflicts and climate change are among the main causes of the increase in the number of refugees and forcibly displaced people around the world. Many MCs are exposed to the impact of floods, severe storms and drought. The material consequences of such changes include job loss, house destruction, school closures, disruption of basic services such as water and electricity, uncertainty about the future and high risk of conflict. More than 800 million people have been affected by natural disasters in MCs since 1970, of whom more than 50 million were affected in the past three years alone. Extreme vulnerability to natural hazards shows the need to invest in building resilience and avoiding dependence on assistance. In addition, the OECD's Fragility Framework, issued in 2020, indicated that 57 countries, including 28 IsDB MCs, suffer some form of fragility. What is needed is to build more resilient societies.

IsDB's plan or policy to help fragile countries facing the problem of refugees and displaced persons rests on four pillars: (1) investing in prevention; (2) shifting from relief to development; (3) supporting recovery; and (4) mobilising resources for resilience. It is imperative to link humanitarian assistance to development and peacebuilding as an integrated long-term approach.

In partnership with the World Bank Group and the United Nations, IsDB contributes to the Global Concessional Financing Facility, which has so far provided nearly US\$ 600 million in grants. It aims to mobilise US\$ 3 billion of concessional financing to the benefit of Syrian refugees and their Jordanian and Lebanese host communities, expanding basic services and infrastructure and promoting job creation. IsDB also established vital funds, including the Transform Fund, which invests in innovation, development and entrepreneurship, the Green Sukuk Fund and the Economic Empowerment Fund for the Palestinian People. We also mainstreamed climate change counteraction in IsDB operations and financing, as well as a variety of programmes, including Reverse Linkage, the Alliance Against Avoidable Blindness, the Microfinance Support Programme, the Education for Employment Programme, the Education for Competition Programme, the Vocational Literacy Programme, the Economic Empowerment Programme for Disadvantaged Families, the Refugee Education Programme and the Scholarship Programme.

IsDB contributed to solving part of the Syrian crisis when it erupted with relief campaigns and health projects in the areas of internally displaced people and in neighbouring countries through UN organisations and international CSOs. We carried out a number of projects, including rehabilitating schools inside Syria, building new schools, supporting the printing and distribution of curricular textbooks and organising mobile clinics in schools to treat children. IsDB also managed to attract other partners. Additionally, it contributed US\$ 100 million to the Emergency Health Project in Jordan as part of the Global Concessional Financing Facility to address the challenges arising from the Syrian refugee crisis. It also financed a project to enhance Lebanon's health sector capacity to enable low-income Lebanese citizens and Syrian refugees to access primary healthcare services.

In Yemen, IsDB was one of the first international organisations to respond to relief and reconstruction calls. The IsDB Group contributed to financing many health, education and rural development projects. IsDB is collaborating with the King Salman Humanitarian Aid and Relief Centre (KSRelief) in implementing the Emergency Support and Rehabilitation Development Programme. KSRelief is one of the largest contributors to the US\$ 2.5 billion Lives & Livelihoods Fund launched by IsDB and its partners to help the poorest people in IsDB MCs. IsDB is also working with the Saudi Development and Reconstruction Programme for Yemen, which is making great efforts to provide economic and social support to the Yemeni people. In Somalia, despite the outbreak of civil war since 1991, IsDB continued its activities with a number of projects in the areas of health, education water and sanitation.



IsDB intends to work with governments and civil society organisations to support programmes directed towards helping refugees from MCs to western countries. Such support will be in the form of educational programmes and vocational training, particularly in the early stages of refugee arrival. This initiative, in which priority is given to women and children, was discussed with a major association in the UK and with the mayor of London. The IsDB External Outreach section will undertake expanding the scope of those programmes so as to include Muslim communities in many non-member countries.

IsDB reaffirms its commitment to support regional and global efforts to strengthen the link connecting peace, relief and development. It will continue to play the role of financier and catalyst through the network of developers, helping with resource mobilisation through innovative mechanisms and concessionary terms to achieve the common vision of “peace and development for all”.

QUESTION: In a remarkable development, IsDB recently issued two types of Sukuk: Green Sukuk and Sustainability Sukuk. What projects have been, or will be, funded by the proceeds of these issuances? And how do you see the future of the global Sukuk market and Islamic banking in general in the light of the fintech revolution?

ANSWER: IsDB began issuing Sukuk in 2003, reaching to date a total volume of approximately US\$ 33 billion. It issues these Sukuk to expand its capacity to mobilise resources to support development projects in MCs, consolidate its lead in the global financial markets and develop those markets. The proceeds of these Sukuk are used to finance projects in infrastructure, agriculture, energy, roads, health, education and other sectors.

In 2019, IsDB issued the first Green Sukuk in its history worth EUR1 billion. The proceeds of the issue were used to finance a range of projects related to climate change, renewable energy, environment-friendly transport, energy efficiency improvement, water management and sanitation. They were the first AAA-rated Sukuk in global capital markets. In June 2020, after the emergence of the COVID-19 pandemic, IsDB issued its first Sustainability Sukuk worth US\$ 1.5 billion to finance social projects in MCs to promote healthcare and job creation. Those were the first of their kind related to COVID-19 in the global capital markets and confirmed IsDB's leadership in the global Sukuk market.

Creativity and innovation in the Sukuk market are wonderful. For example, the Global Alliance for Vaccines and Immunization (Gavi) issued Sukuk that raised more

than US\$ 500 million to help protect tens of millions of children from preventable diseases, which truly reflects the broad social impact of Sukuk investments. There is much that we can still do.

I do not want Islamic finance to be perceived as being geared to serve Muslims only. Rather, it is a means for ethical investments in long-term sustainable projects to the benefit of Muslims and non-Muslims alike. Investors everywhere look for investments that realise returns and sustainability. Islamic finance has a proven track record of promoting financial, economic and social impact, as well as financial inclusion. In this context, the UK was the first non-Muslim country to issue Sukuk in 2014. Al Rayan Bank in Britain was the first in the world to issue public Sukuk in a non-Muslim country. The UK has now five full-fledged Islamic banks, and 20 others that have Islamic product windows. Moreover, Britain is a major hub for Shariah-compliant insurance companies, as well as asset managers and many Islamic consulting firms. All IsDB Sukuk are issued and registered on the London Stock Exchange. The Financial Conduct Authority (FCA) authorised IsDB Sukuk as a liquid financial income instrument. IsDB Sukuk are also accepted by the Bank of England as eligible collateral for its repos. They are also recognised by the Basel Committee for Banking Supervision and the Commission of the European Communities, which both consider IsDB a zero-risk development bank.

Islamic finance, and Sukuk in particular, has huge potential for growth. Islamic banking has grown globally by 20% over the past decade to about US\$ 3.5 trillion, and there is rapid growth in the Sukuk market as well.

IsDB organised the first Sukuk conference in the London Stock Exchange in 2018, which was attended by prominent British figures from the government and the banking financial sector, including Mr. John Glen, Economic Secretary to the Treasury and City Minister, Mr. Sajid Javid, Secretary of State for Housing, Communities and Local Government, Mr. Nikhil Rathi, Chief Executive of FCA and Sir Peter Estlin, Alderman of the City of London Corporation.

It organised the second Sukuk conference in Luxembourg in 2019 in collaboration with the Ministry of Finance of Luxembourg. It also conducts promotional campaigns to educate investors around the world, specifically targeting central banks and investment institutions.

Fintech has gained a great deal of interest from companies in Britain and the United States, given the digital revolution the world is currently witnessing. There are 27 companies in Britain, 9 in the United States, 15 in the United Arab

Emirates, 9 in Saudi Arabia and 13 in Indonesia. Many digital platforms have been launched, such as MyAhmed, an electronic money platform included under the FCA Regulatory Sandbox, the Qardus Islamic lending platform and the Shariah-compliant gold trading platform. There are initiatives to launch Sharia-compliant digital banks. The Wahed Invest platform has more than 150,000 customers in 130 countries and is valued at about US\$ 100 million. It is seeking to become the leading retailer of Shariah-compliant financial products. Amid these rapid and successive developments in fintech, the Islamic Development Bank Institute has launched a number of initiatives, with a view to playing a promising role in this field. Moreover, IsDB has established a centre of excellence in Malaysia focusing mainly on Islamic finance, STI and reverse linkages to help the financial and banking sector in MCs. IsDB also established incubators at the Mohammed V University in Rabat (Morocco) and in Jakarta (Indonesia).

IsDB has recently issued a comprehensive report on the future of finance, part of which was devoted to Islamic finance in the light of the rapid technological developments driven by Industry 4.0 and its various

applications in fintech, blockchain and others. Saudi Arabia, the United Arab Emirates, Indonesia, Malaysia and Iran are leading markets for this industry. In fact, Saudi Arabia is considered one of the best markets and a pioneering country in the field of fintech, with a market size estimated currently at US\$ 18 billion and expected to expand to US\$ 47 billion in the next four years.

QUESTION: There has recently been increased interest in investing with institutions that respect environmental, social and governance standards. How committed is IsDB to these standards? What are the notable examples in this regard?

ANSWER: IsDB has launched a number of initiatives that reflect its keenness to comply with environmental, social and governance standards in its business and activities. IsDB's commitment to these standards provides it with greater opportunities for growth, as the number of investors and partners seeking to achieve an environmental and social impact, along with profitability, is increasing worldwide. Furthermore, an institution that respects these



standards is viewed positively. I do not wish to repeat what was mentioned above about IsDB's efforts in addressing climate change and its recent issuance of Sustainability Sukuk (allocated to spending on social sectors in the wake of the COVID-19 pandemic) and Green Sukuk, as well as its launching of more than 20 sectoral policies.

In addition, one can further emphasise IsDB's commitment to social, environmental and economic standards with a few examples:

► In cooperation with the International Federation of Red Cross and Red Crescent Societies (IFRC), IsDB established a fund to eliminate cholera and secure water supply and hygiene. The fund aims to mobilise US\$ 150 million in grants from donors. IsDB will provide payable guarantees worth US\$ 100 million but will not offer its own resources, thus saving funds for other projects. At the same time, it will be able to help 29 MCs fight cholera and make a positive impact on the lives of five million people. It will also contribute to achieving SDG 3 on health, SDG 5 on gender equality, SDG 6 on water and sanitation, and SDG 17 on partnerships. Moreover, IsDB will contribute to the implementation of the roadmap for eradication of cholera and a 90% reduction in mortality by 2030. Many private sector philanthropic donors have expressed interest in the fund. It is noteworthy that IFRC has extensive experience on the ground, having served 36 million people through similar programmes since 2005. However, it has no capacity to create funds on its own.

► The Global Muslim Philanthropy Fund for Children is a trust fund established by IsDB in collaboration with UNICEF to harness social and Islamic finance towards supporting children in emergencies, education, health, water, sanitation, hygiene and nutrition. KSRelief and the Abdul Aziz Al Ghurair Foundation of the United Arab Emirates contributed to the fund. The fund will provide support in the form of grants and its resources can be blended with IsDB's Ordinary Capital Resources. Out of the fund's resources, 90% will be allocated to LDCs. This US\$ 250 million fund includes a charity-based window and a Zakat-based window and is supervised by a committee comprising IsDB and the donors.

► The IsDB-World Food Programme nutrition fund is an IsDB-managed multi-donor trust fund that receives its resources from Zakat and charity sources. It aims at combating acute and chronic malnutrition and feeding infants and young children and supports SDGs 2, 3 and 17.

► The Economic Empowerment Fund for the Palestinian People was established by IsDB on the back of the success achieved in the Deprived Families Economic

Empowerment Programme through empowerment-based Islamic microfinance. It focuses on providing an integrated package of financial and non-financial services. The fund managed to combine elements of economic, social and governance impact. It aims to support 300,000 Palestinian families, improve their living conditions and quality of life and promote productive lives and social equality.

► The Saving Women from Breast and Cervical Cancer Fund is an IsDB-IAEA joint fund. Both institutions agreed to establish a project-first, rather than resource-mobilisation-first, fund to save women from breast and cervical cancer by providing affordable and accessible healthcare applying the public-private-philanthropic partnership for the people model (5Ps model). Its aim is to bolster the fight against the two types of cancer that affect women through early detection, diagnosis and treatment. This helps low and middle-income countries curb disease and mortality. In addition to IsDB, ISFD and several private sector institutions, 17 countries have contributed to this fund.

QUESTION: It is noticeable that the developmental role of the non-profit sector in developing countries is very modest compared to its counterpart in developed industrialised countries. Does IsDB have a plan to help MCs invigorate this role to contribute more to socioeconomic development?

ANSWER: If we look at developed countries, we will find three sectors: the public sector, the private sector and the non-profit sector, all of which are financially and organisationally strong and complementary. The global average contribution of the non-profit sector to GDP is about 6%, while in developing countries it is less than 1%. In addition, in most developing countries we find a sagging public sector, a weak private sector and a non-existent or very weak third sector. In some developing countries, the non-profit sector suffers financial, legislative and regulatory problems and lacks diversity in its activities, most of which are of charity or relief nature, not developmental. Some MCs have launched economic transformation and reform programmes, which are nonetheless focused on the governmental and private sectors. As a result, they face some challenges because the shift towards a market economy without a strong third non-profit sector has negative effects due to distortions in the market system. As such, a main motive behind the interest in the non-profit sector is the desire to address the deficiencies caused by the market system. Therefore, when we were designing IsDB's new business model, we wanted it to cover the three sectors and to make them interlinked in a manner that would achieve inclusiveness,

empowerment, integration, sustainability and benefit from Islamic social finance mechanisms such as Zakat, Sadaqa charity and Waqf.

Back to the question about IsDB's role in helping MCs enhance the role of the non-profit sector. Since its inception, IsDB has been playing a distinctive role in developing the Waqf sector. As we are talking about achievements during the period 2017-2020, I find it necessary to shed light on what IsDB has achieved in this regard over the past five years.

1. I have already pointed out that the main objective of the P5P is to help MCs build a viable, diversified and resilient economy. Economic transformation and reform require strong public, private and third non-profit sectors. Integration between the three sectors is the P5P's contemplated added value. IsDB plays the role of a catalyst, enabler and connector for all three sectors. We have worked to implement this vision through a number of initiatives, the most important of which is to send this message clearly to the top authority in MCs. In my visits

to MCs, I met with several governors (finance ministers) and heads of state, and briefed them on IsDB's various programmes, including development of the third non-profit sector. For example, during my visit to the Republic of Uzbekistan in September 2018, I had the honour of meeting the President of the Republic, H.E. Mr. Shavkat Mirziyoyev. He shared his view of transforming the economy from a socialist to a market-based model and the programmes implemented to strengthen executive and legislative institutions and build and develop a strong private sector. He was personally following up on the implementation of these programmes. I mentioned to him the importance of building a Waqf sector that would complement the efforts of the government and the private sector. He welcomed the idea and a technical team was dispatched from IsDB to discuss the issue with officials in the relevant ministries in Uzbekistan. A financial assistance package was allocated to carry out necessary studies.

In my visit to the Republic of Niger in January 2019, I had the honour of meeting its former President, H.E. Mr. Mahamadou Issoufou. During my audience with him, I



informed him of the visits I had made to some schools in the capital and villages, and shared my view that the development of Niger's education and health sectors needs huge funds beyond the capacity of IsDB and other international financial institutions and that the resources of the governmental sector were limited. I suggested to him that a Waqf sector be built to complement the government's role in supporting socioeconomic development, and expressed IsDB's willingness to help in that regard. He welcomed the suggestion and I contacted IsDB's office in Dakar, Senegal, on that very day, asking them to send a team to Niger to share Senegal's experience in Waqf, which IsDB had helped build. Financial assistance was allocated to carry out the necessary studies. The team drafted laws and regulations for the Waqf sector and helped establish a Waqf institution. A specialised staff member from IsDB was appointed to manage the Waqf institution. A supreme body for Waqf was established and Dr. Hamid Algabid, former OIC Secretary-General (1989-1996) and former Prime Minister (1983-1988) of Niger, was appointed as its chairman.

During my visit to Guinea, I also had the honour of meeting the President of the Republic, Mr. Alpha Condé, and discussed with him at length the importance of launching an awareness and education programme in Africa on the role of Waqf in socioeconomic development. He welcomed the idea and called for a large conference on Waqf to be attended by a number of African heads of state and those interested in the sector. The conference was organised by IsDB in collaboration with the Ministry of Finance in January 2019.

2. IsDB operates in 57 MCs in addition to Muslim communities in non-MCs and plans to develop the third non-profit sector in these countries and benefit from successful experiences in the advanced industrialised states. Hence came the idea of establishing a practical framework for institutional coordination among Waqf institutions in MCs, with a view to establishing a specialised institution to improve the capacity of Waqf institutions and provide them with information and expertise, promote innovation and use modern technologies in the management and investment of Waqf assets and building of individual capacities. This is what inspired us to establish a global centre of excellence for Waqf to achieve this vision. The centre will provide a unified framework for coordination among institutions concerned with Waqf worldwide, create an active partnership between them, enhance their efficiency, prevent the dispersal of efforts, seek to develop the legislative system, transfer pioneering experience and expertise in the management and investment of Waqf and promote scientific research and practical application efforts. It will also be a reference

for reliable Waqf information to operationalise the developmental role of Waqf. The centre's areas of activity will be as follows:

- ▶ Create the interactive global digital Waqf platform to collect scattered Waqf information, make them available through a single database and provide decision makers with reliable information on the various aspects of Waqf.
- ▶ Launch an annual Waqf forum that would bring together Waqf stakeholders from all over the world to consider contemporary Waqf issues, provide appropriate solutions, share successful experiences and devise initiatives that would represent added value. It is contemplated to be similar to the Davos forum, with the grace of Allah.
- ▶ Assume the form and functions of a global consultancy firm in the field of Waqf that coordinates among institutions, consolidates all efforts, contributes to the commercialisation of programmes and projects and provides Waqf institutions with technical support towards enhancing the development of their human resources and their institutional architecture. Al-Madina Al-Munawarah was selected to host the headquarters of the Global Waqf Centre, having been venue to the first Waqf in Islam and being the actual capital of Waqf.

3. We have increased the authorised capital of the Awqaf Properties Investment Fund (APIF) from US\$ 100 million to US\$ 500 million and attracted five new participants. APIF's subscribed capital was hence increased from US\$ 76.41 million to US\$ 98.57 million. We expect that three new contemplated contributions to APIF will further increase its subscribed capital by approximately US\$ 17 million. We should recall that APIF was established with the aim of developing real estate Waqf properties of economic and social benefit in MCs and Muslim communities in non-MCs. I would like to highlight an important point in this context, namely the amendment of APIF's regulations so as to include investment in other sectors, such as industry, agriculture and other sectors, in addition to its original field of real estate. This is because limiting investments to real estate assets also limits job creation and the social and environmental impacts.

4. IsDB launched two partnership initiatives with two UN institutions. The first is with UNICEF, the largest international organisation working for children. Under this initiative, a fund was established to mobilise Zakat and charity funds and channel them towards achieving child-related SDGs. KSRelief and the Abdul Aziz Al Ghurair Refugee Education Fund joined this new fund. I take this opportunity to thank them both for their pioneering

initiatives. The second initiative was the launching of a global dialogue on the role of Islamic social finance (Zakat, Sadaqa charity and Waqf) in achieving the SDGs. It is noteworthy in this context that Zakat funds are currently estimated at US\$ 300 billion worldwide. Launching this initiative was coordinated between IsDB and the United Nations Economic and Social Council under the auspices of UN Deputy Secretary-General Ms. Amina Mohammed, with a view to supporting the efforts to finance the recovery from the COVID-19 pandemic, which plunged millions into extreme poverty.

QUESTION: One of the P5P objectives is to help MCs implement the Paris Agreement (on climate change). What are the measures taken by IsDB towards that end?

ANSWER: IsDB MCs are countries most prone to natural disasters caused by climate change such as hurricanes, drought and flash floods. The scenes from a number of

previous disasters remain in mind to date. When such disasters hit poor countries that have weak infrastructure and depend on agriculture and tourism, they lead to even more poverty, hunger and displacement and cause economic, social and security problems. That is why IsDB set climate change among its priorities over the past 5 years. In this regard, IsDB took several measures to help its MCs implement the Paris Agreement, improve life and reduce emissions, including:

- ▶ Establishing a specialised department by the name of "Resilience and Social Development" in 2018. This department has 3 divisions concerned with fragility, climate change and crisis risk management. The department developed strategies, policies and plans aimed at enhancing MC resilience to, mitigation of and rapid recovery from disasters caused by climate change.
- ▶ Issuing Green Sukuk worth €1 billion in the first ever IsDB initiative to fund environment-friendly projects in MCs.



- ▶ Allocating 35% of approval amounts over the coming 5 years to finance environment-friendly projects. IsDB's total financing for the renewable energy sector amounted to approximately US\$ 3.4 billion.
- ▶ Establishing partnerships with international institutions, including Sustainable Energy for All, with which IsDB signed a partnership agreement to launch the "Sustainable Energy for All Centre" in the middle east.
- ▶ Hosting a platform for MCs interested in expediting SDG achievement in the field of energy. The platform, which was launched during the IsDB annual meeting of 2018, is a framework for company mobilisation and awareness towards achieving SDG 7.
- ▶ Cooperating with UN ESCWA to issue a follow-up report monitoring the progress achieved by Arab countries towards energy-related SDG achievement. The report was issued on the sidelines of the United Nations Framework Convention on Climate Change, which was held in Madrid in December 2019. It is an important tool to help Arab countries promote policies geared towards improving energy security and enhance resilience to climate change.
- ▶ Participating in the organisation of workshops and seminars on renewable energy.
- ▶ Recently joined the "Renewable Energy Policy Network for the 21st Century", which is an organisation pursuing knowledge exchange in the renewable energy sector and the development of relevant policies. The organisation includes in its membership a number of international, academic and private sector institutions.
- ▶ Financing PPP projects in the area of renewable energy to encourage the private sector to enter this field.
- ▶ Encouraging MCs to increase the renewable energy share within their energy mixes.

The challenges, albeit immense, can be transformed into profitable opportunities in the MC market that boasts a population of 1.7 billion and a value of more than US\$ 7 trillion, with expectations of a population increase to 2.2 billion by 2030. There is a fierce race in the technology and innovation area towards reducing the costs of renewable energy and enhancing its efficiency. In that context, IsDB established the US\$ 500 million Transform Fund to stimulate innovation in a number of areas, including renewable energy, smart cities and the environment. The fund has already financed several projects. On the other hand, IsDB is working on

introducing new financing instruments that would attract investors, in addition to Green Sukuk.

We are working on developing a number of environment-friendly projects that would be attractive to investors in the near future, while continuing to help our MCs develop relevant laws, share successful experiences and expand partnerships with MDBs, the private sector, CSOs, universities and research centres. There is an immense responsibility on the G20 nations, i.e. the industrialised countries that represent 80% of the global economy, towards implementing the Paris Agreement on climate change.

QUESTION: What would have happened had IsDB not gone through this change and launched a new business model?

ANSWER: We live in a fast-changing world where STI, electronic platforms, robots and big data are flourishing. Millions of young men and women enter the labour markets annually. Certain jobs disappear and others emerge. A country, institution or company that fails to make changes in itself and its business model will be left behind and ultimately cease to exist. In this context, the figures for developing countries seem alarming, calling on us to move quickly. More than 800 million people around the world live below the poverty line and the number of school-age children who are not enrolled in school worldwide stands at 57 million. About 2 billion people lack access to potable water, electricity and sanitation. Technological and knowledge development is increasing the gap between North and South countries. The amount of money needed by developing countries to finance infrastructure projects surged from billions to trillions. As such, continuing to address these and other issues with the same business model will never yield different results.

Today, we find ourselves faced with only two options: either fragility or prosperity. If MCs continue to rely on government expenditure and the export of raw materials without improving regulatory frameworks, enhancing transparency, building capacity, improving governance, integrating women and youth into development, strengthening the role of the private sector and improving management efficiency, the inevitable result will be higher unemployment, worsening poverty percentages, illegal immigration and economic fragility. The second option represents a prosperous future, and this is the main goal of IsDB's new business model, which views IsDB as a partner of MCs, not a mere financier for them. The relationship between the two sides is a long-term one, ultimately aimed at empowerment and sustained, more inclusive growth.



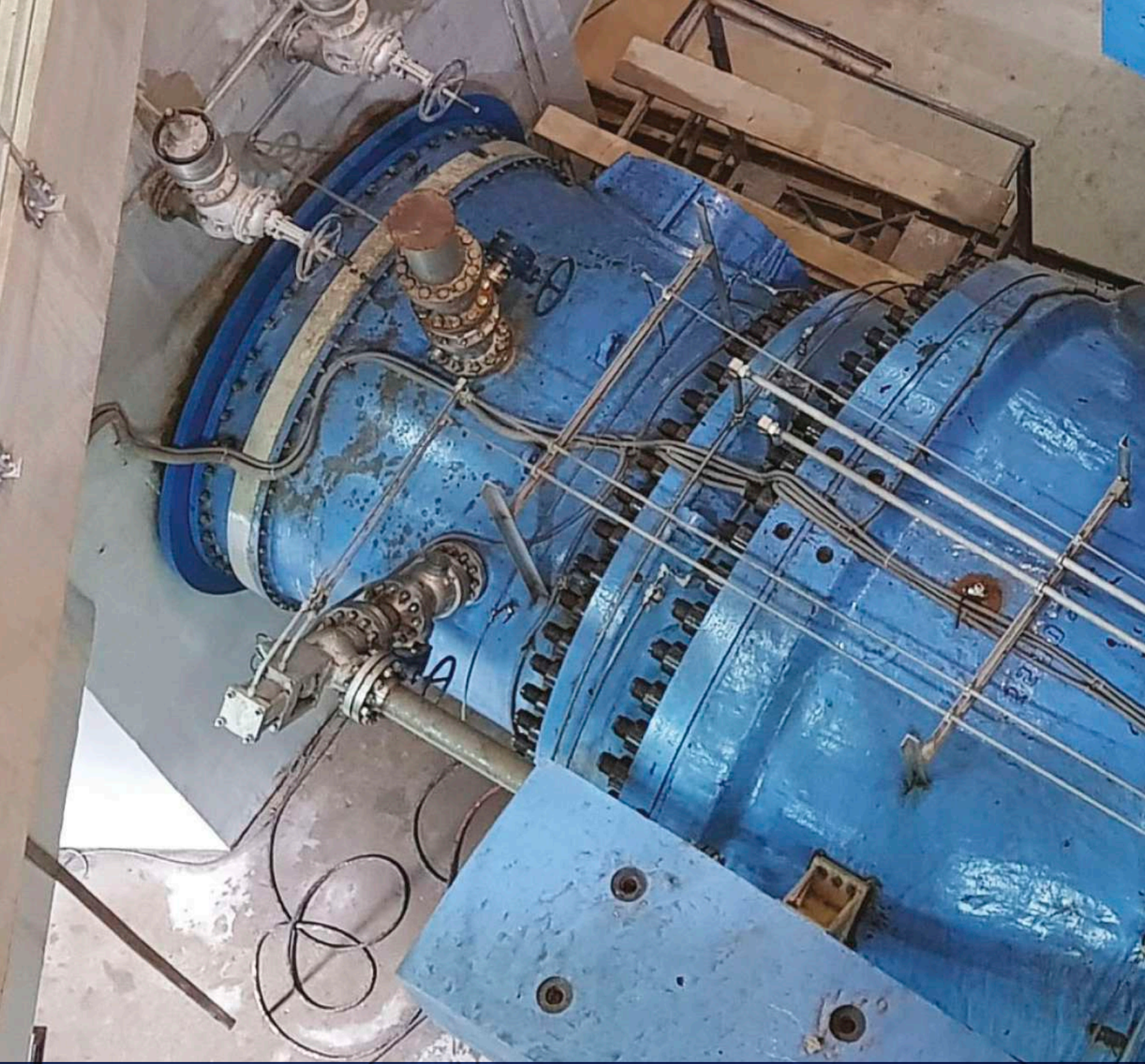
**DOING BUSINESS
DIFFERENTLY**



Introduction

Our MCs face complex and multidimensional challenge; therefore, they require comprehensive value-added services beyond financing. The IsDB Group aspires to become the institution of choice for project structuring and financing in MCs and a trusted adviser in the design of comprehensive development programmes.

As part of the process of aligning its operations to this new business model, IsDB is mainstreaming three development goals, six operational result areas and six performance drivers, as well as crowding-in contributions from partners to increase the magnitude, targeting and depth of impact on the ground. The fundamental principle is to co-create, along with our partners, tailored comprehensive solutions that tackle the root causes, not just the symptoms, in response to development needs raised by the beneficiaries themselves.



Building the infrastructure



Agriculture and rural development

The Agriculture and Rural Development Sector Policy provides strategic direction for investment by IsDB in the agricultural and rural development of its MCs

PURPOSE

► Many issues present significant challenges for agriculture-based MCs (those engaged in production of crops, livestock and poultry; apiculture; or fisheries and aquaculture), where the sector is the main contributor to the economy. These include:

- Persistent extreme poverty
- Malnutrition and hunger
- Low agricultural productivity and an inability to meet increasing food demand, particularly in sub-Saharan Africa
- Poor market access
- Increasing food waste and food loss
- Low levels of agricultural technology and limited rural infrastructure, such as access roads, storage facilities and reliable energy supply, especially in South Asia and sub-Saharan Africa
- Inadequate institutional and policy coordination.

The policy supports projects and programmes that adopt an integrated approach to agriculture and rural development through improved access to basic services, infrastructure and economic opportunities

► Through its Agriculture and Rural Development Sector Policy, IsDB supports its MCs in their efforts to improve food security through rural and agricultural development for rural economic growth and employment generation. It does so by:

- Commercialising smallholder agriculture
- Developing agriculture value chains
- Putting emphasis on private-sector participation.

► IsDB's 10-Year Strategy (10YS) identifies inclusiveness, connectivity and growth in the Islamic finance system as the main strategic corporate development objectives. The policy takes into account these objectives, targeting sustainable, resilient and equitable agriculture and rural development through the creation of viable and profitable agriculture value chains and promotion of innovative Islamic finance.

► To achieve its objectives, the policy focuses on:

- Alleviating poverty and enhancing food security
- Enhancing public-private partnerships towards the overall aim of sustainable, inclusive and equitable agriculture and rural development
- Creating rural employment opportunities in agriculture, mainly among women and youth, and the rural non-farming economy.

METHOD

► The policy:

- Applies to all IsDB-financed projects, programmes and initiatives in the sector, providing a platform for synergies within IsDB to bring about the desired development impact while maximising efficiency
- Enables IsDB to forge purposeful partnerships with development





partners, including MDBs, civil society organisations and the private sector.

- The guiding principles of the policy are as follows:
 - **Synergy and complementarity** – The preference will be to lend to integrated projects that have complementary components to address the socioeconomic needs of rural communities
 - **A value-chain approach and private-sector participation** – IsDB financing will support projects and programmes that use the value-chain approach (the input–output market model), encouraging the private sector to play a critical role in ensuring sustainable development by promoting research and technology dissemination and adoption
 - **Science, technology and innovation** – IsDB will promote projects and programmes with innovative research-based development models or the potential for technology transfer. South-South Cooperation and Reverse Linkage may also play a role
 - **Regional differentiation** – This reflects the diversity of challenges and priorities across the 57 MCs and the variety in their resource endowments, socioeconomic setups and development stages. Special consideration will be given to the most vulnerable regions.

POTENTIAL IMPACTS

- The policy pillars that define the intended achievements are as follows:
 - **Build resilient and climate-smart agriculture** – Encouraging climate-smart agriculture that builds resilience and enhances agricultural productivity, devoting special attention to resilience in fragile high-risk and low-capacity countries
 - **Improve access to remunerative markets** – Improving market infrastructure and supporting strong farmer–buyer links that facilitate the commercialisation of subsistence agriculture, closing the gap between women and men in productive and social roles in supply chains
 - **Promote inclusive, sustainable and integrated approaches** – Taking an integrated approach to agriculture and rural development through improved access to basic services, infrastructure and economic opportunities
 - **Promote access to Islamic financial products and services** – Encouraging the development of Islamic microfinance products that cater for the needs of smallholders and small-to-medium-sized enterprises (SMEs) in rural development; fostering a conducive legal and regulatory environment for the use of Shariah-compliant products
 - **Promote private-sector participation** – Supporting MCs in attracting foreign investment to generate broad-based growth and to increase the number of higher quality jobs in rural areas, encouraging foreign direct investment in agriculture
 - **Build human and institutional capacity** – Collaborating with leading partners and specialised agencies and through internal mechanisms to support capacity building, technical vocational education and training in agriculture.

INVESTMENT

- The policy aims to provide strategic direction for investment by IsDB in the agricultural and rural development of its MCs.
- It also aims to strengthen the resilience of MCs food systems and value chains in order to reduce the impacts of climate change events and/or enhance their ability to withstand or bounce back fast from such events
- It outlines a framework for IsDB Group support to MCs to improve food security through rural and agricultural development for rural economic growth and employment generation.
- At its heart is the commercialisation of smallholder agriculture through the development of agriculture value chains, with an emphasis on private-sector participation.
- Through this policy, IsDB aims to improve investment in agriculture that generates sustainable growth among rural communities and to deepen Islamic rural financial intermediation.

AGRICULTURE AND RURAL DEVELOPMENT

The policy focuses on
alleviating poverty and
enhancing food security,
enhancing public-private
partnerships and creating
rural employment

Water Sector Policy

Through its new Water Sector Policy, IsDB is committed to ensuring resilient and sustainable access to water and sanitation for all

PURPOSE

► Despite global resolutions recognising the human right to water and sanitation, almost one-third of the world population, or 2.1 billion people, lack access to safely managed drinking water services, and 4.5 billion people (58%) still lack access to safely managed sanitation services.

► Many MCs are vulnerable to water challenges such as poor endowment of natural resources, high exposure to climate change impacts, poor water and sanitation services and governance, and low agricultural water efficiency and productivity.

The policy will help improve the design of water-related projects and programmes within MCs while ensuring efficient and effective delivery by IsDB

► IsDB has had a long engagement in the water sector in its MCs. However, all IsDB's interventions in the sector to date have been demand driven, fragmented and not framed by a clearly articulated policy.

► In this regard, IsDB has adopted its Water Sector Policy (WSP) which provides a common framework for its operations in the water and sanitation sector. It establishes the basis for policy engagement and co-development of projects and programmes with MCs. The policy also offers the means to communicate and collaborate with other sectors within IsDB and with partners having a similar mandate, particularly international financial institutions, multilateral organisations, service providers and think-tanks. In doing so, IsDB will attempt to assist its MCs in securing resilient and sustainable access to water for:

- Agriculture
- Industry
- Municipal use
- Environment.

► The policy is based on the guiding principles of 10YS for enhancing IsDB's effectiveness and efficiency and the P5P. It also takes into consideration the global development agenda presented in the SDGs. Consultations with selected MCs and development partners were conducted to ensure relevance to MCs' needs and coherence with the global agenda.

METHOD

► The WSP takes into account IsDB's previous interventions in the water sector and the lessons learned while implementing those operations. It also provides an overview of the sector challenges in MCs. Its overarching vision is





'resilient and sustainable water and sanitation systems for all'.

- ▶ It is governed by two high-level objectives:
 - Sustainability of water as a resource and of the related infrastructure to achieve lasting results
 - Resilience of systems and their ability to recover from shocks (whether induced naturally as a result of climate change effects or disasters, or man-made in the context of fragility and conflicts).
- ▶ In order to formulate the specific programmes and operations in the water sector, four guiding principles will be used in close cooperation with MCs to help achieve the overarching objectives of the WSP:
 - Finance/Strategic blending of finance
 - Synergy
 - Selectivity
 - Science, technology and innovation.
- ▶ The expected impacts of the policy for MCs include:
 - Increased water security
 - Enhanced human capital to manage the water sector
 - Greater sustainability of the water and sanitation projects and programmes.

POTENTIAL IMPACTS

- ▶ The policy aims to achieve the following results:
 - **Universal and affordable access to water and sanitation** – With emphasis on quantity, quality and affordability, and giving due consideration to gender dimensions and to vulnerable populations in fragile and conflict-stricken regions
 - **Water use efficiency** – Addressing agricultural water withdrawals in MCs (which exceed the world average) as well as technical and non-technical losses
 - **Capacity development and solutions transfer** – Empowering stakeholders in order to close capacity gaps
 - **Effective water resources management** – Enhancing water resources by making effective use of all various resources, including landscape restoration, nature-based solutions or flood waters
 - **Resilient water systems** – Tackling climate change impacts, addressing flood risks and helping build the capacity of water systems to withstand, adapt to, and recover from extreme events.

INVESTMENT

▶ By leveraging additional financial resources from other partners, including the private sector, IsDB would strive to meet the tremendous needs of its MCs in the water sector, especially as the majority of MCs require subsidised, if not grant, funding.

▶ Hence, the main objectives of the policy are to provide a conceptual framework for IsDB operations in the water and sanitation sector, while establishing the basis for policy engagement and co-development of projects and programmes with MCs.

▶ A McKinsey Global Institute report estimated in 2017 that an annual investment of US\$ 500 billion in water infrastructure is required from 2017 through to 2035, representing an aggregate spending of US\$ 9.1 trillion.¹

▶ In order to cover part of these financial needs, IsDB will need to mobilise additional resources, through partnerships with other donors, and also tap non-traditional funding sources, such as institutional investors, corporations and philanthropies, to back investment projects. Blended finance will play an important role in mobilising additional finance.

HUMAN RIGHT TO WATER AND SANITATION

Almost **one-third** of the world's population lacks access to safely managed drinking water services, and **4.5 billion** people lack access to safely managed sanitation services

1. Bridging Infrastructure Gaps: has the world made progress? MGI (2017). <https://goo.gl/Ly9oo8>, based on a 'business as usual' scenario

Education Sector Policy

IsDB's Education Sector Policy highlights IsDB's approach for the sector and guides all its education programmes and investment priorities

PURPOSE

- ▶ Although more children worldwide are now completing school than ever before, many education systems continue to struggle with inadequate financing, shortages of qualified teachers, poor learning environments, inadequate learning outcomes and outdated curricula. Household poverty, rural disadvantage, low levels of parental education, child undernutrition and a lack of early childhood support further hamper access to learning.
- ▶ In the past, IsDB investments in the sector were ad hoc and skewed in favour of its middle-income MCs, as well as towards tertiary education and the infrastructure and hardware components of education. This was due to financing instruments and lending criteria, rather than the changing needs of MCs.

The policy defines what IsDB stands for in education and clarifies what beneficiaries can expect to receive from IsDB in terms of priority support for education

- ▶ Despite major investments, the performance of MCs in education over the period spanning 2000 to 2016 was mixed, with many of them performing poorly in reaching the targets set for the United Nations Millennium Development Goals.

METHOD

- ▶ IsDB's Education Sector Policy provides support for building national human capital to strengthen the long-term global competitiveness of MCs by enhancing systems for education and skills development. It also considers how the education sector in MCs can help in achieving the SDGs.
- ▶ The policy highlights the guiding principles, strategies, implementation tools, financing modalities and other considerations that IsDB will use to support education in MCs and in Muslim communities elsewhere. The overarching objective of the policy is learning for human development.
- ▶ Overall, the policy is guided by the Islamic teaching that seeking knowledge is mandatory for everybody, and the injunction that all children be accorded the right to live and thrive to their fullest potential.
- ▶ The common thread binding IsDB to its MCs is a shared commitment and adherence to Islamic principles for investments and interventions in education. The Education Sector Policy builds on this, to guide support for education premised on the first imperative of learning for human development. It also highlights education priority areas in which IsDB and its development partners will support MCs.
- ▶ The policy recognises that MCs are at





diverse stages of development and varying degrees of achievement of education-related SDGs and that IsDB interventions will therefore take an integrated and holistic approach based on analysis and dialogue with each MC.

► The principles on which the policy is founded are as follows:

- **Build foundations for human development** – Expanding basic education provision to cater for out-of-school and refugee children, rebuilding school systems in conflict-affected and fragile states
- **Enhance human development** – Investing in centres of excellence in universities and technical and vocational education and training institutes, and in innovative science and technology initiatives
- **Cultivate value-added partnerships** – Strengthening IsDB's involvement with the global community in order to play a more prominent role in the aid architecture for education
- **Optimise education financing** – Using an innovative basket of flexible options to help minimise MCs' financial dependency on donor resources.

POTENTIAL IMPACTS

- The policy enables the achievement of IsDB's goals for the sector through the following three policy pillars:
 - **Enhanced provision of basic education** – Encompassing interventions in early childhood care and development, primary education, and literacy and non-formal education; supporting investments, including microfinancing, in non-formal education that targets functional and vocational literacy
 - **Post-basic education provision** – Including support to upper secondary education, technical and vocational education and training, and tertiary/higher education; helping to expand and diversify upper secondary education
 - **Advocacy and advisory services** – Encouraging the enrolment of disadvantaged children into early childhood education programmes; ensuring equitable access to resource allocations; including parallel provisions for education (formal and Islamic); promoting youth empowerment; and ensuring gender equity.

INVESTMENT

IsDB has been a major contributor to education in its MCs, with investments of over US\$ 3.8 billion, second only to the total amount invested in these countries by the World Bank Group.

- In future, IsDB will pursue three levels of investment to address learning for human development:
 - Imperative investments, which involve areas for which IsDB will take responsibility and be accountable. These are projects and programmes for learning that build the fundamentals of human development. They constitute a niche area that defines what IsDB stands for in education
 - Desirable investments, which are interventions that IsDB will collaborate in, or support, for the enhancement of human development
 - Laudable investments, which are important activities that IsDB will advocate, or provide advisory services to, without investing major financial resources.

EDUCATION SECTOR POLICY

The policy is guided by the
Islamic teaching
 that seeking knowledge is
 mandatory for everybody, and
 the injunction that all children
 be accorded the right to live
 and thrive to their fullest
 potential

Health Sector Policy

The policy is centred on the theme “Affordable Quality Health Services for Human Development”.

PURPOSE

► The Health Sector Policy focuses on improving the health status, financial protection and responsiveness to citizen satisfaction with the health system while promoting equity.

METHOD

► The context of the health policy is to provide direction for IsDB to support strengthening the health systems within MCs, especially as many low-income countries and lower-middle income countries are not yet on course to achieve

The policy considers how IsDB's goals for the sector can be achieved, with particular focus on equity, partnership, R&D, sustainability, and regional and country differentiation

SDG 3 and related targets. Indeed, the technical study, which was conducted as part of MCs' health situation assessment, concluded to the following main findings:

- Maternal and child health, communicable diseases and nutrition deficiencies constitute incomplete agenda items for middle- and low-income MCs
- The primary care sector is a common priority for all MCs and for all disease groups
- Financial risk protection in middle- and low-income MCs constitutes a significant challenge to UHC objectives
- IsDB's health investments favour hospitals, often tertiary care, with large components devoted to construction and equipment, especially in Asia and MENA regions
- Projects lack components that assure the sustainability of activities after their termination
- Current evaluation methods are not rigorous enough to provide robust evidence of effective impacts on health performance indicators
- IsDB has limited health expertise and funding mechanisms, without which expertise it is less likely to design, assess and support the implementation of more effective projects
- The level of concessionary funding, at just 6% of total funding, limits the extent of IsDB's engagement with low-income countries.

► The Health Sector Policy is articulated on the following six pillars, which promote SDG 3 and the related targets and contribute to their realisation in MCs:

- **Target vulnerable and poor populations**
 - Projects and programmes under IsDB's innovative financing mechanisms should prioritise low-income and lower-middle-income countries, but also vulnerable and poor populations in



upper-middle-income countries and high-income countries.

- **Prioritise the strengthening of primary health care delivery and prevention, with limited and exceptional support for tertiary care and specialised hospitals** —

In order to address the increasing burden of diseases in a cost-effective manner, IsDB should devote major portions of funding towards primary health care and disease prevention

- **Support national health financing initiatives to achieve UHC** — This can be addressed by providing technical assistance to help design alternative national health financing, through new 'pooling' mechanisms such as social health insurance, national health insurance and equity funds

- **Innovate financing for health projects and programmes** — Engagement in innovative health finance will evolve from an ad-hoc to a more systematic approach focusing on blended financing, buy-down loans, new Islamic financing models and public-private partnerships

- **Achieve impact of investment through support for other sectors and thematic policies** — The policy promotes collaborations with the other sectors to achieve "Health-in-All-Policies", as well as a health global value-chain approach
- **Improve IsDB governance and capacity building in the health sector** — Technical expertise, governance, and accountability mechanisms need to be developed in health project design and implementation, and the projects should live beyond the period of IsDB financing.

POTENTIAL IMPACTS

- The policy considers how IsDB's goals for the sector can be achieved, with particular focus on the following priorities:

- Equity (leaving no one behind) by reversing the prevalent suboptimal status of key health outcomes of the target populations in their various niches
- Partnership and improved collaboration among IsDB Group entities to ensure internal coherence of operations, and collaboration with stakeholders at national, regional and international levels
- Research and development to meet health demand by providing the required expertise and innovation within MCs to source inputs and services and scaling up proven effective interventions
- Sustainable solutions to promote growth and national ownership for the Global South, GVC analysis in the health sector and mapping of actors and stakeholders to increase competitiveness and potential markets in MCs health sector
- Regional and country differentiation to ensure the appropriateness of health interventions with the political, economic, social and cultural context of the country or region of the project.

INVESTMENT

- IsDB has a long history of providing projects in the health sector and its investments in this sector have trebled in the period 2010–2016 over 2003–2009. The projects span different areas of work and MCs within all regions and income groups.

- IsDB Group has approved a US\$ 2.3 billion COVID-19 'Strategic Preparedness and Response Programme' (SPRP) as a comprehensive integrated response package.

- IsDB also has special funds with concessionary and soft loan

components, including the Islamic Solidarity Fund for Development (ISFD), a US\$ 10 billion fund with soft loans and grants similar to the World Bank's IDA.

- It has successfully mobilised through the Lives & Livelihoods Fund US\$ 559 million for health sector projects.

- Collaboration with the International Federation of Red Cross and Red Crescent Societies has generated a US\$ 100 million bond for cholera control in 29 countries. IsDB is also engaging in collaborative ventures to fund the Vaccine Alliance. In addition, the health sector has benefited from 20% of the US\$ 700 million disbursements made so far under the King Abdullah bin Abdulaziz Programme for Charity Works, an innovative financing initiative managed by IsDB.

HEALTH SECTOR POLICY

The policy has evaluated MCs' status relative to internationally recognised standards, serving as a basis for ensuring the alignment of IsDB's agenda with SDG 3 targets, and optimising funding allocations

Energy Sector Policy

The Energy Sector Policy establishes the overall directions guiding IsDB's future energy operations in MCs in line with IsDB vision and strategies and the SDGs, especially SDG 7 related to ensuring access to affordable, reliable, sustainable and modern energy for all

PURPOSE

- IsDB's support for sustainable energy development in its MCs is based on the significant financing gap identified under the framework of the SDGs. IsDB's Energy Sector Policy aligns future energy operations with the changing needs of MCs and the global priorities for energy set by the SDGs, IsDB's 10YS and the reform agenda based on the P5P.
- Operational actions and strategies in the sector are built on four main pillars (increase access to energy, scale up renewable energy, increase energy efficiency and improve knowledge services) and four

IsDB will expand its support for private-sector energy projects and public-private partnerships, taking into account country circumstances and the need for prudent management of risks

key enablers (private sector development, innovative financing, building partnership and regional integration). The policy emphasises building partnerships and innovative financing mechanisms for scaling up the future financing for the sector.

METHOD

- Sustainable energy development of MCs requires sound economic, social and environmental policies, where rational use of energy and exploitation of indigenous renewable resources offer a large untapped potential across IsDB constituency to reduce the rising energy inequality.



Energy Sector Policy has four main pillars:

- **Increase access to modern energy services** — In line with UN efforts to provide universal and affordable access to sustainable modern energy services by 2030 (SDG 7), IsDB will look for ways to scale up its support to provide access to electricity
- **Scale up renewable energy** — IsDB intends to play a catalytic role in promoting renewables, in particular solar and wind energy, as part of its goal of sustainable energy development and as an alternative to fossil fuels
- **Enhance energy efficiency** — IsDB will assist all MCs in evaluating best practices in energy management and tailoring these practices to their unique characteristics. Through well-designed and targeted energy efficiency (EE) improvement projects, IsDB will assist all MCs in putting their energy sectors along a less energy intensive path
- **Improve knowledge services** — IsDB will focus on carefully selected activities to establish itself as a recognised partner for providing/utilizing high-quality knowledge to MCs



- The pillars are aligned with the core targets of SDG 7 as follows:
 - **Target 7.1** — By 2030, ensure universal access to affordable, reliable and modern energy services
 - **Target 7.2** — By 2030, increase substantially the share of renewable energy in the global energy mix
 - **Target 7.3** — By 2030, double the global rate of improvement in EE.

POTENTIAL IMPACTS

- There are four main enablers of the policy that will facilitate the success of energy projects in MCs:
 - **Private sector development** — IsDB acknowledges the pressing need to support the private sector to boost economic growth in MCs, and facilitates the private sector intervention in the sector
 - **Innovative financing** — The focus on energy efficiency/renewable energy/climate change will require a major increase in concessional or soft term financing, even in middle-income countries. IsDB will identify opportunities for developing effective and innovative financing mechanisms
 - **Regional energy integration** — IsDB is promoting and facilitating

regional integration of energy systems, and in areas such as solar energy. As a South-South institution, IsDB is in a unique position to extend regional cooperation between MCs

- **Building partnership** — IsDB supports building stronger partnerships with other multilateral and bilateral development institutions during the implementation of the policy while preserving its comparative advantage as one of the major South-South financing institutions.

INVESTMENT

- The 10YS and P5P call for greater selectivity in determining future financing operations, taking into account country needs and sustainability criteria adopted by MDBs and other development partners. In the energy sector, this selectivity will ensure the relevance of future operations for addressing priority development challenges, taking into account changing MC circumstances and needs.
- IsDB will expand its support for private sector energy projects and public-private partnerships

(PPPs), taking into account country circumstances and the need for prudent management of risks. IsDB will also assist MCs to strengthen their policy framework and institutional capacity for PPPs in energy projects.

- IsDB will identify opportunities for developing effective and innovative cooperation models for developing innovative financing with partner development institutions.

ALIGNING POLICY WITH SDG 7

The policy pillars are aligned with the SDG 7 targets to ensure universal access to affordable, reliable and modern energy services, increase the share of renewable energy and double the global rate of improvement in EE by 2030

Transport Sector Policy

IsDB's Transport Sector Policy establishes the overall direction for IsDB's transport operations in MCs

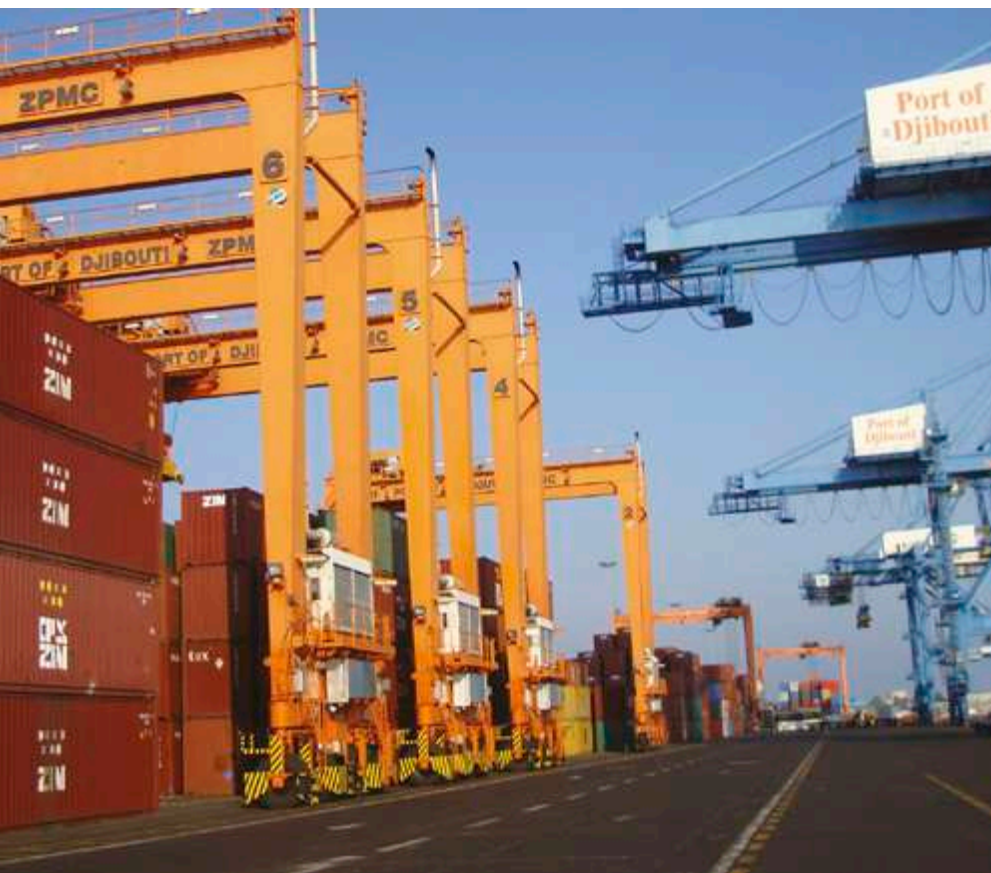
PURPOSE

- ▶ The Transport Sector Policy aims to address the significant financing gap identified within the framework of the sector-related SDGs.
- ▶ It outlines the principles and intentions that permit, guide and govern IsDB's transport sector operations to achieve its institutional goals for the sector, which can be summarised in its vision for 'Sustainable Transport for Inclusion and Prosperity'.
- ▶ Within IsDB's decentralised framework, the policy will facilitate a more intensive engagement with MCs through the Regional Hubs to discuss policy and strategy, and inform investment choices and other support for MCs.

IsDB will assist MCs to selectively introduce new and innovative types of transport operations to address changing needs and improve transport sustainability

METHOD

- ▶ The Transport Sector Policy is guided by two objectives, five pillars, six cross-cutting enablers and three guiding principles.
- ▶ The five pillars identify the main types of transport interventions IsDB will finance. Two of these cover the provision of basic access and connectivity to assist the neediest populations:
 - Supporting universal, affordable access in poor and disadvantaged countries, and parts of countries
 - Supporting post-disaster and -conflict reconstruction in the transport sector.
- ▶ The other three policy pillars enhance the contribution of transport to competitiveness, trade and economic growth and help MCs appropriately transition to clean and low-carbon types of transport:
 - Through its support for efficient transport systems, IsDB will finance investments to improve the efficiency and competitiveness of high-volume transport systems with a view to optimising the use of resources and enabling economic growth
 - IsDB will finance high-volume regional transport corridors and streamlining of border crossing procedures and logistics arrangements, thereby contributing to regional connectivity and trade growth
 - Green transport will assist middle- and high-income MCs that wish to reshape their transport systems to reduce adverse environmental impacts such as urban congestion, air pollution, noise pollution and CO₂ emissions.
- ▶ The policy has six cross-cutting enablers to be considered when preparing all transport operations. These address





issues that are important for both project sustainability and achieving the transport-related SDGs:

- **Traffic safety** — All road projects will include road safety audit at the feasibility study, engineering design and engineering supervision stages
- **Inclusion and social sustainability** — During project preparation, IsDB will examine options for serving the needs of different groups of potential users, taking into account youth and gender dimensions and the needs of poor, disadvantaged and vulnerable groups
- **Asset sustainability** — To address the problem of inadequate maintenance, all road projects will consider the adequacy of MC asset management systems
- **Environmental sustainability** — IsDB will apply environment-friendly approaches to the design of transport projects. Upon request from MCs, it will provide support for preparation and implementation of environmental safeguards
- **Climate change** — IsDB will introduce the screening of all projects for climate risks early in project preparation, and will incorporate climate-resilient design where significant risks are identified
- **Capacity development** — At project level, IsDB will increase its support for strengthening MCs' project implementation capacity.

At sector level, it will consider providing capacity development support to address sector-wide issues and needs.

POTENTIAL IMPACTS

- ▶ Through the policy, IsDB seeks to realise seven new opportunities:
 - Establishing public-private partnership operations in MCs that have a conducive policy/legal framework, capacity and governance arrangements
 - Expanding IsDB's role in regional cooperation in transport
 - Co-financing with private Islamic finance institutions
 - Establishing project preparation financing facilities to supplement the resources available for project preparation and engineering design
 - Introducing innovative forms of Islamic finance for transport projects, including for multi-tranche financing
 - Establishing knowledge partnerships to supplement staff knowledge and expertise
 - Extending transport capacity development support for MCs including through Reverse Linkages.
- ▶ The policy will also allow IsDB to mitigate four emerging threats:
 - Increasing competition from other MDBs and emerging financiers
 - Inadequate road maintenance and road safety threatening the

sustainability of road operations in some MCs

- Demand for greater efficiency from middle- and high-income MCs
- Continued weakness in project preparation and administration that could eventually lead to overall portfolio risks.

- ▶ The main solution to these threats will be to increase project selectivity and improve project quality and value addition.

INVESTMENT

- ▶ IsDB's average financing amount for transport projects has risen steadily in recent years, from around US\$ 43 million in 2012 to US\$ 158 million in 2016 and 2017. This increase has helped IsDB to scale up its support more appropriately in relation to country needs and to make more efficient use of staff time.
- ▶ During the period 2012–2017, IsDB transport allocations saw an average of 12 transport projects approved each year for a total of US\$ 1.1 billion.
- ▶ Across all regions, 72% of financing was for roads and 14% for railways, with smaller amounts for ports, airports and urban transport.

TRANSPORT SECTOR ALLOCATIONS

During the period 2012–2017,
an average of **12** transport
projects were approved
each year for a total of
US\$ 1.1 billion



Urban Sector Policy

The need to have an up-to-date Urban Sector Policy that provides a proactive vision, strategic framework, engagement tools, services and financial products is vital to both IsDB and its MCs. These objectives are promoted internationally by Sustainable Development Goal 11 (SDG 11) and the commitment to work towards “leaving no one behind”

PURPOSE

- ▶ The Urban Sector Policy (USP) is intended to guide all IsDB urban programmes and operations, focusing on the overarching goal of achieving a sustainable and inclusive urban development in MCs.
- ▶ The scale and rapidness of urbanization cannot be underestimated amid the challenges it poses for developing countries, both positive (if it is well-managed) and negative (if countries do not have the policies and institutions capable to manage it).

Well-planned and managed urbanisation can be a powerful tool for sustainable development for both developing and developed countries

- ▶ Low income and lower-middle income countries are now the locus of the most rapid urban growth. In 2018, cities in those countries hosted 32% and 41% of the population respectively. By 2050, both country groupings will cross the 50% threshold with 50% and 59% of their populations living in urban areas respectively (United Nations 2019).

METHOD

- ▶ IsDB has introduced the USP in line with the main recommendations of the New Urban Agenda which was adopted at the Habitat III Conference in 2016 in Quito and represents a shared vision for a better and more sustainable future.

- ▶ The policy is designed to fulfil three key functions: (i) provide a framework for developing programmes and projects with MCs that promote sustainable and inclusive urban development; (ii) offer a coordinating framework that harmonizes relevant IsDB sectoral and thematic policies at the policy level and builds synergies with other sectoral operational engagements; and (iii) align the USP with other corporate policies, particularly the P5P and the 10YS. It also offers a basis on which to exchange views and mobilize partnerships in promoting sustainable and inclusive urban development with other multilateral development banks, international organizations, civil society organizations and the private sector.

- ▶ The policy is underpinned by five pillars, each contributing to achieving sustainable and inclusive urban development in different ways. These pillars are as follows:
 - Urban economy
 - Urban mobility





- Urban housing and slum upgrading
- Urban water and sanitation
- Disaster, climate and environmental resilience.

► It is driven by seven enablers: (1) urban governance; (2) national urban policy; (3) urban planning; (4) municipal finance; (5) citizen engagement; (6) building partnerships; and (7) STI & ITC applications.

► In terms of guidance, it is oriented by four guiding principles:

- Country-focused selectivity

- Capacity building and knowledge sharing
- Financing mechanisms, including PPPs
- Women and youth empowerment.

POTENTIAL IMPACTS

► Given that any topic of national interest (e.g. health, education, climate change, social cohesion) affects urban space — that is, issues or forces that either impact cities or are impacted by them — there is a virtually limitless scope that can be ascribed to urban policy. Because of this somewhat unique feature, urban

programmes are often thought of as the "integrators" of different sectors in a common space.

► Therefore, an urban policy can have impact on the seventeen SDGs, in one way or another. IsDB's Urban Sector Policy is expected to impact mostly four SDGs, namely: SDG 11 (Sustainable Cities and Communities); SDG 6 (Clean Water and Sanitation); SDG 7 (Affordable Clean Energy); and SDG 13 (Climate Action).

INVESTMENT

► From its inception to January 2021, IsDB has provided a net financing of US\$ 7.6 billion to the urban sector in spite of the fact that a dedicated urban policy was not yet in place.

► In the housing sub-sector projects, two key projects have been successfully completed in Bamako, Mali (Basic Social Housing Project and Support to the Social Housing Program, US\$ 31 million) and in Saida, Lebanon (the Saida City Infrastructure Development Project, US\$ 21 million). However, the biggest completed urban projects were in urban water supply (Bahrain US\$ 191 million, Algeria US\$ 63 million, Lebanon US\$ 58 million, etc.) and sanitation sector (Iran, Turkey, Turkmenistan, Uzbekistan, etc.).

FINANCING THE URBAN SECTOR

From its inception to January

2021, IsDB has provided a

net financing of

US\$ 7.6 billion

to the urban sector

IsDB-APICORP Economic Infrastructure Facility

IsDB and the Arab Petroleum Investments Corporation (APICORP) signed a Memorandum of Understanding for the establishment of a new Economic Infrastructure Facility aimed to address the significant water, energy and waste management challenges facing their shared MCs

PURPOSE

► SDG 9 commits countries to 'Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation'. Together with SDG 6 (clean water and sanitation) and SDG 7 (affordable and clean energy), this Goal has the power to change lives for the better in all countries that can take decisive action in these areas.

► A wide-ranging partnership between IsDB and APICORP will harness the ambition of these goals to help progress energy, water and waste value-chain projects in their common MCs.

The IsDB / APICORP US\$ 1 billion Economic Infrastructure Facility will finance energy, water and waste value-chain initiatives in 11 MCs of the Organization of Arab Petroleum Exporting Countries (OAPEC)

► IsDB and APICORP signed a Memorandum of Understanding (MoU) in September 2019 at the World Energy Forum in Abu Dhabi. As a first deliverable of the MoU, IsDB and APICORP plan to establish a private sector-focused US\$ 1 billion Economic Infrastructure Facility (EIF) to finance energy, water and waste value chain. The cooperation will:

- Address the lack of private sector engagement in infrastructure finance by promoting the use of PPPs in IsDB MCs as an alternative finance solution to public debt
- Support the human and economic development of MCs by addressing the need for power and water infrastructure, for which the investment gap is estimated at US\$ 200 billion across MCs
- Align financing with IsDB's Global Value Chain (GVC) approach since the industrialisation strategy of MCs is directly linked to internal water supply and power generation capacity.

METHOD

► The EIF will take the form of a partnership between IsDB and APICORP to identify, negotiate, conclude and jointly execute mandates to arrange structured finance facilities for the sustainable development of the economic infrastructure of their common member states, especially with a focus on power and water.

- **Combining financial support** — IsDB and APICORP will jointly finance the eligible infrastructure projects.
- **Mutualising resource mobilisation efforts** — IsDB and APICORP will jointly mobilise additional financial resources from the syndication market to scale up the initial contribution





- **Leveraging synergies** — Complementary skills-set and market knowledge will enable IsDB and APICORP to enhance their respective origination, execution and distribution capacity.

ACHIEVEMENTS

- ▶ The EIF will enable IsDB to:
- **Complete more projects** — Thanks to a significant scaling up of IsDB's contribution to private sector-focused economic infrastructure financing
- **Leverage specialised knowledge** — Bringing benefits from APICORP's expertise in the energy sector and building PPP lead arranger capacity within IsDB
- **Share costs** — Mutualising origination, financing and resource mobilisation efforts
- **Reinforce regional integration** — Enhancing market connectivity

between the respective MCs of IsDB and APICORP.

INVESTMENT

- **Target size** — The intention is to jointly arrange financing for an aggregate amount of US\$ 1 billion within a three-year period.
- **IsDB's resource mobilisation** — Four-times resource mobilisation target for IsDB with US\$ 250 million contribution coming from IsDB, US\$ 250 million from APICORP and the rest mobilised from external sources of funding, including commercial banks and development finance institutions
- **Sector and project** — The EIF will focus on the energy GVC by financing economic infrastructure with an emphasis on the power, water and waste sectors. The involvement of the private sector (local, regional and/or international) will also be a priority.

- **Geographical coverage** — All IsDB MCs are in scope, with priority given to the 11 OAPEC MCs that are common to IsDB and APICORP. The EIF will also finance projects in non-OAPEC MCs if the projects are sponsored by a company headquartered in an OAPEC MC.

DEVELOPMENT PROJECT COMPLETION RATE

The EIF will enable IsDB to
complete more projects
thanks to a **4x** scaling up of
IsDB's contribution to private
sector-focused economic
infrastructure financing

Crowding-in market resources: first project of its kind in Kazakhstan

IsDB is collaborating with other multilateral co-financiers to provide joint funding of US\$ 585 million for a ring road project in Kazakhstan, heralding the first public-private partnership in the country

PURPOSE

- ▶ The BAKAD Almaty Ring Road Project is a major infrastructure initiative that will transform lives and businesses in Kazakhstan. Having recently won international recognition with the title of Europe Transport Deal of the Year at the PFI Awards 2020, the project will help Almaty City in Kazakhstan to build a ring road that will address the following needs:
 - Reduction of travel times, traffic congestion and traffic accidents in the city
 - Creation of a bypass for commercial vehicles following the 'Western China – Western Europe' transnational highway, which is part of the Chinese 'One Belt, One Road' initiative
 - Advancing the integration of the city and region into the Central Asian economies.

The BAKAD Almaty Ring Road Project is expected to serve as a benchmark for international investors to exploit PPP models for infrastructure projects in the region in the future

- ▶ The project's objective is the financing, construction and operation of 66 km of tolled highway.
- ▶ By removing a major transport bottleneck in Almaty, the project will lead to a reduction in local air pollution and greenhouse gas emissions.
- ▶ It is the largest infrastructure project in Kazakhstan outside the oil and gas sector.
- ▶ It is expected to move the economy away from reliance on oil and gas by encouraging new methods of investment such as PPPs.
- ▶ The ring road project will help Kazakhstan to achieve its stated aspiration to join the ranks of the 30 most developed countries of the world by achieving OECD standards and improving its chances of achieving its targets for the SDGs.

METHOD

- ▶ In response to the identified needs, IsDB worked with various co-financiers to provide funding for the BAKAD Investment and Operation Limited Liability Partnership to be set up as a project company to develop and operate a 66km ring road north of the city of Almaty.
- ▶ The funding is arranged on a PPP basis and this is the first PPP project to take place in Kazakhstan.
- ▶ IsDB's Murabahah approach (also known as cost-plus) allows for the lender to inform the borrower of a fixed mark-up on repayments in place of an interest rate.





ACHIEVEMENTS

- ▶ The signing of the financing documents took place at Nur Sultan, Kazakhstan in February 2020, with the financial close reached in August 2020 despite the limitations caused by the ongoing COVID-19 pandemic.
- ▶ BAKAD has a 20-year concession awarded by the Republic of Kazakhstan to a joint consortium of Turkish and Korean companies for financing, construction, operation and maintenance of the project.
- ▶ The concession for the project was awarded to the project sponsors, Alsim Alarko and Makyol Insaat from Turkey and SK Engineering and Construction (SK) and Korean Expressway Corporation from Korea.
- ▶ The ring road will have four lanes in the first and last sections, with a length of 9 km and six lanes in all other sections, with a total length of 57 km. It will include 21 bridges,

19 viaducts and other elevated structures.

- ▶ The BAKAD project will create employment opportunities for the local population over several years.
- ▶ The BAKAD ring road is the first infrastructure concession project to be executed at state level, both in Kazakhstan and in Central Asia.
- ▶ The presence of international advisors and lawyers, and the open, international competitive process made this project a unique case, one of a kind for the entire region.

INVESTMENT

- ▶ IsDB will provide a US\$ 100 million Shariah-compliant instalment sale financing facility to support the project.
- ▶ IsDB's funding is part of a total financing package of US\$ 585 million co-financed by the European Bank

for Reconstruction and Development and the Eurasian Development Bank.

THE RING ROAD PROJECT

Helping Kazakhstan to achieve its aspiration to join the ranks of the **30** most developed countries of the world

INVESTMENT

IsDB will provide a **US\$ 100 million** Shariah-compliant Instalment Sale financing facility to support the project

Enhancing MCs' Evaluation Capacity

In addition to its function as financier, IsDB is a knowledge bank, and its Operations Evaluation Department (OED) has contributed to helping MCs strengthen their monitoring and evaluation systems and capacities at all levels to allow them to generate and use evaluative evidence for more effective policies

PURPOSE

- ▶ Significant economic progress has been made by many MCs over the past decades, enabling them to move towards achieving the SDGs. However, the mechanisms for monitoring and evaluating those interventions have not developed at the same pace, leaving the governments lagging in terms of result measurement.
- ▶ Through the OED, IsDB has leveraged its expertise and experience in monitoring and evaluation (M&E) to help MCs improve their M&E systems and result measurement capacities.
- ▶ Evaluation capacity development initiatives were undertaken with the aim to develop:
 - A culture of evidence-based decision making in MCs
 - M&E systems within MCs
 - The evaluation capacity of public institutions as well as evaluation professionals.
- ▶ These activities are aligned with the Awareness, Linkages, Competency, Delivery

Through the capacity development of public officials from MCs in results measurement, the OED helps implement awareness, competency, delivery and reinforcement

and Reinforcement components of the P5P, demonstrably in IsDB's activities in Bahrain, Kazakhstan, Morocco and Senegal.

METHOD

- ▶ IsDB works diligently to identify the need for capacity development in the areas of monitoring, evaluation and impact assessment in MCs. In addition to the supply-driven approach, OED responds in several cases to the demands of MCs.
- ▶ In concert with partners such as the World Bank, capacity development programmes, including tailored workshops, case studies, simulations and M&E systems development support, are designed to suit the specific needs of MCs.
- ▶ Efforts to impart capacity development initiatives often combine classroom training with practical evaluation experience. For example, participants from the Court of Audit in Morocco had the opportunity to act as external members of the OED evaluation team.
- ▶ In some cases, IsDB collaborated with government agencies to transform them into centres of excellence for capacity development in M&E, preparing the agency officials to train other officials to shift the country's decision- and policy-making systems into evidence-based activities.
- ▶ The Court of Audit in Morocco and the Astana International Financial Centre in Kazakhstan are now equipped with the capacity to train other agencies, resulting in a cascading effect of capacity development initiatives.
- ▶ IsDB has joined the Global Evaluation Initiative, a broad and inclusive group of





national governments, international and regional organisations, private sector organisations, academic institutions and civil society groups that have formed a global partnership aiming at closing the M&E gap and strengthening capacities at all levels in order to generate and use evaluative evidence for more effective policies in MCs.

ACHIEVEMENTS

- ▶ Through capacity development programmes in Bahrain, Kazakhstan, Morocco and Senegal, IsDB trained a total of 130 mid- and senior-level officials from nine MCs.
- ▶ Interventions have been designed based on a deep understanding of underlying issues and are thus tailored to the local contexts of the specific countries.
- **Training in M&E for government officials of the Kingdom of Bahrain** — Responding to the desire of the government of the Kingdom of Bahrain to improve results, IsDB delivered an intensive workshop to familiarise government officials with the theory of change and enhance their capacity to deliver, monitor

and evaluate project outcomes. 27 senior officials from the Ministry of Finance and the executing agencies of line ministries participated in the workshop

- **Evaluation capacity building workshop for senior government officials of Kazakhstan** — With support from Astana International Financial Centre of the Ministry of Finance, IsDB delivered an evaluation capacity building workshop for 30 participants from different sectors and ministries, including Astana officials. The workshop was aimed at equipping participants with technical skills in evaluation and their practical applications in development projects. Participants gained deeper understanding of evaluation methods and techniques and their application to project management
- **Evaluation capacity development programme for Moroccan Court of Audit** — The Moroccan Court of Audit has recently been mandated to evaluate public sector projects and policies for the government of Morocco. IsDB's programme was meant to support the Moroccan Court of Audit in preparing 28 magistrates to become experts in the evaluation of government projects, strategies and policies through classroom training and hands-on experience. The programme succeeded in strengthening the institutional evaluation capacity of the Court of Audit through the development of an evaluation manual, related tools and procedures and guidance on four pilot evaluations conducted by the Court of Audit. Systems were put in place to support evidence-based decision making, organisational learning and accountability
- **Impact evaluation workshop for officials of MCs in Senegal** — Given the expertise of the World Bank Group, IsDB teamed up

with the Independent Evaluation Group to bring a unique capacity building opportunity in impact evaluation to the officials of selected MCs. Delivered completely in French, the training programme was tailored to enable the participants to design and implement robust and high-quality impact evaluation of development policies, strategies and projects. The training used six case studies from six MCs, namely Burkina Faso, Cameroon, Guinea, Mali, Niger and Senegal, to allow the participants to relate their skills to their own experiences. A total of 60 officials from the participating countries attended the workshop. All the six countries are MCs of IsDB and the World Bank.

INVESTMENT

- ▶ To undertake these evaluation development capacity initiatives, IsDB's investment was around US\$ 77,000. The gains achieved are very high for such a modest investment, given the impact on MCs capacity to monitor public strategies, policies and projects towards achieving the SDGs.

OED CAPACITY BUILDING INITIATIVES

US\$ 77,000 invested

4 capacity development activities

130 Officials from **9** MCs trained

Partnership with **2** Global Initiatives

Unlocking finance to access energy through crowdfunding

A crowdfunding pilot project is expected to connect more than 50,000 people with electricity from off-grid solar systems

PURPOSE

- ▶ 789 million people still live without electricity, 75% of which are in rural areas.
- ▶ Lack of sufficient financing to access electricity, especially in rural areas, is a key challenge to achieve the goal of universal access to electricity by 2030 (SDG 7.1.1). SMEs face particular challenges in this regard due to the difficulty of obtaining working capital.
- ▶ Low-cost solar solutions are starting to bring new options to these communities. IsDB is working with the Swedish crowdfunding platform, TRINE, which was established in 2015 in response to these challenges.

The TRINE intervention is an innovative financing tool that will build partnerships with the private sector in the development arena

METHOD

- ▶ The agreement with TRINE was for IsDB to provide financing for off-grid clean, sustainable energy solutions in MCs. The proposal also intends to enhance the availability of an Islamic finance structure for off-grid solutions in MCs through crowdfunding.
- ▶ In particular, TRINE's mandate is to tackle the lack of access to capital for the off-grid solar energy sector.
- ▶ Based on the belief that all people should have access to clean energy, TRINE supports SMEs specialising in distributing solar home systems (SHSs) to rural households through financing the purchase of these systems.
- ▶ SHSs are standalone photovoltaic systems that are ideal for remote communities that do not have access to the national grid.
- ▶ The technology costs to provide distributed renewables for energy access such as SHSs have reduced significantly in the three years up to the end of 2020, by more than 40%.
- ▶ IsDB recognises crowdfunding as a way of creating linkages and partnerships that offer resource mobilisation services for MCs.
- ▶ IsDB has chosen to work with TRINE on a project whose objectives are:
 - To attract and positively influence the decisions of crowd investors to support the platform's campaigns
 - To enable communities in selected MCs to benefit from crowdfunding campaigns and access to low-emission energy.





► The cooperation with TRINE allowed for the extension of Murabaha financing to SMEs that provide clean electricity services to rural households and small businesses.

- The initiative:
- Provides a two-times multiplier effect by leveraging IsDB's € 1 million contribution with the contribution from the crowdfunders
 - Creates the opportunity for IsDB to achieve real developmental impact by unlocking access to renewable energy in MCs
 - Allows a transfer of knowledge on crowdfunding by engaging with an external platform.

ACHIEVEMENTS

- More than 50,000 people will receive electricity access during the TRINE pilot project.
- Emissions equivalent to 145,000 tons of CO₂ will be avoided as a direct result of replacing dangerous sources of fossil fuel.
- The successful outcome of this pilot project will inspire support for other crowdfunding platforms in

various geographies and sectors:

- IsDB's involvement in this initiative will have a critical de-risking role to attract more crowdfunded investments that could make a tangible difference.
- IsDB is partnering with UNDP on the TRINE initiative to assess the impacts of IsDB-financed campaigns using UNDP's Climate Action Impact Tool, to enable investors, both crowd and institutional, to monitor the impact of investments on achieving the SDG targets.

INVESTMENT

- TRINE's sustainable business model and its focus on solving acute developmental challenges made it eligible for IsDB approved financing of € 1 million.
- The platform already has a portfolio in excess of € 45 million and has built up a successful track record through the pilot project.
- Estimates show that each € extended by IsDB will attract € 2–3 from crowd investors.

- Both IsDB and the crowdfunders will earn a mark-up of +7% annually, with a maximum tenure of five years.

ISDB FINANCING FOR OFF-GRID CLEAN, SUSTAINABLE ENERGY SOLUTIONS IN MCs

Provides a **2x** multiplier
effect by leveraging IsDB's
€ 1 million
contribution with the
contribution from
crowdfunders

EMISSIONS REDUCTION

Emissions equivalent to
145,000 tons
of CO₂ will be avoided

Global Partnership for Education Alliance: enabling more and better financing

IsDB is supporting universal basic education through partnership with the Global Partnership for Education (GPE)

PURPOSE

- ▶ In 2019, IsDB and the GPE, the largest entity in education financing, launched an alliance to address the global education crisis.
- ▶ The GPE is a US\$ 2.8 billion global fund, bringing key stakeholders together to improve education in 68 of the world's poorest countries, of which 35 are IsDB MCs. A major focus of the partnership is addressing the high number of out-of-school children and the poor levels of learning achievement.
- ▶ The main objective of this partnership is to provide access to education for out-of-school children, with the slogan 'Leaving no child out of school in IsDB MCs by 2030'.

IsDB is partnering with the GPE to support the implementation of the National Education Development Strategy of the Republic of Tajikistan

- ▶ Partnerships allow IsDB to actively participate in the global aid architecture discourse while leveraging resources for its MCs.
- ▶ IsDB and participating development partners will work together to leverage resources, with the aim of returning 28 million children to school.

METHOD

- ▶ The initiatives aim to bring about a paradigm shift from schooling to learning, whereby education systems can be reformed structurally and operationally to facilitate a holistic and conducive environment for teaching and learning.
- ▶ By collaborating with partners, education investments are optimised for greater efficiency and impact. For instance, UNICEF is providing technical assistance to the project, while IsDB's engagement with the GPE provides direct grant resources through the Education Sector Programme Implementation Grant or the Multiplier, which allows for leveraging of resources to crowd-in new and additional external financing.
- ▶ In order to access GPE financing, countries must allocate 20% of the national recurrent budget to education. This domestic resource requirement boosts the capacity of executing agencies or ministries of education to meet counterpart funding requirements, which are an important aspect of IsDB-funded sector projects.
- ▶ The new framework currently being piloted in Tajikistan engaged the Local Education Group (comprised of all donors, NGOs, civil society, and teachers'





unions) under the leadership of the Government, to ensure an inclusive policy dialogue, synergy and mutual accountability of stakeholders.

► The Local Education Group platform provided IsDB with the opportunity to harmonise its interventions within a sector-wide approach aligned with national policy and strategies.

ACHIEVEMENTS

► The outcomes of the partnership, whose target is to enhance access to student-friendly education, include:

- Construction of 68 schools of 752 classrooms for 18,000 students and five administrative buildings in 18 districts and cities of the Khatlon Region and Dushanbe
- Curriculum roll-out and learning

assessment reforms

- Training of teachers/mentors/professionals
 - Development and printing of 250,000 sets of new teaching/learning materials
 - Stocktaking of competency-based education activities.
- As part of this initiative, IsDB has been accredited as the second multilateral development bank to serve as Grant Agent for the GPE (alongside the World Bank) with fiduciary responsibility over the GPE resources.
- IsDB became an Alternate Board Member for the Multilateral Development Agencies Constituency, to enhance and deepen IsDB involvement in the governance of the GPE.

INVESTMENT

► The total cost of the education pilot project in Tajikistan is US\$ 46 million with IsDB's contribution of US\$ 30 million and a GPE grant of US\$ 10 million, in addition to US\$ 6 million from the Government of Tajikistan.

► To prepare the project, the GPE provided US\$ 181,141 to IsDB as a project preparation grant facility.

► With access to the GPE country allocations, IsDB is able to build its pipeline of projects around these allocations. In this way, it can leverage and blend grant resources to soften IsDB ordinary financing, which lower-income MCs are reluctant or unable to absorb.

► Because the partnership is scalable, this has allowed IsDB to enter into consultation with the Regional Hub of Rabat, Morocco to explore the potential for support to Tunisia and Morocco to unlock their respective allocations from the GPE Multiplier of US\$ 15 million each, following the successful pilot of the Tajikistan operation.

GLOBAL PARTNERSHIP FOR EDUCATION

US\$ 2.8 billion
global fund to improve
education in **68** of the
world's poorest countries, of
which **35** are IsDB MCs

TAJIKISTAN PILOT PROJECT

68 schools for
18,000 students

THIQAH online initiatives

The IsDB Group Business Forum – THIQAH, together with IsDB Group's private sector entities, has launched and implemented initiatives in more than 30 of IsDB's MCs

PURPOSE

- ▶ IsDB has embarked on a series of digital and virtual projects together with three of the IsDB Group's private sector entities: The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), the Islamic Corporation for the Development of the Private Sector (ICD) and the International Islamic Trade Finance Corporation (ITFC).
- ▶ The global pandemic gave rise to a new need to sustain foreign direct investment (FDI) momentum through virtual means in the absence of physical options and in light of the lockdowns and travel restrictions worldwide.
- ▶ The aim of this cooperation is to help increase FDI net inflows for MCs by more than US\$ 100 billion, of which US\$ 50 billion will come from intra-OIC investment.
- ▶ The initiatives are:
 - Digital country presentations for investment and trade opportunities
 - Made in... series for SMEs
 - Virtual pitch competitions for start-ups.

These first-of-their-kind initiatives aim to provide innovative solutions, allowing for a sustained flow of investment and trade into and among MCs

METHOD

- ▶ The three unique online initiatives have the following aims:
 - To help MCs' economies
 - To connect with new partners
 - To promote cross-border investment and support the private sector, trade, exports and FDI in participating countries.
- ▶ The initiatives have been launched and implemented successfully in more than 30 countries, with plans to extend to more countries.
- ▶ The COVID-19 pandemic has given a major push to digital solutions. These initiatives placed digital innovation in the service of development, ultimately contributing to achieving the SDGs.
- ▶ The initiative will help IsDB to support its MCs by developing their investment and trade capabilities, including connecting with new partners, enhancing South-South cooperation, sharing experience and co-financing development projects.
- ▶ There is focus on creating an environment for sustainable and inclusive growth.

ACHIEVEMENTS

- ▶ Working through IsDB Group's Business Forum (THIQAH), the Ministry of Economy of the United Arab Emirates and the Annual Investment Meeting, IsDB Group has announced the online initiatives, which have already been implemented successfully in more than 30 MCs.
- ▶ The three initiatives are targeting clear objectives to meet their goals.



Investment/trade opportunities

Over 30 start-up winners in MCs



Implemented in more than 30 countries



Total value of investment/trade opportunities and projects: US\$ 10+ billion

Digital Country Presentations

► The total number of investment and trade opportunities and projects is in excess of US\$ 10 billion. The initiative:

- Provides a critical virtual gathering for investors, government agencies, private corporations, financial institutions and investment promotion agencies which will allow countries to promote their investment and trade opportunities
- Promotes and showcases the investment and trade opportunities in MCs
- Serves as a strategic and innovative online platform to support investment promotion agencies in connecting and

networking with potential investors, partners and financiers.

Made In... Series

- This series serves as a digital platform for SMEs' industry projects, products and services, aimed at:
- Achieving economic growth and increasing country exports while securing funding for their projects
 - Enabling SMEs to promote their locally manufactured products and display them for the opportunity of global exposure, giving them recognition on a larger retail field
 - Creating more awareness of value propositions while enhancing competitiveness for locally manufactured products and services in the global market

- Networking with potential partners from around the globe who are interested in importing a specific product or service from the presenting SMEs.

Start-ups Virtual Pitch Competition

- Over 500 selected companies competed for the prizes:
- Providing a virtual landscape for start-ups to shine, connect, network and explore global market penetration
 - Connecting start-ups globally and supporting them in meeting potential partners and investors from other parts of the world
 - Holding digital pitch competitions in several MCs, with one winner of each competition invited to be part of the final Global Start-ups Champions League
 - Discovering successful start-ups with huge potential to expand and to penetrate the market with full confidence.

INVESTMENT

- Through THIQAH, IsDB Group's private sector entities will be able to increase FDI by promoting and showcasing cross-border investment among MCs, with expected inflows set to exceed US\$ 100 billion FDI.

THIQAH ONLINE INITIATIVES

The aim of this cooperation is to help increase FDI net inflows for MCs by more than
US\$ 100 billion
 of which
US\$ 50 billion
 will come from intra-OIC investment

Supporting Egypt's clean energy projects

The Islamic Corporation for the Development of the Private Sector (ICD) aims to support Egypt's goal in achieving its emission reduction targets under the Paris Climate Agreement

PURPOSE

- ▶ The Government of Egypt launched a Feed-in Tariff (FiT) renewable energy programme in 2014 with the aim of attracting enough private investment to facilitate the development of 4,300 MW of wind and solar photovoltaic capacity in the country.
- ▶ The Government also plans to:
 - Secure 20% of its electricity generation from renewable sources within the coming decade
 - Increase Egypt's energy security by exploiting the country's vast renewable energy potential

This initiative demonstrates ICD's focus on the renewable energy space as well as an expanding cooperation with strategic international development finance institutions

- Improve the efficiency of its power sector
- Reduce reliance on costly fossil fuel imports.

METHOD

- ▶ In 2017, the ICD approved a credit envelope of up to US\$ 75 million to finance the construction and operation of new solar PV independent power projects being developed under the Egyptian FiT programme, in partnership with leading development finance institutions including the EBRD, the Green Climate Fund and the Dutch Development Bank (FMO).

The Alfarnar project

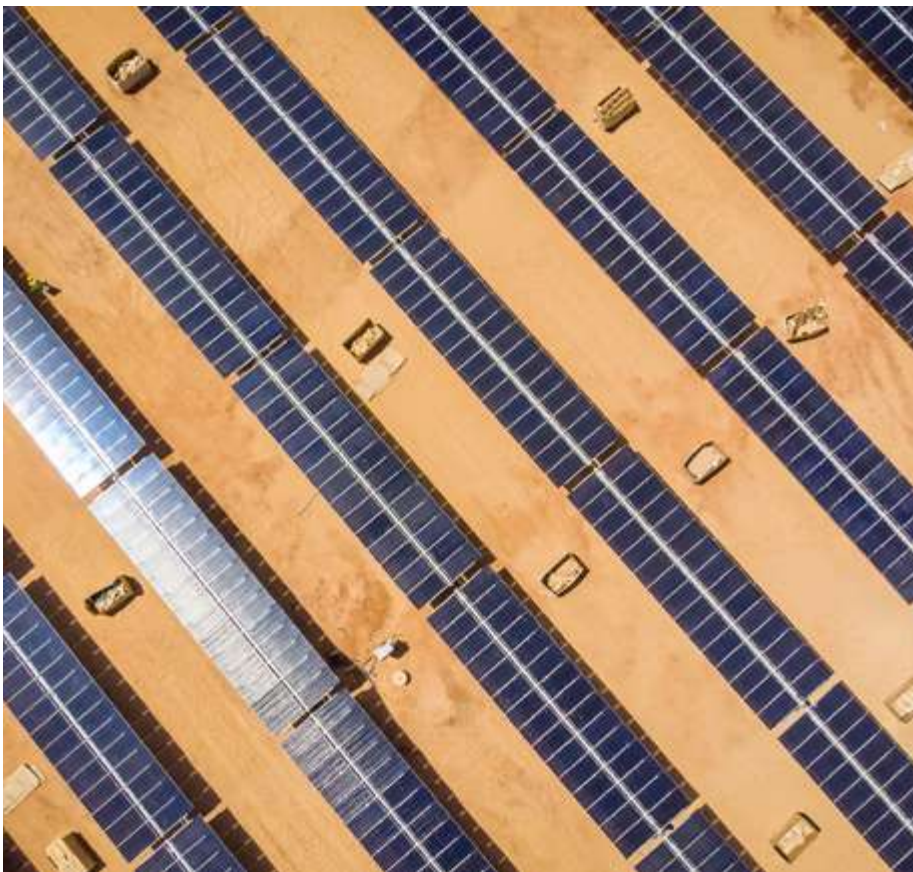
- ▶ This project comprised the building of a 50 MW solar PV power plant in the Benban Solar Park in the Aswan province of Egypt, which is set to be one of the largest solar energy parks in the world. The total project was funded with equity and debt, with equity funding provided by the Alfarnar company, a leading Saudi energy conglomerate active in the GCC region, and senior financing provided by the EBRD and the ICD.

- ▶ The project is expected to abate up to 100,000 tons of CO₂ equivalent per annum, supporting Egypt's emission reduction targets under the Paris Climate Agreement, as well as promoting sustainable energy development and private sector participation in the country's energy landscape.

Scatec Solar projects

- ▶ Scatec Solar ASA (SSO) is a Norwegian company that develops, builds, owns, operates and maintains solar power plants globally. The company is developing six projects for the Egyptian FiT programme, in partnership with





prominent international investors including Norfund and Africa50, the Infrastructure Fund for Africa. The projects will have a total installed generation capacity of 400 MW and will be based in Benban Solar Park. The total cost of the projects will be funded by sponsor equity and senior financing provided by the EBRD, IsDB, FMO and the ICD.

► The annual 870 GWh of electricity produced from the 400 MW solar plants will avoid about 350,000 tons of CO₂ emissions per year, supporting Egypt's emission reduction targets under the Paris Climate Agreement. Egypt has committed to increase the share of renewables in the country's power mix to 37% by 2035.

ACHIEVEMENTS

- This initiative demonstrates:
 - ICD's focus on the renewable energy space
 - ICD's efforts in expanding cooperation with strategic international development finance institutions
 - ICD's commitment to an important Member Country, Egypt, in its journey towards sustainable economic development and alignment with the SDGs
 - ICD's dedication in assisting the socioeconomic development in Benban by providing the local population with infrastructure, job creation, and skills training.

INVESTMENT

- The Alfamar project is funded with a term finance facility of up to US\$ 28.5 million.
- The Scatec solar projects are funded by six term finance facilities for a total of US\$ 24 million.

NEW SOLAR PV INDEPENDENT POWER PROJECTS

ICD approved a credit envelope of up to
US\$ 75 million
to finance the construction and operation of new solar PV independent power projects

Change for impact: transforming agriculture and rural development in MCs

Published by IsDB in 2018, the book *Change for Impact: Transforming Agriculture and Rural Development in IsDB Member Countries* has broadened awareness of IsDB's work in its MCs

PURPOSE

- ▶ IsDB is committed to growing the agriculture sector of its MCs and enabling these countries to achieve the SDGs. There is growing evidence that improvements in the agriculture sector can generate a multiplier effect.
- ▶ Various development studies have shown that US\$ 1 invested in the agriculture sector in sub-Saharan Africa has impacts that can lift at least 16 people out of poverty.
- ▶ IsDB is working to ensure that the needed investments are made, especially by the private sector, so that agriculture will grow sustainably at scale over the longer term. These investments also need to be integrated to generate impactful change.
- ▶ Outcomes of IsDB's investment in the agricultural sector include:
 - Better access to good quality, high-yielding seeds for farmers in many MCs

This publication identifies important lessons and opportunities for transforming the agricultural sector in MCs. It also explores opportunities to engage with a wide range of stakeholders (including the private sector, development partners and civil society) in the transformation process

- Improved rural infrastructure, such as roads, markets and irrigation systems for rural communities
- Knowledge about what we should do differently in the future, such as:
 - Having representatives on the ground
 - Engaging with the private sector
 - Enabling value chains that link farmers to markets and create rural jobs for youth and women.

- ▶ The publication, *Change for Impact*, stems from the desire to raise awareness of IsDB's new business model, especially concerning GVCs and private sector engagement, and to share with a wider audience IsDB's wide-ranging knowledge of agriculture and rural development.

METHOD

- ▶ Through case studies, the book explores IsDB's role in fostering sustainable, inclusive and integrated growth in the agriculture and rural development sector.
- ▶ It sheds light on the critical pathways to impactful investment, using IsDB's new business model of a global value-chain approach and strong partnerships with development partners.
- ▶ The book serves as a guide to IsDB's commitment to transform the agricultural sector in its MCs. It provides balanced reflections on the past and valuable lessons that inform the way forward.
- ▶ The publication addresses issues faced by the agricultural sector in many IsDB MCs, including:
 - Low productivity
 - Climate change





- Environmental degradation
- Food insecurity
- High unemployment among youth and women.

► It addresses the need for transformation in the sector in order to eliminate hunger and malnutrition and create a platform for sustainable and inclusive economic growth that leaves no one behind.

► It does so by considering lessons from the past about what worked well and what did not to change agriculture for impact.

► The book does not seek to provide a comprehensive assessment of all the development programmes and projects that have been financed by IsDB on behalf of its MCs. Instead, it uses various representative programmes and projects as case studies to draw out generalised learnings that show the way forward.

► The 13 concise and interrelated chapters cover the following content:

- IsDB's agriculture and rural development strategy and methodologies for financing agricultural investments at scale
- The transformation required to sustainably increase agriculture (crops and livestock) and water productivity in the face of climate change
- Practical solutions that can be deployed at scale to build the

resilience of crop and livestock production systems and raise productivity in ways that enhance food security and generate extra outputs that can go to remunerative markets

- Case studies from IsDB investments in MCs in Asia and sub-Saharan Africa
- The importance of community empowerment, inclusive financing and youth employment to achieving sustainable transformation
- Practical mechanisms that can be used to expand access to financing in rural areas in ways that empower communities and generate jobs for youth and women
- Why strategic partnerships, both financial and technical, are necessary for expediting the needed transformation
- How partnership arrangements can be developed to share knowledge and experiences, and continuously bring on board critical innovations to achieve impacts
- Challenges hampering the sound implementation of projects in many IsDB MCs
- The reverse linkage approach, a results-oriented technical cooperation mechanism pioneered by IsDB
- Lessons from the evaluation of IsDB-financed operations over the past four decades that will inform its future interventions.

► Its long-term aim is to create productive, resilient and commercialised value chain-led agriculture sectors that meet the food and nutritional security needs of the growing populations in IsDB MCs.

ACHIEVEMENTS

► Due to its popularity, the book was translated into French and Arabic for IsDB's 2020 Annual Meeting in Jeddah.

► The Asian Development Bank chose two of the case studies featured in the book ('How to boost the productivity of smallholder farmers' and 'Lessons from an Islamic approach to rural financing') for publication on its website to showcase best practices.

► Publication of the book contributed to the design and resource mobilisation of the Regional Rice Value-Chain Programme in sub-Saharan Africa. It allowed IsDB to bring onboard several traditional and non-traditional partners to mobilise grant resources for the programme to support the beneficiary countries.

INVESTMENT

► By the end of 2017, IsDB had invested US\$ 12.6 billion in agriculture and rural development, reflecting significant growth over the previous decade. This work is helping with the achievement of SDG 2 (Zero Hunger) and will continue to yield strong benefits in the future.

ISDB INVESTMENT

US\$ 12.6 billion

invested in agriculture and rural development

US\$ 1 invested in the

agriculture sector in sub-Saharan Africa can lift at

least 16 people out of poverty

Regional Cooperation and Integration Policy

IsDB has launched an initiative to support regional cooperation and integration among its MCs

PURPOSE

► Since the development of the P5P, IsDB has been pursuing various targeted initiatives in MCs to enable the movement of goods, services, information, technologies and people across borders. These include:

- Regional cooperation and integration (RCI) interventions (infrastructure projects, grant programmes and investment promotion initiatives)
- Policy instruments (RCI Policy, RCI Strategy, RCI baseline reports, Regional Cooperation Organisations (RCO) mapping reports)
- Strategic orientation guidelines (RCI action plans, RCI COVID-19 impact reports and Development Finance Assessment Index (DEFAI) strategic allocation mechanisms)

IsDB's Regional Cooperation Policy and Strategy will enhance the capacity of MCs to attract domestic and foreign investment for sustainable development

► These RCI instruments and interventions provide guidance on programming, planning, implementing, supporting and resourcing sector and other thematic-based operations classified under regional cooperation and market integration activities.

► Although MCs are already part of large regional integration and connectivity projects and regional trade preferential agreements, many are performing poorly in terms of intraregional trade, intraregional FDI flows, and cross-border energy and power connections.

► To address these challenges, IsDB has developed the RCI Policy, which aims at narrowing development gaps between and within countries by:

- Improving market access and sharing resources
- Building closer trade and investment integration across sectors and industries
- Connecting lagged or isolated areas to more economically vibrant regions
- Establishing stronger financial links.

METHOD

► The RCI Policy and all subsequent RCI interventions and instruments are closely aligned with the P5P and IsDB's new business model, which repositions IsDB towards a catalytic role that facilitates cooperation among developers at every step of the development cycle. The policy is also closely related to the new IsDB MCPS, complementing its country-centred analysis with a wider, more holistic approach.

► The policy benefits from the activities of IsDB Group entities such as the ICD, the ICIEC and the ITFC in supporting trade and



investment for development. It is founded on three guiding principles:

- Anchor interventions in the SDGs
- Support regional value-chain integration as a step towards better integration in the GVC
- Promote knowledge sharing.

► IsDB's role of tying end beneficiaries (demand-side) with contributors (supply-side) through a global grid of developers is one of the main guiding principles of all RCI interventions. This sees IsDB undertaking RCI-related roles as advisor, financier, capacity builder and knowledge broker, and partner.

► Multiple SDG targets explicitly recognise the importance of planning and cooperation at the national, regional and international levels.

► Following IsDB's approval of the first RCI Policy in July 2019, a detailed RCI Operational Strategy was approved in December 2020. The strategy includes an assessment of IsDB's RCI operations and partners in coordination with IsDB partners (such as the OIC General Secretariat, GCC, ECO, NEPAD, AMU, AfDB, ADB, ECOWAS, SESRIC, COMESA, UNESCWA and other partner institutions) and stakeholders encompassing all Regional Hubs and MCs.

► The strategy adopts sub-regional programmes through RCI action plans, which include various economic sectors and are built on four basic pillars:

- Strengthening cross-border connectivity
- Improving the investment climate and FDI
- Promoting Islamic trade and finance
- Support for regional public goods.

► Within this strategy framework, a significant share (approximately 30%) of financing approved by IsDB is allocated annually to regional projects.

► Value-chain analysis guides the implementation of the RCI Strategy, and RCI considerations will be part of MCPS preparation.

ACHIEVEMENTS

► To date, the outcomes of IsDB's RCI interventions are as follows:

► Policy instruments: RCI Policy and RCI Operational Strategy, Annual RCI baseline reports and RCO mapping reports

► Strategic orientation guidelines: RCI Action Plans Framework, COVID-19 Impact Report on RCI to guide IsDB's Strategic Preparedness and Response Programme, and the first-ever regional strategic resource allocation model (the DEFAI model, which helps guide country allocations in support of the identified SDG financing gaps of MCs)

► RCI impact on IsDB portfolio at a financing level: The average annual share of RCI approvals in total approvals is between 24% and 37% of IsDB portfolio. This clearly shows the importance of IsDB RCI operations as they constitute around a quarter of IsDB's operations.

► RCI grant financing – capacity building instruments: three grant programmes that contribute to the RCI agenda in IsDB, collectively offering an efficient tool to support IsDB's efforts to realise better cooperation among MCs, by providing soft capacity and technical assistance to complement IsDB's hard regional integration infrastructure.

INVESTMENT

► IsDB approvals for RCI projects (2016–2018) include:

- Around US\$ 2.3 billion for Africa region,
- US\$ 1.4 billion for Asia region, and

- US\$ 1.0 billion for MENA region.

► This represents:

- RCI financing allocated for cross-border connectivity – about US\$ 3.5 billion
- RCI under regional public goods for US\$ 722 million
- Trade and Islamic finance and investment – US\$ 374 million and US\$ 137 million of total RCI finance respectively.

► Following the deployment of the RCI Policy and strategy instruments, the three RCI grant programme initiatives have collectively raised approximately US\$ 3.2 million grant financing from development partners, often with new developers.

► Going forward, IsDB will strive to attract and leverage global lending resources to the tune of US\$ 1.25 billion initially to support RCI operations, including both internal and global initiatives. Similarly, IsDB will target US\$ 5 million in grant financing from partners.

REGIONAL COOPERATION AND INTEGRATION IMPACT

**The average annual share
of RCI approvals in total
approvals is between
24% and 37%
of IsDB's portfolio**



**Empowering public and private
sectors, philanthropists and people**



STI Policy and Operational Strategy

Through several programmes designed to boost innovation and speed up digitisation, IsDB aims to support development activities in MCs and promote the creation of new lines of business for IsDB

PURPOSE

- ▶ IsDB has a new STI Policy that aims to mainstream STI into IsDB's operations and supports MCs through an array of activities that enhance national STI ecosystems, such as capacity building and training, policy support and international collaboration.
- ▶ STI Policy works together with the STI Operational Strategy to help IsDB achieve its digital transformation objectives, in the following ways:
 - Reinforcing the Delivery pillar of the P5P, through operations integration
 - Helping in the identification of STI priorities and needs of MCs
 - Supporting IsDB's efforts to realise its vision and contribute to the attainment of the SDGs
 - Promoting and strengthening the STI ecosystem in MCs through capacity building, policy support and adequate policy instruments.

IsDB's STI policies and programmes are transforming the culture of IsDB, enabling more effective interventions in MCs and improving the efficiency of IsDB's internal operations

- ▶ As part of its STI Policy, IsDB has established an innovative programme designed to support MCs in developing their STI institutional capacities to address major development challenges. Working with IsDB Regional Hubs and development partners, the programme puts emphasis on the least developed MCs (LDMCs).

- ▶ IsDB has also set up a special team, tasked with challenging the organisation's current work patterns and introducing agility in all departments. The project, which is currently being rolled out, aims to align digital transformation with day-to-day business activities that are among the core drivers for achieving the P5P and the 10YS.

METHOD

- ▶ An IsDB document focusing on SDG mainstreaming is providing a framework for the role of STI in achieving the SDGs in MCs. IsDB has established a strategic partnership with UNESCO to support STI efforts and strengthen inclusive STI systems in MCs. The partnership has already yielded significant achievements, such as the Global Observatory of Science, Technology and Innovation Policy Instruments (GO-SPIN) methodological tool to map STI landscapes.

- ▶ IsDB's STI programme operates in harmony with the P5P and priority sectors such as energy, health, agriculture and education, as it encompasses training, improvement of STI infrastructure, formulation of policies, and acquisition of proposed technologies. It takes the lead to forecast strategic trends in development and advise how STI can contribute to the identification of innovative solutions for MCs.

- ▶ IsDB's Information Management and Disruptive Technology Department has





supported IsDB's organisational transformation with a programme of Digitisation, Decentralisation and Delegation of Authority. Its primary focus is delivering smart, innovative solutions, with a view to enhancing user communication and collaboration.

ACHIEVEMENTS

- The partnership with UNESCO is helping build STI ecosystems in Mozambique and Uzbekistan, with a focus on reviewing the existing STI landscape in these two countries to determine strategic areas for investment and recommend policies to improve the existing STI ecosystem. The projects will serve as a pilot to set a framework that could be replicated in other MCs.
- IsDB's Regional Community Development Programme for Rural Women Solar Engineers and Entrepreneurs, in partnership with Barefoot College International, has so far supplied 2,297 households

in seven out of nine selected MCs (Afghanistan, Syria, Indonesia, Mali, Senegal, Burkina Faso and Cameroon) with electrification equipment. In addition, 40 women from all the nine MCs (Afghanistan, Syria, Indonesia, Mali, Senegal, Burkina Faso, Cameroon, Somalia and Jordan) have been trained in solar engineering with 'Solar Mamas' from Afghanistan, Mali, Burkina Faso and Jordan successfully trained on beekeeping business as a secondary livelihood activity. This is in spite of the fact that the COVID-19 pandemic has affected the overall progress and slowed down supply chains.

- An initiative called Promoting Peace Education Entrepreneurship and Connectivity in the Most Vulnerable Area of Uganda, in partnership with the Whitaker Peace and Development Initiative, was launched in July 2020. A total of nine programme inception meetings were held for this STI-based project, attended by 281 participants including 218 males and 63 females.

- Meanwhile, outcomes of IsDB's digitisation process so far include substantially improved internal responsiveness, visibility and transparency as IsDB heads towards a zero-paper environment.

INVESTMENT

- IsDB established the STI Transform Fund in 2017 with an initial capital of US\$ 500 million. The Fund supports four categories: new ideas with proof of concept, scaling up of innovative projects, commercialisation of technology, and capacity building in STI.
- IsDB has approved and disbursed US\$ 1.5 million to improve the lives and economic viability of the rural poor living in remote, inaccessible villages off the energy grids by supplying their communities with clean, low-cost household lighting from solar energy in the nine selected MCs. It has approved an amount of over US\$ 1.6 million to promote peace, social inclusion and employability in conflict communities in Uganda. To date, US\$ 378,400 (23.3% of the approved amount) have been disbursed.
- IsDB's Digitisation Enterprise Project has been rolled out to more than 1,000 users and IsDB, with estimated potential cost savings of between US\$ 11 million and US\$ 14 million. If utilisation of the system increases, savings can reach US\$ 14 million a year.

SCIENCE, TECHNOLOGY AND INNOVATION TRANSFORM FUND

IsDB established the STI Transform Fund in 2017 with an initial capital of US\$ 500 million



Launching the Engage Platform

Launched in 2017, Engage is a digital hub created by IsDB to accelerate economic and social progress in the developing world through the power of science, technology and innovation

PURPOSE

► Closely aligned to the SDGs, IsDB's Engage platform creates an innovation ecosystem for engaging and connecting key actors (innovators, investors, academics, start-ups, philanthropists and governments) to help countries meet the goals.

► The aim is to incentivise, catalyse and harness innovation for creating new technologies and solutions that address challenges related to the following SDGs:

- SDG 2 (Zero Hunger (food security))
- SDG 3 (Good Health and Well-being)
- SDG 4 (Quality Education)
- SDG 6 (Clean Water and Sanitation)
- SDG 7 (Affordable & Clean Energy)
- SDG 9 (Industry, Innovation and Infrastructure).

Of the 95 innovative development solutions leveraged through Engage to date, 50% are led by women

► Through its Call for Innovation and its embedded comprehensive screening process, Engage creates a conducive ecosystem for crowdsourcing and leveraging innovations and new technologies that have the potential to address key development challenges faced by MCs.

METHOD

► Engage enables the world's developing communities, including innovators, SMEs, the private sector, non-governmental organisations, companies and governments, to benefit from tailored mentoring services and access to financial resources and expert advice. This can help activate and nurture new ideas and proposals which could become realistic development solutions.



► The Engage platform:

- Provides knowledge sharing about global science, technology and innovation (STI) trends to let stakeholders assess impact and achievements
- Hosts online learning resources
- Acts as an information centre for intellectual property and initiatives such as STI innovation competitions, Transformers Roadshows, Transform Fund Annual Call for Innovation, webinars etc.

► Through Engage, subscribers can benefit from the following services:

- **Call for Innovation** — A structured tool for crowdsourcing innovations across various sectors and themes
- **Matchmaking** — A service connecting innovators, investors and institutions looking for partners or new business opportunities by matching peers to deliver powerful applied innovation



- **Technology Transfer** — A collaboration promoting technology transfer between developing and developed countries
 - **Development Solutions** — A wide range of STI-led solutions, which can be leveraged to promote sustainable and inclusive development and address the developing world's most pressing challenges in key sectors.
 - ▶ Engage creates an integrated ecosystem, offering all stakeholders the opportunity to drive changes that can transform communities.
 - ▶ With its focus on six SDGs, Engage accelerates STI-led solutions to drive inclusive and sustainable development in MCs.
- ACHIEVEMENTS**
- ▶ Every year, Engage launches and implements several Calls for Innovation:
 - Annual Transform Fund Call for Innovation, the most recent being dedicated to COVID-19
 - A call for Saving Women's Lives from Cancer
 - An Internal STI Innovation Competition for IsDB staff
 - Call for applications for STI Prize recognising outstanding achievements
 - Transformers Roadshows, which are conducted regularly as part of the Platform's activities.
 - ▶ The Engage website has achieved the following:
 - Around 15,600 user registrations, covering innovators, investors and corporate organisations
 - Approximately 200,000 platform visits, leading to over 1,080,000 page views. On average, visitors spend 4 minutes reading Engage content
 - Around 80% of web traffic sourced from Engage social media channels (150,000 Facebook followers, 11,800 Twitter and 1,000 LinkedIn followers)
 - Transform Fund project blogs tagged with relevant UN Observances for promotion — such as the UN International Day of Banks, World Science Day, World Cities Day, Africa Industrialisation Day, UN Day for Solidarity with the Palestinian People

- A series of webinars organised to engage various stakeholders.

INVESTMENT

- ▶ Through its structured Call for Innovation tool, Engage has so far leveraged 95 innovative development solutions.
- ▶ The Transform Fund has invested US\$ 17.33 million to support the above solutions for addressing challenges related to the six selected SDGs: SDG 2 (11 solutions); SDG 3 (39 solutions); SDG 4 (15 solutions); SDG 6 (9 solutions); SDG 7 (3 solutions) and SDG 9 (18 solutions).



CALL FOR INNOVATION TOOL

Engage has so far leveraged
95 innovative development
solutions

FUND INVESTMENT

The Transform Fund
has invested
US\$ 17.33 million
to support these solutions

Transform Fund

IsDB is committed to helping its MCs through STI to address socioeconomic problems and achieve the SDGs

PURPOSE

► With more than 100 million people joining the job market every year, MCs have an unmatched challenge and opportunity at the same time. This supply of labour, which would be a challenge under current conditions, is also a huge source of opportunity for entrepreneurship and innovation.

► By providing an alternative opportunity to raise funds for innovative projects, the IsDB Science, Technology and Innovation Transform Fund (IsDB-STIF, also referred to as the Transform Fund), run by IsDB Innovate, combines a grant scheme with a dedicated crowdfunding platform to raise funds for innovators around the world. It is targeted towards MCs' development programmes, as defined in the MCPS.

METHOD

- The Fund was established in 2017 with an initial capital of US\$ 500 million. Its main objectives are to:
- Provide financial and technical support to scientists, innovators and entrepreneurs
 - Facilitate the commercialisation of technology

Through programmes such as the Transform Fund and related activities, IsDB is strengthening innovations and promoting the sharing of new ideas and development solutions between MCs

- Promote the capacity of research institutions in MCs through the capacity building programme
- Ensure the development of entrepreneurship
- Help MCs achieve the SDGs.

► The Fund supports initiatives in four categories:

- New ideas with proof of concept
- Scaling up of innovative projects
- Commercialisation of technology
- Capacity building in STI.

► Transform Fund projects are generally divided into grants and equity projects. The grant projects are for supporting initial ideas/proof of concept and capacity building projects, while the equity projects are for commercialisation and scale-up projects.

ACHIEVEMENTS

► Since 2018, 78 grants and 17 equity projects have been selected in MCs and non-MCs.

► The 2020 Call for Innovation saw 19 grants and 11 equity projects selected, revolving around the theme of the COVID-19 crisis. The contracts are being prepared and project implementation has been ongoing.

► Earlier Calls for Innovation launched through the Transform Fund's marketing platform, Engage, yielded winning proposals focusing on Saving Women's Lives from Cancer, and on internal STI innovation at IsDB. The projects arising from these Calls are being processed for mainstreaming within IsDB and beyond.

► The third annual Transformers Academy was held virtually due to COVID-19



Competency Based Training for Poultry Farming in Cameroon

FUNDING

12.8k donors contributing

Bafoussam, Cameroon

\$ 1365 raised by 81 donors

27%

Goal: \$5000

Select an amount to donate, or click 'Other' to enter an amount. Then click the 'Donate' button.



constraints. The aim of this Academy was to provide guidance and training to the winners of the 2020 Transform Fund Call for Innovation. IsDB mentors and global experts provided training in project management, financing and IP.

- ▶ As part of IsDB's drive to increase its visibility under the P5P, it is engaging in multi-stakeholder forums and roadshows within the Transform Fund's activities.
- ▶ The Transformers Summit — In December 2019, the Republic of Senegal hosted the second Transformers Summit under the patronage of the President of Senegal, Mr Macky Sall, and the President of IsDB, Dr Bandar Hajjar. The Summit followed a one-week comprehensive and customised training programme for the Transform Fund.
- ▶ Transformers Roadshows — In 2019, seven Transformers Roadshows took place in Uzbekistan, Bosnia, Niger, Pakistan, Bangladesh, Kazakhstan and Egypt.
- ▶ The aim of the roadshows was to accelerate STI-led initiatives across MCs and Muslim communities in non-MCs.
- ▶ In total, 22 applicants were selected to win a US\$ 3,000 prize each to develop their ideas. The

winning innovators pitched concepts supporting the SDGs.

- ▶ The roadshow winners were invited to attend the Transformers Summit held in Senegal to give them the opportunity to connect and network with other innovators, investors and scientists.
- ▶ By December 2020, IsDB Innovate's online activities had secured 1,439,000 page views, with 22,100,000 people reached in 208 countries via social media.
- ▶ Currently, the IsDB Innovate platform is live in nine MCs, showcasing over 50 projects. All winning Transformers' projects will be posted on the platform to continue IsDB support for them. There are 3,292 donors so far, and the top 10 countries in terms of fund raising are Algeria, Bangladesh, Côte d'Ivoire, Egypt, Guinea, Indonesia, Libya, Morocco, Tunisia and Turkey.
- ▶ Two projects, Electrifying Niger with Bioenergy and Competency-based Training for Poultry Farming in Cameroon, have embarked on crowdfunding to raise the funds they require. The Niger project seeks a total of US\$ 10,000 and the Cameroon project has a target of £5,000.
- ▶ Transformers Roadshows held in 2019 and 2020 are as follows:

- Transformers Roadshow Niger — Held in Niamey, this event attracted more than two hundred entrepreneurs, scientists and innovators across Niger
- Transformers Roadshow Uzbekistan — Held in Tashkent, with four innovators awarded US\$ 3,000 each
- Transformers Roadshow Pakistan — Held in Islamabad with more than 230 applicants
- Transformers Roadshow Bosnia & Herzegovina — Held in Sarajevo, the event saw four teams rather than three awarded the US\$ 3,000 prize
- Transformers Roadshow Egypt — Held in Cairo with more than 100 applicants.

INVESTMENT

- ▶ The Transformers Summit is becoming a key event that underlines IsDB's commitment to invest in untapped talent in its MCs for the achievement of their development needs and targets under the SDGs.
- ▶ In 2019, the Republic of Senegal hosted the second Transformers Summit. Under the title 'Make cities and human settlements inclusive, safe, resilient and sustainable', the Summit, held in Dakar, brought together investors, entrepreneurs, innovators, NGOs and global leaders to discuss the role of STI in achieving SDG 11: Sustainable Cities and Communities.

SCIENCE, TECHNOLOGY AND INNOVATION TRANSFORM FUND

22 applicants were
selected to win a prize of
US\$ 3,000
each to develop their ideas

Islamic Finance Country Assessment Framework

The IsDB Group has a specialist division tasked with providing advisory and technical assistance services to MCs for the development of the Islamic financial sector

PURPOSE

- ▶ IsDB has established a framework that allows for an assessment of MCs' strengths and resilience and gaps in the Islamic finance ecosystem in these countries.
- ▶ The Islamic Finance Country Assessment Framework (IF-CAF) is a key programme which aims to connect the IsDB Group core strategic pillar of Islamic finance development with various IsDBI-IsDB Group initiatives such as:
 - GVCs
 - MCPS
 - OED Key Recommendations.

The Islamic Finance Country Assessment Framework aims to connect IsDB Group's core strategic pillar of Islamic finance development with various initiatives in MCs

- ▶ In line with the P5P, the IF-CAF aims to:
 - Enhance responsiveness through faster identification of priorities in each MC
 - Improve efficiency and speed of project approvals, disbursements and deployment of funds
 - Create optimal transparency and accountability through oversight and measurement of effectiveness
 - Assess the current capabilities of the Islamic finance ecosystem, identifying the gaps in its ability to create an enabling environment.

METHOD

- ▶ The IF-CAF is a framework to assess the Islamic financial sector from a perspective of achieved as well as potential impacts on the economy and its contribution towards the well-being of society.
- ▶ It recommends ways to develop this sector such as:
 - Strengthening the surrounding communities with economic empowerment and financial inclusion
 - Aligning with the United Nations 2030 Agenda for Sustainable Development and its SDGs.
- ▶ The methodology adopted for this project comprises two key stages.
 - ▶ **Stage 1** includes the development and approval of the Framework, including the guidelines, components, objectives, rules and methodology for conducting the country assessments in an objective and consistent manner. This stage has the following steps:
 - **Desk research** – Undertake a holistic study of all publicly available financial sector assessment frameworks by other MDBs and international agencies and review publicly available diagnostic

ISLAMIC FINANCE MASTER PLAN FOR THE REPUBLIC OF KAZAKHSTAN

or assessments reports and/or frameworks on the Islamic and/or conventional finance sectors

- **Analytical appraisal** – Review and analyse the relevant documents/ information/data gathered in the desk research, alongside IsDBI and IsDB's relevant internal documents, plans, strategies such as the 10YS and the P5P, regulations and data
 - **Assessment and benchmarking** – Create a pool of best practices adopted by MDBs and international agencies that can be used as a benchmark in the development of the IF-CAF
 - **Modelling** – Identify the qualitative assessment criteria for the IF-CAF and map the way in which it can be transformed into scoring metrics
 - **Finalising the Framework** – Engage with internal IsDBI, IsDB Group and other external stakeholders (such as other MDBs, industry experts, etc.) to have feedback on the development process, outcome and the results obtained in a pilot programme consisting of five MCs.
- **Stage 2** is the implementation of the Framework, including:
- Actual assessment of all MCs and development of studies/reports for each MC outlining the findings, results and recommendations
 - Using results from IF-CAF assessment of all MCs to serve as a crucial input mechanism into the larger MCPS of MCs for the strategic pillar of Islamic finance.
- The methodology will:
- Result in the formulation of an IF-CAF that is attuned to the strategic objectives of the 10YS and P5P
 - Be attentive to the effectiveness of existing MDBs' and agencies' frameworks, carefully selecting appropriate best practices that



could also be adopted, wholly or partially, by the IF-CAF

- Identify the critical components of an Islamic finance ecosystem and the qualitative assessment criteria which can measure effectiveness
- Develop a clear system for quantification that will allow MCs to be assessed and scored, to propose optimal support that is adequately structured to their bespoke needs and priorities
- Benefit from expert inputs both internally, within IsDBI-IsDB Group, as well as external industry stakeholders to enable a practical framework in line with IsDBI-IsDB Group's visions and aspirations.

ACHIEVEMENTS

- Planned outcomes for the IF-CAF include:
- Ensuring that resources are optimised in the most effective and efficient manner for achieving IsDB's strategic goals
 - Enabling MCs to emulate the strengths and success factors of the countries where Islamic finance industry is successful
 - Enabling MCs to identify gaps in the Islamic finance ecosystem in order to prioritise development efforts to address those gaps in order to achieve more efficient outcomes.

► The first stage of the project is nearing completion, with the development of a sound and effective assessment framework to enable:

- Early identification of strengths and gaps of an Islamic finance ecosystem (legal, regulatory, supervisory, tax, governance, financial inclusion, etc.) in each country
- Proposal of the most suitable IsDB intervention strategies to derive maximum impact and effectiveness for Islamic finance development.

► In 2022, the second stage of the project will begin. This will comprise field study and assessment of MCs. The project is expected to continue on a long-term basis to cover all 57 MCs and provide support to MCPS and GVC initiatives.

INVESTMENT

► The project utilises the services of a renowned international Islamic finance consulting firm, along with technical review and inputs from IsDBI's Islamic Finance Advisory and Technical Assistance Division and the IsDBI-IsDB Group project team.

► Field implementation and assessment exercises are expected to be undertaken during 2022 as conditions become clearer following the COVID-19 pandemic.

ISLAMIC FINANCE COUNTRY ASSESSMENT FRAMEWORK

The programme aims to connect IsDB Group's core strategic pillar of Islamic finance development with GVCs, MCPS and OED key recommendations

Economic Empowerment Investment Policy

IsDB's Economic Empowerment Investment Policy guides IsDB's future economic empowerment operations and provides a framework for investing with the poor for mutual profit and impact

PURPOSE

► Economic empowerment is one of the pillars of the P5P to address the transformational changes faced by IsDB MCs. It aims to transform people who are aid-dependent into empowered individuals with dignity and to integrate them into the development ecosystem by making markets work for their benefit through incubation and partnerships.

► The strong complementary goals of the P5P and economic empowerment will create the synergy needed to achieve mutual objectives:

- Involving the poor in productive activities; engaging value chains of products with comparative advantage locally and globally; creating decent jobs through linking the poor producers to markets and providing them with fair market opportunities to maximise their benefits

The enabling infrastructure of the Economic Empowerment Investment Policy will help IsDB to promote economic empowerment to its partners and design appropriate solutions that meet their needs

- Establishing an effective network of regional and international partnerships to mobilise the financial and technical resources necessary for the success and sustainability of economic empowerment initiatives in MCs
- Making Islamic financial modes widely available and enabling the poor to engage in economic activities by participating in value chains; increasing and promoting the demand for Islamic finance in the targeted MCs
- Targeting the poor and fragile groups in MCs and helping them to overcome various obstacles and barriers that prevent them from accessing the markets; supporting the rapid implementation of crisis recovery programmes in MCs
- Highlighting and reinforcing IsDB's role as a global leader; leveraging the knowledge generated by the initiatives to enhance operations and make it possible to transfer the knowledge to other target countries, allowing for the expansion and replication of economic empowerment initiatives globally.

METHOD

► The economic empowerment portfolio assets managed by IsDB or external managers on behalf of IsDB are governed by IsDB's Economic Empowerment Investment Policy (EEIP). This covers investments in economic empowerment operations derived from various sources including IsDB's ISFD, ordinary capital resources (OCR) and trust funds provided by donors.

- The EEIP focuses IsDB's future economic empowerment initiatives on:
- Addressing the poverty alleviation and employment creation needs of MCs
 - Aligning operations to support





implementation of economic empowerment and access to finance for the SDGs related to poverty and the IsDB corporate direction set by the P5P and the 10YS.

- ▶ The EEIP aligns with core IsDB policies such as:
 - Allocation of a maximum of 30% of the ISFD Waqf paid-in capital to be invested directly towards poverty alleviation
 - Economic empowerment initiatives utilising development Waqf resources to be made in line with the ISFD Poverty Alleviation Policy.

POTENTIAL IMPACTS

- ▶ IsDB is committed to taking several actions in line with the EEIP:
 - Providing toolkits that will help guide financial partners to engage their clients as business partners
 - Developing IT solutions (financial and non-financial) to reduce the high operating cost of channelling funds to the poor
 - Providing access to markets, fair prices and other value-added services.

- ▶ IsDB will promote economic empowerment solutions through capacity-building platforms such as courses, workshops and seminars. These solutions will also be promoted through a website.
- ▶ IsDB will establish and manage the economic empowerment funds initiated by it or proposed by different stakeholders.
- ▶ IsDB may provide equity and other modes of financing to economic empowerment institutions created by IsDB or proposed by the different stakeholders.
- ▶ Economic empowerment programmes will include a line of finance and capacity building in collaboration with internal and/or external stakeholders.
- ▶ A business engineering mode of intervention will be implemented, with the aim of developing approaches, tools, manuals and IT/ fintech solutions in collaboration with partners.
- ▶ Capacity building programmes will be carried out to promote the

economic empowerment solutions as part of IsDB efforts to enhance the quality of its interventions.

INVESTMENT

- ▶ The EEIP has facilitated the mobilisation and design of several initiatives by the Economic Empowerment Department (EED). The EED successfully mobilised more than US\$ 450 million, overachieving the 2020 target of US\$ 50 million. Of this sum:
 - US\$ 80 million was mobilised for the Economic Empowerment Fund for the Palestinian People
 - US\$ 327 million was mobilised from partners under the Strengthening the Economic Resilience of Vulnerable Enterprises (SERVE) Programme (see page 92)
 - US\$ 43 million was mobilised from other economic empowerment programmes.
- ▶ The EEIP supports the SERVE Programme, designed to provide immediate and targeted cash-flow support to businesses that are adversely impacted by COVID-19 as well as to sustain their business operations beyond the crisis. IsDB Group contributed US\$ 120 million of the US\$ 327 million mobilised.

INITIATIVE MOBILISATION

The policy is expected to govern a portion of the **30%** allocation of ISFD Waqf paid-in capital, estimated at about **US\$ 800 million**

Islamic Financial Sector Policy

IsDB's Islamic Financial Sector Policy has high-level strategic objectives that guide IsDB's interventions and investments across all areas of its operations

PURPOSE

- ▶ Islamic finance is a growing segment of finance that conforms to Shariah (Islamic jurisprudence). Its mode of operation emphasises financial inclusion, which fits well with IsDB's focus on attaining development impact and closing the financing gap for the SDGs in the projects it supports. It is a unique form of finance that attracts a distinct set of investors and funders from both the public and private sectors globally.
- ▶ The Islamic financial sector (IFS) ecosystem consists not only of Islamic banks, Islamic insurance/takaful, and Islamic money and capital markets, but also awqaf and zakat, regulatory, supervisory and Shariah bodies/boards.

The policy identifies Islamic finance as an essential part of the global financial system and a key platform in closing the global developmental funding gap

- ▶ Despite its large size and rapid growth, the industry is impeded by several challenges. It has struggled to standardise and harmonise legal and regulatory frameworks across jurisdictions. This has limited the pool of available Islamic financial products in the market as well as the scope for cross-border, interbank transactions.

- ▶ One of IsDB's key strategic areas, articulated in both the P5P and the 10YS, is the development of the Islamic finance sector.

METHOD

- ▶ IsDB has developed an Islamic Financial Sector Policy with high-level strategic objectives that will guide IsDB interventions and investments in the IFS in MCs, in line with the P5P, the 10YS and the new business model.

- ▶ The policy covers the following IFS interventions:
 - Technical assistance and advisory activities for developing an Islamic finance enabling environment as well as institutional capacity building
 - Equity and debt investments in Islamic financial institutions and awqaf
 - Establishment of Islamic infrastructure institutions
 - Development of financial products/ funds
 - Research and training activities
 - Islamic microfinance to promote financial inclusion.

- ▶ Developing the IFS is a core strategic pillar for IsDB. The policy aims to build on this by pinpointing key areas that IsDB will focus on in its interventions and investments in the IFS sector.

- ▶ By providing a basis for the development of IsDB's Strategy and





Guidelines for the IFS, the policy will serve as a reference document on prioritising IsDB's activities in the sector.

- ▶ The policy's objectives include:
 - Development of enabling legal, governance and regulatory environments
 - Building capacity and technical expertise
 - Establishing strategic partnerships
 - Supporting Islamic financial institutions and products.

POTENTIAL IMPACTS

- ▶ The policy will apply to all IsDB fully or partially financed projects, interventions, programmes and initiatives relating to the Islamic finance sector.
- ▶ Projects will be sourced and prioritised based on how well they align to the strategic objectives and underlying goals set out by the policy document.
- ▶ Effective implementation of the

policy will strengthen the IFS in MCs, allowing it to better compete with conventional finance in terms of the quality products, institutions and services, thereby catalysing growth and development of their respective real sectors. Overall, it is expected that the market penetration and market share of Islamic finance will grow as a result.

INVESTMENT

- ▶ As of year-end 2017, Shariah-compliant/ Islamic finance industry assets stood at an estimated US\$ 2 trillion, much of which originating from MCs where Islamic banking asset growth outstrips conventional asset growth.
- ▶ IFS assets account for a mere 2% of global financial assets while only 14% of the nearly 2 billion Muslim population is estimated to have access to finance.
- ▶ In 11 MCs, Islamic finance is systemically important, such that its failure could lead to financial crisis and recession.
- ▶ MCs in the Gulf region, MENA (excluding GCC) and Asia have the largest share of the global Islamic finance market.

ISLAMIC FINANCIAL SECTOR ASSETS

IFS assets account for a mere 2% of global financial assets while only 14% of the nearly 2 billion Muslim population is estimated to have access to finance

Reverse Linkage Policy

IsDB is the only multilateral development institution whose membership is drawn entirely from the developing South. It has been promoting the principles of South-South cooperation since its inception

PURPOSE

- Low FDI, intra-OIC trade and technology diffusion, coupled with rising trade deficit and global markets volatility, are all factors that call for repositioning MCs as an alternative potential market. There is considerable diversity among IsDB MCs in terms of location, per-capita income, size and nature of the national economies.
- Reverse Linkage (RL) is a scaled-up technical cooperation mechanism that is primarily used for capacity development based on MC-to-MC cooperation (including Muslim communities in non-MCs). It can easily be adopted to undertake any development intervention if there is willingness from at least two MCs, and/or Muslim communities in non-MCs, to engage in such a cooperation.

Reverse Linkage underlines IsDB's role as a facilitator and coordinator, working with all partners in a collaborative manner

METHOD

- In 2017, IsDB approved the RL Policy, which is a manifestation of its commitment to expand support to result-oriented interventions and to promote connectivity under South-South cooperation (SSC) among MCs. Ultimately, its aim is to help realise the SDGs.
- RL can involve both soft and hard components, including training, provision of expertise, construction and provision of equipment.
- IsDB's RL Policy adopts the internationally recognised SSC principles, which include respect of national sovereignty, national ownership and independence, equality, non-conditionality, non-interference in domestic affairs, and mutual benefit.
- The operational elements of IsDB's RL interventions are as follows:
 - **Identification of demand** — RL interventions should be demand-driven and clearly address the needs of the recipient MC
 - **Selection of resource centres** — Selected by the recipient country, these are institutions in a MC with proven knowledge, expertise, technology and resources. They are the providers of solutions under RL interventions
 - **Formulation of RL interventions** — Standalone RL projects and embedded RL components are designed through a peer-to-peer consultation process with the full involvement of both the recipient and provider MCs, in addition to IsDB
 - **Procurement of goods, works and services** — All services that can be provided directly by the selected provider resource centre will be directly procured by it. Any service that cannot





be directly provided by the selected provider resource centre will be procured according to the guidelines of the partners financing these services

- **Implementation** — Implementation of a RL project starts once related project agreements are signed with the stakeholders. The provider resource centre leads the implementation in close coordination with the recipient MC and IsDB. IsDB facilitates the implementation
- **Monitoring** — IsDB monitors the implementation, in coordination with both the recipient and provider MCs through a Joint Coordination Committee, among other means. This committee is composed of the technical and financial partners involved in the RL project
- **Completion** — IsDB, in coordination with all stakeholders, undertakes a final review of the project results and prepares a joint completion report highlighting the outputs, outcomes and lessons learned at completion
- **Knowledge management** — The knowledge and experience gained during project implementation is documented and supplied to relevant stakeholders.

POTENTIAL IMPACTS

- ▶ Through RL, IsDB has become a leader in technical cooperation, and is facilitating a more holistic, win-win SSC engagement that also fits within Agenda 2030 and, more particularly, with SDG 17 that demands the revitalisation of global partnerships.
- ▶ For each RL intervention, once the provider and recipient have demonstrated their full commitment to achieving the mutually agreed outcomes from the outset, IsDB, as facilitator, works to support the exchange and to ensure its adequate and timely implementation.
- ▶ The connections that IsDB helps to build among MCs will serve in achieving SDG 17 and will also make a positive contribution to achieving all of the other SDGs.

INVESTMENT

- ▶ Any mode of IsDB financing can be used for RL interventions, in line with IsDB's financing rules and guidelines.
- ▶ **Recipient and provider contributions** — One of the core features of RL intervention is that all stakeholders, including the recipient and the provider, are required to

make a contribution, in addition to the transfer of technical expertise. This is to ensure ownership and commitment of all sides. Contributions can be in cash and/or in-kind, subject to IsDB's clearance. In-kind contributions may include, among others:

- Discounted consultancy fees
- Intellectual property
- Equipment and logistics.

▶ Contributions of development partners

— Other development partners involved in RL interventions are also required to contribute to the project technically and/or financially. If the partner is a development finance institution, they are required to make a financial contribution. Partners may also contribute to projects by leveraging additional financial resources from within their network of donors. The mechanism for making such funds available for RL projects is determined on a case-by-case basis for each project.

▶ Private sector financial contribution

— Financial resources that can be acquired from the private sector for socioeconomic development projects are utilised without any sort of conditionality imposed on the recipient.

THE REVERSE LINKAGE POLICY

RL Policy underlines IsDB's role as a facilitator and coordinator, supporting development, overcoming obstacles, and working with all partners in a collective and collaborative manner

IsDB-ITFC Sovereign Agriculture Trade Fund

Global trade of agricultural products has significantly risen over the past four decades. Since 1995, when the World Trade Organization was established, global agri-food trade has more than doubled, reaching US\$ 1.5 trillion in 2018.

PURPOSE

► Although MCs agricultural production has been relatively small, their agricultural exports have increased from US\$ 33.5 billion (6.7% of global exports) in 1995 to US\$ 110 billion (8% of global exports) in 2016. Imports have also risen from US\$ 38 billion (7.3% of global imports) to US\$ 155 billion (11.1% of global imports) over the same period. These figures indicate that MCs are active in global agricultural trade, albeit with a small share, more as importers than exporters. IsDB is now developing a Sovereign Agriculture Trade Fund that will support MCs to increase their shares in agricultural global trade.

The Fund will support the trade of the strategic agricultural commodities identified under IsDB's Agriculture and Rural Development Sector Policy/Strategy and Global Agri-food Industry Report

► The objective of the Fund is to support MCs' agricultural development through trade financing, with the aim to:

- Improve the competitiveness of MCs' agricultural commodities and enhance their market share
- Enhance inter-regional trade among MCs for improved food security
- Provide alternative financing for the priority agricultural value chains identified in IsDB Group MCPSSs.

METHOD

► Based on the GVC business model, the new MCPSS 2.0 has been developed on the principle of "making markets work for development". This means a greater integration of MCs into GVCs as well as the catalysation of markets to finance projects leading to this integration. Trade is emerging at the beginning and end of the GVCs and is therefore a pivotal segment to unleash the growth of MCs' participation in global markets.

► The Sovereign Agriculture Trade Fund will invest in agriculture-related trade finance, structured trade and supply chain financing assets of sovereign or semi-sovereign entities.

► The Fund will focus on supporting trade finance of strategic commodities and production inputs (including machinery) where MCs have revealed global comparative advantage.

► In its Global Agri-food Industry Report, IsDB has identified five key priority commodities, namely cocoa, palm oil, rice, fisheries and poultry. In addition, there are several other agricultural commodities of many MCs that are already connected to GVCs, including livestock, wheat, sugarcane,





nuts, cotton and vanilla, although their shares are generally low.

► The Fund will cover the 57 MCs, with a primary focus on developing trade links between them and increasing intra-OIC trade. There are also opportunities for MCs to export to non-MCs.

► The Fund will be registered in a jurisdiction acceptable to all multilateral institutions and institutional investors and regulated by its corresponding financial authority, such as Dubai International Financial Centre Authority and the Financial Conduct Authority in the United Kingdom.

► In addition to the standard governance structure (board of directors and investment committee), the Fund will have an Investor Advisory Committee acting as consultative committee representing the Fund investors and responsible for advising and approving any material change in the Fund investor Partnership Agreement. The Committee will comprise one representative from each investor holding more than 5% of the total fund size, and will meet quarterly.

► The Fund will be managed by ITFC, with strategic input from an investment advisor and a technical advisor. ITFC will manage the Fund's day-to-day operations and maintain relationships with the investors. It will be responsible for deal origination, structuring and ensuring attainment of returns for the Fund investors.

► ITFC will delegate part of the ancillary management services to a regulated third-party asset manager (ancillary services provider). ITFC will work with the investment and technical advisors to develop a diversified pipeline of projects aligned with IsDB's GVC MCPSS in target countries. To ensure that all investments are following the principles of Shariah, ITFC will rely on the IsDB Shariah Board.

ACHIEVEMENTS

► The Fund will adopt an investment strategy that aims to deliver the developmental objectives outlined in IsDB's Agriculture and Rural Development Sector Policy/Strategy. It will also be closely aligned with the findings and recommendations of the IsDB Global Agri-food Industry Report.

► Thresholds have been set in the investment terms of the Fund in order to achieve development impacts related to food security (portfolio of 50% of staple crops and livestock commodities), local value addition (30% of processed or semi-processed commodities) and improvement of productivity and competitiveness (20% of inputs including agricultural machinery/tractors).

INVESTMENT

► The investment objective of the Fund is to maximise risk-adjusted returns by choosing Shariah-compliant trade finance investments that are expected to generate low volatility and competitive returns.

► IsDB is planning to invest in the Fund for an amount of up to US\$ 200 million via the usage of the Mudarabah line of financing (a form of business contract in which one party brings capital and the other personal effort), extended to ITFC. The investment will lead to sector and country diversification and hence enable a more efficient usage of the Mudarabah line.

► ITFC will lead the Fund's resource mobilisation efforts, as per the 'Linkages' pillar of the P5P.

► IsDB funding (of US\$ 200 million maximum) will be proportionate to achievements in terms of resource mobilisation (working towards the P5P's Funding pillar):

- First financial close at US\$ 200 million: IsDB (33%), non-IsDB (66%)
- Final financial close up to US\$ 1,000 million: IsDB (20%), non-IsDB (80%).

ISDB INVESTMENT IN THE FUND

IsDB plans to invest up to
US\$ 200 million
in the Fund

MEMBER COUNTRY EXPORTS

Exports increased from
US\$ 33.5 billion
in 1995 to
US\$ 110 billion
in 2016

Enhancing National Ecosystems for South-South and Triangular Cooperation

Leveraging its experience in RL, IsDB developed the framework of the National Ecosystem for South-South and Triangular Cooperation which was launched on the side-lines of the 74th session of the United Nations General Assembly in New York, USA in September 2019

PURPOSE

► Developing countries, including IsDB MCs, undertake South-South and triangular cooperation (SSTrC) in different ways, using various approaches, institutional arrangements, and methodologies at the national level. This is influenced by various factors, including existing capacities at the institutional, organisational and human levels. While much has been achieved through SSTrC, the pace of improvements in national institutional frameworks has lagged. This is a constraint for unleashing the full potential of SSTrC.

► The framework of the National SSTrC Ecosystem was developed with the South Centre and IsDB MCs as well as

The National Ecosystem is a set of institutional arrangements that should help MCs to fully benefit from and participate in South-South and triangular cooperation

in coordination with the United Nations Office for South-South Cooperation (UNOSSC). It enables the tackling of economic development holistically through strategic partnerships as outlined in the P5P. It meets the objective of strengthening cooperation among MCs and with the Global South through more cohesive and coordinated efforts. Furthermore, it contributes to achieving SDG 16 (Peace, Justice and Strong Institutions) and SDG 17 (Partnerships for the Goals).

METHOD

► In order to address this challenge, IsDB, based on its experience in both field and analytical work, has developed the framework of the National SSTrC Ecosystem, which identifies the main pillars of an effective national institutional arrangement as:

- Political will
- A national strategy for SSTrC
- A national body that acts as a focal point for SSTrC interventions to enhance national ecosystems in order to achieve Agenda 2030
- Information bases that enable countries to map their capabilities, and development solutions that can be shared with other countries while also identifying issues that can be addressed through SSTrC
- Connected actors that coordinate their SSTrC efforts and activities in order to harmonise their interventions as well as amplify the effect of their work
- National financing mechanisms that provide the necessary resources for countries to engage in SSTrC regionally and globally



- Performance management systems that allow countries to assess how well they are doing in their SSTRC engagements and find ways to continuously improve.

► One of the advantages of supporting MCs to establish or strengthen their national SSTRC ecosystems is that the depth and breadth of cooperation in sharing perspectives and experiences in economic development will deepen and improve, not only through an increased inflow of SSTRC (beneficiaries) but also from the outflow (providers) of such sharing of expertise.

► MCs that have strong national ecosystem pillars in place will become providers to other countries that require capacity development. By facilitating the exchange of institutional capacity and expertise on SSTRC among MCs as well as those from the Global South, the framework will contribute to IsDB's goal of being a "Bank of Development and Developers".

► In order to operationalise the framework of national SSTRC ecosystems to the benefit of MCs, IsDB has formulated the Capacity Development Programme for Enhancing MCs' National SSTRC Ecosystems, which was approved in December 2019. The programme will be implemented using the RL modality as a key mechanism of implementation.

- Under this programme, IsDB will carry out the following main activities for each beneficiary country including:
- Assessing the capacity gaps of the national SSTRC ecosystem, identifying weaknesses as well as priority areas of intervention, and developing an action plan through a participatory approach with the national stakeholders

- Designing a comprehensive capacity development solution to enhance the national SSTRC ecosystem and implementing it with the technical partners of the programme.

ACHIEVEMENTS

► Through the development of this framework, IsDB contributed to the content of the Outcome Document of the Second High-level United Nations Conference on SSC (BAPA+40), which calls for the strengthening of national institutional arrangements in the countries of the Global South in order to develop their capacities to engage in SSTRC effectively.

► This framework is recognised as IsDB's contribution to the global body of knowledge of SSTRC and has been praised globally by various development partners such as the OECD, the UNOSSC, and the African Union Development Agency.

► In 2019, under this framework, IsDB initiated interventions that have started to yield tangible results. For instance, it established a partnership between the Tunisian Technical Cooperation Agency (ATCT) and the Guinean Technical Cooperation Agency (AGCT). Through RL, IsDB financed the recruitment of two Tunisian experts to develop the capacity of the AGCT. This partnership led to the preparation and adoption of key deliverables such as AGCT statutes, an organisation chart, administrative and finance manuals and AGCT three-year action plan and operational tools. The statutes of AGCT, prepared thanks to IsDB's support, were approved during the Council of Ministers meeting in June 2020.

► In 2020, IsDB developed the Assessment Framework for National SSTRC Ecosystems, which is designed as a comprehensive

tool that will be used to identify specific capacity gaps in the existing national ecosystems in MCs. These assessments will be conducted by IsDB in cooperation with other development partners or indirectly by commissioning experts to apply the assessment framework. In all cases, the country assessments will be endorsed and owned by the MCs themselves through the relevant authorities of their respective governments. The country assessments will then be used in the formulation of capacity development interventions for strengthening MCs' national SSTRC ecosystems.

INVESTMENT

► The Capacity Development Programme for Enhancing National SSTRC Ecosystems is set to provide US\$ 20 million in grants with a contribution of US\$ 3 million from IsDB to MCs, with the aim of strengthening their national SSTRC ecosystems. The remainder of the funds will be raised from MCs and development partners. All beneficiary countries will be requested to financially contribute to interventions undertaken in their countries as a sign of commitment and ownership.

PROGRAMME FOR ENHANCING NATIONAL SSTRC ECOSYSTEMS

Approved with a total budget of

US\$ 20 million

as a grant, including a

US\$ 3 million

contribution from IsDB



Building MCs' intellectual property capabilities

Intellectual property (IP) is an area of substantial importance in protecting new technologies and innovative solutions, fostering science, technology and innovation (STI) and accelerating the transition towards innovation-driven economies

PURPOSE

- ▶ The primary purpose of building IP capabilities is to leapfrog MCs into innovation-driven economies, while providing access to knowledge and experience, generated and developed by and with the resources of IsDB.
- ▶ IsDB has a strong interest in promoting the generation of IP in the context of MCs' efforts to create knowledge-based economies, to support the protection and use of IP rights emerging from projects supported by IsDB, and to transfer that technology into viable commercial entities.

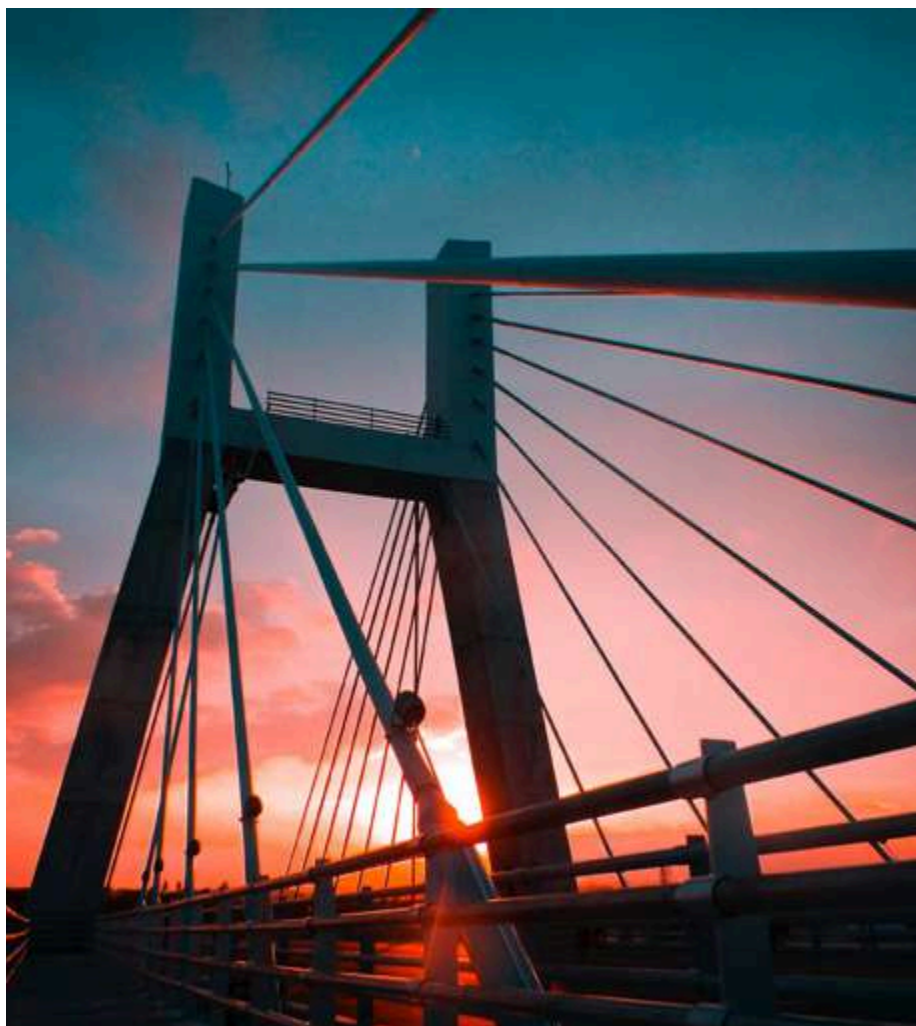
Building IP capabilities is essential to leapfrog MCs into innovation-driven economies

- ▶ IP has particular importance for the operations of the Transform Fund, launched by IsDB in 2018 to drive meaningful change by giving scientists, technologists and innovators the opportunity to make a difference to the world around them.
- ▶ Protection of IP rights plays an important role in bringing innovative technological change, facilitating economic growth and enhancing social development.
- ▶ IP is a major component of the knowledge-driven operating environment of IsDB, as well as the private partnership paradigms that IsDB has adopted.

METHOD

- ▶ In order to build an IP system for IsDB, the first step is to carry out a rough assessment for the current IP model and IP-related regulations. In addition, there is a need to identify IsDB departments, sections and units as well as IsDB-run or funded projects and programmes.
- ▶ IsDB is working to ensure that IP can help bring innovative, effective, tailored and cost-effective solutions that each MC can implement. An indirect benefit of such an approach is local job creation as innovation is initiated, funded, developed, protected, manufactured and commoditised within the country.
- ▶ IsDB is involved in many activities that have IP-related implications, ranging from financing development activities (socially and economically) to supporting STI. These activities involve both tangible and intangible assets.
- ▶ Creating a strong IP system for IsDB is crucial, not only to help maximise





exploitation of IP, but to protect and safeguard IsDB's intangible assets. In addition, having an IP system will help IsDB avoid any potential legal risk that might arise from unintentionally infringing third parties' IP.

► In 2021, IsDB began cooperating with the World Intellectual Property Organization (WIPO), targeting innovators on the ground in MCs. The aim is to activate Technology and Innovation Support Centres which will provide direct support and help to innovators and entrepreneurs, including IP official registration, patent search and commercialisation assistance. South-South cooperation is one of the activities planned for the WIPO Match initiative, which will allow innovators to share their ideas with potential investors as well as other interested parties.

ACHIEVEMENTS

- IsDB built a high-level framework to start the nucleus of an IP programme which eventually will build the capability and capacity for managing and administering IP as well as its related aspects.
- The roles and functionalities of the intended IP programme will extend to IsDB's MCs.
- The IP unit will mostly focus on prompting IP awareness and will provide training, workshops and networking. In the future it may be used to secure IP for selected projects.
- Currently, the IP unit is partially functioning and a high-level roadmap is being developed. The plans include building the IP Operations and Strategy manual to illustrate the unit structure,

roles, functions and activities at both IsDB and MC levels.

- A structured programme to promote IP awareness within IsDB has been triggered and online training for STI staff has been initiated. In addition, training will be available for selected staff in other departments of IsDB.
- IsDB organised a joint webinar with WIPO in early 2021. The webinar titled 'Towards Building a Stronger Innovation Ecosystem by Enhancing Intellectual Property' was attended by high-level officials, notably IsDB President, Dr Bandar Hajar, WIPO Director General, Mr Daren Tang, and Senior STI Advisor to IsDB President, Dr Hayat Sindi.

INVESTMENT

- IsDB is investing in the success of the programme through various initiatives, including an IP awareness webinar targeting a wider audience in MCs.
- The webinar was scheduled in cooperation with WIPO and featured high-level speakers.
- Key IP stakeholders were invited to the webinar, including innovators, IP official decision makers, universities and research centres in MCs.

PROTECTION OF IP RIGHTS

**Protection of IP rights
is important in bringing
innovative technological
change, facilitating economic
growth and enhancing social
development**

Enhancing the enabling environment for private sector investment

The establishment of a mechanism to settle investment disputes among MCs will stimulate private sector investment in countries where IsDB operates

PURPOSE

- ▶ IsDB's new business model focuses on crowding-in more private sector investment across the major value chains and critical industries, which should primarily lead to the creation of more jobs in MCs.
- ▶ A prerequisite for effective promotion of FDI in IsDB's MCs is the existence of an enabling legal environment that provides certain protections and guarantees to investors.
- ▶ An example of this kind of enabling environment is the existence of a predictable and transparent framework for resolving disputes that may arise between states hosting the investments and private investors.

By enhancing the investment climate, the initiative will provide a conducive environment for attracting private investment to IsDB MCs, thereby increasing their capacity to fund and meet the SDGs

- ▶ The OIC has initiated an investment dispute resolution that strongly complements and contributes to implementing IsDB's new business model by providing private sector investors with an established forum to resolve investment disputes.
- ▶ The initiative will enhance the security of investments in IsDB's MCs and reduce uncertainties in dispute settlement processes, thereby giving more confidence to investors and catalysing more FDI in MCs.
- ▶ The initiative is also strongly linked to the P5P, especially the 'Linkages' track. In addition, it aligns with one of the key messages under the 'Awareness' track of the P5P, given that IsDB is a South-South institution that works to strengthen regional integration and cooperation while harnessing the strength and potential of its MCs.

METHOD

- ▶ The initiative was originated following two significant events in 2016:
 - The OIC Forum of Investment Promotion Agencies resolved "to create a permanent body for arbitrating investment disputes among investors or corporate bodies operating in OIC Member States"
 - Building on the above decision, in a resolution on cooperation in the domain of trade, investment and tourism, the OIC Council of Foreign Ministers (CFM) mandated to propose modalities for the creation of a permanent body for the settlement of disputes arising out of the Agreement for the Promotion, Protection





and Guarantee of Investments among OIC Member States.

► Based on an official request by the Secretary General of the OIC, the President of IsDB agreed to assign IsDB's Legal Division to provide special technical assistance to the OIC General Secretariat towards implementing the above-stated decision of the CFM.

► Since 2018, IsDB, through its Legal Division, has been leading the

OIC Secretariat General's efforts to establish a permanent mechanism for the settlement of investment disputes.

ACHIEVEMENTS

► The main tangible results of the initiative include the expected enhancement of the investment climate in MCs, by giving investors and MCs hosting them a predictable forum to resolve their investment disputes.

► The initiative is in an advanced stage of implementation and has thus far achieved the following outcomes:

- Endorsement by the CFM of a Concept Note prepared by IsDB regarding a resolution on intra-OIC trade and investment, tourism and transportation, adopted during its 46th session held in Abu Dhabi in March 2019, setting out a technical proposal for the establishment of a permanent dispute settlement mechanism
- Submission of the draft Protocol to the OIC Investment Treaty on Investment Dispute Settlement to the CFM convened in Niamey, Niger, in November 2020.

INVESTMENT

► The initiative is creating a favourable climate for future investment in MCs by bringing clarity and predictability to the existing dispute settlement system of the OIC Investment Agreement.

ENHANCING THE ENABLING ENVIRONMENT

The initiative is expected to enhance IsDB's position as a **South-South** institution that works to strengthen regional integration and cooperation while harnessing the strength and potential of its MCs

Maritime Investment Initiative and the blue economy

IsDB is utilising maritime investment and the blue economy to leverage the potential of oceans in sustainable development practices

PURPOSE

- ▶ 90% of the world's trade is carried by sea, the latter being a cornerstone of the global economy, contributing around US\$ 2.5 trillion.
- ▶ Maritime habitats provide a range of commodities that are essential to human life, including fish, hydrocarbons and minerals.
- ▶ The facts relating to the maritime dependence of IsDB's MCs are compelling:
 - Of all IsDB's MCs, 85% are coastal states
 - All MCs have communities along rivers and lakes
 - Aquaculture is the fastest-growing segment of the food industry

IsDB is planning and providing a wide range of activities to create an enabling environment for Maritime Investment Initiative and the development of the blue economy

- The ocean's contribution to the global economy is approximately US\$ 2.5 trillion
- 90% of global fisheries are at or beyond replenishment capacity
- The global seafood industry generates 350 million jobs, 10–12% of global employment
- One billion people rely on fish as the primary source of protein in their diet and 3.2 billion people rely on fish for at least 20% of their animal protein consumption
- Shipping carries 90% of global trade.

- ▶ The maritime sector faces mounting problems, which present pressing issues for many MCs, 85% of which have coasts on the ocean or inland seas:
 - Climate change is undermining ocean health
 - Many ecosystems are experiencing impacts from rising ocean temperatures
 - Ocean acidification and ocean plastic are of major concern.

- ▶ In the context of the increasing level of crisis these countries are likely to encounter or may already face, IsDB is exploring the maritime investment market, with the goal of establishing a Maritime Investment Fund.

- ▶ Any Maritime Investment Initiative (MII) supported by IsDB would have the potential to meet identified needs among those MCs located in coastal zones that are affected by exposure to adverse impacts.

- ▶ While maritime industries remain undercapitalised due to risks perceived by commercial investors and the lack of targeted financial instruments, an MII could provide an opportunity for IsDB to provide leadership for new investors in the sector.





METHOD

► Through an appropriately targeted MII, IsDB will be able to help MCs to invest in both large- and small-scale maritime projects using Islamic finance. The characteristics of the planned MII are as follows:

► Branded 'Building the Base of the Blue Economy' and partly modelled on the Transform Fund, the Maritime Investment Fund will have global ambition and reach, working across the entire IsDB portfolio with a particular focus on least-developed MCs.

► It will invest in a range of Blue Economy activities, including aquaculture and seafood, maritime logistics, offshore energy, marine science and tourism.

► Significant capital will be committed to address these problems and adapt ocean industries so that they work more effectively.

► There are several potential benefits of an MII:

- Investment funds can benefit more people outside of developed

countries and, to a lesser extent, low- and middle-income countries, as IsDB will be able to use its poverty-reduction mandate to bring Blue Economy investing to those countries that are left out

- To enable formally underserved economies to tackle their maritime challenges, IsDB can deploy a full range of services from all the IsDB Group's departments
- Investments can leverage partnerships with external stakeholders including impact investors, philanthropic organisations and commercial investors.

ACHIEVEMENTS

- Several MII projects have already been introduced, including:
- Blue Economy investing policy to guide current and future Blue Economy investment activities across IsDB
 - Investment agreements currently being developed with international investors and funds
 - MoU with the Republic of Senegal for Maritime Investment and the Blue Economy

- RCI Grant programme to benefit 25 landlocked MCs with no access to maritime routes; the project involves 2,200 senior officials and experts.

► A technical assistance grant amounting to US\$ 300,000 has been developed to support a capacity-building programme for the aquaculture sector in Morocco.

INVESTMENT

► Through MII partnerships, IsDB hopes to leverage emerging opportunities from the ocean, which is estimated to have the potential of contributing about US\$ 2.5 trillion to the global economy.

GLOBAL TRADE

Shipping carries **90%**
of global trade

GLOBAL SEAFOOD INDUSTRY

350 million jobs,
10–12% of global
employment

PROTEIN VALUE

1 billion people rely on
fish as the primary source of
protein in their diet and
3.2 billion people
rely on fish for at least
20% of their animal
protein consumption

Harnessing private sector solutions through Reverse Linkage

RL is a technical cooperation mechanism enabled by IsDB whereby MCs exchange their knowledge, expertise, technology and resources to develop their capacities and devise solutions for their autonomous development

PURPOSE

- In the spirit of engagement in SSTrC, RL has evolved into a modality that has welcomed the participation of the private sector from both MCs and non-MCs.
- IsDB MCs and the Global South have a wealth of untapped know-how, expertise and resources in the public and private sectors that can be used to solve development challenges if harnessed in an effective manner. IsDB's new strategic orientation, as outlined in the P5P, calls for market-driven development, which implies a bigger role for the private sector.

During the last couple of years, IsDB, through RL, connected 31 MCs to share their development solutions in many sectors, including renewable energy, health, education and agriculture

METHOD

- IsDB uses its mapping methodology for resource centres to identify partners from the public, private and third sectors. These resource centres are developers and companies that have proven expertise and know-how in key areas of development. IsDB also engages directly in dialogue with the private sector in MCs and non-MCs to explore potential collaboration under RL.
- Among the tools available to IsDB to engage the private sector is a new form of RL mechanism, which can be used to mobilise private sector resources to boost development while promoting cooperation among MCs and with the Global South. Engaging the private sector in socioeconomic development is key in order to benefit from the vast financial resources and high-quality technical expertise as well as more agile implementation mechanisms. This engagement is aligned with SDG 17 (Partnerships for the Goals), SDG 3 (Good Health and Well-being), SDG 4 (Quality Education), SDG 8 (Decent Work and Economic Growth), and SDG 13 (Climate Action).
- To ensure fruitful collaboration with the private sector, the win-win arrangement feature of the RL mechanism is applied. Tangible benefits for the private sector as a provider of knowledge and the recipient stakeholders are ensured from the design stage. Among the benefits for the private sector are market access to MCs, international positioning and branding, business risk mitigation, and new revenue streams.





ACHIEVEMENTS

► In 2019, IsDB, for the first time, opened a new avenue of collaboration with the private sector by leveraging its RL mechanism, which culminated in the establishment of funding mechanisms with a total financial contribution of US\$ 45 million for MCs. IsDB signed an agreement with Serba Dinamik Group Berhad, an energy sector private company in Malaysia, to set up a US\$ 30 million RL Fund that provides financial and technical resources to help MCs to establish vocational training centres in the oil and gas sector that could boost employment, among other benefits.

► During the same year, IsDB signed an agreement with Warisan Quantum Management, a Malaysian Shariah-compliant private equity management company, to allocate US\$ 15 million to a RL Fund that supports Malaysian SMEs interested in participating in RL activities and in potential business opportunities as a result of RL projects.

► In 2020, IsDB continued its engagement with the private sector and received pledges of up to US\$ 88.6 million for RL.

► During the year, a particular highlight was the expansion of the network of developers outside MCs. IsDB, through RL, partnered with the private sector from Singapore for the first time.

INVESTMENT

► Partnership with the private sector through RL has yielded tangible interventions for MCs. In 2020, during the COVID-19 crisis, Jordan benefited from the transfer of expertise and technology from Singapore. PATEC Pte Ltd (Singapore) will support King Abdallah II Design and Development Bureau in order to develop their capacity in producing N95 masks by providing a turnkey solution. This solution transfer will enable Jordan to be self-sufficient in producing personal protective equipment and also to export it to other MCs, strengthening the country's pharmaceutical industry.

► Also in 2020, Serba Dinamik Holding Berhad from Malaysia donated a pandemic response package worth US\$ 2.25 million in support of IsDB's COVID-19 Strategic Preparedness and Response Programme. This reflects the importance of its relationship with IsDB and its substantive contribution towards development. In September 2020, Serba, in partnership with IsDB, deployed US\$ 550,000 of this donation to Guinea and Senegal. Serba also sent a consignment of critical medical personal protective equipment from Malaysia to both countries via airfreight to be distributed locally.

► These examples demonstrate how RL is paving the way for a new generation of active and socially responsible private companies willing to directly partner with MDBs such as IsDB, to increase the positive impact of development activities to improve the quality of life of people in MCs.

PRIVATE SECTOR PLEDGES

A total of
US\$ 133.6 million
 mobilised and pledged from
 the private sector for RL in
2019 and 2020

RL CONNECTIONS

31 MCs connected

Institutionalising economic empowerment methodology

Economic empowerment is at the heart of the P5P and addresses some of the major challenges faced by IsDB's MCs

PURPOSE

- ▶ As one of the key mechanisms for the implementation of the P5P, IsDB's economic empowerment approach will:
 - Act as a catalyst for supporting pro-poor markets — interventions are triggered with the identification of economic/strategic partners (value-chain leaders) and create the right conditions for these entities to act as market developers for the benefit of the poor
 - Promote new developmental thinking, changing the way of thinking of beneficiaries from relying on aid to self-reliance
 - Take a comprehensive dimension by including capacity building and the development of the supportive regulatory and institutional structure

IsDB's economic empowerment approach aims to provide economic opportunities to the poor by providing financial and non-financial solutions to help them in their journey towards a better life

- Build partnerships with the private sector and other development players for win-win relationships.

- ▶ To achieve these aims, IsDB has set up a new economic empowerment function to mainstream economic empowerment in all its MCs. In particular, it promotes a paradigm shift from financial inclusion to economic inclusion.

METHOD

- ▶ Economic empowerment initiatives are developed through the creation of funds, programmes and institutions. IsDB will establish and manage economic empowerment funds initiated by itself or proposed by various stakeholders. It may provide equity or other modes of financing to economic empowerment institutions created by it or by other stakeholders.

- ▶ Programmes will be developed to include a line of finance and capacity building in collaboration with internal or external stakeholders.

- ▶ Building smart partnerships is a key pillar of the economic empowerment approach. Consequently, IsDB has actively engaged with several partners on different fronts to establish solid long-term relationships that will facilitate the rapid expansion of the pipeline of initiatives. These partnerships involve the signing of memorandums of understanding as a first step.

ACHIEVEMENTS

- ▶ To date, IsDB's efforts have led to the following outcomes:
 - As part of the SPRP, the SERVE Programme was developed to provide immediate and targeted cash flow support to businesses that are





adversely impacted by COVID-19 as well as to sustain their business operations beyond the crisis. To date, SERVE projects for Palestine, Jordan and Djibouti have been launched.

- The institutional infrastructure was set up, including the transfer of microfinance projects, establishment of the Economic Empowerment Operations Management Committee, delegation of authority and business processes.

- Other achievements include:
 - Launching and implementing the Economic Empowerment Fund for Palestinian People (EEFPP), Bouchra Microfinance Institution in Senegal and SERVE Djibouti. In addition, IsDB's Economic Empowerment Department

(EED) is monitoring eight Islamic microfinance projects and four Islamic microfinance institutions

- Development of a roadmap for Solutions Engineering Entrepreneurial Design, aimed at developing a conducive ecosystem for economic empowerment through knowledge generation and transfer of tools, policies, best practices, capacity building activities and the application of technology for developing the capacity of partner financial institutions
- Representing IsDB in the G20 Global Partnership for Financial Inclusion (GPFI), thus contributing to several policy documents and policy recommendations leading IsDB to secure a permanent seat at the G20 GPFI as an implementing partner.

INVESTMENT

- IsDB has already developed a rich pipeline of projects, including a portfolio of more than 20 initiatives for programmes, funds and institutions, amounting to potential investments of more than US\$ 300 million, expected to mobilise an estimated US\$ 2.9 billion of investments.

MOBILISATION EFFORTS GENERATING RESULTS

EED has successfully
mobilised more than
US\$ 450 million
overachieving the 2020 target
of **US\$ 50 million**

US\$ 80 million
was mobilised for the EEFPP,
US\$ 327 million
from partners under the

SERVE Programme and
US\$ 43 million
from other economic
empowerment programmes

Strengthening the economic resilience of vulnerable enterprises in response to COVID-19

A new programme provides immediate and targeted cash-flow support to MSMEs that are adversely impacted by COVID-19, while helping to sustain their business operations beyond the crisis

PURPOSE

- ▶ The average number of MSMEs per 1,000 people in IsDB MCs is 53.2. This is more than double the world average of 25.2.
- ▶ Lockdowns that are taking place globally are putting an enormous strain on MSMEs in various sectors, with many having been forced to close their businesses during this period.
- ▶ IsDB has set up SERVE to help provide MSMEs in IsDB MCs with much-needed liquidity to survive this difficult period.
- ▶ The Programme is in line with the mandate of poverty alleviation of IsDB's ISFD and is part of ISFD's support to IsDB's COVID-19 response.

The COVID-19 pandemic is exacerbating already high unemployment rates and poverty in IsDB MCs. The SERVE Programme is providing much-needed support

METHOD

- ▶ The main goal of the Programme is to design a support package targeting MSMEs in IsDB's priority MCs, designated according to IsDB's prioritisation and selection tool.
- ▶ This aligns with the objectives of IsDB's SPRP approved in March 2020 and is consistent with the 'Restore' track of the SPRP, which covers medium-term action by financing trade and MSMEs to:
 - Sustain activity in core strategic value chains
 - Ensure continuity of supplies, mainly to the health and food sectors.
- ▶ Concessional financing provided by ISFD will reduce the cost of financing for Islamic microfinance institutions. ISFD has also been actively engaging partners such as SPARK and Silatech to collaborate with IsDB on projects that will be approved under the Programme. This will further enhance the leverage ratio of IsDB/ISFD resources that will be pledged under SERVE.
- ▶ A line of finance will be provided to Islamic microfinance institutions. Concessional resources (IsDB loans and ISFD loans) will be channelled through the government of each country in US dollars. The direct borrower of the sovereign loan will be responsible to repay IsDB, which will on-lend to the selected Islamic microfinance institution(s) in the equivalent local currency so that the currency exchange risk will be borne by the government.
- ▶ The on-lending agreements will transfer the same terms of financing provided by IsDB/ISFD to the Islamic microfinance institution.





► Selected microfinance institutions are expected to match the funding provided by IsDB and ISFD. They will deposit the matching funds into a dedicated account which will be used to finance clients meeting the criteria specified by IsDB. They are also expected to provide non-financial assistance to ensure that their clients will have the capacity to better utilise their financing.

► The Islamic microfinance institution will then on-lend the financing to its clients using Shariah-compliant modes of financing (Murabaha, Salam, etc.). IsDB will make no objection to the financial product to ensure that:

- The proposed products are suitable to the needs of targeted MSMEs
- The pricing is justified
- Clients will benefit from the concessional loans provided by IsDB.

► Similarly, a line of finance will be extended to Islamic banks and public and private financial institutions

(including partner financial institutions of IsDB Group).

► SERVE is based on global benchmarks and best practices in order to support governments' efforts in curbing the impact of COVID-19 on their economies. It will contribute to sustaining current and future working capital requirements, funding innovation and adaptation of MSMEs' business operations to mitigate the impacts of the pandemic.

ACHIEVEMENTS

► The SERVE Programme is already addressing the profound impacts of the COVID-19 pandemic on the socioeconomic conditions of MSMEs in MCs.

► The IsDB/ISFD support to provide liquidity to partner financial institutions will strengthen their resilience and that of their beneficiary MSMEs.

► By the end of 2020, SERVE projects had been approved in

Djibouti, Jordan and Palestine, with a fourth project planned for Morocco.

► The four projects are expected to protect and create at least 107,000 jobs in total.

► The financing has the potential to achieve results beyond the initial beneficiaries, as it may be used to support the financial partners of IsDB Group entities as well as equity investees of IsDB Group and its entities and may also be used to leverage partners and donors.

INVESTMENT

► The SERVE Programme was approved by ISFD in September 2020, mobilising US\$ 120 million from IsDB Group.

► IsDB has made a total commitment of US\$ 83.30 million and a further commitment of US\$ 327 million has been mobilised from governments and financial institution counterparts.

► The first disbursement has already been made in Djibouti.

SERVE PROGRAMME

The Programme is expected

**to create or maintain
314,000 jobs by**

**financing more than
150,000 MSMEs**

**through a package of
US\$ 240 million**

Bridge Platform: establishing a global network of financial institutions

The Bridge Platform is a dedicated online resource that brings together financial institutions in its MCs

PURPOSE

- ▶ Financial technology (fintech) is a revolutionary set of technologies used by financial institutions (FIs) to improve and automate the delivery of services by helping companies, business owners and consumers better manage their financial operations, processes and lives.
- ▶ Amid the COVID-19 pandemic, FI have been forced to expedite their digitalisation efforts to meet new and growing demands.
- ▶ Against this backdrop, one of IsDB Group's private sector entities, the Islamic Corporation for the Development of the Private Sector (ICD), is working to strengthen its FI global network through a dedicated digital platform. The intention is to improve connectivity and commercial interaction between the Group's FIs.

The aim of the Bridge Platform is to enable ICD, as a member of IsDB Group, to play a more competitive and responsive role in meeting the needs of IsDB's MCs

- ▶ Through the Bridge Platform initiative, ICD aims to accelerate knowledge sharing, market assessments and specific deals that will boost national economic development and strengthen the capacity of the private sector to support financing of SMEs.
- ▶ The platform aims to:
 - Facilitate information sharing among member FIs
 - Enhance market and business intelligence analysis
 - Enable open access to fintech resources and cloud services
 - Reduce financial transaction costs for member FIs
 - Upgrade advisory services that ICD offers to its partners across the Islamic developmental network by applying fintech technologies.
- ▶ Using technology that connects FIs, the platform will achieve the following results that feed into the P5P:
 - The platform will serve as an integrated communication channel for all MCs and will consequently increase IsDB visibility
 - The platform will help to build partnerships in MCs and enable FIs in MCs to access the latest technological products
 - By sharing data on the platform, FIs will obtain the knowledge necessary to identify the real problems and difficulties and then explore possible solutions and business opportunities
 - By enabling FIs to communicate and explore opportunities, the platform will help them to expand financing to other MCs
 - Digitalisation of communications, information sharing, crowdsourcing and





transactions will ensure speedy project implementation in MCs

- The platform will encourage FIs to adopt solutions and policies that ensure sustainable development in MCs.

METHOD

- The platform will enable the following areas of activity between Islamic banks, takaful companies, leasing companies and microfinance institutions:
 - Collaboration and facilitation for activities including cross selling and sourcing syndication, term finance, advisory, sukuk transactions, line of financing, asset management, PPP, equity, dealing in treasury and financial market instruments, and other transactions of mutual interest
 - Provision of advisory services and best practices for SME financing (for example)
 - Provision of online training – Islamic finance, takaful, sound financial management, treasury management and impact of economic data on financial markets
 - Mortgage business with fintech servicing (mortgage-backed securities (MBS))

- Asset management products to be sold through the platform after regulatory approvals
- Treasury operations to serve all 100 participating FIs
- Sharing of information in relation to mutually beneficial private sector projects and business opportunities in MCs (via matchmaking)
- Managing big data through the platform to allow the reporting of information to flow back to ICD so that its investments and financing will improve as a result
- Maintaining the privacy of all data shared through the platform to ensure fairness and avoid any conflict of interest between participating FIs.
- Registration of interested FIs for free on ICD's website with a choice of two types of membership:
 - Standard – Free and open to all FIs. This section consists of articles and resources of Islamic financing tools and techniques plus a CEO Club where CEOs can network for support, advice and mentoring
 - Gold – FIs can register for a modest annual fee and join the global network of over 100 FIs for information and deal sharing.

ACHIEVEMENTS

- The Bridge Platform is composed of three main phases:
 - Phase 1: Information sharing and communications
 - Phase 2: Business and market intelligence services, standardisation of services and matchmaking with investment opportunity identification
 - Phase 3: Commercial transactions and global marketplace exchange, with a range of Islamic financial products such as sukuk, mortgages, takaful, direct investments, SME financing, MBS, and robotic advisory.
- Phase 1 was successfully completed in 2020 with a network of more than 88 FIs and 12 leasing companies worldwide entitled to register on the platform.
- A trial version of the deal-flow testing was also launched before the official launch of phases 2 and 3.

INVESTMENT

- The Bridge Platform has been funded internally by ICD as one of the main initiatives to be adopted as a means for it to contribute to the digital transformation journey of IsDB's partner FIs.

THE BRIDGE PLATFORM

Phase 1 was successfully completed in 2020, with a network of more than 88 FIs and 12 leasing companies worldwide entitled to register on the platform

Arab-Africa Trade Bridges Programme

A major trade initiative geared towards increasing economic integration and supporting sustainable growth across Arab and African countries

PURPOSE

- ▶ Although the Arab and Africa regions are experiencing significant economic growth, there remains untapped potential to further develop regional trade, which will produce continuous economic growth and employment for both regions.
- ▶ IsDB launched the Arab-Africa Trade Bridges (AATB) Programme in February 2017 to address some of the challenges faced in promoting trade and investment between the two regions and developing inter-regional business partnerships.
- ▶ The AATB Programme benefits from the existence of the African Continental Free Trade Area (AfCFTA), one of the world's largest initiatives for increasing both inter- and intra-continental trade. As of July 2019,

Arab and African countries can benefit from the activities of the AATB Programme in developing trade and investment, especially in value-adding sectors that rely on a more highly skilled workforce and that can promote greater investment and knowledge diffusion

54 out of 55 states in the African Union had joined AfCFTA, which requires removal of up to 90% of members' trade tariffs, and significant reductions in Non-Tariff Boundaries within the continent.

- ▶ An important benefit of the AATB Programme is its potential to reduce participating economies' dependence on commodity exports. By promoting growth that increases exports of higher value-added and less volatile products, the positive effects of trade can be enhanced, supporting sustainable and inclusive economic growth.
- ▶ By catalysing growth in trade and investment where volumes are currently low, the AATB Programme is a high-impact tool to contribute to achieving higher economic integration through trade and investment.

METHOD

- ▶ The AATB Programme is a multi-donor, multi-country and multi-organisation initiative, aiming to:
 - Promote and increase trade and investment flows between all Arab and African countries
 - Provide and support trade finance and export credit insurance
 - Enhance existing capacity building tools relating to trade.
- ▶ The programme is geared towards increasing economic integration and supporting sustainable growth across Arab and African countries. Specifically, trade promotion efforts focus on sectors where significant added value is created, especially in industries that rely on a more highly skilled workforce and those which can promote greater investment and knowledge diffusion.



► Based on the current economic landscape in the target countries, the primary sectors where this programme's impact will be felt the most are:

- Manufacturing
- Agricultural inputs
- Health and pharmaceutical.

► The programme focuses on designing and carrying out projects and activities that:

- Promote economic integration among Arab and African countries
- Maximise and increase investment and trade opportunities in prioritised sectors.

► It achieves these objectives through the following activities:

- New business partnerships
- Higher trade and investment between Arab and African countries
- Greater public information about market creation efforts
- A visible platform for traders to market their exports
- Increased communication between businesses located in Arab and African countries
- Development of new logistics platforms
- Growth in trade finance and export credit insurance from public and private sector institutions.

► The programme supports the activities of the private sector from both regions in order to create opportunities for business owners to meet and identify potential investments. In the coming years, it will also give special attention to achieving the following objectives:

- Establishing value-chain projects to enhance access to the markets of African and Arab countries
- Developing skills in the digital economy
- Increasing the efficiency and effectiveness of countries in

targeting products with high added value

- Increasing the competitiveness of exports by controlling the cost of production
- Removing obstacles and providing solutions for payments, shipping and the competitiveness of Arab-African trade.

ACHIEVEMENTS

► Exporters' and importers' meetings initiated by the AATB Programme aim to link exporters and importers directly to strengthen trade partnerships in the private sector. In this context, several meetings were held, including in the pharmaceutical sector in the Arab Republic of Egypt, Côte d'Ivoire and Senegal; and in the food sector in the Arab Republic of Egypt and the United Arab Emirates.

► The meetings saw active participation from the private sector from 18 African and 10 Arab countries. The value of the transactions discussed during these activities amounted to about US\$ 250 million (US\$ 190 million for pharmaceutical materials and accessories and up to US\$ 40 million in foodstuffs).

► Two business-matching business-to-business (B2B) meetings in 2019 yielded the following results:

- An agri-food products event in Dubai, UAE hosted over 1,620 B2B meetings between importers and exporters and led to 120 deals under negotiations, generating US\$ 10 million
- An event for pharmaceutical products and related industries hosted 602 meetings and 108 deals were negotiated for a value of around US\$ 41 million.

► Training and education events have also been held, including:

- An initiative launched in Senegal in 2019 to transform agriculture by providing nearly 5,000 farmers

with comprehensive information about soil nutrients with the aim of directing them towards technology-based agriculture practices. Other countries in West Africa are also considering similar programmes

- A training course on regional and world trade for the benefit of OIC African French-speaking MCs, organised with ITFC in cooperation with the Kingdom of Morocco and the Moroccan Higher Institute of Commerce and Business Administration (ISCAE).

INVESTMENT

► The Governing Board of the AATB Programme consists of the founding members. Continuing investment is secured by inviting other countries and financial or business corporations to join through a financial contribution of at least US\$ 500,000 to the Programme's 3-year operational plan.

AATB EXPORTERS' AND IMPORTERS' MEETINGS

The meetings saw active participation by the private sector from **18** African and **10** Arab countries. The value of the transactions discussed amounted to about **US\$ 250 million**

West African SMEs

IsDB is helping to reduce the gap between SMEs' abilities and their trade finance requirements through capacity building and better assessment tools

PURPOSE

SMEs represent 90% of businesses in West Africa and provide 80% of private sector jobs. Within the West African Economic and Monetary Union (WAEMU) zone, they are one of the main vectors of economic and social progress.

► However, organisational problems, compounded by difficulties in structuring, low levels of training and limited financial capacity, mean that SMEs struggle to convince FIs of their creditworthiness.

► An important area of intervention for ITFC, one of IsDB Group's private sector entities, is to provide support for SMEs in their efforts to engage in the economy. To this end, it has established the US\$ 18 million West Africa SMEs Programme, which has four components:

SMEs are identified based on predefined criteria relating to business and organisational readiness, 20% being reserved for women-led enterprises

- Capacity development for selected SMEs
- Capacity building and SME assessment tools for the partner banks
- Line of trade finance to partner banks
- Support for successful SMEs in the submission process of their bankable projects.

METHOD

► The programme, which was launched in 2018, aims to reduce the trade finance gap for SMEs in the region.

► It provides financing lines, capacity building and advisory services to partner banks and SMEs within the WAEMU zone, which includes Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.

► The overall aim is to enhance the capacity of selected SMEs and partner banks to achieve a better approval rate and to improve the utilisation rate of lines of finance placed at partner banks.

► Given the programme's regional reach, it was important for ITFC to select local partners who share the same objectives and scope. Coris Bank International (CBI) was selected as a key partner for two pilots of the programme, in Burkina Faso and in Senegal, thanks to its strong presence in the region.

- In Burkina Faso, the Maison de l'Entreprise organised five training modules for SMEs and also reviewed and resubmitted their projects to CBI
- In Senegal, where support focused on capacity building, a partnership was set up between the Delegation for Rapid Entrepreneurship, Organisation Internationale de la Francophonie and CBI.





► Through a combination of instruments specific to each of these agencies — debt, guarantee, equity and grant — ITFC expects to increase the funding envelope available for SMEs while reducing the cost. After these two successful pilots, the programme will launch in Côte d'Ivoire.

ACHIEVEMENTS

- The Burkina Faso pilot, which spanned eight months in 2018, aimed to:
 - Provide a line of finance to CBI in Burkina Faso
 - Select and train up to 25 SMEs that were previously rejected by CBI

- Support successful SMEs and resubmit applications for financing
- Achieve successful resubmission of 25% of applications to obtain financing
- Launch the banking component with CBI Burkina Faso.

► For the Senegal pilot in November 2019, approximately 100 SMEs, including several led by women, were selected based on a list of pre approved criteria, such as the overall maturity level of the project.

► Up to 200 multisector Senegalese SMEs will be selected by the partners to undergo a 15-month-long pilot programme.

- The Senegal pilot's aims include:
 - Selection and training of up to 200 SMEs in 2020 and 2021
 - Support for successful SMEs and resubmitting applications for financing
 - Obtaining financing for 25% of resubmitted applications
 - Launch of the banking component with CBI Senegal.

INVESTMENT

- IsDB's investment in developing SMEs is paying dividends, in particular through pilot projects launched by the programme. For example, the outcomes of the Burkina Faso pilot project include:
 - US\$ 8 million trade finance line granted to CBI
 - 60 SMEs selected from CBI rejection portfolio
 - 22 SMEs shortlisted and trained, and credit applications resubmitted
 - Financing received for 35% of trained SMEs with resubmitted applications
 - US\$ 1 million financing from CBI approved for SMEs
 - US\$ 300,000 in credit currently under appraisal
 - SME assessment tool developed for CBI between Q1 and Q3 of 2020.

BURKINA FASO PILOT

US\$ 8 million
trade finance line granted
to CBI

US\$ 1 million
financing from CBI
approved for SMEs



Enhancing private sector resilience through the BRAVE Programme

The aim of IsDB's programme "Business Resilience Assistance for Value-Adding Enterprises" (BRAVE) and BRAVE Women Programme is to strengthen the private sector as an engine of sustainable growth despite ongoing conflict

PURPOSE

- ▶ The BRAVE Programme was designed in 2016 by ICD in partnership with IsDB. The BRAVE Women Programme grew out of this initiative to address the specific needs of women.
- ▶ Both Programmes invest in business resilience and business continuity initiatives within an integrated framework to help enterprises manage risk against the impact of ongoing conflict and develop crisis mitigation strategies.
- ▶ The aim of the BRAVE Programme is to enhance private sector resilience in Yemen as an engine of sustainable growth, focusing on MSMEs in pro-poor/ value-adding

The BRAVE Programme and BRAVE Women Programme have helped to bring jobs and stability to communities at risk and cemented the important role of the private sector in fragile and conflict-afflicted countries

sectors such as agribusiness, fisheries, healthcare and textiles. Partners have worked in close consultation with the Yemini Ministry of Planning and International Cooperation, the Small and Micro Enterprise Promotion Service (SMEPS), an affiliate agency of the Social Fund for Development, and three leading local FIs.

- ▶ The aim of the BRAVE Women Programme is to address the special challenges faced by women-led small and medium-sized enterprises in the developing world, which are often unable to obtain the financial services they need to start and run businesses.

METHOD

- ▶ The BRAVE Programme consists of three components:
 - Providing business resilience capacity building
 - Providing business recovery support to selected firms with a matching-grant scheme, to be invested primarily in capital goods needed by the business
 - Strengthening value-chain resilience for target sectors and help leading firms adjust, upgrade or enhance their business models for the new market structure, through a tailored matching-grant scheme.
- ▶ The first phase of the programme (2017–2018) provided Yemeni firms with much-needed business continuity training to respond to the challenges facing the private sector. Selected firms also benefited from the matching-grant scheme, which was deployed in coordination with local banks.





► The BRAVE Women Programme was established in 2018 and formally launched in February 2019 in Yemen with plans to extend to Nigeria and Burkina Faso. Comprising a five-year grant awarded under the Women Entrepreneurs Finance Initiative (We-Fi), it focuses on addressing barriers to women entrepreneurship in selected value chains in Yemen, Nigeria, and Burkina Faso.

► The funding provided for the BRAVE Women Programme is from external grant resources aimed at unlocking the entrepreneurship potential of women. The Women and Youth Empowerment Unit is leading IsDB's engagement in We-Fi. The programme is managed by ICD Industry and Business Environment Support team.

► The BRAVE Women Programme aims to reach around 1,500 women-owned and -led SMEs with specialised business training and to

help 1,200 to qualify for combined grant matching support and technical assistance.

ACHIEVEMENTS

► The BRAVE Programme has so far achieved the following outcomes:

- 620 firms have been provided with business continuity training
- 348 firms have benefited from a matching-grant scheme
- 15,000 jobs have been sustained, with 1,541 new jobs created.

► The BRAVE Women Programme's Yemen project started in February 2019 and made progress in improving capacity development in the Sanaa, Aden, Ibb, Hadramout and Taiz provinces of Yemen. In April 2020, the Nigeria project got underway with plans to provide employment to 1,000 women and skills development to 600 women, with the Nigerian Bank of Industry Ltd taking on the role of local implementing agency.

INVESTMENT

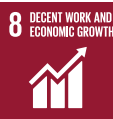
► A total of US\$ 6.0 million was raised for the BRAVE Programme from the MENA Transition Fund, which was established in 2012 at the request of the Deauville Partnership with Arab Countries in Transition. The second phase of the BRAVE Programme started in 2019 with additional US\$ 3.0 million in funding from the MENA Transition Fund.

► The BRAVE Women Programme is fully funded by We-Fi, with a US\$ 32.2 million multi-country allocation under the first round of applications for projects in Yemen, Nigeria and Burkina Faso. We-Fi partners include 14 donor governments, six MDBs as implementing partners, and numerous other stakeholders in the public and private sector around the world.

► IsDB Group is one of the designated implementing partners of the We-Fi fund, while ICD provides technical support for the implementation of the BRAVE Programme, in close collaboration with SMEPS as the executing agency in Yemen, which is the pilot country for the programme. Yemen was awarded US\$ 8.8 million of the total grant.

THE BRAVE PROGRAMME

620 firms provided with
business continuity training,
348 firms benefited from
a matching-grant scheme,
15,000 jobs sustained,
and **1,541** new jobs
created



Awqaf Properties Investment Fund

IsDB's Awqaf Properties Investment Fund supports MCs by participating in the financing of projects for the development of awqaf land and properties

PURPOSE

- ▶ The Awqaf Properties Investment Fund (APIF) aims at investing, in accordance with the principles of Shariah, in waqfi (i.e. subject to Waqf or 'endowment') real-estate properties in MCs and other countries.
- ▶ The Fund participates in operations and projects that have the potential to appreciate in value and/or whose returns could increase in the short, medium and long run.
- ▶ As an impact investment fund with 15 institutional investors, APIF fills gaps in the financing needed to achieve the SDGs. APIF's reach, visibility and model have transformed and risen in prominence over the past few years, with many innovative initiatives.
- ▶ Through its mandate of establishing and developing real estate endowments using awqaf, APIF provides local welfare institutions and civil society organisations with sustainable sources of income, which allow them to make their own development decisions.

The Fund undertakes studies to ascertain the feasibility and technical, financial, economic and Shariah soundness of the projects selected for investment, as well as the chances of realising a good return to Awqaf

- ▶ In helping organisations that wish to develop current Waqf land, renovate their Waqf property, or purchase property to be used as Waqf, APIF presents a unique model in the development world, with its focus on financing endowments. It has expanded to include promoting the establishment of new endowments, with a focus on intergenerational sustainability.
- ▶ In the short term, APIF supports NGOs and local charitable organisations and aids them in their search for sustainable income. In the long term, it serves to grow social wealth via encouraging philanthropic giving and diverting domestic savings to serve society.

METHOD

- ▶ APIF aims at increasing its total returns to the maximum level possible, which is achieved through long-term financing and by using one of the customary Islamic modes of financing, such as Ijarah, instalment sale, Istisna', diminishing participation, or equity participation.
- ▶ To ensure the competitiveness of APIF's financing conditions with those offered by other competitors, returns on such modes of financing are considered by using the customary indicators as guidelines, in addition to a profit margin to be determined in accordance with the period of financing and its underlying risks. Since the Fund is managed by IsDB, it offers the tax exemptions IsDB enjoys in its MCs.
- ▶ With a financial contribution of at least 25% of the total project cost or a suitable plot of land (for a greenfield project) provided by the beneficiary, APIF finances the construction, renovation and/ or purchase of an income-generating real-estate asset. The minimum contribution





requirement means that APIF financing often acts as a catalyst to increase philanthropic giving, as local and international donors step up to fill the gap.

► Typically, a project is designed in such a way that the repayments on APIF financing are made entirely from the income of the project itself, ideally with a significant amount remaining to support the beneficiary's activities during the repayment period. After the financing is repaid, all income generated goes to support the beneficiary's activities in perpetuity. APIF resources not needed urgently are invested, taking into account generally accepted risk management principles.

► In its capacity as Mudarib (Trustee/Manager), IsDB can seek the help of outside consultancy firms specialising in real estate investment and management to help in the structuring of financing, negotiating its terms and conditions and concluding its deals.

ACHIEVEMENTS

► So far, APIF has successfully supported 57 projects with broad impacts on individuals, communities and organisations, with a total value of US\$ 1.21 billion, in 29 MCs and non-MCs.

► APIF has embarked on a range of innovative initiatives, including conducting a full review of its model to transform/revamp it as necessary.

► The APIF model has been repackaged as a unique contribution of IsDB to the development world, and a sensitisation campaign is underway among various development institutions and potential partners.

► To support its outreach/sensitisation efforts, APIF has also engaged in a number of new initiatives. These include the design of a new logo, website, animated video and brochure for APIF in line with the new corporate identity of IsDB,

and an extensive exercise to collect, categorise and analyse the impact of APIF interventions, culminating in the APIF Impact Publication.

► APIF has continued to support some of its most successful previous beneficiaries, such as the Mutawalli Committee (Board of Trustees) of the IsDB-Bangladesh Islamic Solidarity Education Waqf (IsDB-BISEW). New financing was approved for the second phase of this Waqf in 2019.

INVESTMENT

► As of December 2020, there are 16 participants in APIF, comprising IsDB, Awqaf ministries, Awqaf organisations, non-profit organisations and Islamic banks, with a total paid-up capital of US\$ 88.5 million. Moreover, IsDB has extended a US\$ 100 million line of financing to APIF to be utilised for the financing of APIF's projects.

► In 2020, IsDB approved an increase in APIF's authorised capital from US\$ 100 million to US\$ 500 million.

AWQAF PROPERTIES INVESTMENT FUND

APIF has so far supported

57 projects

with a total value of

US\$ 1.21 billion

in 29 MCs and non-MCs

IsDB has extended a

US\$ 100 million

line of financing to APIF



Islamic Finance Capacity Building and Awareness Programme

IsDB is investing in developing its communication across a wide range of media and events to raise awareness of its products and initiatives within the Islamic finance sector

PURPOSE

- IsDB's strategic and tactical communication activities are part of its overall communication strategy, which has been adapted in recent months to meet the needs arising from the COVID-19 pandemic.
- As part of its communication strategy, IsDB has launched a Capacity Building and Awareness Programme to raise the profile and acceptance of Islamic finance around the world. Through the programme, IsDB is ensuring that the potential of Islamic finance to contribute to development objectives is fully recognised. To this end, IsDB partners with other international organisations and MDBs such as the World Bank, Asian Development Bank, United Nations Development Programme, International Monetary Fund, OIC and many others.

With the onset of the COVID-19 pandemic in 2020, IsDB's communication activities helped to demonstrate its leadership and the role of Islamic finance in supporting MCs during the crisis

- The programme targets relevant organisations in various MCs and non-MCs. These include ministries, central banks, capital market authorities, insurance agencies and market players, as well as financial, non-financial and academic institutions.

- Since the launch of the new IsDB business model and the P5P, IsDB has also prioritised positioning IsDB President as a thought leader in Islamic finance.

METHOD

- By organising and participating in workshops, seminars, conferences and other events, IsDB is ensuring that as many people as possible have the opportunity to hear from experts on Islamic finance and to discuss the opportunities it offers.



- For the events organised under the Capacity Building and Awareness Programme, the nature of the support may comprise financial sponsorship, in-kind support or sponsoring the participation of an expert from an external organisation.

- With the onset of the COVID-19 pandemic in 2020 and as the world navigated the direct impact on industries and economies, IsDB undertook a variety of activities to communicate the support it was providing for its MCs during the crisis. These included:
 - Working to amplify IsDB's commitments on a global level
 - Raising the profile of IsDB's COVID-19 crisis communication response across all owned channels including website, social media and internal communications channels



- Demonstrating strong leadership, significant action and reassurance from IsDB to all its core audience groups, both internally and externally.
- The communication strategy sought to:
 - Portray a coordinated response from IsDB, with a focus on the leadership of its President, in particular through his chairmanship of the meetings of the Presidents of MDBs in 2020
 - Efficiently and accurately disseminate information from IsDB's Strategic Preparedness and Response Programme
 - Highlight new partnerships formed by IsDB to mobilise resources in the public, private and philanthropic sectors, such as through the World Economic Forum
 - Provide reassurance and regular updates to IsDB's extensive internal staff network around the world, calling on them to act as true ambassadors for IsDB.

ACHIEVEMENTS

- Recent events and activities undertaken by IsDB to broaden awareness about its Islamic finance leadership include the following:
 - The International Conference on Waqf, held in Conakry, Guinea

in January 2019 to discuss and address challenges facing Waqf institutions and discussed potential innovative solutions for the development of this sector. The purpose of the conference was to raise awareness and bring together global Waqf investors and potential projects in Guinea and the wider region.

- The Islamic Financial Services Board Summit 2019, themed 'Islamic Finance for Sustainable Development in the Era of Technological Innovation' aimed to bridge the significant gaps in the ability of the Islamic financial services industry and global technological advancement to provide greater opportunities for inclusive financial development.
- The Green Sukuk Workshop under the UNDP-IsDB Global Islamic Finance Impact Investing Platform, organised in Islamabad, Pakistan in partnership with the Securities and Exchange Commission of Pakistan.

► IsDB has published in international media outlets a number of articles authored by the President. It has also utilised its own channels to publish and promote his articles.

► Various communication outlets have reported on IsDB events, including partnerships with IAEA (against women's cancers), TWAS, UNESCO and UNICEF; IsDB's participation in Davos 2020, the Paris Peace Forum, UNGA, and G20 events, the Global Islamic Finance Council Taskforce, Global STS forum, and Transformers Academy.

INVESTMENT

► Since IsDB's Capacity Building and Awareness Programme was formalised in 2015, a total of 71 projects have been approved with IsDB contributions worth US\$ 1.64 million to date. IsDB contributions to the programme are in the form

a technical assistance grant allocation, utilising funds from the Islamic Finance Special Allocation as approved by IsDB Board of Governors in 2013.

► IsDB contributed a budget of US\$ 327,000 to the International Conference on Waqf. The resulting awareness, matchmaking and other initiatives are expected to mobilise millions of dollars of resources for socioeconomic development, using Waqf instruments in Guinea and the region.



INTERNATIONAL CONFERENCE ON WAQF

IsDB contributed a budget of
US\$ 327,000
 to the International
 Conference on Waqf



Leaving no one behind



Women's Empowerment Policy

The Women's Empowerment Policy contributes to sustainable and inclusive development in MCs and Muslim communities in non-MCs

PURPOSE

- By empowering women and girls to participate in and benefit from the development of their societies and communities, IsDB's Women's Empowerment Policy aims at improving the effectiveness of IsDB's development assistance so as to bring about greater socioeconomic returns and deliver on its mandate.
- The Policy is the first of its kind for IsDB and defines a commitment to promote women's empowerment as a means to reduce poverty and foster sustainable development and inclusive growth. It also marks IsDB's promise to unlock the untapped potential of women in its MCs and Muslim communities in non-MCs by establishing fundamental principles to guide its programmes and interventions to reduce the barriers to women's economic and social development.

IsDB will gradually and consistently build the capacity of its staff to promote women's empowerment in their work programmes and country engagements

- Intended to guide IsDB towards integrating women's empowerment in future operations, the Policy is in line with IsDB's 10YS and reform agenda based on the P5P (2017–2022). The Policy will also contribute to the implementation of OIC Plan of Action for the Advancement of Women and the SDGs, specifically SDG 5 (gender equality).

METHOD

- The Policy has four pillars, which reflect the challenges and priorities of MCs and IsDB's institutional and global commitments to support MCs to realise their national and international obligations. The pillars are:
 - Access
 - Mainstreaming
 - Agency
 - Learning.
- IsDB will address the four pillars guided by the following principles:
 - Capitalising on synergies and complementarities
 - Making strategic choices in areas and modes of engagement
 - Promoting innovation
 - Being adaptable to ensure inclusivity of all.
- Both the pillars and principles are stimulated by key enablers that leverage IsDB's comparative advantage and unique instruments, capitalise on its decentralised structure and strengthen partnerships.
- IsDB will commit sufficient human and financial resources and clear and measurable accountability mechanisms for the successful implementation of the Policy.
- The Policy requires IsDB to constantly monitor its own performance in support





of women's empowerment. IsDB will monitor the implementation of the Policy and make adjustments as needed, recognising that country circumstances may change and that operational priorities should be adapted accordingly.

► The following guiding principles are integral to the implementation of the Policy:

- Selectivity
- Adaptability and inclusivity
- Synergies and complementarities
- Innovation.

POTENTIAL IMPACTS

► The Policy is designed to achieve the following impacts:

- Recognise the distinct roles and responsibilities of both women and men, which give them different yet complementary perspectives, needs, interests, roles and responsibilities
- Respond to women's specific needs, interests, vulnerabilities and capacities

- Identify and address barriers that hinder women's realisation of their full potential
- Support women's and girls' access to opportunities and resources to ensure that they meaningfully participate in and benefit from IsDB interventions, and that this leads to equitable and sustainable development in MCs and Muslim communities elsewhere.

► Responsibility for the implementation of the Policy resides with the business units of all departments and entities participating in IsDB programmes and interventions. To this end, IsDB is committed to defining and putting in place the strategy and procedures necessary for sound, sustainable and effective implementation of the Policy.

INVESTMENT

► IsDB uses its relevant financial instruments and windows to fund operations that support women's empowerment.

► Although most women's empowerment interventions were previously limited to grant resources, relevant IsDB financing mechanisms can be mobilised and/or allocated to fund these interventions.

► The IsDB Group will continue to explore options for resource mobilisation to fund standalone women's empowerment programmes. Specifically, it will explore new partnerships and improve existing ones to increase the availability of resources for impactful interventions. In line with the strategic direction of IsDB, particular focus will be given to private sector resourcing.

WOMEN'S EMPOWERMENT POLICY

The Policy has 4 pillars, which reflect IsDB's institutional and global commitments to support MCs to realise their national and international

obligations:

**Access
Mainstreaming
Agency
Learning**

Civil Society Engagement Policy

The IsDB Policy for Civil Society Engagement enables it to tackle sustainability challenges by coordinating the efforts of all development actors

PURPOSE

- ▶ MCs are facing complicated and diverse challenges in all economic and social sectors.
- ▶ IsDB has a strong history of engaging with civil society organisations (CSOs), which have a comparative advantage in reaching communities with a range of services in both the public and private sectors where IsDB-financed programmes and projects take place. IsDB also engages with international and local development non-governmental organisations that have been leading the delivery of humanitarian services, building resilience and social development.
- ▶ IsDB sees CSOs as crucial to helping MCs address their most pressing issues, and with this in mind it has established a Policy for Civil Society Engagement.

The Policy focuses on how to mainstream and engage with CSOs as partners, building capacity and diversifying the source of financing, alongside country endorsement, innovation, partnership, selectivity, solidarity and inclusiveness

- ▶ The Policy takes into account the decentralised organisational structure and strategic priorities of IsDB and benefits from the experience, best practice and lessons learned by IsDB and MDBs in sectors including education, health, agriculture, poverty alleviation, economic empowerment, women's empowerment and youth development. It recognises the different types of CSOs as well as the diverse needs, trajectories and stages of development of the 57 MCs and Muslim communities in non-MCs.
- ▶ Guided by the 10YS and the P5P as well as the SDGs, the Policy aims to:
 - Set IsDB's strategic direction to systematically engage with CSOs
 - Create a framework of dialogue, consultation and partnership with CSOs to foster the sharing of knowledge, experiences and best practices
 - Improve direct assistance to local communities in MCs and/or Muslim communities in non-MCs through CSOs.

METHOD

- ▶ The four pillars of the Policy are:
 - Mainstreaming
 - Engaging with CSOs as partners
 - Building capacity
 - Diversifying the source of financing.
- ▶ The following five principles will guide the overall IsDB engagement with CSOs:
 - **Country endorsement** — IsDB will work with CSOs that are acceptable to MCs' governments.
 - **Innovation** — The Policy will promote and support innovative and transformative socioeconomic development programmes and projects that advocate for the use of technology and have scale-up potential to increase development results and impact.





- **Partnership** – This principle requires IsDB to introduce value-added partnerships through a network of developers and non-traditional partners willing to work with IsDB as partners.
- **Selectivity** – IsDB will partner and work with the primary, intermediary and tertiary level CSOs carrying out humanitarian, economic and social development interventions in MCs and non-MCs.
- **Solidarity and inclusiveness** – The Policy adheres to Islamic principles and practices to provide the underpinning values that permit IsDB to support humanitarian and development interventions in its MCs and non-MCs through CSOs.
- As a facilitator, IsDB will play an advocacy role by:
 - Bringing together key actors and CSOs to support hard-to-reach populations
 - Promoting participation and representation in international forums of CSOs

- Advocating the establishment of national development policies to encourage CSOs' participation in the economic and social development interventions of MCs.

POTENTIAL IMPACTS

- The Policy aims to achieve the following:
 - Provide general guidance to IsDB to engage more effectively with civil society
 - Encourage dialogue through attendance and exchange of CSOs with IsDB's Annual Meetings, Regional Forums other events
 - Enable the sharing of information on policies, programmes and projects that increase IsDB's outreach to engage with targeted CSOs that might not otherwise have access to these resources
 - Facilitate engagement with CSOs through the MCPS
 - Create an engagement modality that conveys partnership and the achievement of mutually agreed objectives, in line with the P5P notion of IsDB as a network of developers
 - Pay special attention to how international CSOs in fragile or conflict situations can manage support for local CSOs, which are often relatively under-resourced
 - Provide targeted CSOs with capacity building support that leaves them better off in terms of capability and sustainability than before their engagement with IsDB
 - In the longer term, build the capacity of CSOs with a regional mandate and coverage.

INVESTMENT

- The Policy will adopt a range of options for mobilising resources to support IsDB's commitment to engage with and, where appropriate, finance civil society engagement

actions (Policy Pillar 4). These include:

- Using existing and proposed IsDB financing instruments, innovative and non-traditional financing mechanisms
- Developing a resource mobilisation plan that analyses and maps the various financing sources (e.g. traditional and non-traditional donors, and international funds)
- Encouraging MCs' governments to include selected CSOs in IsDB-funded programmes and operations
- Pursuing several other major avenues for resource mobilisation, such as crowdfunding platforms
- Deploying other IsDB financing instruments such as its NGO Programme, APIF, ISFD, Transform Fund and several trust funds
- Considering innovative financing mechanisms under the IsDB and ISFD NGO Transformation Programme, such as Zakat, private sector financing and philanthropic engagements.

CIVIL SOCIETY ENGAGEMENT POLICY

The Policy recognises the different types of CSOs and the diverse needs, trajectories and stages of development of the **57** MCs and Muslim communities in non-MCs

Fragility and Social Resilience Policy

Some of the most fragile and conflict-affected areas are within IsDB MCs. This includes over 50% or 19 of the 36 countries categorised by the World Bank in 2018 as fragile and conflict-affected.

PURPOSE

- The IsDB Fragility and Social Resilience Policy contributes to the implementation of SDG 16 on Peace, Justice and Strong Institutions. The Policy is aligned with the third pillar of the Inclusive Social Development of the 10YS, where IsDB seeks to address the needs of populations at risk of being left behind, encompassing core areas such as health, education, employment, crisis support, building institutions, the empowerment of women and the alleviation of extreme poverty.
- The Policy is aligned with the P5P, which calls for IsDB to be proactive and responsive to MCs challenges, including fragility and conflict. It takes into account the decentralised organisational structure and strategic priorities and business model of IsDB and is based on the best practices and lessons learned from other MDBs and international development actors.

The Policy has four pillars — investing in prevention, transitioning relief to development, supporting recovery and resilience, and mobilising resources for resilience

- The purpose of the Policy is to set the standards and strategic direction of IsDB to strengthen institutions, build resilience and contribute to social cohesion and sustainable development in MCs. The Policy seeks to address the drivers of fragility ranging from social and economic exclusion and marginalisation to unequal development. Drawing on the experiences and challenges faced by other MDBs, the Policy accents a partnership approach, especially in focusing on prevention and bridging the important transition between relief and development.

METHOD

- IsDB has developed its own framework for intervention that is centred on the dual challenges of addressing fragility and conflict and building resilience.
- Six guiding principles form the foundation of the Policy:
 - Country ownership
 - Adaptability
 - Solidarity
 - Selectivity
 - Context and conflict sensitivity
 - Partnerships.
- The Policy prescribes that IsDB does not engage in:
 - Activities beyond its mandate
 - Primary responsibilities of other agencies like the United Nations, including peacekeeping, disarmament and other security, human rights and political affairs
 - Issues of criminal and interpersonal violence
 - Working with armed forces.
- The Policy addresses conflict and fragility risks whose dynamics and impacts may be conceptualised within the following pillars:





- **Investing in prevention** — This (pre-conflict) pillar concerns the adoption of development policies in countries with no manifest conflict, but with inherent risks of fragility, instability and/or crisis. Prevention approaches are in line with the 2030 Agenda for Sustainable Development and the twin Resolutions on Sustaining Peace, including the prevention of the “outbreak, escalation, continuation and recurrence” of conflict.
- **Transitioning relief to development** — This (during-conflict) pillar aims at staying engaged in situations of ongoing conflict through activities that bridge relief and development. The Policy provides the scope for a modest engagement aimed at mitigating the impacts of conflict, strengthening sustainable peace, building societal and institutional resilience, and fostering social cohesion. In doing so, IsDB will support programmes and projects that bridge the gap between humanitarian aid and development, including providing basic social services, youth empowerment and education in emergencies.
- **Supporting recovery and resilience** — This (post-conflict) pillar includes addressing four primary types of capital (physical, financial, human and social) which conflict impacts. The Policy states that IsDB should contribute to peacebuilding and post-conflict recovery and reconstruction through its Recovery and Resilience Plan (RRP) focusing on the reconstruction of critical physical infrastructure, human and social capital, restoration of basic social services, governance, social cohesion, and key institutional development.
- **Mobilising resources for resilience** — IsDB seeks to leverage its resources and impact in situations of fragility and conflict by partnering with other relevant humanitarian and development actors, decentralising decision making, and using global platforms for crowdsourcing and other participatory methods to maximise knowledge, innovation, resource mobilisation and coordination.

POTENTIAL IMPACTS

- Spearheading an Islamic finance development model, IsDB continues to foster long-term partnerships to provide self-sustaining resources to alleviate poverty, address fragility and conflict, build resilience, and support sustainable socioeconomic development. In this, IsDB follows six guiding principles outlined in the Policy:
 - **Country ownership** — IsDB ensures that all its country engagement, policies and programmes in resilience building are aligned with national development plans and priorities
 - **Selectivity** — IsDB is selective in its interventions according to its development mandate and where it has the comparative advantage

- to alleviate suffering, eradicate poverty and build resilience
- **Adaptability** — IsDB calls for tailored procedures, processes and guidelines to respond to the challenges of fragility
- **Solidarity** — The Policy adheres to Islamic principles that provide the underpinning value and spirit to promote peace and save lives and livelihoods
- **Context and conflict sensitivity** — IsDB acts to mitigate negative impacts (‘do no harm’) and maximise positive impacts (‘do good’).
- **Partnerships** — IsDB aims at finding synergies with partners to achieve shared goals, in the spirit of the 2030 Agenda for Sustainable Development and current global initiatives.

INVESTMENT

- IsDB is committed to contributing to peacebuilding and post-conflict recovery and reconstruction through its RRP, focusing on the reconstruction of critical physical infrastructure, human and social capital, restoration of basic social services, governance, social cohesion and key institutional development. The RRP is usually the basis of an investment programme emanating from a multi-donor post-conflict joint assessment of damage and needs.

SIX GUIDING PRINCIPLES

The Policy's six guiding principles are country ownership, adaptability, solidarity, selectivity, context and conflict sensitivity, and partnerships

Restoring sight for a clear path out of poverty

The Alliance to Fight Avoidable Blindness is a global partnership of 32 partners that seeks to address the considerable problems caused by lack of access to eye-care services in many MCs

PURPOSE

► IsDB launched the Alliance to Fight Avoidable Blindness (AFAB) in 2008, reflecting a long-term vision to improve lives and put an end to diseases causing vision loss. IsDB saw the opportunity to work with partner organisations on multiple strategies to combat preventable eye diseases by developing intervention programmes. These include the provision of examinations to detect and correct ocular refraction errors. As the Alliance enters a new phase, the aim is to maintain the progress achieved so far and to step up capacity building activities for the future.

METHOD

► Through AFAB, IsDB is committed to continuing to work with its partners to foster global cooperation that brings tangible benefits to the poorest people in the world. By improving eye health and

The Alliance to Fight Avoidable Blindness aims to carry out 1.5 million cataract operations and 10 million consultations in addition to the distribution of eyeglasses and capacity building activities

preventing avoidable loss of sight, the Alliance can make a major impact in the lives of many people.

► During 2008–2015, AFAB focused on treating cataracts, which are a major cause of blindness. IsDB raised US\$ 10 million for this work in eight African Countries – Benin, Burkina Faso, Cameroon, Chad, Djibouti, Guinea, Mali and Niger.

► It provided eye care to 244,000 people, restoring eyesight to more than 49,000 blind people from different age groups, and provided training to 177 local eye-care personnel.

► The second generation of AFAB (2019–2023) focuses on supporting the development of comprehensive, accessible and sustainable eye care services, with a broadening of the Alliance's work to strengthen the eye health systems in 13 African Countries.



► Treatments are made available for a wide range of preventable and curable conditions which cause blindness.

► Approximately one million children will be screened at schools and those who need glasses will be provided with a pair.

► Scholarships will allow new eye health personnel to be trained and local training institutions to be strengthened in countries with few ophthalmologists.

► The creation of treatment centres for glaucoma and diabetic retinopathy will allow people to access help for these specific diseases.

► The investment in the programme will bring free of charge eye-care to millions of people in Burkina Faso, Chad, Comoros,



Côte d'Ivoire, Djibouti, Guinea, Guinea Bissau, Mali, Mauritania, Mozambique, Niger, Somalia and Togo.

► The second generation of AFAB, which is planning to perform many cataract surgical operations, currently comprises IsDB and ISFD in collaboration with more than 32 partners, including:

- Light for the World (Austria)
- Azerbaijan International Development Agency
- Direct Aid (Kuwait)
- Moroccan Medical Association for Solidarity
- Al Bassar International Foundation
- Arab Bank for Economic Development in Africa

- Tunisian Technical Cooperation Agency
- Prevention of Blindness Union
- International Agency for Prevention of Blindness.

ACHIEVEMENTS

- 15,000 cataract operations and 60,000 eye consultations have been conducted in nine MCs since 2019.
- Capacity building programmes have been organised in Turkey and Tunisia for young African ophthalmologists from 13 IsDB MCs.
- There are plans to further expand geographical coverage and resource mobilisation through non-conventional means such as crowdfunding.

INVESTMENT

- Together with ISFD, IsDB engaged in discussions with the 32 partners to consolidate their pledges and firm up their financial and technical commitments.
- IsDB, through RL and ISFD, is coordinating the second generation of the Alliance, which will comprise a large-scale five-year Action Plan for each targeted country.

ALLIANCE TO FIGHT AVOIDABLE BLINDNESS

For the period 2019–2023,

IsDB has raised

US\$ 250 million

for treating cataracts in

13 African countries —

Burkina Faso, Chad, Comoros,

Côte d'Ivoire, Djibouti,

Guinea, Guinea Bissau, Mali,

Mauritania, Mozambique, Niger,

Somalia and Togo

SINCE 2019

15,000 cataract
operations and **60,000**

eye consultations have

been conducted in

9 MCs

Social Outcome Guarantee through the One WASH Fund

Through a Social Outcome Guarantee Fund and other initiatives, IsDB is supporting development projects via interventions that secure outcomes and minimise investor risk

PURPOSE

- ▶ Meeting the ambitious targets set out in the SDGs requires significant increases in financial resources compared to what has traditionally been channelled to developmental projects.
- ▶ IsDB, together with ISFD and ICIEC, has designed a Social Outcome Guarantee Fund to provide guarantees for NGOs willing to structure a Development Impact Bond in eligible sectors.
- ▶ The initiative will:
 - Protect fixed-income investors from development outcomes and non-delivery risks
 - Absorb some of the risks of the structure to enable the issuance of the Development Impact Bond

The One WASH Fund uses an innovative financing mechanism designed to attract new philanthropic and private investor capital in addition to traditional humanitarian donor financing

- Help to reassure fixed-income investors, who frequently perceive the risk of outcome non-delivery as high, especially in the context of developing countries
- Facilitate the issuance of Development Impact Bonds in IsDB MCs
- Drive local and international NGOs in participating countries towards more outcome-focused interventions.

METHOD

- ▶ The initiative brings an innovative approach to development and humanitarian finance:
 - Creating synergies through formalised engagement platforms between development banks and NGOs
 - Leveraging the core strengths of each party
 - Achieving the aim of transforming IsDB into a platform for developers
 - Leveraging development finance, humanitarian aid and private capital investment to support Development Impact Bonds.
- ▶ Development Impact Bonds can act as a strategic instrument to support development and humanitarian actors to focus more on outcome delivery.
- ▶ The bonds are based on a 'pay for results' mechanism, with grant payments committed from donors (outcome funders) only after implementing the projects and delivering the pre-agreed outcomes.
- ▶ Planned outcomes directly contribute to key social benefits for target populations in MCs, related to:
 - Education
 - Health
 - Poverty alleviation.
- ▶ Primarily, the model blends outcome-





based financing with grant financing in a structure that has favourable outcomes for participating funders and stakeholders, allowing for a new approach to resource mobilisation for humanitarian development organisations.

► IsDB is supporting the development of impact bonds as a strategic instrument that sees outcomes directly contributing to important social benefits related to education, health or poverty alleviation for the target populations in MCs.

ACHIEVEMENTS

► The One WASH Fund is set to implement programmes in 29 OIC member states, where it aims to impact the lives of five million people by strengthening and integrating the delivery of water, sanitation and hygiene (WASH) with health services. It uses proven methodologies that are already being practised at the grassroots level by the International Federation of Red Cross and Red Crescent Societies.

► The first Development Impact

Bond supported by the guarantee system is the One WASH Fund and Sukuk.

- The aim is to:
- Eradicate cholera and other diarrhoeal diseases in MCs, specifically reducing cholera-related deaths by 90% in the most affected MCs over the next 10 years
 - Reach over 5 million people by 2030
 - Contribute to the attainment of SDGs 3, 5, 6, 13 and 17.

INVESTMENT

► The first tranche of the programme is scheduled to start in Q4 2021 and targets Bangladesh, for an amount of US\$ 30 million out of a total programme size of US\$ 210 million.

AIMS OF THE INITIATIVE

To reduce cholera-related deaths by **90%** in the most affected MCs over the next **10** years

To reach over **5 million** people by 2030

SIZE OF THE PROGRAMME

US\$ 210 million



Catalysing resources for the Gaza Central Desalination Plant Programme

IsDB is taking part in an initiative to bring much-needed safe water to the Gaza Strip, one of the most densely populated areas in the world, with about two million inhabitants. Availability of fresh water in Gaza is amongst the lowest in the world

PURPOSE

- ▶ The entire population of Gaza depends mainly on groundwater and some imported water from Israel. Approximately 97% of the water in Gaza is not safe for drinking due to high salinity and high nitrate levels from human and agricultural pollution. According to the World Health Organization, this situation is the root cause of more than 25% of waterborne diseases in Gaza.
- ▶ In order to address this humanitarian and environmental crisis, IsDB and other major international stakeholders, including the European Investment Bank (EIB), the European Commission (EC) and the World Bank (WB), are pooling resources to implement a landmark water-related programme.
- ▶ A key date in bringing the partnership to fruition was a donor conference held in Brussels on 20 March 2018. This date marked the kick-off for the Gaza Central Desalination Programme (GCDP), as

The desalination plant is the major component of the GCDP and will have an annual capacity of 55 million m³

international donors including IsDB made pledges to finance the programme, paving the way for the procurement actions to start.

- ▶ The aims of the GCDP are to mitigate the water crisis and to improve the living conditions in the Gaza Strip.

METHOD

- ▶ With the Gaza initiative, IsDB is playing a major role in mobilising resources for the GCDP, through its privileged partnership with donors from the region. In addition, as manager of special trust funds dedicated to Palestine, IsDB will be providing and managing resources on behalf of its regional partners for the GCDP.
- ▶ The GCDP is focused on:
 - Developing new water sources for domestic water supply
 - Increasing the efficiency of distribution networks
 - Increasing collection of revenues from water sales.
- ▶ Once implemented, this landmark programme will be the largest infrastructure project ever built in the Gaza Strip.
- ▶ The programme consists of two main components:
 - A seawater reverse osmosis desalination plant, which will have the capacity to desalinate 55 million m³ of potable water per year and will be equipped with an independent power generation facility
 - Associated works, which will ensure that fresh water is distributed to all residents across the Gaza Strip.





► The GCDP is a multi-stakeholder partnership anchored around three major players:

- IsDB, representing the Arab Gulf States
- EIB, representing the EC and EU member states
- WB, covering its own contribution and other bilateral international donors.

ACHIEVEMENTS

► Developing this large infrastructure investment in the context of the Gaza Strip is a time-consuming and difficult task, particularly given the challenging geopolitical environment surrounding the programme.

► Despite the challenges, a number of actions have been completed.

► The initiative has achieved financial close, as the partners have been able to mobilise the amount needed to finance the programme.

► The feasibility study has been completed, providing an environment-friendly solution to energy supply for the desalination plant, which benefits from:

- A power supply package composed of photovoltaics, wind turbines and reciprocating engines
- Renewable energy, which is expected to provide up to 15% of the annual energy consumption

to help mitigate the impacts of climate change in the water-stressed region.

► All the land needed for the programme implementation has been acquired, and some of the associated works financed by the WB are under implementation.

► The conceptual design of the water desalination plant has been completed.

► Bidding documents have been finalised and the selection of the contractor to design, build and operate the desalination plant is underway.

INVESTMENT

► With a minimum proposed contribution from IsDB of US\$ 7.5 million, it has been possible for IsDB to mobilise resources amounting to € 582 million from a coalition of international partners, including the EC, the EIB and the WB.

► IsDB is currently negotiating with its main partner, the EIB, to finalise the details of the agreement for an EIB-managed trust fund for channelling financial resources to the programme.

► IsDB is also negotiating with the regional donors, namely Abu Dhabi and KSA, for parallel agreements to

manage the pledged resources on their behalf.

► In February 2020, the Board of Executive Directors formally approved the establishment of an IsDB-managed trust fund to channel the Arab Gulf States funding of the GCDP.

► As the project evolves, IsDB will be administering a trust fund for € 291 million in grant resources. These resources will help achieve SDGs 3, 6, 13 and 17.

► This unprecedented achievement is fully aligned with the commitment of the P5P to mobilise resources for MCs to achieve the SDGs.

MOBILISED RESOURCES

With a minimum proposed contribution of

US\$ 7.5 million

IsDB was able to mobilise

resources amounting to

€ 582 million

COVID-19 Strategic Preparedness and Response Programme

From the onset of the COVID-19 pandemic, IsDB has mobilised and worked synergistically to respond to the calls for support from its MCs. The Strategic Preparedness and Response Programme (SPRP) was developed as part of this process

PURPOSE

- ▶ The overall objective of the SPRP is to support the efforts of MCs in preventing, containing, mitigating and recovering from the impact of the COVID-19 pandemic.
- ▶ Given the massive disruptions caused by the pandemic, recovery requires diligent processes that integrate short-, medium- and long-term measures among disparate parties, leveraging the help of partners worldwide.
- ▶ IsDB launched the SPRP with this premise, providing financial support aligned with short-, medium- and long-term needs and bolstered with the promise of technology, which underlies the design of all IsDB's interventions. The programme targeted the following needs:
 - Partnerships in resource mobilisation and delivery
 - Innovation in financing structures
 - Fast-track processes and action.

Collaboration with UN Agencies involves 24 agreements amounting to US\$ 124.45 million, of which 17 have been signed for US\$ 112.57 million. To date, a total of US\$ 74.30 million has been disbursed under these agreements

METHOD

- ▶ The programme adopts a 'Respond, Restore and Restart (3-R)' approach, holistically addressing MCs' emergency, short-term and medium-term needs.
- ▶ **Respond:** This track delivers emergency support aimed at:
 - Strengthening health systems to provide care to the infected
 - Building capacity in production of testing kits and vaccines
 - Building pandemic preparedness capacity, in cooperation with the G20 Global Initiative.
- ▶ **Restore:** This track delivers medium-term actions through financing for trade and SMEs:
 - To sustain activity in core strategic value chains
 - To ensure continuity of supplies for the health and food sectors, and for other essential commodities.
- ▶ **Restart:** This track delivers long-term action to build resilient economies on solid foundations and catalyse private investment by supporting economic recovery and countercyclical spending, which aligns with the IsDB business model of leveraging US\$ 10 billion that aims to unlock US\$ 1 trillion worth of investments.



- ▶ A Strategic Resource Allocation Model and an associated Country Needs Assessment Framework were developed to prioritise support to MCs.
- ▶ To accelerate the support to MCs, IsDB has adopted innovative, accelerated

internal project processing methods without comprising on the principles of quality and governance.

- ▶ IsDB used fit-for-purpose procurement arrangements through the emergency provision stipulated in procurement regulations, which allows for direct contracting and use of the services of United Nations specialised agencies.
- ▶ A Global Coordination Platform based on blockchain technology was established to fast-track and strengthen the interventions under the SPRP. The Platform coordinates aid delivery and mobilises financial and technical resources to support MCs.
- ▶ The IsDB Group COVID-19 Guarantee Facility was developed to facilitate the direction of additional resources from external partners to interventions in industries and SMEs.

ACHIEVEMENTS

- ▶ IsDB has forged a partnership with the Arab Coordination Group (ACG) culminating in the joint declaration of US\$ 10 billion in interventions for COVID-19-related projects. A projects pipeline has been agreed for the countries in the region.
- ▶ Apart from financing support, IsDB has deployed its flagship RL modality to share expertise, knowledge, national experiences and best practices to cope with the COVID-19 crisis, across countries.
- ▶ Through the RL modality, IsDB mobilised US\$ 2.25 million to acquire critical medical items and to adopt advanced technology systems and applications to combat the pandemic. Approximately US\$ 1 million was mobilised to build laboratory capacity in MCs.
- ▶ Five UN Agencies (UNOPS, UNICEF, WHO, UNDP and UNFPA) are functioning as implementing

partners in the SPRP in twelve MCs (Guinea, Chad, Burkina Faso, Sierra Leone, Senegal, Mozambique, Maldives, Benin, Cameroon, Guinea Bissau, Mali and Yemen).

- ▶ Some of the key expected outputs of IsDB's investment in the SPRP are:
 - 24,000 health staff trained
 - 141,000 health workers provided with personal protective equipment (PPE)
 - 7,426 hospital beds added
 - 262 hospitals equipped
 - 3,110 beds equipped in intensive care units
 - 150 labs equipped
 - 5,316 medical equipment/supplies provided
 - 210 ambulances and vehicles procured
 - 4 million cases tested
 - 5 million testing kits procured
 - 1,712 ventilators procured
 - 9 million people given food supplies
 - 10 million PPE items provided
 - 7,420 SMEs/MSMEs supported
 - 12,000 people provided with access to finance.
- ▶ The expected impact of the approved SPRP operations on its 52.3 million beneficiaries will result in:
 - 43.3 million people reached through awareness campaigns on COVID-19 transmission and prevention
 - 8.9 million households in acute food insecurity supported with food rations to meet their nutritional needs for at least one month
 - 59,600 jobs created for revival of priority value chains and economic sectors
 - 23,596 health workers provided with capacity building support to manage the COVID-19 response
 - 20,000 micro-enterprises and households receiving microfinance services
 - 7,420 SMEs provided with financial assistance.

INVESTMENT

- ▶ IsDB's SPRP facility is enabling investment amounting to about US\$ 2.3 billion to finance interventions that tackle the impacts of the pandemic.
- ▶ Approvals — To date, IsDB Group has approved a financing amount of US\$ 1.96 billion representing 68% of the SPRP commitment, broken down as follows:
 - US\$ 788 million by IsDB, US\$ 89.9 million by ISFD, US\$ 601 million by ITFC, US\$ 133 million by ICD, US\$ 344 million by ICIEC and US\$ 6.9 million by KAAP
 - Most of the projects approved so far fall in the Response track of the SPRP.
- ▶ Disbursements — IsDB's total SPRP disbursements stand at US\$ 748 million.
 - As of November 2020, 22 projects had begun disbursing via the Global Coordination Platform
 - ITFC has disbursed US\$ 170 million (48%) against signed contracts that total US\$ 235 million under the SLA
 - Total disbursements to UN agencies stand at US\$ 74.5 million against a total value of signed contracts amounting to US\$ 112.57 million.

PARTNERSHIP WITH THE ARAB COORDINATION GROUP

**IsDB partnership with ACG
culminating in the joint
declaration of
US\$ 10 billion
in interventions for
COVID-19-related projects**

Skills-centric empowerment of women and youth — Bangladesh pilot

Women and young people in Bangladesh are benefiting from new opportunities as a result of an IsDB initiative featuring small grants for training and skills development

PURPOSE

- ▶ With financial support from IsDB, the Centre for Mass Education in Science (CMES) implemented an employment-centric initiative, the “Women Empowerment Programme through Livelihood Skills Training and Human Rights Awareness” in the Tangail (Suruj), Rajshahi (Damkura), Chapinawabgonj (Elaipur) and Dinajpur (Ranirbandar) districts of Bangladesh.
- ▶ The initiative aimed to improve sustainable livelihoods for vulnerable young women aged 19 to 35 years, facilitating economic and social empowerment and human rights awareness in Bangladesh's remote rural areas.
- ▶ The initiative was launched in October 2018 and ran until September 2020.

IsDB's grant financing initiative in Bangladesh has raised awareness of the negative impact of discrimination and enabled community support for human rights

METHOD

- ▶ The initiative contributed to its goal by:
 - Increasing young women's capacity to engage in economic activities by equipping them with new skills related to fashion garment production and basic computer skills; and conducting literacy, numeracy and computer skills training for the youngest women
 - Employing young women by networking and creating links with local and national organisations to identify jobs, conduct orientation sessions for trainees on job protocols and place them in the identified jobs
 - Raising awareness of women's rights and eliminating gender-based violence through awareness sessions among women, men and youth; identifying community champions or influencers willing to engage with the project; and convening community dialogue to raise awareness of the negative impact of discrimination and how the community can support human rights for all, especially for women and girls
 - Adopting a participatory approach through which all stakeholders are involved in the initiative's implementation
 - Encouraging male members of the beneficiaries' families and community to play a pivotal role in a sensitisation session, in which human rights awareness-raising will help prevent incidents against women
 - Tailoring the human rights awareness curriculum, including issues of gender equality, violence against women, in line with the SDGs and building in existing tools.



ACHIEVEMENTS

- ▶ 500 young women were trained in basic fashion garment production and computer literacy, 300 of whom received advanced-level training.
- ▶ 63 MoUs were signed between CMES and employers/local entrepreneurs to place the training graduates in jobs.
- ▶ The training positively impacted the occupational pattern and income of the training graduates and raised awareness. After completing the project, a sample survey found that:
 - Before joining the training programmes only 10% were engaged in economic activities. This number increased to 64% after enrolling in the training programmes, 11% in employment/jobs, and 50% in business/self-employment
 - The 10% of participants who were economically active before the training earned up to US\$ 24 per month while, after completion of the training courses:
 - 36% of participants earned up to US\$ 24
 - 24% of participants earned up to US\$ 60
 - 2% of participants earned up to US\$ 120
 - 1% of participants earned above US\$ 120
 - The monthly average income increased to US\$ 37, from only US\$ 5 before the training
 - A sample survey with the graduate trainees and members of the community shows that the awareness level on human rights issues increased significantly among the training graduates as well as in the community of around 12,000 people in the four districts selected for the initiative, 80% of which were articulated on women's rights
 - The graduates and many women in the community reported that they could take decisions on
- personal matters independently and participate in the family decision-making process
- A number of peer educators still informally disseminate messages on human rights issues in their neighbourhoods and share them with their relatives and friends. In some cases, they have provided advisory support to the victims of gender-based violence.
- ▶ When the COVID-19 virus spread, the beneficiaries used remnant clothing from the training programme to make masks. IsDB shared standards for mask production with the implementing partner. Production began in March 2020 and as a result:
 - 2,000 masks were produced: 800 at the training centres and 1,200 by the trainees at home
 - 800 masks were distributed free to rickshaw pullers, garment workers, women and children in the community
 - Individual trainees in their own communities sold 1,200 masks
 - 26 trained women took up entrepreneurship to engage in mask production using their own resources
 - The trainees benefited from videos on CDC standards for mask production, followed necessary infection prevention measures, and produced 2-layer re-usable cloth masks
 - Mask-making was added to the curriculum of the implementing partner, which was beyond the project's original plan.

INVESTMENT

- ▶ IsDB has approved US\$ 100,000 for the Women Empowerment Programme through the Livelihood Skills Training and Human Rights Awareness Initiative.
- ▶ Four training centres were established using IsDB's funds to provide sewing machines, computers

and other related equipment to create the environment needed for capacity development activities and to achieve future sustainability.

- ▶ Nine job fairs were arranged, and 85 job counselling sessions were conducted.
- ▶ The initiative contacted 168 local relevant private enterprises and institutions to explore job opportunities for the graduates.
- ▶ The initiative mobilised additional resources, which resulted in the local government donating 9 sewing machines to the poorest of the trainees.
- ▶ The graduate trainees who established their own microbusinesses received loans from their relatives and local NGOs to buy the needed equipment.
- ▶ The training centres established with IsDB funds are currently used for further training beyond the life of the initiative.
- ▶ This pilot initiative proved to be very successful, with high potential for further investment by IsDB for additional scale-up and replication in other districts.

**WOMEN EMPOWERMENT
PROGRAMME**

IsDB has approved
US\$ 100,000
for the Women Empowerment
Programme through the
Livelihood Skills Training and
Human Rights Awareness
Initiative



Lives and Livelihoods Fund

IsDB's collaboration with donor partners is achieving impressive development results through the Lives & Livelihoods Fund (LLF). Partners in the LLF include Abu Dhabi Fund for Development, Bill and Melinda Gates Foundation, the UK Foreign, Commonwealth & Development Office, ISFD, King Salman Humanitarian Aid and Relief Centre, and Qatar Fund for Development

PURPOSE

- In recent years, IsDB has recognised the need to expand the concessional resource financing envelope for critical human development projects in the least developed MCs (LDMCs) beyond what was available — approximately US\$ 350 million annually.
- With the global adoption of the SDGs, the situation became more urgent, with renewed emphasis on the need for increased public spending and ownership of socioeconomic development initiatives by MCs.

External resource mobilisation is underway, with US\$ 407 million in donor grants already mobilised to increase IsDB's concessional financing capacity

- Non-traditional donors have continued to emerge as important contributors to the global development financing landscape, especially in the regions of IsDB MCs. In particular, the Bill and Melinda Gates Foundation (BMGF) was looking to partner with regional players with common objectives to:
 - Expand its work in IsDB MCs
 - Increase the regional ownership of its programmes
 - Allow the Foundation to scale up its footprint through a 'financing for development' initiative.
 - Expand financing capacity of MCs while meeting international debt sustainability targets.

- The BMGF had previously collaborated with IsDB in the Pakistan Polio Eradication Programme, with highly positive outcomes. Recognising the potential for further mutually beneficial ventures, the two institutions jointly devised an innovative multilateral cooperation model which is today known as the LLF.

METHOD

- The LLF was conceptualised to build on IsDB South-South cooperation model, having regional donor partners and IsDB work together to maximise affordable concessional financing for critical human development projects in LDMCs.
- Blending with OCR helped multiply donor contributions to allow interventions at scale, which might not have been possible with grants alone.
- The LLF seeks to achieve a diverse set of objectives:



- Mobilising and blending regional donor resources in an innovative financing model
- Expanding accessibility of affordable concessional financing for human development projects in 33 of IsDB's LDMCs
- Leveraging the concessionality of financing and combining the unique capabilities of all partners with robust, impactful development projects
- Utilising the collaboration to pilot innovation in project processing within IsDB.

ACHIEVEMENTS

- ▶ The LLF partnership has expanded from the initial two institutions to a total of seven partners including six donor organisations, the most recent addition being the UK's Foreign, Commonwealth & Development Office (formerly DFID).
- ▶ Three regional donors are part of the initiative besides ISFD, namely Abu Dhabi Fund for Development, King Salman Humanitarian Aid and Relief Centre and Qatar Fund for Development.
- ▶ US\$ 407 million in donor grants has been mobilised for the LLF and made available for allocation to IsDB social development projects.
- ▶ In addition to donor grants, the LLF makes available additional resources through its Project Preparation and Implementation Facility (PPIF). The PPIF provides the required Technical Assistance (TA) to complex LLF socio-development projects. The TA is not limited to the PPIF, and a number of projects have benefited from additional direct TA from donor partners, including:
 - US\$ 1 million provided for feasibility assessments and other support for the LLF Guinea Conakry Water and Sanitation Project
 - Engagement of ACT (consulting firm) for the Sahel Sustainable Growth Project.
- ▶ Technical experts from donors are also involved in providing support in project preparation, and the LLF Impact Committee has constituted a Technical Review Committee which provides input to enhance project quality and technical robustness.
- ▶ Blending of donor grants with IsDB OCR has substantially increased the concessional financing capacity of IsDB as a whole:
 - The concessional financing envelope from the LLF was maintained, despite limited lending overall in 2018 and 2019
 - The proportion of critical human development financing from IsDB has substantially increased over the last few years thanks to the LLF.
- ▶ The LLF has gained recognition in the development community and there has been a scaling up of co-financed projects within the LLF.
- ▶ Beyond co-financing, some development partners are working directly with the LLF in eligible countries to develop proposals and feasibility studies so that MCs can meet the requirements and apply for LLF financing.
- ▶ The Global Fund has actively worked with and provided TA from its health system, strengthening resources in the Benin, Senegal, and Togo health projects of the LLF.
- ▶ Despite LLF projects being in complex socio-development sectors, the (average) portfolio processing time remains at par with IsDB prescribed timelines via:
 - Close follow-up, monitoring, and support to project teams
 - TA provided to projects from LLF donors and from the PPIF
 - Incorporation of design methods promoting quicker processing.

▶ LLF projects are expected to impact hundreds of millions of people (0.5 million in agriculture, 560 million in health, +40 million in basic infrastructure, according to WASH).

INVESTMENT

- ▶ The LLF successfully prepared a strong pipeline of projects in MCs from 2016–2020 which were approved by its Impact Committee.
- ▶ Concessional financing approved by the LLF Impact Committee to-date is US\$ 1.54 billion (US\$ 370 million in grants; US\$ 1.165 billion in OCR).
- ▶ The projected size of the LLF at conclusion is US\$ 1.7 billion, more than the total concessional financing provided from IsDB's own resources (IsDB loans plus ISFD loans) during the same period, more than doubling IsDB's offering of concessional financing.
- ▶ The portfolio includes 35 socio-development (health, agriculture, and basic infrastructure) projects in 22 IsDB MCs, targeting the most vulnerable.
- ▶ The majority of the 2016–2018 portfolio is already disbursing. Overall disbursement operations stand at over 57%, including the recently approved 2020 projects.
- ▶ Approximately US\$ 210 million has been disbursed to date, with promising results on the ground.

LIVES AND LIVELIHOODS FUND

The total concessional
financing provided is
US\$ 1.54 billion



Revolutionising the Scholarship Programme

Through its Scholarship Programme, IsDB is helping MCs and Muslim communities in non-MCs close the human capital gap to expand their participation in global markets

PURPOSE

- ▶ Since IsDB launched its Scholarship Programme in 1983, over 18,000 men and women from 56 MCs and 67 Muslim communities in non-MCs have received scholarships in various disciplines relevant to sustainability sciences.
- ▶ Despite the deep impact of the Programme on the lives of the beneficiaries, its footprint has not expanded as expected due to marketing and targeting issues.

METHOD

- ▶ To encourage the acquisition and transfer of science and technological knowledge and expertise to MCs, IsDB has concluded cooperation agreements with top universities to ensure high quality education for its students and scholars at affordable cost.
- ▶ Fields of study have been revisited to address critical challenges with direct relevance to sustainability issues.

Demand for further education has never been stronger in IsDB's MCs and Muslim communities in non-MCs

The Programme is now focused on development-related fields, particularly sustainability sciences to empower communities and MCs to achieve the objectives of the SDGs and IsDB's P5P.

- ▶ IsDB has established two new international selection committees comprising 16 external eminent academicians and scientists active in fields related to sustainable development in MCs and Muslim communities in non-MCs.

- ▶ Islamic finance, economics, finance and banking, international economics, journalism, political sciences, law, intellectual property and entrepreneurship have been included as subjects for the first time. All study programmes have been expanded to assist students from non-MCs as well as MCs

- ▶ The application selection process is managed by two independent international committees, for the undergraduate and postgraduate programmes respectively, specialised in their fields to encourage greater community participation, ensure a more transparent process and identify candidates with the highest potential.

- ▶ Female students' participation is being enhanced in all programmes to achieve SDG 5 (gender equality).

- ▶ A new joint financing scholarship programme funded by the ISFD has been launched, aimed at reducing poverty and targeted at LDMCs. The programme provides educational opportunities to young men and women to pursue technical vocational education and training (TVET).

- ▶ To help MCs attain the SDGs, IsDB has established a partnership with the World Academy of Sciences (TWAS) in



Italy. This joint programme, which supports capacity building aimed at generating critical mass in STI to address sustainable development challenges of MCs, led to the following initiatives:

- Support for 20 scholars to undertake up to 6-month postdoctoral research training in key areas relevant to sustainability sciences
- A grant for a joint research and technology transfer project on topics related to sustainability challenges relevant to the SDGs in MCs
- Support for 11 refugee scientists and other scientists at risk in MCs to access the TWAS Young Affiliates Programme
- Organisation of a high-level workshop in 2019 on the science-policy development nexus, the first of its kind in the Muslim world.

ACHIEVEMENTS

► In 2018, IsDB evaluated the Programme and restructured it to accommodate changes driven by technological progress. Following this restructuring, there has been an increase in scholarship applicants from 2,200 in 2018 to 187,000 in 2019 from 192 countries and to 210,000 in 2020 from 193 countries.

► In 2020, IsDB awarded scholarships to 1,221 students from 114 countries, comprising:

- 746 students from 109 countries for the Undergraduate Programme
- 196 students from 92 countries for the Masters' Programme
- 160 students from 58 countries for PhD and Post-Doctoral Programme
- 119 students from 20 LDMCs for the IsDB-ISFD Programme.

► For the first time, the Programme supported students from Muslim

communities in Angola, Botswana, British Indian Ocean Territory, Dominica, Haiti, Peru, South Sudan, Swaziland, Finland, Taiwan, Ukraine and the United Kingdom.

► Partnerships with major organisations such as TWAS and UNESCO are helping to advance SDG achievement in MCs through STI.

► IsDB has signed an MoU with selected local NGOs in Muslim communities in non-MCs to assist in reaching potential students and implementing programmes.

► Partner universities in scholarship programme management are being encouraged to monitor the academic performance of students, conduct mentorship programmes and speed up students' disbursements.

► IsDB has developed new agreements and launched joint scholarship programmes in 2020 with Campus France in France and the Presidency for Turks Abroad and Related Communities. It has also negotiated new agreements with Princeton University and Harvard University in the United States and Makerere University in Uganda. IsDB has implemented partnerships with the University of Cambridge, the University of Oxford and Queen Mary University of London in the United Kingdom, as well as with Copenhagen University in Denmark and McGill University in Canada.

► Partnerships for free or subsidised education have also been established with the Ministry of Education, Malaysia, the Council of Higher Education, Turkey, the Moroccan Agency for International Cooperation (AMCI), Morocco, the National University of Uzbekistan, and Tashkent University of Information Technologies.

► IsDB's new alumni portal is under construction to establish an effective

network between graduates beyond national boundaries, and to play a vital role in the development of knowledge-based economies in their countries. This will help to ensure the wider impact of graduates.

► Cooperation with reputable universities and ministries of higher education in MCs have brought IsDB Scholarship Programmes to a new height of international reputation.

► The IsDB Scholarship Programme has helped students and alumni achieve their career aspirations, with many graduates currently holding key strategic positions such as head of state, minister, global health specialist, world-class scientist and technological expert. They are championing technological innovation and change to secure a bright future for their countries.

INVESTMENT

► Thanks to the partnerships achieved through its Scholarship Programme, IsDB has made cost savings of around US\$ 43 million during the last two years and almost tripled the annual number of scholarships awarded with the same allocated operational budget.

► IsDB has offered 469 additional scholarships to students from 16 Muslim communities in non-MCs from the repayment of interest-free loans by scholarship graduates, aiming at ensuring the long-term sustainability of the programmes.

ISDB SCHOLARSHIP PROGRAMME

Benefiting more than
2,500 university students
in **88** countries around
the globe

Mainstreaming climate resilience in IsDB operations

IsDB is committed to helping its MCs in tackling climate change and has worked through its Regional Hub system to provide support for Bangladesh and Maldives

PURPOSE

- ▶ Climate change carries significant risks for MCs. Indeed, many coastal countries in Asia such as Bangladesh and Maldives are already facing severe impacts of climate change and this is set to worsen considerably in the coming years unless appropriate action is taken.
- ▶ Since the approval of its climate change policy, IsDB has mainstreamed climate action and supported building resilience through its operations.
- ▶ Although the Government of Bangladesh is implementing a wide range of measures to improve the country's climate change resilience, Bangladesh faces significant climate change threats, namely:
 - Rising sea levels
 - Inadequate safe drinking water
 - Infrastructure challenges.

Addressing risks from climate change is at the heart of IsDB-funded projects in Bangladesh and Maldives

- ▶ These issues threaten sustainable development and economic growth in Bangladesh. Due to climate change, the country is also subjected to more extreme weather events such as:
 - Seasonal cyclones
 - Flooding
 - Droughts
 - Erosion.
- ▶ As a low-lying island nation, Maldives is one of the Small Island Developing States (SIDS) that is most vulnerable to climate change, due to:
 - Rising sea level
 - Population density
 - Dispersed geography
 - Economic reliance on nature-based tourism, fisheries and marine resources.
- ▶ In particular, rising sea levels in Maldives are causing:
 - Stress on water resources and infrastructure
 - Severe impacts on the fishing industry
 - Food insecurity arising from the loss of fishing resources.



METHOD

- ▶ After carrying out climate risk screening of IsDB operations in Bangladesh and Maldives, projects were designed with measures to address identified climate risks in both countries.
- ▶ The initiatives in Bangladesh and Maldives are in synergy with the new



business model and the P5P, supporting low carbon and resilient development in these countries.

► The projects in these countries are also contributing to IsDB's commitment to support the SDGs.

ACHIEVEMENTS

► In Bangladesh, IsDB extended US\$ 18 million financing for an SHS programme provided by IDCOL, which has:

- Strengthened the use of environment-friendly renewable energy systems
- Made solar electricity available to 77,000 rural households through installation of SHSs.

► The provision of a US\$ 130 million financing under King Abdullah bin Abdulaziz Programme for Charity Works – KAAP (formerly known as Fael Khair Programme) has enabled the construction of 157 school-

cum-cyclone shelters with climate-resilient features, including durable water and solar systems.

► IsDB also provided finance for the following projects:

- A submarine fibre-optic-cable project that supported the upgrading of mobile connectivity which will enable quicker dissemination of information and support early warning systems, even in remote areas
- Expansion and upgrade of the rural road network that has enabled people to access safe shelters with ease and facilitated easy evacuation of exposed people in the event of a climate disaster
- Shelters that provide safety even during major climate disruptions or events
- Water and sanitation system development that is helping people to deal with climate stresses during extreme events.

► Two IsDB-financed projects are expected to generate considerable impact to address climate change in Maldives:

- Upgrading of 10 severely tsunami-affected harbours with sustainable facilities, with disaster risks and climate resilience considerations factored into the reconstruction process
- The Greater Male Waste Management Project, which is expected to generate both climate mitigation and adaptation benefits by developing a climate resilient waste management facility as well as a sustainable waste-to-energy facility.

INVESTMENT

► IsDB has approved 13 projects worth US\$ 1.03 billion to promote renewable energy generation and uptake in Bangladesh.

BANGLADESH

IsDB has provided
US\$ 18 million
financing to produce solar
electricity

THE KAAP PROGRAMME

US\$ 130 million
financing has enabled the
construction of **157** school-
cum-cyclone shelters

Economic Empowerment Fund for the Palestinian People

A new fund set up by IsDB will assist more than 300,000 Palestinian families over the next decade

PURPOSE

- ▶ The IsDB's Economic Empowerment Fund for the Palestinian People (EEFPP) is a US\$ 500 million impact investment vehicle/fund that provides blended finance in the form of equity capital and structured financing, in addition to technical assistance.
- ▶ The EEFPP goal is to reduce poverty, empower the poor, lessen aid-dependency amongst the Palestinian people and develop a solid and sustainable ecosystem, transforming the poor from mere recipients of financing to real business partners.
- ▶ The EEFPP will contribute to strengthening the involvement of youth and poor families in local value chains through a variety of projects. In doing so, it is fully compatible with IsDB's new business model and GVC approach.

The EEFPP has successfully built an attractive pipeline of investment projects and financing opportunities

- ▶ The economic empowerment approach, as envisioned by the P5P, will be a catalyst and facilitator for IsDB's implementing partners to act as market developers.
- ▶ EEFPP objectives:
 - Improve the livelihood and resilience of youth, poor and marginalised groups in Palestine
 - Achieve financial and social returns with measurable impact
 - Provide an investment platform to channel financial and non-financial resources to MSMEs, cooperatives, unions and solidarity groups, among others, in accordance with Islamic principles.

METHOD

- ▶ The EEFPP applies global best practices in governance and investment management in its work with poor and unemployed youth in Palestine. A seasoned external fund manager (GP) with international experience and strong track record in impact investments will be hired to manage the investments and operations of the EEFPP.
- ▶ The EEFPP builds on the successes of the Deprived Families Economic Empowerment Programme (DEEP), an IsDB economic empowerment pilot programme that achieved tangible success in its objective of promoting Islamic microfinance in Palestine and focuses on:
 - Economic viability standards
 - Investment concepts (cost and profit)
 - Advanced mechanisms, knowledge and field experience that work in harmony to create the desired social and economic goals.
- ▶ To take advantage of the successful DEEP initiative and its economic and social



impacts and reach a larger group of Palestinians, IsDB set up the EEFPF, with an initial target capital of US\$ 500 million.

► IsDB will also contribute a further US\$ 100 million (20% of the target capital) to the Fund's capital.

► IsDB envisions that the new fund will empower more than 300,000 Palestinian families in the next decade.

► The EEFPF is founded on a scientific economic vision, striving to establish an integrated framework and interlocking all economic fields in order to achieve the following objectives:

- Resource sufficiency to cover the major needs of the target population
- Scaling-up IsDB's economic empowerment interventions in Palestine
- Supporting the economic development and contributing to strengthening the resilience and immunity of the Palestinian economy
- Developing and disseminating the concept of economic empowerment through Islamic finance mechanisms.

► The EEFPF is expected to fulfil its mandate through the following modes of intervention:

- Establishment of economic empowerment financial institutions in Palestine
- Provision of lines of financing (LoF) to local banks and FIs to be leveraged to finance economic empowerment projects in Palestine
- Equity participation in FIs and high-impact private sector companies and businesses
- Provision of LoF to the economic empowerment programmes and projects
- Capacity development, research, technical studies, M&E

- Short-term investments – Investing in other funds or vehicles serving the mandate of the EEFPF.

► The EEFPF will work in full partnership with the private sector as well as financial and non-financial institutions in Palestine and will coordinate with relevant government bodies such as the Palestinian Monetary Authority (PMA), the Palestinian Investment Promotion Authority (PIPA), the Palestinian Capital Market Authority (PCMA), and the Ministry of Economy and Social Development.

ACHIEVEMENTS

► One year after its establishment, the Fund mobilised an additional US\$ 120 million from various partners, which increased its capital to US\$ 220 million, or 44% of the final target.

► This success comes at an early stage of the Fund's operation and ahead of a comprehensive planned resource mobilisation activity.

► Regarding the Fund's governance, the Board of Shareholders has met twice under the chairmanship of IsDB President, and the Management Committee has met three times.

► The Fund's Board adopted the internal regulations of the Board of Shareholders and the Management Committee, the investment procedures and management rules, the reporting system, the LoF guidelines, and the business model of due diligence for LoF applicants.

► The Fund's team reviewed six investment opportunities, four of them approved by the Management Committee for further due diligence, and the remaining two will be submitted to the Management Committee in the second half of 2021.

► The first contributions from the shareholders were settled according to the Shareholders' Agreement.

INVESTMENT

► The following is a list of the Fund's current shareholders:

- IsDB: US\$ 100 million
- ISFD: US\$ 52 million
- Palestine Investment Fund: US\$ 25 million
- IZDEHAR Palestine Fund: US\$ 30 million
- Al-Aqsa Fund: US\$ 13 million.

► With regard to the Fund's investments, three MoUs have been signed with the PMA, the PIPA and the PCMA, with the objective of obtaining the required incentive packages the Fund might need.

► The Fund's team is also working on updating a study for the establishment of the first economic empowerment company or bank in Palestine.

ECONOMIC EMPOWERMENT FUND FOR THE PALESTINIAN PEOPLE

**IsDB set up the EEFPF with
an initial target capital of
US\$ 500 million
and will contribute a further
US\$ 100 million**

**The Fund is expected
to empower more than
300,000 Palestinian
families in the next decade**

Saving Women's Lives from Cancer

Together with the International Atomic Energy Agency (IAEA), IsDB is harnessing the power of innovation to address women's cancers

PURPOSE

- ▶ There has long been a pressing need to prioritise diagnosis and treatment of women's cancers in IsDB's MCs and beyond.
- ▶ This requires significant investments involving a broad range of partners in comprehensive cancer control, to achieve the dual aims of saving lives and strengthening national health systems.
- ▶ Among the most urgent requirements are expanded access to screening and effective, safe and sustainable cancer diagnostics and treatment services.

METHOD

- ▶ As part of the partnership, IsDB is currently working with the IAEA on an initiative called Saving Women's Lives from Cancer.

In September 2021, the longstanding partnership between IsDB and the IAEA will enter a new phase, with the launch of a trust fund to support this initiative. IsDB is also planning an official pledge aimed at bringing global partners together around the initiative

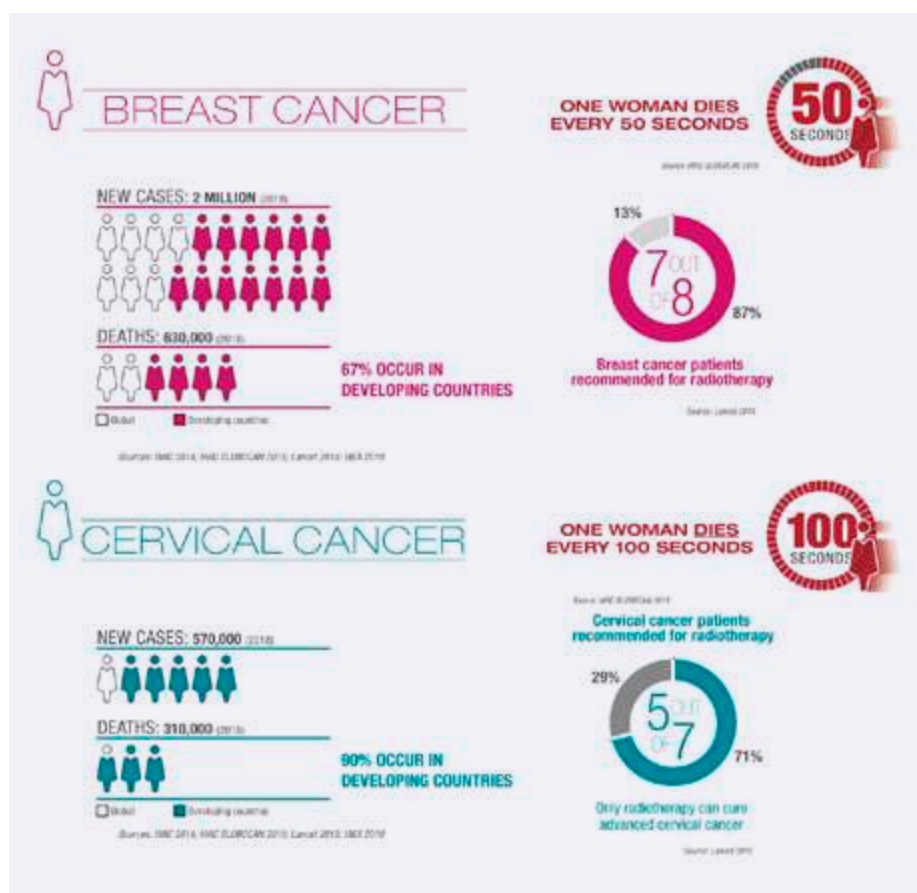
- ▶ IsDB and the IAEA have a longstanding, successful collaboration around improving cancer treatment and outcomes for the countries where they are active. To effectively address the enormous challenges at hand, the two organisations have developed a Partnership Initiative for Breast and Cervical Cancer Control in Low- and Middle-Income Countries (LMICs), aiming to:
 - Contribute to the global effort to save millions of women's lives from breast and cervical cancer by giving them a fair chance through increased access to prevention, diagnostics and treatment, in cooperation with other United Nations partners
 - Provide a tangible contribution towards SDGs 3, 5, 9 and 17 by working with other United Nations partners to improve gender equality and basic human rights and promote access to health services and improved sexual and reproductive health and rights of women as well as to encourage innovation and increased research and development spending.



- ▶ The initiative utilises a platform which will marshal resources from the public, private and philanthropic sectors and the general public under a financial blending mechanism, the Public-Private-Philanthropic Partnership for People (5Ps).
- ▶ The new platform will address cancer prevention, screening, diagnostic and treatment services for women in IsDB-IAEA common MCs. It is expected to contribute to saving over one million women's lives from breast cancer and 3.7 million women's lives from cervical cancer over the next decade.

ACHIEVEMENTS

- ▶ The initiative has reached the implementation phase, despite the difficulties presented by COVID-19.



► A Call for Innovation was launched through the IsDB Engage platform, which works to accelerate economic and social progress in the developing world through the power of STI. Applications were received from 36 countries and selected by the IsDB Scientific Advisory Board. Each of the winners received US\$ 50,000 to help them advance their projects and contribute to saving women's lives.

- The winners of the Call for Innovation are:
- The City Cancer Challenge Foundation, whose proposal will increase access to quality care for women with breast cancer, and help with training healthcare professionals to offer a multidisciplinary approach to cancer care
 - The International Centre for Diarrhoeal Disease Research, Bangladesh, with an innovative screening toolkit that will have a sustainable impact on the early

detection of breast and cervical cancer in low-resource, rural coastal areas

- The innovator Virasoft Inc. whose app technology ViMo will help train pathologists for consultations while TelePath application will give pathologists with less experience the opportunity to share images and videos with experts
- The Cervical Cancer Prevention Programme, whose socially innovative proposal aims to establish a community-based screening, treatment and vaccination activities revolving around mother-daughter relationships.

► In September 2020, IsDB held an event as part of the IAEA General Conference, to take stock of achievements made since the launch of the partnership initiative. The event outlined how IsDB and the IAEA complement each other to advance comprehensive cancer

diagnostics and treatment for women with breast and cervical cancer in common LMICs.

► The winners of the Call for Innovation were announced at the same event.

INVESTMENT

► The initiative has so far raised more than US\$ 144 million, broken down as follows: IsDB: US\$ 80 million from OCR (for the Uzbekistan Project over 5 years); IAEA: US\$ 7.78 million grant; MCs: US\$ 51.28 million (including US\$ 41.87 million from the Government of Uzbekistan); ISFD: US\$ 2 million grant over 4 years; Non MCs: US\$ 2.86 million grant (Belgium, France, Monaco, Russia, Sweden, United Kingdom, and United States); Private sector: US\$ 316,132 (Varian, Elekta); Philanthropists: US\$ 260,000 grant (Direct Aid).

THE PUBLIC-PRIVATE-PHILANTHROPIC PARTNERSHIP FOR PEOPLE

Expected to contribute to saving over **1 million** women's lives from breast cancer and **3.7 million** women's lives from cervical cancer over the next decade in common MCs

FUNDS MOBILISED

More than **US\$ 144 million**

Smart education and skills development for refugees

IsDB is building resilience among young refugees and hosting communities through smart education and skills development

PURPOSE

► The Syrian crisis has produced more than 13 million forcibly displaced people, of whom 7 million are internally displaced while 6.7 million are refugees who have fled to neighbouring countries including Turkey, Lebanon, Jordan, Iraq and Egypt, with another 1 million across Europe. Young people and children whose education is suddenly interrupted by war constitute the largest proportion of the refugees.

► IsDB is focusing on educational support to address the lack of adequate international financial contributions in this regard. Investing in education can lead to positive outcomes including:

- Supporting peace, stability and building the future
- Preventing the loss of an entire generation during conflict
- Improving the perception of learning environments as safe and supportive
- Improving livelihoods
- Improving confidence in the ability of governments to provide social services

The matching fund mechanism aims at improving access to education for Syrian refugees in Iraq, Jordan, Lebanon and Turkey through vocational education for decent employment to economically empower young refugees

- Establishing the building blocks for social cohesion and the reduction of violence.

► The IsDB refugee education programme aims to:

- Create pathways for young refugees and hosting communities from education into decent employment opportunities, through job placements and/or the creation of one's own business
- Increase access to education for internally displaced persons (IDPs) and refugees with smart education enrolment
- Provide remedial education through complimentary curricula and student textbooks.

METHOD

► Targeting 2,010 young Syrian refugees and IDPs, the programme provides quality education, scholarships for higher educational and vocational degrees, technical diplomas and short courses. It also provides economic empowerment and entrepreneurship support, entrepreneurship training, coaching and financing support to SMEs, soft and technical skill training, internships and employment opportunities.

► The programme seeks to:

- Enhance access to electronic and vocational education and training for IDPs inside Syria
- Provide access to vocational education and training for Syrian refugees in Turkey, Lebanon, Jordan and KRG-Iraq
- Empower Syrian students to find or create jobs through entrepreneurship and business skilling for employment
- Build an electronic Smart Education system characterised by freedom and ease of access, targeting more than 700,000 students and 300 schools



► To mobilise resources to support MCs to cope with the pressures of Syrian refugees, IsDB has developed a matching fund mechanism to increase resources allocated to the education of these refugees. The mechanism engages non-traditional partners and international NGOs who can contribute matching funds.

► After a series of consultative workshops with key development partners and active international NGOs to participate in the financing of the education programme, 12 international NGOs were selected to form a consortium, in order to:

- Contribute matching funds to the programme's cost
- Participate in the implementation of the programme.

► The matching fund mechanism aims at improving access to education for Syrian refugees in Iraq, Jordan, Lebanon and Turkey by providing vocational education for decent employment to economically empower them. The overall scope of the programme covers remedial, electronic and vocational education and skills development. Around 705,000 students and 2,000 teachers will benefit from these activities in the Smart Education programme.

ACHIEVEMENTS

► The progress achieved in the programme so far includes the following:

- 10 local CSOs and vocational education institutions were selected as local implementing partners with a proven track record in working with Syrian refugees and IDPs. They received capacity building training on communication, counselling, community-based psychosocial interventions, project management, finance, M&E, and HR management at selected institutions and CSOs based on their needs

- 1,150 students have access to vocational education and training related to the host community labour market. The focus is on relevant studies that offer the best chances for employment after graduation. This includes 2-year diplomas and 3 to 9-month certificates in TVET
- The programme assisted 460 students to find jobs and/or internships through job and technical skills training, internships and job placements. It also assisted 115 students to start their own businesses through entrepreneurship training, a business plan competition, financial support and coaching/incubation
- A Student Information System was established, allowing IsDB to follow students from application to postgraduation
- Under Smart Education, a comprehensive study was prepared to analyse the educational requirements of the refugee students and identify target beneficiary students
- An all-subject electronic curriculum for grades 1–4 has been set, while that of grades 5 and 6 is in progress
- The electronic platform was designed and is being tested, with successful results. The beta version will be launched soon.

► Other plans include:

- Enhancing capacity for 20 TVET institutions and local CSOs in the region with a view to providing education opportunities for some 1,500 Syrians, including IDPs and refugees, building their skills and preparing them for the labour market
- Offering 460 students internships/job opportunities and 115 Syrian refugees access to finance for their start-up enterprises, reaching a total of 575 individuals

- Developing digital tools to be used strategically to enhance beneficiaries' access to the programme.

INVESTMENT

► IsDB has approved US\$ 7 million from ISFD resources for this programme.

► The total investment, including the matching funds mobilised, is US\$ 16 million.

► To date, IsDB has mobilised over US\$ 9 million from international NGOs, including Spark International from the Netherlands, Wafaa International Group from Indonesia, International Islamic Charity Organization, and Sheikh Abdullah Nouri Charity from Kuwait, in addition to US\$ 7 million from ISFD.

MOBILISING FUNDS

To date, IsDB has mobilised
over
US\$ 9 million
from international NGOs

SMART EDUCATION PROGRAMME

Around **700,000**
students, **2,000** teachers
and **300** schools will
benefit from these activities

Global Islamic Food Security Platform

An agile and comprehensive Islamic Food Security Platform offers the opportunity for Muslim countries focused on addressing hunger and food security to augment agri-food value chains and create a sustainable and resilient food and agribusiness infrastructure among IsDB MCs

PURPOSE

- ▶ The COVID-19 pandemic greatly increased the vulnerability of at least 65 million people in IsDB MCs. Many still face the risk of suffering or dying from hunger.
- ▶ 45 million of the most vulnerable people in the world live in IsDB MCs. It is therefore essential that IsDB responds quickly as the total annual food deficit in MCs amounts to around US\$ 67 billion.
- ▶ Poor populations are vulnerable to surges in food prices since they spend a high share of their income on staple food alone. According to the International Rice Research Institute, 700 million poor people live in rice-growing countries in Asia, spending 30–40% of their income on rice alone.

With the emergence of the COVID-19 pandemic in early 2020, food security has become one of the most pressing issues globally, especially in the Muslim world

METHOD

- ▶ The Islamic Food Security Platform (IFSP) will transform the current Adahi arrangement (distribution of Hajj meat to beneficiaries) not only to distribute and manage the meat, but also to help and support all poor Muslims in acute hunger in the short term. The use of excess capacity from the Adahi Project in 2020 and blockchain technology with open ledgers for procurement and distribution will be the first of its kind in the world, building trust and transparency and making the Platform globally competitive.
- ▶ The use of blockchain technology in the procurement exercise will set a gold standard for food security programmes globally, while promoting the use of this technology in MCs agri-food industries.
- ▶ Setting up the IFSP is a building block in developing resilient and vibrant agri-food value chains in the Muslim world, given the immense resources available in the various countries in the long term.
- ▶ The proposed global food reserve will provide immediate assistance to countries encountering catastrophe, in addition to solving food shortages for MCs. It will provide alternative physical storage for MCs, by benefiting from economies of scale and utilising existing infrastructure. The IFSP will also develop the agriculture industry by initiating local agriculture production in MCs.
- ▶ Increasing growth through productivity has to be achieved to avoid famine and mass starvation in the long term. The IFSP will therefore focus on narrowing the yield gap and supply/ demand gaps in MCs through increased food productivity.





► The yield gap, which is the main problem in Africa and some parts of Asia, will be reduced by promoting investments to adopt high-yielding varieties that are tolerant to pests and drought. The IFSP will also promote local production by connecting local farmers to global markets and sourcing the IFSP reserve from them. Accordingly, MCs' food import dependence will decrease.

► An effective and efficient marketing information system is required to successfully implement the proposed global reserve. Farmers in developing countries still lack access to reliable market information, despite the introduction of information technologies in many countries. Farmers will be able to leverage IsDB's blockchain platform to gain timely market information and better integrate to the marketplace.

► Measures will be adopted not only to ensure MCs' food security but also to strengthen trade linkages among them and throughout the world. The IFSP will help the agri-food

industry to thrive by boosting trade between MCs and enhancing their competitiveness through regional cooperation.

ACHIEVEMENTS

► The proposed platform will protect the vulnerable populations in MCs from food insecurity and keep importing countries safe from the adverse effects of price instabilities in the global food market. Food stocks will initially begin with rice and later expand to other food grains, such as wheat and corn.

INVESTMENT

► By setting up the Islamic food reserve, IsDB will be:

- Leading humanitarian food reserves among Muslim countries and communities globally
- Enabling Muslim countries and communities to withstand food crisis and price shocks
- Progressively building an agri-food value chain through production, consumption and trade within and between countries.

MEMBER COUNTRY FOOD SECURITY

45 million of the most vulnerable people in the world live in MCs with an annual food deficit of **US\$ 67 billion**

ISLAMIC FOOD RESERVE PROGRAMME

Setting up the IFSP is a building block in developing resilient and vibrant **agri-food value chains** in the Muslim world

KAAP mobile medical units

An IsDB poverty relief initiative is bringing much-needed help to underserved populations in many MCs

PURPOSE

► The health sector in most MCs faces multiple challenges in delivering quality services in line with the needs of the population, particularly the rural poor, the elderly, the very young, the disabled and the chronically ill. Health indicators for the most marginalised groups are worse than the general population, indicating deep inequalities to which the system is currently not responsive.

► The late King Abdullah bin Abdulaziz entrusted IsDB with the implementation of the Fael Khair Programme (now called King Abdullah bin Abdulaziz Programme for Charity Works – KAAP) for poor and disadvantaged people. This Programme is executed in close coordination with the King Abdullah Humanitarian Foundation.

The Mobile Medical Unit project contributes to SDG 3, with emphasis on reducing communicable diseases associated with child and maternal mortality

► The locations of the clinics (some of which are equipped with solar power) in rural areas lacking health facilities are decided in coordination with the respective governments and local communities.

► The aim of the mobile medical units (MMUs) project is to provide medical care in rural areas for needy people in seven Asian countries, using 75 multi-purpose mobile medical units.

► The MMU project contributes to SDG 3, with emphasis on reducing communicable diseases associated with child and maternal mortality.

METHOD

► KAAP launched an MMU project covering the following seven countries:

- Yemen, India, and Pakistan (15 clinics each)
- Bangladesh and Afghanistan (10 clinics each)
- Tajikistan and Kyrgyzstan (5 clinics each).

► In 2019, eight MMUs went on the road, offering health services to needy people in rural areas in the Khyber Pakhtunkhwa and Sindh provinces of Pakistan. By 2020, the construction of 10 MMUs was completed in Tajikistan and Kyrgyzstan and are expected to be fully operational during the second half of 2021.

► The MMUs provide several medical services, including primary health care as well as secondary health care in some clinics. In addition to the rapid response and emergency health services provided to the recipient communities, the project also provides training to the local medical staff managing the clinics.

► The MMU project targets more than 1.14





million beneficiaries annually, aiming to reach 5.7 million patients over a five-year period in the seven recipient countries, when all units become fully operational. These services will directly address the lack of health services in rural and remote areas.

- ▶ The project will complement existing health systems and serve as an enabler to achieve both the local health strategy and related SDGs.

- ▶ The project will run for approximately seven years for each country, as it involves two phases, the first phase being the supply of units (about two years) and the second phase being the operation of the units for a minimum period of five years, after which they may be handed over to the local authorities/communities.

ACHIEVEMENTS

- ▶ Implementation of MMUs is currently underway, with varying progress between participating countries. In Bangladesh, Kyrgyzstan, Pakistan and Tajikistan, the project is making good progress, while in other countries it is still in its early stages.

- ▶ Except for India, where KAAP is dealing directly with local NGOs, agreements have been signed with the relevant governments. There are plans for a pilot project in India, hopefully before the end of 2021.

- ▶ The Government of Afghanistan has chosen to establish a specialised cardiology hospital in Kabul to help the poor who cannot travel outside the country for heart disease treatment. In addition to the

hospital, it has opted to build four comprehensive health centres in rural areas.

- ▶ In the case of Yemen, KAAP is evaluating several options and mechanisms to resume the project, bearing in mind the current situation on the ground.

- ▶ The MMUs for Tajikistan and Kyrgyzstan are ready to operate during 2021.

- ▶ In Pakistan, operation of the MMUs started in August 2019 with eight MMUs, six for primary healthcare services and two for surgical care services.

- ▶ In Bangladesh, five MMUs are still under construction, while three have already been launched for testing and commissioning and are expected start offering services during 2021.

INVESTMENT

- ▶ The total amount used to launch the MMU project was US\$ 242 million, distributed among Afghanistan, Bangladesh, India, Kyrgyzstan, Pakistan, Tajikistan and Yemen.

THE MOBILE MEDICAL UNIT PROJECT

The project targets over
1.14 million
 beneficiaries annually, aiming
 to reach **5.7 million**
 patients over a five-year period
 in the **7** recipient countries

IsDB–ISFD NGO Empowerment for Poverty Reduction Programme

IsDB worked with several partners to launch an ambitious IsDB–ISFD NGO Empowerment for Poverty Reduction Programme to empower national civil society organisations (CSOs) to improve the socioeconomic wellbeing of hard-to-reach communities

PURPOSE

- In 2019, IsDB introduced its NGO Empowerment for Poverty Reduction Programme, which aims to help CSOs in the 57 MCs to better meet the needs of vulnerable groups such as refugees, IDPs, orphans, people with disabilities and the most deprived.
- The Programme is an innovative transformation initiative that supports development interventions by interlinking the work and experiences of CSOs, private enterprises, and social investors specialised in crowdfunding and blockchain. It comprises:
 - Education for refugees, IDPs and orphans
 - Job creation
 - Building resilience
 - Livelihoods development.

As valuable development partners and developers, CSOs help to promote citizen participation, enhance sustainability and alleviate poverty to accelerate progress towards the SDGs

- The scope of the Programme includes:
 - Mapping, screening and categorising national CSOs in selected MCs
 - Building the capacity of the selected CSOs
 - Promoting innovative and transformative projects in identified thematic areas
 - Setting up sustainable innovative financing mechanisms for CSOs through crowdfunding and partnership.
- Currently, the Programme is working to provide:
 - 115,000 refugees, IDPs and orphans with access to quality basic education and relevant skills development
 - 3,000 low-income families with access to community livelihoods development through income-generating activities.

METHOD

- At the heart of the Programme is the international aggregated Tadamon platform, which provides a tool for empowering CSOs and networking in IsDB's 57 MCs by providing visibility, funding, capacity building and knowledge.
- As an aggregated platform, Tadamon serves as a guide for citizens and the private sector to make it easier to financially support the humanitarian and development efforts of CSOs. This is done by linking numerous crowdfunding campaigns from several existing crowdfunding platforms.
- With 10,000 followers, Tadamon is committed to connecting the efforts of all partners to build stronger communities and help the vulnerable.



► Taking an innovative approach, the platform's Impact working model has six dimensions:

- **Innovate** — Facilitating and supporting innovative ideas that have the potential to scale up and increase humanitarian development and build resilience
- **Mobilise resources** — Using cutting-edge flexible financing mechanisms, such as crowdfunding and Islamic social financing, to build partnerships across a range of avenues to meet critical causes and build a sustainable source of support for vulnerable groups
- **Promote** — Branding and packaging CSOs' impactful ideas and achievements to scale up and increase development results, thus showcasing and celebrating the progress and achievements of our partners through the IsDB Group CSOs Forum
- **Assist** — Assisting and empowering CSOs in MCs through institutional capacity development to effectively and efficiently respond to MC needs
- **Connect** — Connecting and bringing together networks of developers through mapping and screening of CSOs, sharing knowledge, experience, best practice and information
- **Transform** — Investing in transformative projects and ideas that improve the socioeconomic conditions of hard-to-reach communities.

ACHIEVEMENTS

- At least 24 MCs have so far officially endorsed and supported the Programme.
- The Programme has mapped and screened more than 600 CSOs in MCs.
- There have been 12 national awareness raising, crowdfunding and capacity building programmes in MCs, including introductory CSO

mapping workshops in six countries (Morocco, Indonesia, Lebanon, Tunisia, Somalia and Kazakhstan).

- A distance-learning capacity building programme has been established in close partnership between IsDB and Save the Children — Humanitarian Leadership Academy. This learning programme will support CSOs' institutional capacity and efforts to raise funds as well as to manage, implement, monitor and evaluate projects for grassroots communities.
- Over US\$ 800,000 has been mobilised through the Tadamon platform to support hard-to-reach communities. Outcomes of the Tadamon platform to date include:
 - Increasing access of over 50,000 refugees and orphans to quality basic education and relevant skills development
 - Providing 3,000 low-income families with access to community livelihoods development through income-generating activities
 - Strengthening institutional capacity of over 500 NGOs/CSOs
 - Increasing resources through access to innovative financing such as partnership, crowdfunding and blockchains
 - Organising five capacity building workshops by IsDB to help mainstream fragility, conflict and disaster management and civil society engagement into operations.

INVESTMENT

- The total cost of the Programme, launched in September 2019, is US\$ 21 million, with technical and financial contributions from various development partners including the African Development Bank, the United Nations High Commissioner for Refugees, Save the Children International, Plan International and Spark.

- The seed contribution of ISFD to the grant financing of the Programme is US\$ 10 million.
- UNDP has provided US\$ 1.61 million
- International NGOs have contributed US\$ 7.31 million
- Participating CSOs have provided in-kind contributions amounting to US\$ 2.11 million.

► Through innovative financing and the Tadamon platform, the Programme will continue to increase the initial resources allocated by tapping non-traditional partners such as the private sector, foundations, philanthropists and innovative financing mechanisms. Crowdfunding in particular has the potential to generate resources amounting to US\$ 20 million during the period of the Programme.

► During the COVID-19 pandemic, IsDB developed the Tadamon CSO Pandemic Response Accelerator Programme, which aims to help 17 MCs to prevent, contain and respond to the immediate and medium-term negative impacts of COVID-19. In addition, a Pandemic Response Accelerator Window on Tadamon has so far raised over US\$ 24.5 million of actual commitments from partners for 11 MCs with a target population of 7.3 million beneficiaries living in vulnerable communities.

THE TADAMON PLATFORM

Over **US\$ 800,000**
has been mobilised through
the Tadamon platform to
support hard-to-reach
communities

Youth Development Sector Policy

IsDB has launched three youth initiatives, leading to a significant expansion in its capacity to address the needs of young people in its MCs

PURPOSE

► Young people in MCs face significant challenges, ranging from extreme poverty to poor educational opportunities and high unemployment. On average, IsDB annually allocates around 8% of its financial support to youth development projects and programmes. It is currently engaged in three major youth initiatives:

- Youth Development Strategy (YDS), which outlines a focused and comprehensive strategic framework for the development of young people in MCs
- Youth Development Working Group (YDWG), which advocates for youth and provides a platform to share knowledge on best practices

Solving youth problems is a long-term task that will involve government action supported by development institutions and guided by the voices of youth themselves

- Youth Employability Platform (YEP!), which highlights good practices and strategies to improve the skills of young people seeking work in MCs.

► The integrated YDS aims to ensure that IsDB efforts and resources are directed towards the goal of socioeconomic progress for youth in MCs. The objectives of this strategy are to support young women and men towards two principal objectives:

- To be productive and economically empowered so as to contribute to the development of their societies
- To be engaged and responsible, in order to embody and embrace leadership.

► The YDS has three interlinked strategic pillars, education, economic empowerment and engagement. These pillars aim to empower youth to take action and accept responsibility in driving growth and adding value to the economic and social development of their communities.

► The YDWG was established in June 2019 to address the issues of youth development through building on the collective experiences and commitment of a number of development entities.

► The YDWG comprises representatives from a group of MDBs and international development organisations that advocate for youth development issues and seek to increase synergy through collective work on wide-ranging youth development interventions.

► The members of the YDWG are: IsDB, WB, African Development Bank, Asian Development Bank, EBRD, Inter-American Development Bank, GIZ, International Trade Centre, ILO, OECD, UNESCO, UNDP, UNICEF and UNDESA.





► Established in April 2019, YEP! is a knowledge-sharing online platform for organisations that focus on youth development, including governments and policymakers, youth-led and youth-focused organisations, donor agencies, CSOs, multilateral organisations, private sector entities, and educational institutions.

► The platform refers to 'employability' rather than 'employment' as its focus is beyond the discourse of 'getting a job' and more about creating a conducive environment and ecosystem, including attitudes, skills, functions and structures required to sustain and enhance economic growth.

METHOD

► The mandate of the YDS is to address all types of youth education through its operations in economic and social infrastructure and inclusive social development. It fosters youth economic empowerment through programmes in economic and social infrastructure, Islamic finance, private sector development, and inclusive social development. In addition, it supports countries in their efforts towards developing mechanisms to promote an enabling environment for youth engagement.

► With a focus on education and economic empowerment, the YDWG achieves its objective by:

- Sharing information and experiences

- Refining and applying good practice methodologies
- Peer review mechanisms
- Exploring potential areas of collaboration/implementation
- Addressing a common agenda of advancing youth development issues
- Supporting integrated strategies for young people's engagement.

► The YEP! platform works towards the aims of the P5P in raising awareness and creating linkages. It addresses youth employability along the GVC in the industries IsDB is championing, contributing to the body of knowledge produced in the area of youth development through:

- Industry focus
- Balanced scope and scale of programmes
- Geographic representation.

ACHIEVEMENTS

► The YDS is focusing on interventions at strategic, country programming and operational levels, prioritising collaboration with other development organisations to mobilise resources and capitalise on technical expertise to address the youth development agenda.

► The desired impacts include establishing IsDB as a credible partner of choice in youth development by supporting youth networks, partnering with youth groups, and facilitating volunteering opportunities. Communication and outreach mechanisms are being established to promote 'buy-in' and build a sense of ownership among the beneficiaries.

► During the COVID-19 pandemic, YEP! has been used to enhance knowledge about the impact of the pandemic on youth. The IsDB Youth COVID-19 Response Blog is an online knowledge initiative aimed at documenting the efforts and initiatives being implemented at an organisation level.

► The stories of these organisations are featured on the blog page of YEP.

► Since its inception, the YDWG has taken part in or organised three knowledge-sharing events:

- OECD launch of Global Report, 'Governance for Youth, Trust and Intergenerational Justice'
- Presentation by Commonwealth Secretariat introducing youth policy priorities for Commonwealth member states, with a focus on evidence-based youth policies and the Youth Development Index tool
- YDWG Webinar on the Youth COVID-19 Responses of its members.

INVESTMENT

► Recent IsDB investments in youth programmes include:

- Vocational Literacy Programme (US\$ 500 million)
- Microfinance Support Programme (US\$ 500 million)
- Youth Employment Support Programme (US\$ 250 million)
- Education for Employment Initiative (US\$ 250 million)
- Education for Competitiveness (US\$ 300,000).

WORLD EMPLOYMENT SOCIAL OUTLOOK

**The ILO 2018 World
Employment Social Outlook
reported the global youth**

**unemployment rate at
13%, a level three times
higher than the adult rate of
4.3%**

Saudi Gelatin and Capsules Co.

The world's industry of gelatine, extracted from pork and used as an ingredient in most basic foodstuffs, children's sweets and ice cream, is almost exclusive to China, Europe and the West in general. As an alternative to this Sharia-prohibited product, the Kingdom of Saudi Arabia decided to use the remains of slaughtered animals during the Hajj season, previously thrown in landfills and polluting the Holy Sites, to produce halal gelatine. This would serve Muslim consumers and help preserve the purity of the Holy Sites

PURPOSE

- ▶ Provide a world-class quality halal product from the Makkah-based gelatine plant.
- ▶ Establish a leading brand in the world of halal food and pharmaceutical gelatine industries.
- ▶ Shift the project into profitability to ensure its sustainability.
- ▶ Meet gelatine product needs first in Saudi Arabia, and then in the Arab region, in the best possible manner and with the highest international quality standards.

As an alternate to pork-based gelatine, the Kingdom of Saudi Arabia decided to use the remains of slaughtered animals during the Hajj season to produce halal gelatine

- ▶ Establishing a new national industry: "Made in Saudi Arabia" and "Made in Makkah", as per the Vision 2030.
- ▶ Recruit Saudi employees to leverage the extensive experience of the company's current staff.
- ▶ Promote Saudi Arabia's position as regional leader of the halal food and pharmaceutical industries.

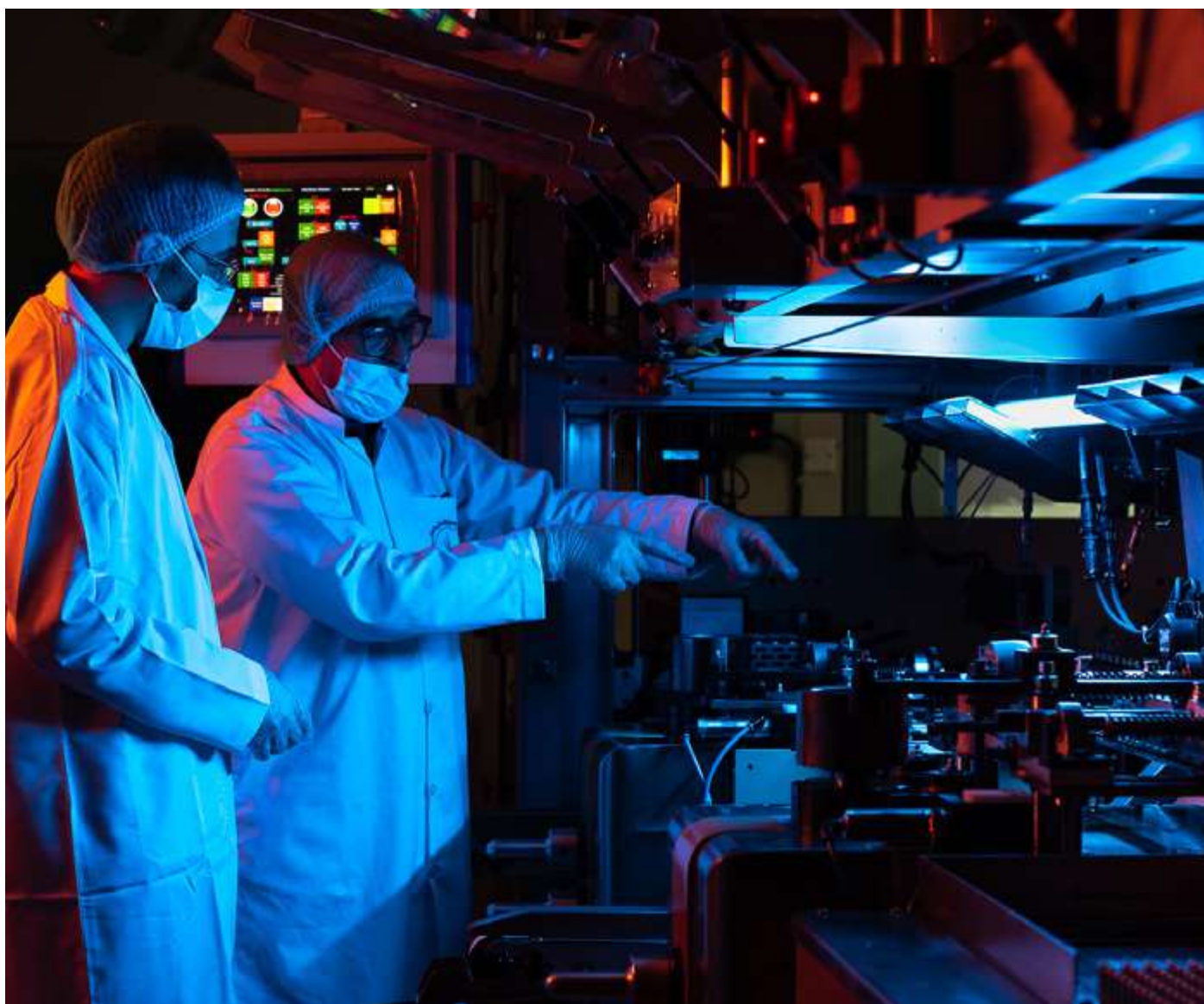
METHOD

- ▶ Adopt continuous innovation and development of halal gelatine products with highest quality standards.
- ▶ Apply good manufacturing practices (GMP Standard).
- ▶ Promote the values of integrity and responsibility.
- ▶ Adopt quality and safety standards.
- ▶ Support strategic partnerships.

ACHIEVEMENTS

- ▶ The only factory of its kind in the entire Gulf region.
- ▶ Extensive experience of the first generation, ranging between 20 and 25 years, in capsule manufacturing in the region, and its gradual transfer to second-generation citizens.
- ▶ The only company in the region that possesses state-of-the-art automatic capsule sorting and inspection equipment, which makes manufacturing defects practically non-existent.





- ▶ Reducing sheep, goat and cow hide soaking time in the gelatine plant using the globally accustomed alkaline method from 40 days down to only 5–7 days, which has an obvious manufacturing cost-reduction effect.
- ▶ Global edge in the extraction of gelatine from the hide of sheep, goats and cows in compliance with international quality standards.
- ▶ Production of various types of halal gelatine (pharmaceutical, nutritional and industrial).
- ▶ Production of hard gelatine capsules in a pharmaceutical safe multi-size form (0, 1, 2, 3, 4), which

are easy to swallow and dissolve harmlessly in the stomach.

INVESTMENT

- ▶ Import of capsule manufacturing equipment and accessories, made according to the latest technology by the world's biggest and most famous manufacturing, supply, technical support and technological solutions company.
- ▶ Global trade and technical alliances and partnerships with the two largest global companies, one specialised in gelatine production and the other in capsule manufacturing equipment, solutions and support.

MANUFACTURING OUTPUT

Production of various types of halal gelatin for purposes such as pharmaceutical, nutritional and industrial

Manufacture of safe multi-sized hard gelatin capsules (0, 1, 2, 3, 4)



BUILDING AN AGILE ORGANISATION

Introduction

The good governance of a multilateral development bank requires a commitment to regularly look backwards at what has worked and what should be changed, in order to generate a workable vision for the future.

Three clear messages emerged from IsDB's 40-Year Retrospective Assessment, conducted as part of the groundwork for our new Ten-Year Strategy that became the centre of the institution's attention in the past four years.

- ▶ **We want IsDB to be at the frontier of development** – able to foresee needs and challenges ahead of the pack and to shape new frontiers for sustainable growth in areas where MCs can definitely achieve comparative advantage.
- ▶ **We want IsDB to be proactive** – able to act as a catalyst for advocating and promoting MCs' common goals, mobilising resources for the neediest, and creating comprehensive development solutions that tackle not only the symptoms but also the root causes.
- ▶ **We want IsDB to be fast and adaptive** – able to deploy development financing quickly where needed while responding to emerging priorities as a single force, integrating the various arms and entities of the IsDB Group in a comprehensive manner.

To meet these expectations, IsDB Group embarked on a strategic corporate transformation programme in order to emerge as a more efficient, agile and catalytic organisation. The Group has undertaken many important rationalisation initiatives, thinking expansively and differently about the relationships between operating costs, financial profitability, development impact and human well-being.



Growing sustainably







Financial Sustainability Model

The Financial Sustainability Model (FSM) aims to support the implementation of the 10YS and the P5P while keeping IsDB financially sustainable

PURPOSE

- ▶ In response to the financial crisis in 2008, MDBs responded with a scaled-up financing package to their MCs.
- ▶ IsDB reported a linear annual growth in its approvals to scale up financing to MCs. This growth continued and led eventually to multiplying IsDB-approved financing per year beyond its means and capacity. The scale-up led to deterioration of key financial ratios (including risk-adjusted capital, among others).
- ▶ Consequently, over US\$ 20 billion of commitments, coupled with a low pace of disbursements, led to a major financial strain that put IsDB's AAA-rating at risk.
- ▶ When the FSM initiative was launched in 2017, it was estimated that IsDB could face a rating downgrade in 2019. This risk would have been imminent had IsDB not proactively tackled it in 2017.

The Financial Sustainability Model can calculate the maximum of new business projects manageable by IsDB at any one time, given the various operational and financial constraints

METHOD

- ▶ The new model fully integrates with IsDB's internal systems infrastructure and provides more powerful and dynamic scenario analysis capability.
- ▶ The FSM provides 10-year projections for financial statements and prudential ratios through a detailed bottom-up approach using a predetermined methodology to calculate the maximum of new business projects manageable by IsDB at any one time, given the various operational and financial constraints. This information is used as input into the Integrated Work Programme to set the commitment capacity and prevent negative effect on the balance sheet.
- ▶ The FSM is a platform which brings together all aspects of IsDB's business model, including operations, investments and resource mobilisation. It does this in a unified and consolidated manner under one umbrella to help monitor IsDB's key financial risk indicators and long-term sustainability through reliable forecasts of scenarios under both normal and stressed conditions.
- ▶ The model provides IsDB with the cost benefit analysis of implementing any risk mitigation plan.
- ▶ The FSM was developed and designed through a rigorous mapping process after careful consideration of the various interlinkages between individual projects/ investments and their implications at the portfolio level.
- ▶ Designed to help management evaluate new strategic initiatives, the FSM considers interlinkages between the various business activities and their implications on IsDB's balance sheet.





- ▶ The FSM is being enhanced as a standalone application with more advanced functionalities and better security.

ACHIEVEMENTS

Rating

- ▶ Four credit rating agencies have, each year, reaffirmed IsDB's AAA rating since the development of the FSM.

- ▶ Key prudential ratios, including capital adequacy and leverage, are maintained within the prescribed internal thresholds and AAA rating requirements.

Monitoring and oversight

- ▶ Quarterly status updates on IsDB's financial standing are provided to the Board of Executive Directors and senior management to implement corrective measures in a timely manner.

- ▶ The extent of approvals and disbursements headroom is successfully provided each year in line with the Financial Sustainability Strategy.

- ▶ The liquidity and funding requirements are calculated and monitored, allowing IsDB to conduct a financially sustainable business under both normal and stressed (such as the COVID-19 crisis) market conditions.

- ▶ Recommendations are provided to optimise the operations financing portfolio and manage IsDB's commitments at acceptable levels.

Strategic initiatives

- ▶ The development of strategically important financial policies, such as the Liquidity Policy and Operations Overdues Policy, is supported through elaborate quantitative assessment.

- ▶ A detailed quantitative assessment based on IsDB's growth strategy has been undertaken, to determine the envelope of the 6th General Capital Increase.

- ▶ The financial and capital implications of various new products and initiatives have been assessed.

INVESTMENT

- ▶ IsDB's investment in an enhanced IT system infrastructure enables the necessary input to run the FSM.

- ▶ Capacity building for senior management and internal stakeholders is included in the periodic updates.

- ▶ US\$ 17,000 have been invested to validate the model's soundness and alignment with market standards by an external expert.

ISDB RATING

4 credit rating agencies

have, each year, confirmed

IsDB's **AAA** rating since

the development of the FSM

FINANCIAL SUSTAINABILITY

The FSM provides the

analytical framework

to ascertain IsDB's

medium- to long-term financial

sustainability

First IsDB Green Sukuk

The launch of IsDB's debut Green Sukuk reaffirmed IsDB's commitment to play a catalytic role in the global Islamic capital market

PURPOSE

► Globally, the issuance of labelled bonds reached around US\$ 1 trillion in 2019, with green bonds accounting for an aggregate 77% of this market and marking a new global annual record in 2019, with US\$ 258 billion worth of issuances. Green Sukuk issuances reached approximately US\$ 3 billion in 2019, representing 1% of the global green bond issuances.

► IsDB entered the green bonds market by issuing its first Green Sukuk in November 2019, for a value of € 1 billion. This initiative reaffirmed IsDB's longstanding commitment to play a catalytic role in the global Islamic capital market with innovative financing solutions, in order to help MCs to achieve the SDGs.

The 2030 Development Agenda demands the creation of alternative financing instruments to bridge the funding gap in global SDG financing. IsDB's Green Sukuk provides an innovative financing instrument towards this end

► The asset-based Islamic Trust Certificates will finance SDG sectors in IsDB's MCs through innovative financing for a total of 11 projects in:

- Renewable energy
- Clean transportation
- Energy efficiency
- Pollution prevention and control
- Environmentally sustainable management of natural living resources and land use
- Sustainable water and wastewater management.

► The initiative will serve to further diversify IsDB's funding sources by raising financing for 'green' projects in MCs, thereby helping to address gaps in SDG financing. As a result, the profile of IsDB as a green issuer received a massive boost in hitherto untapped financial markets. This also meets the requirements of the Awareness track of the P5P.

METHOD

► IsDB's new business model focuses on leveraging innovative Islamic finance to strengthen the capacity of MCs as they work to attain the SDGs. The introduction of the Green Sukuk is in keeping with these aims and values.

► The Sukuk Trust Certificates were classified as 'green' according to the Green Bond Principles (GBP) set by the International Capital Market Association.

► The certificates were purchased by institutional investors.

► The issuance raised a total of € 1 billion from the investors in return for the certificates. This amount was then fully committed for financing or refinancing a total of 11 green projects in the categories outlined above.





► The launch of IsDB's debut Green Sukuk reaffirmed its well-established commitment to play a catalytic role in the global Islamic capital market with innovative solutions that help MCs to achieve the SDGs.

► Targeted investment is designed to ensure that specific SDGs are attained through IsDB interventions in MCs.

► IsDB's Sustainable Finance Framework is aligned with the International Capital Market Association's GBP, Social Bond Principles and Sustainability Bond Guidelines. This has allowed IsDB to:

- Issue Green, Social and Sustainability Sukuk
- Achieve its first ESG Risk Rating from Sustainalytics, with a strong low risk score of 11.5% out of 100%
- Secure a favourable second party opinion for IsDB's Sustainable Finance Framework from CICERO,

achieving a medium green shading, which is in line with other sovereign supranational agencies, including IFC, KfW and MuniFin.

ACHIEVEMENTS

► The IsDB Green Sukuk is the first AAA-rated Green Sukuk in the world.

► IsDB achieved the lowest ever profit rate for its Sukuk.

► A European central bank purchased the Green Sukuk.

► The initiative is in line with the aims of IsDB's P5P and new business model by ensuring growth for IsDB under its funding objectives.

► The market profile of IsDB as a green issuer has received a considerable boost, enabling it to reach previously untapped categories of investors.

INVESTMENT

► The € 1 billion mobilised by Green Sukuk will be exclusively directed to projects tackling various SDG sectors in MCs. The returns are long-term and intangible, as the issuance:

- Raises IsDB's profile as a 'financier of development' with a focus on the SDGs
- Shows how Islamic financing instruments can play an important role towards SDG financing.

► The initiative has helped IsDB to secure new investors from the environment, social and governance (ESG) and socially responsible investments universe, especially from Europe and Japan.

GLOBAL ISSUANCE OF SUSTAINABLE BONDS

Around
US\$ 1 trillion
in 2019, with green bonds
accounting for **77%** of
this market

ISDB GREEN SUKUK

IsDB issued its first Green
Sukuk in November 2019,
raising
€ 1 billion

Project Financial Management Policy Framework

Financial management is an integral part of the public sector development process, ensuring accountability and efficiency in the management of MC resources. IsDB has devised a robust set of project financial management guidelines to support its work

PURPOSE

- ▶ Project-level financial management due diligence is crucial during project preparation to ensure that project implementation arrangements properly reflect the capacities and capabilities of the beneficiaries.
- ▶ At an operational level, project financial management underscores the need to enhance quality-at-entry in all IsDB-financed projects.
- ▶ IsDB commits to ensuring that project-level teams in the projects it funds are equipped to assist beneficiaries with the development of sound project financial management systems. This includes familiarising project stakeholders with IsDB's financial management policies and procedures through liaison with the responsible field staff.

Within IsDB's new decentralised ecosystem, the Project Financial Management Policy Framework is facilitating more intensive engagement with MCs through the Regional Hubs

- ▶ IsDB's Project Financial Management Policy Framework (PFMF) has four core objectives:
 - To ensure the quality of project financial management throughout the project's cycle
 - To contribute to providing reasonable assurance on the use of IsDB's funds
 - To support MCs in enhancing their financial management performance and capacity, and promote efficient project implementation
 - To harmonise FM practices with other MDBs and FIs.

METHOD

- ▶ To achieve the objectives outlined above, IsDB recently completed the development of the PFMF, which sets various principles that govern IsDB's financial management in MCs.
- ▶ The PFMF is founded on a risk-based approach and requires that key project financial management risks are adequately assessed and further identified as inherent, control and residual risks. These three types of risks must be adequately monitored during project implementation.
- ▶ The PFMF is underpinned by six guiding principles that oblige IsDB's project staff to take an active role throughout the entire project cycle as members of the project teams. It enshrines seven key principles, which are summarised as follows:
 - **Principle 1** — IsDB requires the financing agreement to stipulate that the recipient and implementing entities of financed projects maintain financial management systems acceptable to IsDB
 - **Principle 2** — A risk-based approach will be followed by IsDB in assessing,





- identifying and categorising risks
 - **Principle 3** – IsDB's PFM requirements must be reflected in the country's MCPS
 - **Principle 4** – IsDB will facilitate the implementation of its Anti-Corruption Policy to combat the risk of fraud and corruption in project financing
 - **Principle 5** – There will be compliance with Anti-Money Laundering, Combating Financing of Terrorism and Know Your Customer Policy
 - **Principle 6** – PFM practices will be harmonised with those of other donors
 - **Principle 7** – Country systems will be used, where the capacity is adequate to operationalise the aims of the Paris Declaration, the Accra Agenda for Action and the Busan Partnership.
- IsDB tailors its PFM activities to the quality and capacity of the beneficiary's financial management systems. IsDB's PFMF brings together all aspects of the funding

journey with the aim of properly managing resources to achieve the intended development results. Key areas of focus include:

- Planning
 - Budgeting
 - Accounting
 - Financial reporting
 - Internal control
 - Auditing arrangements
 - Funds flow management.
- IsDB is committed to ensuring that its operations and activities are governed by strict rules, procedures and guidelines aimed at achieving:
- Regularity
 - Transparency
 - Integrity
 - Legality.

- The project financial management role spans all IsDB-financed projects, covering:
- Project identification
 - Preparation
 - Appraisal
 - Implementation
 - Completion.

ACHIEVEMENTS

- The PFMF document:
- Addresses financial management risks in IsDB-financed projects
 - Works in the context of IsDB's new operating model and incorporates best practices from other MDBs and FIs
 - Enables IsDB to work with global partners to build sustainable financial management capacity and harmonise donor practices within MCs.

- The PFMF enables policy and strategy discussions and informs investment choices and other support to MCs.

- IsDB's approach to the PFMF reinforces the MCPS approach through a 'Whole IsDB Group' principle.

- Outcomes in 2019 include:
- 100% financial management assessment exercises undertaken for the new projects, with the aim of ensuring the use of funds for the intended purposes
 - 100% review of projects' financial audit reports, allowing the detection and remediation of projects' financial issues.

INVESTMENT

- The PFMF is designed to achieve two main objectives:
- Improve country PFM performance as a key contributor to successful development
 - Apply appropriate fiduciary arrangements to the financial support that IsDB provides to its MCs.

KEY PRINCIPLES

Country systems will be used to operationalise the aims of the **Paris Declaration**, the **Accra Agenda for Action** and the **Busan Partnership**

REVIEW OF PROJECTS

100% of financial audit reports received

Green finance accreditation

Providing an enabling infrastructure for green value chains and building resilient market systems are key elements of the P5P. IsDB therefore actively pursues accreditation with global institutions that support preparation and financing of green infrastructure projects

PURPOSE

► The P5P envisages the transformation of IsDB from a sovereign financing bank towards an institution able to catalyse private financing for developmental projects. The philosophy of the P5P is centred around creating markets for GVCs. The participation in these global markets requires the creation of capital-intensive infrastructure projects that can connect local industries to GVCs.

► To achieve its goals, IsDB needs to build partnerships with global players that provide know-how and financing for green infrastructure. Since mid-2019, IsDB has been engaged in close discussion with the Global Infrastructure Facility (GIF) and the Green Climate Fund (GCF), expediting IsDB's accreditation with both entities and exploring avenues for collaboration during the accreditation process.

The major financing need falls onto infrastructure projects that can connect local industries to GVCs. Green finance accreditation has a crucial role to play in making this possible in a sustainable way

► Working with leading international organisational partners and seeking their accreditation will ensure attainment of these goals. For instance, GIF's experience in project preparation and GCF's capacity to fund green infrastructure assets are essential for strengthening IsDB's value proposition in this domain.

METHOD

The Global Infrastructure Facility

► IsDB will partner with GIF to benefit from its abundant experience in structuring bankable infrastructure projects and mobilising funding for project feasibility analyses and preparation.

► GIF is a partnership among governments, MDBs, private sector investors and financiers, and is designed to provide a new way of collaborating on preparing, structuring and implementing complex projects that no single institution could handle on its own.

► GIF supports governments in bringing well-structured and bankable infrastructure projects to the market. Project support can cover the spectrum of design, preparation, structuring and transaction implementation activities, drawing on the combined expertise of the organisation's technical and advisory partners and focusing on structures that are able to attract a wide range of private investors.

► Housed within the WB, GIF serves as a centre of excellence for preparing infrastructure projects in developing economies. Working closely with its technical partners such as MDBs, it provides funding and hands-on technical expertise for designing and structuring projects that are attractive to private sector investors.



► Since its inception, GIF has approved 88 activities in 46 countries, which are expected to mobilize US\$ 69 billion in total investments, including US\$ 46 billion from the private sector. About 21% of GIF's approved funding targets least-developed countries.

► Many GIF projects contribute to SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action). More than 45% of GIF-approved funds are for energy and almost 70% for climate-smart projects.

The Green Climate Fund

► As an accredited partner of the GCF, IsDB will attract financing for green infrastructure projects in its MCs while ensuring that identified and structured projects are aligned with the requirement for green infrastructure.

The GCF is the world's largest dedicated fund helping developing countries to reduce greenhouse gas emissions and enhance their ability to respond to climate change. Set up by the United Nations Framework Convention on Climate Change in 2010, the GCF has a crucial role in serving the Paris Agreement, supporting the goal of keeping average global temperature rise below 2°C. It does this by channelling climate finance to developing countries that have joined other nations in committing to climate action.

► Responding to the climate challenge requires collective action from all countries, including by both public and private sectors. Among these concerted efforts, advanced economies have agreed to jointly mobilise significant financial resources. Coming from a variety of sources, these resources address the pressing mitigation and adaptation needs of developing countries.

► The GCF launched its initial resource mobilisation in 2014, and rapidly gathered pledges worth

US\$ 10.3 billion. These funds come mainly from developed countries, but also from some developing countries, regions, and one city.

► GCF's activities are aligned with the priorities of developing countries through the principle of country ownership, and the GCF has established a direct access modality so that national and subnational organisations can receive funding directly, rather than only via international intermediaries.

► The GCF pays particular attention to the needs of societies that are highly vulnerable to the effects of climate change, in particular Least Developed Countries, SIDS, and African States.

► GCF aims to catalyse a flow of climate finance to invest in low-emission and climate-resilient development, driving a paradigm shift in the global response to climate change.

► GCF's innovation is to use public investment to stimulate private finance, unlocking the power of climate-friendly investment for low emission, climate resilient development. To achieve maximum impact, GCF seeks to catalyse funds, multiplying the effect of its initial financing by opening markets to new investments.

ACHIEVEMENTS

► IsDB has already started sharing experience and knowledge with GIF and the GCF in anticipation of closer collaboration in the near future. A knowledge session on GIF products and instruments was conducted at the IsDB HQ in February 2020. GIF Head, Mr. Jason Lu, made a presentation to IsDB staff and held meetings with IsDB management.

► In November 2020, IsDB and the GCF concluded discussions on a

roadmap for collaboration between the two institutions which details various areas of cooperation with identified deadlines to achieve tangible outcomes.

INVESTMENT

► As an accredited technical partner, IsDB will benefit from a variety of GIF products covering the whole spectrum of project preparation and financing process starting from a programme definition/enabling environment, including project preparation/investment feasibility as well as transaction design/implementation and post-transaction financing.

► Once accredited with the GCF, IsDB will be able to mobilise funding for initial analyses of projects through the Readiness and Preparatory Support Programme and to attract financing for bankable infrastructure projects once they reach the market.

GLOBAL INFRASTRUCTURE FACILITY

More than **45%** of
GIF-approved funds are for
energy and almost **70%**
for climate-smart projects

GREEN CLIMATE FUND

The GCF launched its initial
resource mobilisation in
2014, and rapidly gathered
pledges worth
US\$ 10.3 billion

Global Value Chains Community of Practice

IsDB's GVC Community of Practice addresses the issues of capacity building, training and knowledge transfer within IsDB to position it as a global knowledge institution

PURPOSE

- ▶ GVCs are central to IsDB's work approach and are fundamental to its new business model and the P5P.
- ▶ Given the novelty of the new area of skills and practice in IsDB, the need has arisen for:
 - Supporting capacity building
 - Raising awareness and providing active knowledge exchanges.
- ▶ Hence IsDB established a Community of Practice (CoP) as an indispensable tool to:
 - Build staff capacity in GVCs
 - Build and maintain GVC knowledge transfer at IsDB for the benefit of MCs
 - Position IsDB as a global knowledge institution.

The efforts to build expertise in GVCs for a successful implementation of IsDB's GVC-based MCPS are enabling IsDB to achieve its objective of helping MCs reach their development goals

METHOD

- ▶ In May 2019, IsDB President issued an administrative decision establishing the Global Value Chain Community of Practice for (GVC-CoP). Since then, the GVC-CoP has made significant progress in its mission to build staff capacity in GVCs for the benefit of MCs.
- ▶ The GVC-CoP aims to mainstream the GVC approach as the new development model of IsDB.
- ▶ The GVC-CoP rests on three key pillars:
 - GVC certification training
 - Knowledge sharing sessions
 - Online exchange of ideas.
- ▶ More than 250 IsDB staff members have applied for GVC-CoP training, which shows a willingness among staff to assist in implementing the core principle of the P5P — making markets work for development.

ACHIEVEMENTS

- ▶ Key milestones of GVC capacity building for IsDB staff through the GVC-CoP include the following:
 - 260 staff members have applied for GVC-CoP certification
 - 100 staff members have been trained in GVCs
 - 10 staff members are expected to be certified by the end of 2021 and would be expected to conduct full in-the-field GVC analysis in MCs under the MCPS.
- ▶ IsDB has successfully participated in many GVC-CoP knowledge exchange sessions with keynote events, including:
 - 'GVCs: Prospects for Shared Prosperity', with a presentation by Dr Muhammed Abdul Khalid, former Economic Adviser





to the Prime Minister of Malaysia, Dr Mahathir Mohamad. The session was officiated by IsDB President

- ‘GVCs: Opportunities for Transforming African Economies’, featuring speaker Prof. Peter Draper, Executive Director, Institute of International Trade, University of Adelaide, Australia.

- In addition, under the GVC-CoP umbrella:
 - GVC-CoP secretariat members participated in the Kingdom of Saudi Arabia’s G20 activities with T20 collaborations
 - The GVC section staff represented IsDB at the G20 1st Trade and Investment Working Group Meeting in March 2020
 - GVC section staff participated

in various T20 activities and published T20 papers

- The first GVC-CoP certification ceremony was organised in January 2020. A second award ceremony was conducted on 6 June 2021.

INVESTMENT

► IsDB’s investment in GVC-CoP activities has led to the preparation of an important book on the subject, entitled *Rebuilding Inclusive Global Value Chains as Pathway to Global Economic Recovery*, written exclusively by IsDB staff.

► The book was launched and published on 6 June 2021, and contains several GVC reports on key industries in MCs, including:

- **The Textiles and Apparel GVCs**
 - Turkey in the Textiles GVC
 - Bangladesh in the Apparel GVC
- **The Mining and Petrochemicals GVCs**
 - Guinea in the Bauxite Aluminium GVC
 - Senegal in the Petrochemicals GVC
- **The Agri-food GVCs**
 - Turkey in the Fresh Fruit and Vegetables GVC
 - Nigeria in the Cocoa-Chocolate GVC
 - Indonesia in the Cocoa-Chocolate GVC
- **The Automotive GVCs**
 - The Evolving Automotive GVC
 - Turkey in the Automotive GVC
 - Indonesia in the Automotive GVC.

GVC CAPACITY BUILDING FOR ISDB STAFF

260 staff members

have applied for GVC-CoP certification

100 staff members have been trained in GVCs

10 staff members are expected to be certified during 2021 and will conduct GVC analysis in MCs under the MCPS

Sustainable Development Goals Community of Practice

The 17 SDGs provide IsDB with a comprehensive set of goals related to various economic sectors and cross-cutting development areas in MCs. A specialist Community of Practice is helping IsDB in this regard

PURPOSE

- ▶ IsDB has been working closely with its 57 MCs to support them in achieving the SDGs. IsDB's commitment to these goals is further strengthened by their general consistency with Islamic principles, particularly in the context of alleviating poverty, restoring the dignity of people, taking care of the planet and maintaining prosperity for all living beings.
- ▶ Shortly after adoption of its 10YS, IsDB launched the P5P, which articulates a bold roadmap to improve IsDB's efficiency and effectiveness towards achieving better development outcomes for MCs. In particular, IsDB is being transformed from a 'financier of development' to a 'Bank for development and developers'. As part of this process, it is widening its scope of activities to help its MCs solve the challenges of the SDGs.

The SDGs-CoP has represented IsDB at various international events, promoting the role of IsDB as a key player in achieving the SDGs

METHOD

- ▶ In order to mainstream the SDGs, IsDB appointed in 2017 the President's Special Envoy on the SDGs and set up a specialised Community of Practice (the SDGs-CoP).
- ▶ The SDGs-CoP encompasses three work streams: raising awareness among IsDB staff on the SDGs, ensuring alignment of IsDB's work with the SDGs, and enhancing advocacy about IsDB's work on the SDGs.
- ▶ It also provides IsDB professionals with the opportunity to express their professional views freely through appropriate platforms and expand their horizons with respect to development issues by connecting them to experts from across the globe.
- ▶ The SDGs-CoP has formulated two main communication platforms through which it is supporting awareness, alignment and advocacy workstreams on the SDGs, in addition to a web platform:
- ▶ The SDGs Digest is a quarterly newsletter that provides a platform for in-house professionals as well as those from development partners to share project-related experiences, expertise and lessons learned, research-based activities related to the SDGs, and insights on issues related to the achievement of Agenda 2030 for Sustainable Development.
- ▶ The SDGs Open Dialogue is a seminar to which eminent personalities are invited as guest speakers. They provide their insights, research findings and expertise from the field on the SDGs and engage in open debate with IsDB professionals and guests from partner institutions.





► The SDGs-CoP website is continuously enhanced to serve as a repository for all the knowledge products developed through the platforms of the SDGs-CoP and external knowledge sources on SDGs. The website also contains blogging and online discussion spaces where professionals can write about and have virtual discussions on topics related to the SDGs in particular, and development in general.

ACHIEVEMENTS

► So far, 13 issues of SDGs Digest have been published that feature contributions from more than 120 authors from across the IsDB Group and development partners. The articles cover a wide range of topics on all the SDGs, in particular those that affect development areas such as climate change, youth and women's development, poverty alleviation, agriculture and food security, health, education, and SDGs financing.

► A total of 13 SDGs Open Dialogues have been organised over the past three years in order to discuss important topics on all 17 SDGs. These include events held in partnership with a diverse array of eminent personalities and global experts such as Ms. Amina J. Mohammed, Deputy Secretary General, United Nations; Dr Mahmoud Mohieldin, UN Special

Envoy on Financing the 2030 Agenda for Sustainable Development; Mr Achim Steiner, UN Development Programme Administrator; Prof Jeffrey Sachs, Director of the Center for Sustainable Development, Columbia University; Prof Dr Murat Yulek, Rector of OSTIM Technical University and author of the Book How Nations Succeed; and Prof Asim I. Khwaja, Director of the Center for International Development, Harvard Kennedy School.

► The SDGs-CoP has collaborated in the development and organisation of various high-profile events. For example, along with the UN Development Programme (UNDP), the UN Economic and Social Commission for Western Asia (UNESCWA) and the Inter-Parliamentary Union, the SDGs-CoP was co-developer of the Capacity Development Programme for Arab Parliamentarians on the SDGs.

► IsDB has also co-organised two regional forums under this programme. The first was held in Beirut in January 2019 and the second was co-organised online in November 2020.

► The SDG-CoP has engaged in a wide variety of events, including United Nations high-level political forums, international forums of development partners and IsDB Annual Meetings.

INVESTMENT

► The SDGs-CoP will continue to engage with IsDB professionals through the SDGs Digest and the SDGs Open Dialogues.

► In addition to these platforms, the SDGs-CoP will soon launch a new more frequent series of events called the SDGs Brown Bag Sessions, which will provide professionals with a platform to dive deeper into more specific SDGs and development-related topics. The aim is to bring professionals together more frequently to hold more topical and technical discussions and collaborations.

► The SDGs-CoP will also enhance its website in order to provide a one-stop shop to access SDG-related topics and knowledge sources as well as a resource to reach out to experts on individual SDGs within IsDB.

SDGs OPEN DIALOGUES

13 SDGs Open Dialogues
have been organised over the
past **3** years

Member Country Partnership Strategy 2.0

International production, trade and investments are increasingly organised within GVCs, with the various stages of the production process located across different countries. These are of central importance to competitive performance for our MCs

PURPOSE

- Development finance falls short of the financing gap identified by the SDGs. To meet the SDGs, IsDB MCs need to crowd-in market resources by reorienting development programmes to tap into their current areas of competitive advantage as a starting point. They can then use that to expand their added value.
- Resource-rich countries that are able to ensure added value along GVCs are well-placed to thrive in this system. IsDB believes that all countries, including those that do not have natural resources, should

IsDB aims to become a global hub of analytical and de-risking financial instruments that connect market players to their potential clients and financiers globally

be able to connect to value chains and that industrial policy should be targeted at enabling this sort of inclusivity.

- The new IsDB business model, 'Making Markets Work for Development', is designed to reorient development operations to drive the competitiveness of MCs' strategic industries and connect them to GVCs
- IsDB is committed to continuing its investment in infrastructure projects that raise the efficiency and performance of the market players and value chains in its MCPs. This includes playing an active role in project sourcing to improve the quality of projects and attract private sector participation for maximum impact.

- There are sustainability gains to be made by addressing infrastructure challenges in sectors that are known for their high impact on the environment. In this connection, IsDB has identified a need to define growth targets based on actual resources transferred to MCs, rather than only on approvals. It has also identified the need to manage operating plans for internal resources while considering long-term financial commitments and looking for potential co-financiers.

METHOD

- IsDB's new business model and, in particular, the P5P focus on how to add economic value in strategic competitive industries connected to GVCs. IsDB uses GVCs to help it prioritise projects in a way that targets all players in a specific value chain.

- Based on GVCs, the recently launched MCPs 2.0 draws on the principles of the P5P to support MCs. It is intended to





function as a tool that can be used to develop IsDB's project pipeline through proactive needs assessment.

► MCPS 2.0 allows IsDB to prioritise its projects in areas with highest impact and, at the same time, provide greater opportunity for countries to be interconnected. In this way, it can achieve the objectives of creating sustainable employment, boosting industrial innovation levels, and crowding-in resources from all market players.

► MCPS 2.0 is an important part of IsDB's approach to support its MCs in meeting the SDGs. Meanwhile, IsDB's Regional Hubs are at the forefront of proactive needs assessment of MCs, providing regular dialogue to focus investment on areas that have high potential for growth, employment generation and sustainable human development.

► IsDB has committed to an industrial transformation by helping MCs move into higher value-added products with strong backward and forward linkages based on higher complexity as well as STI.

► To maintain competitiveness, countries need to meet the new levels of productivity achieved through Industry 4.0. The MCPS 2.0 framework identifies priority interventions that help shift countries towards this fourth generation of industrialisation.

ACHIEVEMENTS

► There has been significant progress with the implementation of the MCPS 2.0 approach, which has replaced the previous way of formulating the MCPS.

► In 2019, four MCPS 2.0 initiatives were launched (Gabon, Maldives, Morocco and Turkey) of which those of Gabon and Maldives have already been formulated and the remaining two are still under formulation. In addition, seven more are being formulated in 2021 (Guinea, Indonesia, Malaysia, Nigeria, Pakistan, Saudi Arabia and Senegal).

► IsDB has also set up RL operations in eight MCs, with a view to supporting SStrC among MCs for various development programmes.

The share of the MCPS allocations will be increased from 20% in 2020 to 80% in 2022.

INVESTMENT

► The COVID-19 pandemic has presented particular challenges to MCs, requiring many of them to reposition themselves on their GVCs to mitigate the impacts of the crisis. IsDB's 57 MCs include many of the world's fastest-growing economies. With a combined GDP of approximately US\$ 7 trillion and historical GDP growth rates of up to 8% per year, they have strong potential not only for recovery but also for continued growth.

► The MCPS strategy has paved the way for IsDB to align its programming with MCs' needs. Currently, there are 11 GVC-based MCPSS at various stages of processing. We keep a tight rein on administrative expenses and monitor costs against the promised financial benefits of programmes.

► IsDB will continue to support its MCs as they manage the short- to medium-term risks while working to increase their market share in GVCs.

MCPS 2.0 INITIATIVES

**Gabon, Turkey,
Morocco, Maldives,
Senegal, Malaysia,
Indonesia, Guinea,
Saudi Arabia,
Pakistan, Nigeria**

Cash Waqf Sukuk

IsDB has developed its Cash Waqf Sukuk and Ihsan Waqf Investment Fund as innovative financing mechanisms that aim to mobilise resources for MCs in a Shariah-compliant manner based on the temporary cash waqf principle

PURPOSE

- Cash Waqf Sukuk (CWS) is an Islamic finance product that aims to pool capital from sukuk subscribers (benefactors) both high-net-worth individuals and members of the public.
- CWS aims to be the source of funding for several poverty alleviation programmes developed under the auspices of ISFD.
- CWS achieves this by providing a regular stream of income over a 10-year period towards the implementation of these initiatives in IsDB MCs.

Cash Waqf Sukuk and Ihsan Waqf Investment Fund demonstrate IsDB's proactiveness in utilising Islamic finance instruments to achieve development targets

- The Ihsan Waqf Investment Fund (IWIF) is a resource mobilisation instrument that aims to pool capital from philanthropists (benefactors) into a fund to be managed externally over a period of 10 years as well.

METHOD

- A unique feature of CWS is that the profit generated from investing the sukuk proceeds is directly channelled towards poverty alleviation programmes rather than paid to the benefactors. It is a form of social impact sukuk whose sole objective is to look for interested benefactors who would like to provide waqf (endowment) in the form of cash.

- The tenure of CWS is 10 years, after which subscribers/benefactors may redeem the sukuk, who have also the option to make their contribution permanent.

- IWIF is a resource mobilisation instrument that aims to pool capital from benefactors through an externally managed fund to be used over a period of 10 years, that is also based on the temporary cash waqf principle. It is designed to pool temporary cash waqf from benefactors, with the proceeds/profits from the invested capital used to support IsDB poverty fighting programmes.

- Upon maturity, the capital is either returned to its owners or kept on permanently, depending on each benefactor's decision regarding the portion corresponding to their initial investment.

ACHIEVEMENTS

- Each of the IWIF funds is expected to generate a return of 6–10% annually





depending on the risk profile associated with each.

► The first fund, IWIF for Al-Quds Empowerment, for US\$ 100 million — seeded with US\$ 20 million from ISFD — was established in September 2019 following approval by ISFD Board of Directors. Several other IWIF funds are expected to be established over the next couple of years for US\$ 250–500 million, as part of a US\$ 2.5 billion funds programme for the coming five years.

INVESTMENT

► Funding for the CWS is collected via the capital market, targeting high-net-worth individuals, financial institutions, corporates and interested members of the

public. Other means could be used at later stages like crowdfunding platforms, blockchain or other internet-based resource mobilisation tools. Minimum subscription in this category is set at US\$ 100.

► The target for CWS is to initially raise US\$ 500 million, with a first issuance of US\$ 200 million.

► CWS as a product has been well received by the Dubai Financial Services Authority and will be listed on the Nasdaq Dubai stock exchange, which will be a major partner in the issuance of CWS.

► Several IWIFs are expected to be established over the coming few years and would generate an average return of 6-10% annually or US\$ 150

— 250 million on the US\$ 2.5 billion expected capital — a potential return of US\$ 2.5 billion over 10 years.

► The first of which is the US\$ 100 million for Al-Quds Empowerment Fund which will generate approximately US\$ 60 million over 10 years, to be spent on poverty-alleviation projects and programmes in Palestine.

IHSAN WAQF INVESTMENT FUND

Each of the IWIF funds is
expected to generate a return
of **6–10%** annually

CASH WAQF SUKUK

The target for CWS is to raise
US\$ 500 million
with a first issuance of
US\$ 200 million



Managing for results



Integrated Strategic Programming Framework

IsDB has designed an Integrated Strategic Programming Framework (ISPF) which aims to integrate strategy, finance and operations in the planning processes. The ISPF-based planning process results in a rolling three-year Integrated Work Programme (IWP) that provides a unified view of IsDB's resource allocation with its strategic priorities. The ISPF encapsulates cascading of the P5P via corporate KPIs across all business units

PURPOSE

- IsDB's 40-year assessment and the subsequent 10-Year Strategy Framework highlighted IsDB's key achievements while also identifying major areas of improvements, including the following:
 - IsDB's approach to interventions and assessment of critical MC needs should become more proactive
 - Project selection should be better aligned with development gaps in MCs
 - Resource allocation should be linked to strategy, by ensuring robust target setting and cascading strategic priorities.
- To address the above key shortfalls, the P5P introduced an integrated approach to planning. This necessitated the adoption of an Integrated Strategic Programming Framework (ISPF).

The ISPF ensures that the administrative budget is allocated strategically to support operations in MCs for an effective and efficient results delivery. This allows the efficient allocation of resources in the impactful areas for MCs

- The ISPF, which has been running for four years, aims to ensure that strategy is embedded in IsDB's operations and administrative work programming by having a cohesive approach across strategy, operations, finance and budgeting. Four cycles have been completed based on this methodology.

METHOD

- The ISPF is primarily designed to address the key improvement areas identified for programming. It is being expanded to cover IsDB Group entities to synergise all investments on both operations and administrative aspects. The ISPF-based planning process produces a rolling 3-year Integrated Work Programme (IWP) that provides a unified view of IsDB's resource allocation with its strategic priorities. Broadly, the IWP covers:
 - Proactive assessment to identify current and future needs of MCs, and effectively set IsDB's transformation agenda for these MCs
 - Ensuring impactful project selectivity through a Project Qualification and Prioritisation (QnP) matrix that aligns project selection with MC needs and IsDB priorities
 - Linking strategy and resources (i.e. operations financing and administrative budget), ensuring robust target setting and cascading of priorities, a comprehensive and collaborative approach to planning, linking of resource requirements to targets, and result monitoring.
- The strategic planning approach has gone through an iterative realisation process of ISPF components as follows:





- 2018 marked the beginning of the journey by linking the budget to the strategy
- 2019 marked the mainstreaming of the Proactive Needs Assessment component
- 2020 marked the mainstreaming of the Ensuring Impactful Selectivity component.

ACHIEVEMENTS

► The ISPF Proactive Needs Assessment process thus far has set out a framework to build a vision for how IsDB can contribute to the emerging global development agenda for 2030. The two key milestones of this process were the Board of Governors (BoG) Roundtables conducted on the side-lines of the 2018 and 2019 Annual Meetings in Tunis and Morocco, respectively. These roundtables set a clear direction for IsDB on the key strategic priorities and principal challenges for MCs and endorsed IsDB's new business model. The new business model was based on IWP strategic planning processes to align with MCs' priorities as expressed by the BoG.

► Several initiatives were approved by the Board of Executive Directors (BED) in support of the new direction, including the GVC-based country programming; project preparation facilities; IsDB Developers Platform;

Transform Fund for STI; Country Platforms, formerly known and approved as Regional Infrastructure Supranational Entities; COVID-19 Guarantee Facility; and the DEFAI.

► Other initiatives include governance enhancement through the new BED committees, comprehensive assessment and review of all IsDB funds, and a revised salary scale system.

► More than 100 strategic initiatives are planned every year, as a result of using the ISPF as a planning model, which assesses the most strategically aligned programmes.

► These concerted consultations and efforts by IsDB's leadership led to the new development model, "Making Markets Work for Development". To achieve MCs' development agendas for 2030, especially within the emerging post-COVID-19 global context, the ISPF provided the foundation needed to achieve a strategic reorientation of IsDB with major sprints completed already and others currently underway under the P5P.

► The rollout plan of the new business model balanced the trade-off of:

- Giving an adequate response to the urgent post-COVID-19 challenges

- Linking urgent response to the longer-term challenges of Agenda 2030
- Ensuring business continuity of ongoing commitments throughout the next IWP period and beyond.

► The ISPF provides a parallel execution framework whereby the classic model is gradually phased out and the new business model is phased in. This provides MCs with all the typical project financing along with a suite of new financing schemes that leverages IsDB synergies. In addition, going forward, all IsDB's interventions will take a programmatic MCPS-driven approach where projects are targeted more precisely towards maximising job creation, diversified exports/ value-add, and foreign investment.

INVESTMENT

► The Operational Plan funding has been increasing by US\$ 0.5 billion annually, reaching US\$ 2.5 billion in 2021.

► The impact of the ISPF can also be seen in an encouraging improvement in IsDB's ratio of internal administrative expenses per US\$ 1 million approved, which fell to US\$ 93,000 in 2020, from US\$ 128,000 in 2018.

OPERATIONAL PLAN FUNDING

The Operational Plan funding

has been increasing by
US\$ 0.5 billion
 annually, reaching
US\$ 2.5 billion
 in 2021

Global value chains analysis methodology

IsDB's GVC analysis methodology uses a filtering tool to identify champion sectors and products, helping countries determine and develop the sectors with the most potential

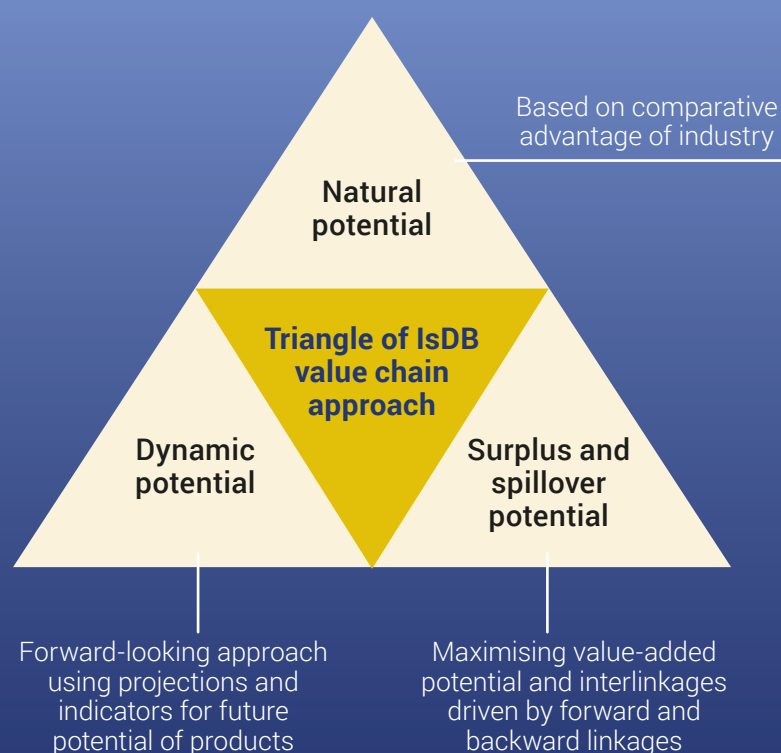
PURPOSE

- ▶ Most IsDB MCs are raw material exporters. This is primarily due to bottlenecks, capacity gaps and untapped product potentials that are holding them back from achieving sustainable growth. If unlocked, these potentials can drive comprehensive industrial transformation.
- ▶ The GVC analysis process considers the entire value chain of a country, from the initial phase of production up to export and distribution to design a blueprint for industrial transformation.
- ▶ The interventions derived from this process are then used to address GVC issues of individual countries' leading products/industries.

IsDB's GVC analysis can help countries identify champion products that can yield improved returns across the entire value chain

METHOD

- ▶ The MCPS can then help countries expand and upgrade the industries that IsDB has identified as having the highest potential.
- ▶ To align markets with development programmes, it is important to focus on areas that are both promising and competitive and that offer inclusive development solutions.
- ▶ This approach, which can be described as inclusive competitiveness, leverages markets and/or the private sector so that countries can:
 - Participate actively in development programmes that boost market competitiveness
 - Foster development by creating more inclusive development goals such as the creation of high-quality jobs and the promotion of sustainable export competitiveness.
- ▶ To identify and subsequently develop the sectors with the most potential that each country needs to focus on to achieve its high value-add increase and job creation targets, IsDB uses an analytical model that helps uncover the industries in which a country has an intrinsic competitive advantage through GVCs.
- ▶ The model uses a filtering tool to identify champion sectors and products of a country based on three criteria:
 - Natural potential, which takes into account the existing comparative advantage of a country at the industry level
 - Dynamic potential, which identifies and quantifies the competitive advantage of products or goods according to future market conditions





- Surplus and spillover potential, which measures the effects on value-add and hence job potential. This indicates upstream and downstream linkages along with the induced effects that may result from interconnections between industries.

► Through this approach, countries can focus on the GVCs of products for which they have a revealed comparative advantage.

► After this identification process and in-depth analysis, GVCs are analysed to identify bottlenecks, capacity gaps and product potential across the value chain.

► The interventions derived from this process will seek to address the gaps and bottlenecks in the GVCs of each country's leading products/ industries.

ACHIEVEMENTS

- IsDB's GVC analysis methodology helps countries to achieve their development targets by:
 - Offering a systematic approach to assess countries' competitiveness and GVCs' trade potential
 - Providing a framework within which to analyse value chains in order to achieve industrial deepening and upgrading.

► The preliminary GVC analysis is based on:

- Revealed comparative advantage (natural potential)
- Future potential of products (dynamic potential)
- Value-add potential and interlinkages driven by forward and backward linkages (surplus and spillover potential).

► The three paradigms of IsDB's approach that guide the quantitative tool for value chain identification are described as the Triangle of IsDB's Value Chain Approach.

► The natural potential of a country takes into account:

- The existing comparative advantage of the country at industry level
- A particular economy within the economic structure and ecosystem that can efficiently produce, relative to other countries in the world.

► The dynamic potential takes a forward-looking approach to identify and quantify potential products or intermediate goods that are potential champion products by using indicators such as:

- Market growth
- Global demand projections
- Market distance
- Potential export concentration.

► The surplus and spillover potential evaluates the static added value of a particular industry and the interlinkages within different industries in a particular economy. It aims to:

- Identify forward and backward linkages
- Pinpoint potential spillover effects from interlinkages of industries
- Maximise the value added in a specific industry.

INVESTMENT

► The GVC analysis focuses on potential industries with a revealed comparative advantage (RCA). The RCA index is used to determine the products in which a country has a comparative advantage.

► IsDB uses a Product Champion Index (PCI) to examine the industries and sectors that have the highest untapped potential for the country's future economic growth.

► The PCI identifies, at a disaggregated level, the highest-potential products that a country can produce to plug into the GVC.

► The RCA and PCI reflect the potential champion products in the industry that could guide policymakers to integrate these products in the GVC.

ANALYSING COMPETITIVENESS THROUGH GLOBAL VALUE CHAINS

A country's champion sectors and products are based on natural potential, dynamic potential, surplus and spillover potential

Environmental and Social Safeguards Policy

IsDB has launched a targeted policy to address the environmental and social impacts of development projects and programmes it funds

PURPOSE

- Environmental and social safeguards play a critical role in helping countries manage their assets, both human and physical. They also help address reputational risk to MDBs.
- Until recently, IsDB has either relied on the laws and regulations of the respective MC to mitigate the impacts of projects or has agreed to implement the environmental and social safeguards policies of co-financing development partners.
- In keeping with other MDBs, all of which have formal operational policies to assess environmental and social risks and adopt mitigation measures, where necessary, IsDB decided to implement a formal operational policy and structured framework to consistently apply safeguards in its projects.

IsDB has joined the major MDBs in implementing an Environmental and Social Safeguards Policy

- Several factors indicate the need for such a structured framework of best industry environmental and social safeguards:
 - Increasing size and complexity of IsDB's interventions
 - Need to finance investments that fill SDG gaps
 - ESG requirements of international rating agencies.
- IsDB has developed its first Environmental and Social Safeguards Policy (ESSP), which enables it to:
 - Bring benefits to its MCs by taking necessary actions to access global grant resources related to environmental protection
 - Reflect global best practices
 - Reduce the reputational risks for project sponsors and funders
 - Enable systematic analysis of available data, identify options, engage actively with stakeholders, establish effective monitoring arrangements, and ensure high project quality at entry.

METHOD

- The ESSP embodies the principle of proportionality and takes a flexible yet risk-based approach, allowing for the selective use of country systems and other development partners' policies to support the achievement of the overall objective of enhancing sustainability and development effectiveness.
- The policy pillars on which the overarching goal of the proposed ESSP rests are:
 - Inclusiveness, through disclosure of information and consultation with and involvement of stakeholders in the overall decision-making process
 - Resilient development, by embedding



resilience to address current and future social and environmental vulnerability of IsDB-financed interventions

- Leveraging resources, by establishing sustainable partnerships to maximise financing available for MCs.
- The three policy enablers for mainstreaming the ESSP in IsDB's operations are:
 - Identification of potential environmental and social risks and impacts of IsDB-financed interventions
 - Integration of sound environmental and social management plans into the project design to address potential environmental and social risks and impacts
 - Implementation of the agreed plans by the beneficiaries for sustainable development effectiveness.
- The guiding principles of sustainability, proportionality and risk management that underpin the policy pillars and overarching goal are realised through an environmental and social management approach.
- The ESSP will be implemented through IsDB's newly decentralised business model. IsDB staff will receive support for the following:
 - Implementation of the ESSP
 - Ensuring compliance
 - Providing capacity development services
 - Sharing knowledge and lessons learnt.
- In the field, the Regional Hubs will be supported through field-based short-term consultants as required.
- An advanced and specialised training programme will be implemented to enhance capacity of internal staff both at HQ and in the field.

► In addition to the ESSP, two ESS Standards (Environmental and Social Assessment and Management, and Land Acquisition and Involuntary Resettlement) have been developed, together with an Environmental and Social Exclusion List. Together these form a structured framework for safeguards at IsDB.

► The ESSP may be further expanded in future, potentially to include new ESS standards in operations, such as on indigenous peoples, labour, and introduction of an independent accountability mechanism.

ACHIEVEMENTS

- By developing its ESSP, IsDB has joined all the other MDBs (ADB, AfDB, AIIB, EBRD, EIB, IADB, IFC and WB) that have such policies in place. It has also introduced a policy on information disclosure, in line with the other MDBs.
- The ESSP demonstrates IsDB's commitment to:
 - Address environmental and social risks and impacts in a structured operational framework across the project cycle
 - Ensure environmental and social soundness and sustainability of investments
 - Support integration of environmental and social aspects into the decision-making process
 - Provide public consultation and disclosure of information.
- The introduction of safeguards requires adjustments and fine-tuning in the business processes across the project cycle, including:
 - Preliminary review of environmental and social assessments during early phases of project programming/identification and preparation
 - Categorisation and development of required environmental and social mitigation plans

- Updates to covenants of financing agreements
- Review and policy compliance mechanisms during processing and implementation
- Accommodating an IsDB-wide due diligence process for the Delegation of Authority Matrix.

INVESTMENT

- IsDB's ESSP enhances the investment standing of IsDB in the following ways:
 - By demonstrating IsDB's unique situation as a Shariah-compliant MDB
 - By enhancing IsDB's global position as an AAA+ MDB
 - By enabling compliance with the ESG requirements of Fitch, Moody's and S&P when issuing Sukuk
 - By ensuring it meets the accreditation requirements of the GIF, GCF and GEF.

ESSP GUIDING PRINCIPLES

The guiding principles of sustainability, proportionality and risk management are realised through an environmental and social management approach

Impactful selectivity through the Project Qualification and Prioritisation tool

IsDB has mainstreamed the Qualification and Prioritisation process, introducing a formal tool to improve the Quality at Entry for IsDB. The tool is designed to enhance impactful selectivity for developing the pipeline of sovereign projects

PURPOSE

- The average age of IsDB projects used to exceed that of its peers and hence warranted efforts to address root causes, including quality-at-entry of projects, to ensure quick implementation. In addition, given IsDB's new business model, which places projects within integrated country programmes, there was a need to introduce new tools that ensure strategic alignment with the overall programme goals.
- The Qualification and Prioritisation tool (QnP) has helped IsDB to focus on projects that are at an advanced stage of readiness, ushering in a significant deviation from the past, whereby projects were not subject to rigorous checking and due diligence during the selection process, resulting in delayed implementation.

The QnP Tool has provided IsDB with the opportunity to select projects that are most impactful and aligned with the P5P

METHOD

- The QnP is designed to assist IsDB's management in making an informed decision on building and agreeing upon the pipeline for the IWP.
- The QnP is used alongside the IsDB standard Project Concept Note during the project programming stage. The QnP is applied in two stages.
- Qualification stage: Qualification is the first filtering stage to select the appropriate projects. It covers two dimensions of the 6-R Framework, i.e. Relevance and Readiness. The process is led by the Regional Hub (RH) Country Manager and supported by the relevant IsDB departments.
- The qualification of each project is validated by the Department of Strategy and Transformation (DoST). Projects validated by DoST are then subjected to prioritisation criteria. The mandatory criteria in the qualification checklist are to be supported through evidence to demonstrate the necessary compliance.
- Prioritisation stage: Prioritisation is the second filtering stage and is designed to objectively rate the qualified projects, based on criteria comprising the remaining dimensions of the 6-R Framework: Requirements, Risks, Sustainability of Financial and Economic Returns, and Results. This stage is also led by the RH Country Manager in coordination with the Operation Team Leader and supported by the relevant IsDB departments. The final prioritisation is validated by the Chief





Product and Partnership Officer and the Chief Operations Officer (COO).

ACHIEVEMENTS

- ▶ The QnP has provided IsDB with an opportunity to select projects which are most impactful and aligned with the P5P.
- ▶ At the first stage of the project cycle, it is critical to set out the key criteria of identification of the priority development initiatives in keeping with the quality dimensions integrated in the QnP Tool.
- ▶ To improve the quality of projects, the key considerations at the project programming stage include:
 - Strategic alignment/ sector focus
 - Risks
 - Portfolio performance in terms of country and region
 - Operational plan
 - Project quality at entry
 - Alignment with the KPIs set for the IWP 2021–23.
- ▶ As a result of applying the QnP Tool to the 2021 Work Programme, the proposed operational plan for the year is expected to generate

significant results in MCs. Together, these developmental outputs will address specific SDGs, namely SDG 2 (Zero Hunger), SDG 3 (Good Health), SDG 4 (Quality Education), SDG 6 (Clean Water and Sanitation), SDG 7 (Clean Energy), SDG 8 (Economic Growth), and SDG 9 (Infrastructure, Industry, and Innovation).

- ▶ Agriculture: The proposed projects are expected to irrigate over 140,000 hectares of land, enabling a storage capacity of over 50,000 tons.
- ▶ Health: IsDB will contribute to providing access to health services for almost 110,000 people, by constructing and equipping nearly 80 health facilities and adding 916 new beds to hospitals. These projects are expected to provide training to more than 2,000 health personnel. They will reach a population of nearly one million with various health awareness campaigns.
- ▶ Education: IsDB's projects are expected to benefit more than 255,000 students at various educational levels through the construction of over 115 educational institutes. An estimated 6,000 teachers will be trained.
- ▶ Water and sanitation: IsDB's projects will contribute to allowing access to potable water for nearly 1,500 households and connecting nearly 200,000 households to improved sanitation facilities.
- ▶ Energy: IsDB will connect over one million new households to the electricity grid by building nearly 6,000 km of transmission lines. The power plant projects are expected to generate 1.6 gigawatts of energy from renewable sources.
- ▶ Finance: IsDB impacts the economic growth of the population through job creation and training of nearly 45,000 people and

allowing access to microfinance to another 300,000 people, including the creation of over 1,700 rural enterprises.

- ▶ Transport: IsDB will focus on building over 1,500 km of roads, among them 502 km of expressway. In addition, a total of 76 km of railway tracks will be constructed.
- ▶ For the 2021 Work Programme, the ready projects are by and large in line with the sectoral distribution of the SDG gaps (within less than $\pm 10\%$). The exception is the Transport sector, where the financing variance is 37% above the required allocation, although this is in line with MC strategies. Efforts are being made to identify a more enriched pipeline, with sectoral distribution in line with the SDG sectoral gaps for the extended ready pipeline of projects for the 2021–23 Work Programme.

INVESTMENT

- ▶ The operation plans for these projects amount to US\$ 1.2 billion. This investment will reap benefits, as the QnP provides the basis for impactful selectivity, providing IsDB with the opportunity to contribute towards selecting, monitoring and achieving significant results for MCs.

PIPELINE PROJECTS

IsDB will connect over
1 million new
 households to the electricity
 grid by building nearly
6,000 km of
 transmission lines

Project Portfolio Dashboard

The Project Portfolio Dashboard is a crucial tool that supports the management of IsDB's funding portfolio

PURPOSE

- ▶ One of the fundamental objectives of IsDB's operations department resides in the ability to effectively and efficiently manage the active portfolio of approximately US\$ 26.8 billion through the RHs.
- ▶ IsDB's approach to management information reporting seeks to:
 - Provide data-driven management information for executive decision-making
 - Capture organisation-wide performance, results and effectiveness, encompassing a holistic approach, both from qualitative and quantitative perspectives.
- ▶ IsDB has developed a Project Portfolio Dashboard with two major objectives:
 - To address the high-level issues and indicators related to the portfolio performance
 - To provide information to the BED in cases where its attention is sought.

The Project Portfolio Dashboard has significantly improved operational efficiencies and simplified access to project information for the BED

METHOD

- The intention is that the Dashboard will act as a source of information that will lead to improved performance of the portfolio with faster approvals, as well as improved effectiveness and disbursement of projects.
- ## METHOD
- IsDB has developed a holistic and comprehensive methodology to achieve its portfolio management objectives through a multi-pronged approach involving:
- Active project supervision through Project Implementation Assessment and Support Reports
 - Country portfolio performance reviews (CPPRs)
 - Cross-departmental task force to focus on portfolio improvement
 - Measuring and managing results in the form of quality at exit of projects
 - Development of electronic dashboards for continuous monitoring of the quality of the portfolio and effective portfolio management.
- The Dashboard has many interesting features that help IsDB achieve the above aims, including:
- Active Portfolio
 - Active Portfolio breakdown by pre-effective, disbursed and cumulative undisbursed commitments (CUC)
 - CUC breakdown by countries
 - Current year approval, disbursed and completed projects
 - Opportunity to examine the portfolio according to aspects such as 'Delayed', 'Warning' and 'On track'
 - Portfolio breakdown by region
 - Portfolio by sector.

- ▶ Data is gathered from the core Operations Management System (OMS), which provides a single source of truth to all the stakeholders.





► The data in the OMS is updated on a live basis by RHs operations team leaders and other sources.

► Different parameters are used in clustering the data and carrying out analysis, according to business definitions and requirements.

ACHIEVEMENTS

► To appropriately monitor and report on improvement in operational delivery from RHs, key operations portfolio indicators for 2021 have already been digitised for the Project Portfolio Monitoring Dashboard. These are related to the following areas of activity:

- Signing
- Effectiveness
- Disbursement of projects.

► IsDB has developed the Dashboard to allow for regular operations management reporting on key portfolio indicators and will



facilitate proactive and evidence-based interventions from the COO in 2021.

► The Project Portfolio Dashboard provides a source of live information to the BED members and allows gathering key information about the projects in their respective constituencies by sector, country and region. In turn, this would lead to the improvement of the project lifecycle as proactive measures can be taken to address the challenges associated with the project implementation.

► The ageing of the project lifecycle has improved recently, driven by:

- Concerted efforts towards decentralisation
- An effective way of monitoring and managing the project portfolio through live dashboards and quarterly Management Information Reports, which has improved transparency and visibility.

INVESTMENT

► The Dashboard was developed internally by IsDB staff and no additional resources were spent on its development.

PROJECT PORTFOLIO DASHBOARD

**The Dashboard facilitates
effective and efficient
management, through**

**IsDB's RHs, of an active
portfolio of approximately
US\$ 26.8 billion**

Revamped annual development effectiveness reporting

The Annual Development Effectiveness Report provides an overview of the development challenges of MCs and the contributions made annually by IsDB towards achieving development results in these countries and in Muslim communities in non-MCs

PURPOSE

- The purpose of the Annual Development Effectiveness Report (ADER) is to present the achievements and results of IsDB to the wider stakeholders along with co-financiers and partners.
- The ADER has been revamped to focus on the results and their alignment with the SDGs and the P5P.

The report is a flagship document used to attract international donors and investors

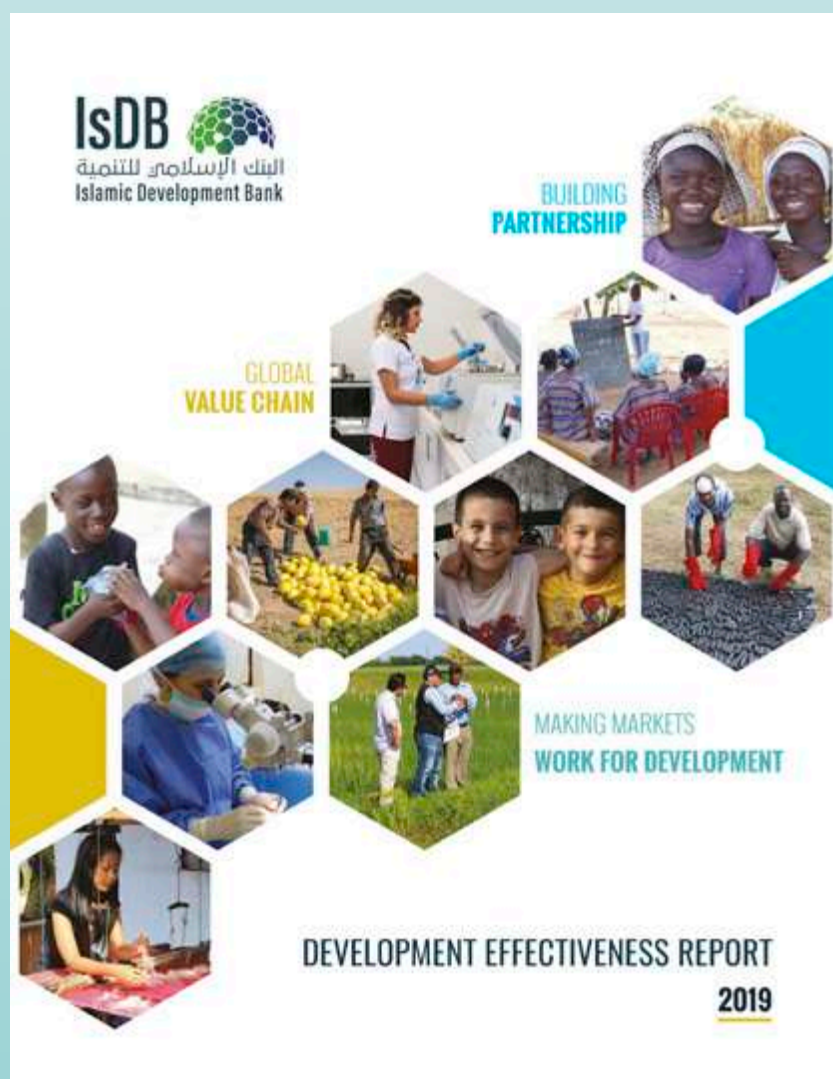
METHOD

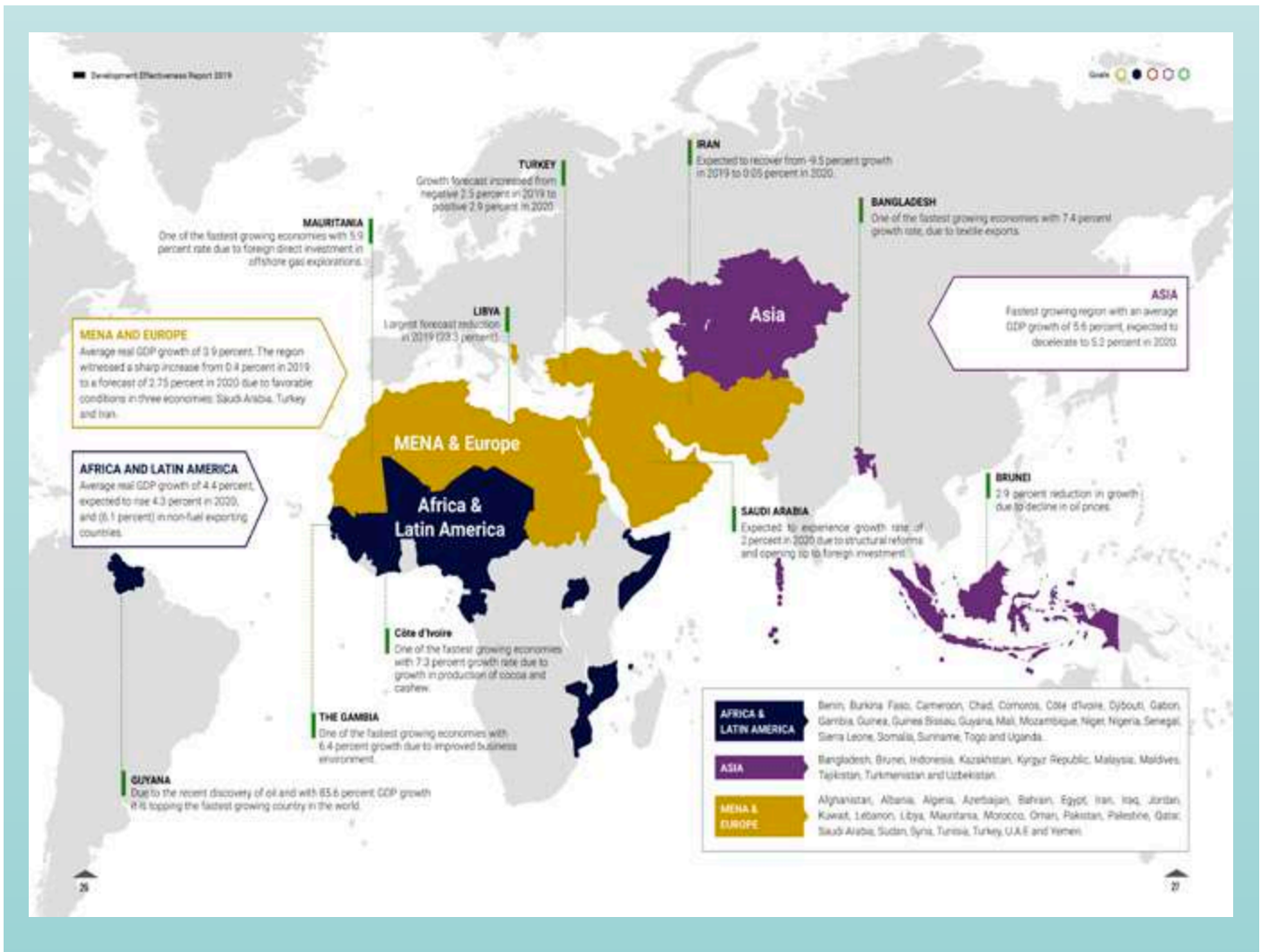
- Target-setting drives IsDB's priorities and activities in the direction specified in IsDB's 10YS and the P5P. This is achieved through a strategy map that translates the 10YS and P5P priorities into Key Performance Indicators (KPIs) across three levels — Goals, Results, and Corporate Performance.
- The report provides an in-depth review of all achievements across the impact (goals), results (operational) and performance (corporate) levels. The review is both comprehensive and visually appealing, with infographics, much quantifiable information and a data-driven approach to provide readers with clear information.

- A results framework that stems from the strategy scorecard is cascaded down in the form of 3 development goals, 6 operational results and 6 performance drivers. The performance drivers are further divided in order of complexity to corporate, department and division levels.

ACHIEVEMENTS

- As IsDB continues to develop its operating model, the ADER helps monitor the effectiveness of interventions so that IsDB can adjust delivery mechanisms to render the best value for money.
- During the last decade towards the SDG targets for 2030, MCs, MDBs and other organisations need to prioritise their interventions, and ensure that every possible mechanism is in place to meet the SDG targets.
- The ADER is a tool used both to celebrate the results achieved and to





take corrective action for missed targets. The report, appreciated by all stakeholders, is one of the primary tools deployed to attract donors and investors by showcasing IsDB's achievements.

- It provides an update of socioeconomic development prospects in IsDB's 57 MCs (and IsDB's performance and contributions to development results in MCs and Muslim communities in non-MCs).
- The report synthesises data from IsDB's corporate systems, assessments, evaluations and external sources.
- It is a significant point of information for IsDB's management, stakeholders and beneficiaries in

MCs. As a multilateral development bank, IsDB has the mandate to finance as well as to develop viable projects that address the priority needs of MCs.

- The report aims to create a culture of development effectiveness and results-based management.

INVESTMENT

- The report is a flagship document used to attract international donors and investors, showcasing IsDB's value addition in terms of interventions in MCs.
- It balances the development effectiveness and results-based management operations focused on attracting new projects, mobilising funds, making approvals,

and expediting procurement and disbursement, with the crucial objective of monitoring and reporting on the developmental results and outcomes achieved on the ground.

THE REPORT PROVIDES AN ANNUAL IN-DEPTH REVIEW OF ALL ACHIEVEMENTS

The results framework is

shown in the form of

3 development goals

6 operational results

6 performance drivers

Timely monitoring of Senegal's SDGs data

IsDB and the Global Partnership for Sustainable Development Data established a partnership in 2019 to improve the production and use of timely data to support monitoring SDGs progress

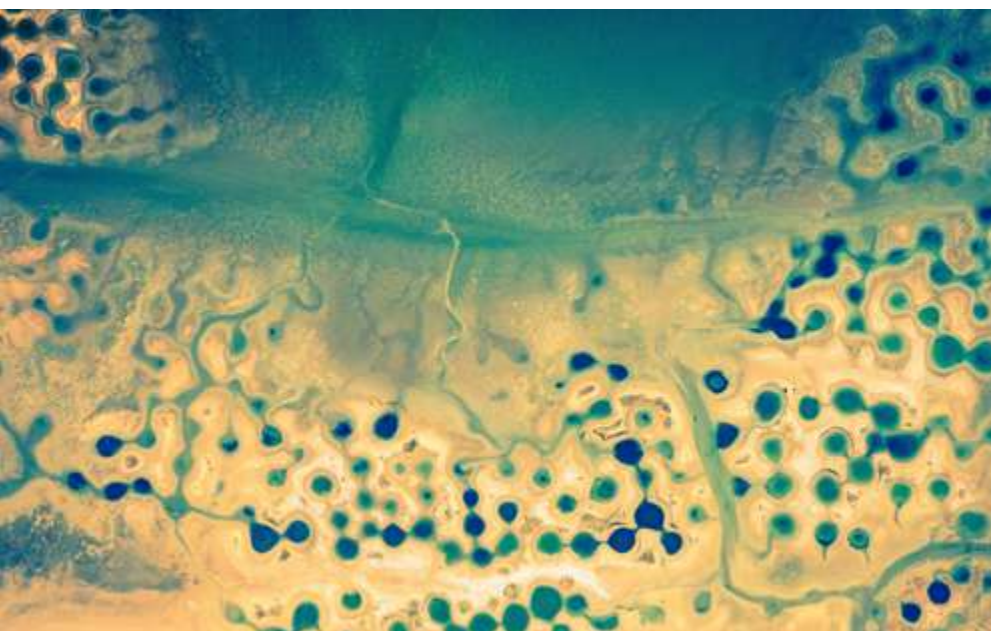
PURPOSE

- This initiative focuses on an area that is traditionally ignored by development practitioners though fundamental for successful policymaking. Through a partnership with the Global Partnership for Sustainable Development Data (Global Partnership), IsDB has increased awareness of its expertise, not just as a financier, but as a solutions provider, knowledge broker, facilitator, capacity builder and an institution in tune with the needs of its MCs. Using the latest technologies and harnessing the power of STI, this project seeks to help Senegal monitor its progress on the SDGs.
- The project facilitates better monitoring and measurement of the impact of various policy and financial interventions made in Senegal. In addition, it has significant potential for scaling up and tapping into IsDB's SSTRC efforts, resulting in significant positive results from this collaboration between IsDB, the Global Partnership and the Government of Senegal

IsDB and the Global Partnership have joined forces with the Government of Senegal to test the use of satellite imagery to provide timely data that can inform environmental protection policies and support agricultural productivity

METHOD

- Working with partners from the government, civil society, academia and the private sector, IsDB and the Global Partnership identified SDG indicators that are a priority for timely monitoring in Senegal.
- It is critical that the use of new data sources, such as earth observation, is embedded within institutional frameworks to ensure leadership and sustained commitment. In Senegal, IsDB and the Global Partnership partnered with the Directorate of Planning and Environmental Monitoring of the Ministry of Environment and Sustainable Development, together with the think tank, Prospective Agricole et Rural (IPAR). A national coordination and collaboration mechanism was developed to guide work on data for environmental management linked to the national stakeholders' platform for monitoring the SDGs.
- Once the priority SDG indicators were identified, IsDB and the Global Partnership worked with partners in Senegal to establish a multi-stakeholder expert task team to advise on the use and testing of methods, and commissioned research with local partners to explore the production of data. One of the key tools identified was the Africa Regional Data Cube (ARDC). The ARDC is a tool developed by the Global Partnership and its partners to harness the latest earth observation data and satellite technology to help countries in Africa address various issues relating to agriculture, food security, deforestation, urbanisation, water access, etc.
- After agreeing on the focus areas and methods, the team worked within the Senegalese Government structures to





develop capacity-building activities and provide ongoing support. Capacity building involved a series of in-person training sessions between April and September 2019, bringing in regional and international partners from NASA.

► The focus on institutional engagement and collaboration ensured that all relevant stakeholders agreed on the tools and methodologies used, enabling harmonisation and a collective agreement on results. This approach also supports data sharing among government agencies and facilitates the coordination of actions.

► This combination of innovative technology, capacity building and political engagement enabled IsDB to collectively produce new and timely insights on deforestation, water management and agricultural productivity. These insights have since been used by the Government of Senegal to enable it to make more efficient decisions and effective policies that support progress towards the SDGs.

ACHIEVEMENTS

► This initiative built the institutional capacity of the Senegalese Government to access and use earth

observation and geospatial data to inform policy making and progress on the SDGs in three key areas:

- Agriculture
- Deforestation
- Water management.

► **Goal 2: Zero Hunger** — Satellite data was analysed to identify the characteristics of areas being used for agricultural activity across all 45 departments of Senegal. This decreased data collection time from five months to two, which allowed farmers to start selling crops earlier, thus reducing postharvest losses. It also helped the Government improve the distribution of drought-resistant crops to where they are most needed.

► **Goal 6: Clean Water and Sanitation** — Satellite data was used to provide insights into the extent and quality of Lake Guiers, which provides about 40% of the water consumed in Senegal's capital. Processed data from the ARDC allowed a rapid calculation of the rate of decline of water quantity over the last four years, helping to reduce the time needed to assess water quality from more than two days to half a day, and enabling a rapid response to protect Dakar's drinking water supplies.

► **Goal 15: Life on Land** — Satellite imagery was deployed to understand deforestation, focusing on areas affected by illegal logging, bush fires, and the clearing of land for agriculture. It identified locations where deforestation was particularly high over a much larger geography and far quicker than it would have taken through manual mapping, field surveys, and administrative records. This improves the understanding of the scope and drivers of deforestation and is supporting a more efficient targeting of resources to tackle it.

INVESTMENT

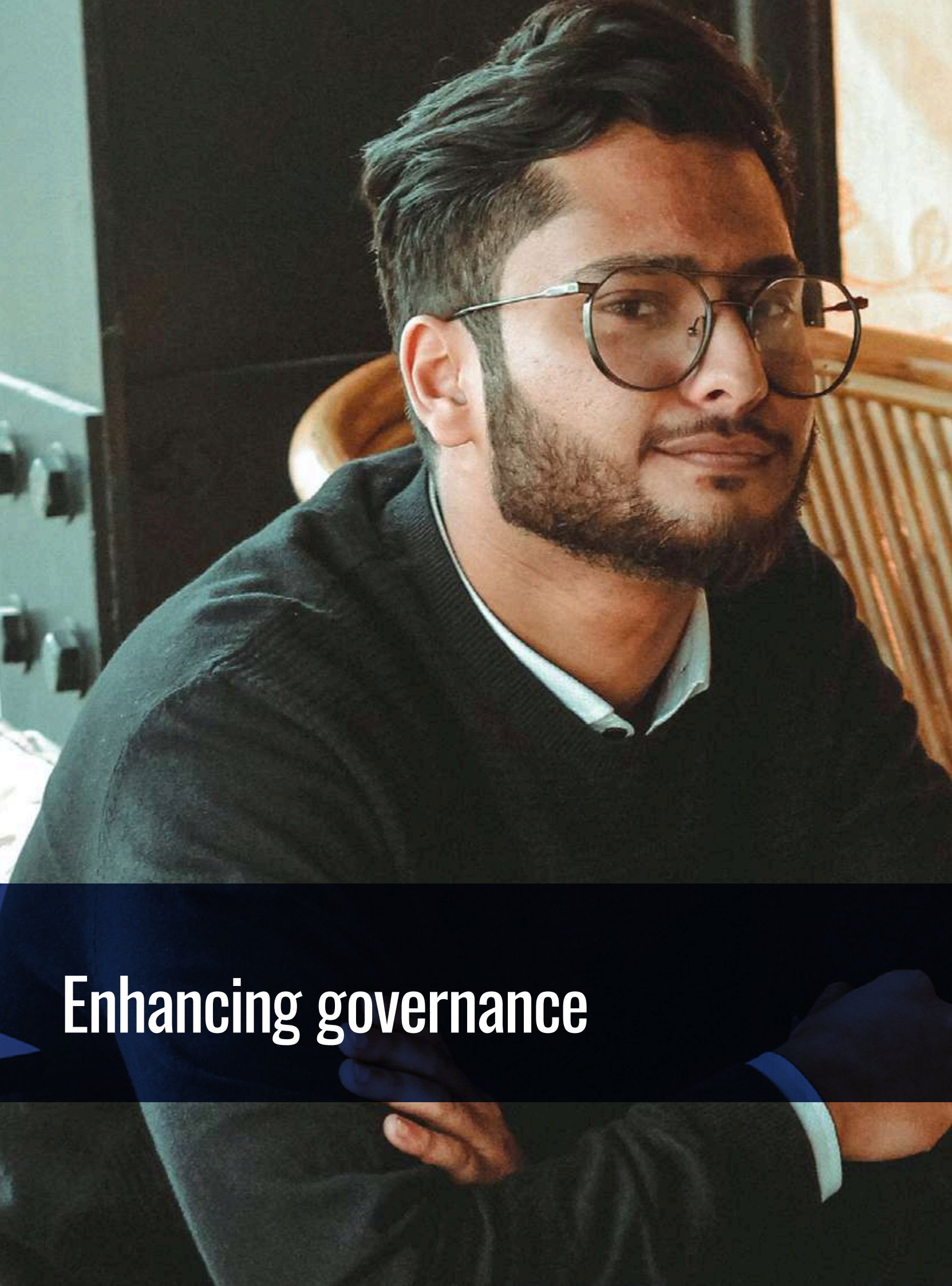
► The total budget for this programme was US\$ 72,855, of which the Global Partnership contributed 45% and IsDB 55%. The project took longer than originally anticipated, due to the COVID-19 pandemic and consequently, Global Partnership's contribution may have been higher.

SATELLITE DATA

Satellite data is analysed to identify the characteristics of agricultural areas across all **45** departments of Senegal

INFORMING POLICY MAKING
AND PROGRESS ON THE SDGs

**Agriculture, Deforestation,
Water Management**



Enhancing governance



Integrated Control Framework

The Integrated Control Framework (ICF) defines the mandates, rights, responsibilities, roles, functions and structure of the principal IsDB authorities based on a framework of single-point accountability

PURPOSE

- ▶ The new business model shifts IsDB towards a decentralised decision making framework whereby leaders at the second and third levels are empowered to make decisions while being accountable. This new model improves efficiency significantly and requires a strong ex-post oversight.
- ▶ Decentralised organisations need to build multiple lines of defence (i.e., from the field, to the middle/senior management, to dedicated independent oversight units, to board-level steering and external evaluation).
- ▶ In the absence of a comprehensive policy framework that defines how IsDB should strike such a balance while taking into consideration the steep transition away from centralisation, the organisation decided to introduce the ICF.

The ICF has improved controls, transparency in operations, and efficiency and effectiveness in service delivery

- ▶ The ICF aims to serve the following purposes:
 - To adapt IsDB's new governance model to the strategic vision of the 10YS and the P5P
 - To improve IsDB's strategic effectiveness by balancing efficiency gains with additional lines of defence
 - To facilitate IsDB's transformation from a centralised to a decentralised organisation.

METHOD

- ▶ Through single-point accountability, which is a global best practice in corporate governance, the ICF emphasises the clarity of responsibilities and the alignment of authorities with accountability.
- ▶ The ICF ensures the effectiveness of IsDB's governance practices by:
 - Defining the mandates, rights, responsibilities, roles, functions, and structure of the principal authorities of the BED and the Management with the operationalisation of the new business model through the adoption of a decentralised approach and the operationalisation of Regional Hubs (RHs) and Centres of Excellence
 - Updating governance documents, including the organisational manual, the organisation structure, BED committee charters, Management committee charters, the Delegation of Authorities (DoA) Matrix, and other key governance instruments
 - Facilitating and catalysing the development, maintenance, updating, monitoring and publication of policies.

ACHIEVEMENTS

- ▶ The achievements made under the ICF to date include:



- **Reconstituting BED committees** – The BED has established from among its members four new committees: Finance and Risk Management Committee, Operations and Development Effectiveness Committee, Governance and Administrative Committee, and Audit Committee. They all have a streamlined composition and a clear mandate to conduct in-depth assessment of their key focus areas
- **Reconstituting management committees** – IsDB established several management committees, namely: Executive Management Committee, Asset Liability Management Committee, Investment Management Committee Risk Management Committee, Operations Management Committee, APIF Management Committee, IT Steering Committee and Economic Empowerment Operations Management Committee
- **Operationalising RHs** – RHs are fully responsible and accountable for business development, delivery, revenue generation, resource mobilisation and branding in MCs and Muslim communities in non-MCs. In February 2018, field offices were transformed into RHs in eight MCs (Indonesia, Kazakhstan, Morocco, Nigeria, Senegal, Turkey, Egypt and Bangladesh) and new RHs were established in Suriname, Uganda and the United Arab Emirates, while Saudi Arabia, Palestine and Yemen are managed from the headquarters. The RHs in the United Arab Emirates and Malaysia were then transformed into Centres of Excellence. Currently, IsDB has 10 RHs and 2 Centres of Excellence
- **Updating the Organisational Manual and the Organisation Structure** – The Corporate Governance Section (CGS) publishes monthly updates to

the organisation structure in the Governance and Policy Portal. The CGS also periodically reviews the Organisation Manual

- **Updating the Delegation of Authorities Matrix** – The initial DoA was issued in January 2018. As a live document, it requires constant updating to reflect the ongoing changes in IsDB. For this reason, it has subsequently been comprehensively reviewed on several occasions to reflect the necessary authorities and to align it with the new organisational structure and manual. For instance, over 500 authorities have been delegated from the President to lower management layers
- **Updating policies and developing Policy Management System automation** – The President approved the Policy Management Framework (PMF) in 2017 to develop and update the policies required to enable the 10YS and the P5P. The PMF is currently reviewed to adapt it to the changing organisational structure and emerging needs. A new Corporate Governance and Policy Portal has been established to allow IsDB staff and BED members to access governance documents and approved policies
- **Introducing a Corporate Governance e-Learning Course** – A mandatory corporate governance e-learning course has been launched. This course, which must be attended by all staff members once a year, will help staff members understand IsDB's mandate, basic governance documents, membership, capital structure, organisation structure and governance structure
- **Managing authorised signatures** – The President approved the Authorised Signatory Book for Banking and Treasury operations, Investment Operations and Islamic Financial Services

Operations in October 2019. In collaboration with SignatureNet, IsDB launched its online platform for the management of authorised signatures in November 2020

- **Establishing the Administrative Tribunal** – A key milestone in the history of IsDB is the approval by all IsDB Group boards in September 2020 of the establishment of the IsDB Group Administrative Tribunal, expected to start work in the second half of 2021
- **Adopting a Code of Conduct for BED members** – The BED approved in April 2021 a new code of conduct which sets forth principles and ethical standards applicable to its members.

INVESTMENT

► The development and implementation of the ICF involves several IsDB units. For instance, IsDB established the CGS, a new unit within the Office of the Director General, General Counsel to oversee the rollout of the ICF over the past 3 years. Several platforms have been developed to improve controls, transparency in operations, efficiency and effectiveness in the delivery of services.

CHANGING ORGANISATIONAL STRUCTURE

The ICF works with the BED, Management and staff to facilitate the operationalisation of the new business model

Decentralisation: RHs bring IsDB Group closer to the field

By taking a more decentralised approach to its work, IsDB is helping its MCs to build their industrial capacity in a variety of ways that are appropriate to them

PURPOSE

- ▶ IsDB has long focused on meeting MCs expectations to help drive improvement on commonly tracked project execution metrics, including:
 - Quality at entry (from the date of project approval to the date of first disbursement)
 - Quality of implementation (avoiding delays during the disbursement phase).
- ▶ The identified issues carried significant implicit financial costs (opportunity costs) for IsDB. It was decided that a decentralised approach would be the most effective way to address these issues.
- ▶ One aim of decentralising is to reduce the length of the project lifecycle, which was on average 21 months. Expediting the project lifecycle to international standards is expected to accrue an annual financial benefit of US\$ 57 million. In addition, it enables IsDB to finance more developmental projects resulting from the faster asset turnover.

Through decentralisation, IsDB is committed to moving away from top-down actions in favour of interventions that address the root causes impeding sustainable growth in MCs

- ▶ By empowering RHs, the intention is to enable the independent execution of projects targeted specifically at meeting the needs identified in particular regions.
- ▶ Empowerment will bring such benefits as greater proactivity in project identification and preparation as RHs go through their project selection processes.
- ▶ Decentralisation initiatives are expected to improve the visibility of IsDB and significantly enhance the implementation of operations.

METHOD

- ▶ As part of the P5P, IsDB is implementing a decentralised operating model by enhancing local presence in MCs with the establishment of 10 RHs and two Centres of Excellence.
- ▶ The decentralisation of portfolio management from the Headquarters to RHs is changing the way IsDB does business, along with other structural changes, including:
 - Reduction in delays at various stages of the project cycle
 - Review and closure of inactive and nonperforming projects
 - Reduction in the amount of CUC.
- ▶ In encouraging a decentralised approach, IsDB is not forfeiting any of its traditional strengths or turning its back on established relationships with the governments of its MCs at Headquarters level. It will increasingly work with governments to jointly identify priority needs and opportunities in individual MCs and to leverage the resources required to produce much-needed changes.





- ▶ Although the operating costs of adopting a decentralised model are significant, it is expected that the potential financial benefits from improvement in project execution resulting from decentralisation will exceed the incremental operating costs associated with it.
- ▶ IsDB will undertake coordinated interventions that catalyse investments by private companies, philanthropic organisations, individuals, governments, non-governmental organisations and civil society organisations.
- ▶ The new focus on RHs empowerment reflects a shift in the planning processes of IsDB, as seen in IsDB's new IWP. The IWP has been introduced to replace annual programming exercises, thus allowing more time and resources for developing projects.
- ▶ IsDB is also carrying out dynamic programming exercises with the aim of enhancing the quality of the project pipeline.
- ▶ To bring services closer to MCs, IsDB has deployed procurement specialists in RHs.
- ▶ Given low procurement capacities in some MCs, affecting project implementation and delivery, IsDB has also organised capacity-building training for MC staff in ministries,

departments, executing agencies and project management units of IsDB-financed projects.

- ▶ To facilitate operational delivery in line with the GVC-based MCPS approach, IsDB will further scale up decentralisation initiatives in Regional Hubs during the period 2021–23.

ACHIEVEMENTS

- ▶ To date, significant achievements in decentralisation have been made, resulting in the successful delivery of 8 operational RHs that have improved the visibility of IsDB, spearheaded the delivery of the COVID-19 SPRP operations and improved the implementation of the regular operations portfolio in MCs. In this regard, 70% of all operations staff have already been posted in the field in RHs and the average portfolio age is expected to decrease significantly to 5.4 years by 2023 due to increased field presence.
- ▶ A digital portal launched in 2019 for all operational business processes has significantly improved staff awareness of the new business model and will drive the optimisation and reengineering of operational business processes in the COO Directorate.
- ▶ Three major corporate dashboards have been introduced to

track progress on decentralisation initiatives, operational targets and service-level agreements.

- ▶ Development and rollout of critical guidelines architecture related to decentralisation was completed in 2019, resulting in approval of six critical policies governing RHs management.

INVESTMENT

- ▶ The financial benefits far exceed the projected incremental costs from decentralisation, which comprise one-time set-up costs of US\$ 8.6 million and annual incremental operating costs of US\$ 13.8 million.
- ▶ Office facilities and IT infrastructure upgrade projects have been completed in all RHs within the budget allocated, with savings of US\$ 708,000.

**EXPEDITING THE PROJECT
LIFECYCLE TO INTERNATIONAL
STANDARDS**

**Financial benefit of
US\$ 57 million**

**ENHANCED DIGITISATION AND
SIMPLER BUSINESS PROCESSES**

**15% reduction in RHs'
operating expenses**

Fund Management Framework

IsDB has established a new Fund Management Framework to enhance its capabilities and become a trusted partner in the trust fund and special fund space

PURPOSE

- ▶ In 2019, an internal review of IsDB's administered trust funds and special funds led IsDB to launch an exercise to reinforce best practice, along with strong, transparent governance and operating arrangements and result-oriented management.
- ▶ In fact, it became clear that IsDB needed to enhance its capabilities in external fund management to demonstrate its credibility and develop a stronger competitive advantage in this space.
- ▶ As a result, it was decided to set up a new fund management framework in accordance with best practices and based on strong and transparent governance and operating arrangements.
- ▶ In establishing a best practice fund management framework, IsDB is scaling-up its efforts to mobilise off-balance sheet resources by bolstering its reputation as a trusted development partner and effective manager of third-party funds.

The Fund Management Framework will allow for easier access to external funds by building trust with potential partners, particularly in the Awqaf sector where the potential is huge and is estimated in US\$ trillions. It is a major enabler for the achievement of the P5P, in particular on its Funding, Linkages and Reinforcement pillars

- ▶ The initiative consists of mainstreaming the special funds and trust funds administered by IsDB into its strategies and business processes and providing IsDB with a transparent and comprehensive framework in line with the best practice for the establishment, administration and use of each special fund and trust fund.
- ▶ The purpose of the Fund Management Framework is:
 - To strengthen focus of the P5P on IsDB's strategic goal to deliver significant growth in off-balance sheet resources, enabling it to mobilise much greater levels of concessional finance for its MCs, whilst minimising financial risk to the IsDB Group. The P5P also emphasises the need for progressive change of the organisation from a development bank to a bank for development and developers. These ambitions can only be achieved by nurturing and expanding partnerships in the international development community, and pooling capabilities and resources to achieve common goals through fit-for-purpose funding vehicles
 - To ensure that funds are included in the mainstream of IsDB's business, and that the capacities and resources of the entire organisation are brought to bear in assuring the success and growth of IsDB's funds business
 - To instil practices that meet international standards and promote the engagement of development partners and sustainable results.
- ▶ For IsDB to build and sustain a competitive advantage in this space, as a trusted partner in a network of successful developers working at the cutting-edge of the field, it must consistently deliver results for the contributors to its existing and future special funds and trust funds,



at an acceptable level of risk and in line with the fundamentals of good governance.

METHOD

- ▶ IsDB's Fund Management Framework was approved by the Executive Management Committee in December 2019 and adopted by the BED in February 2020.
- ▶ The Framework includes both an operating and a governance framework with strong and transparent governance arrangements that will ensure that both existing and new funds are placed on solid foundations and will sustain the support of financial contributors over the long term.
- ▶ The Framework was developed in-house, with some TA from independent experts from Adam Smith International (a UK-based global advisory firm specialised in the development and delivery of programme and trust funds for bilateral and multilateral deployment) through a three-stage process:
 - A gap analysis of the existing IsDB-administered funds
 - Design of a robust framework, in line with international standards, that is tailored to IsDB's needs
 - A clear implementation roadmap, including an IT solution, to deliver effective and transparent management of all funds.

ACHIEVEMENTS

- ▶ The Fund Management Framework helps IsDB adhere to some key business principles:
 - Transparent and inclusive decision making, both within IsDB and in global and country partnership bodies and forums in which IsDB and its partners participate
 - Cost-effectiveness and value for money for financiers and beneficiaries alike, with a view

to ensuring the long-term sustainability and effectiveness of the funds business

- Risk-based management of funds (not seeking to avert all risks, but rather ensuring that the risks taken are acknowledged, calculated and managed)
- A commitment to the Paris Declaration in the management of funds, including country ownership and mutual accountability.
- ▶ Consistent delivery of results in line with strong business principles and international best practice will allow IsDB to capitalise on its experience, reach out to like-minded developers and enable the market to work for development.
- ▶ A clear and robust fund management framework is now a prerequisite of the due diligence process before an external financier is able to make any commitment to a fund. This initiative has delivered such a framework, and now provides a fundamental basis for discussion with potential partners in new funds.
- ▶ Benefiting from the approved Fund Management Framework as a basis of negotiation built on trust, a series of resource mobilisation initiatives targeting upwards of US\$ 1 billion are currently under development with partners.
- ▶ In accordance with the Fund Management Framework, the most significant IsDB-administered trust funds and special funds now have a robust Investment Policy Statement that helps ensure more effective investment management for superior risk-adjusted returns.
- ▶ Beyond these foundational achievements, completion of implementation across all funds is expected in 2021, with only some aspects related to the IT solution potentially extending into Q2, 2022.

INVESTMENT

- ▶ The approved Fund Management Framework document was developed at a cost of ID 120,000, out of a budget of ID 900,000 for full operationalisation of the framework. This level of expenditure is dwarfed by current resource mobilisation initiatives benefiting from it, which currently amount to more than US\$ 1 billion, including CWS, UNRWA, Muslim Philanthropic Fund with UNICEF, and IWIF.
- ▶ As IsDB moves into operationalising and embedding the full, comprehensive and robust external fund management service, offering good governance and transparency to all providers of finance – whether public or private, large or small – there is the possibility of unlocking huge potential, in particular in the Awqaf sector, measured in the realms of US\$ trillions.

THE FUND MANAGEMENT FRAMEWORK

The Framework's several resource mobilisation initiatives target at least **US\$ 1 billion**

PROJECT BUDGET

The Framework was developed with a budget of approximately **ID 120,000**

Disbursement Handbook developed

Managing the flow of large sums for the funding of programmes and projects is a crucial focus for IsDB. The Disbursement Handbook is designed to guide all concerned stakeholders with the objective of having one document that captures all the critical aspects related to disbursements

PURPOSE

► As IsDB embarked on the journey of decentralisation, the disbursement function was decentralised to the Regional Hubs as well, with the objective of improving disbursements and expediting project implementation. This decentralised approach required sound policies and procedures and greater harmonisation with the relevant internal and external stakeholders. Hence, a Disbursement Handbook was developed to address these important aspects.

► IsDB is continually growing the support available to its MCs. In 2019, it disbursed US\$ 2.98 billion for projects and grants, 16% higher than the amount disbursed in 2018, which was the highest level of disbursements made by the Bank. To ensure consistent value in its disbursement activities, IsDB is constantly working to yield better value for its funding programmes.

The Handbook is a compilation of disbursement policies, procedures and guidelines for all parties involved in the financial aspects of IsDB-funded projects

► Organisational improvements to boost efficiency and effectiveness as part of IsDB's new business model have addressed many aspects of the funding cycle, making funds go further and reducing costs.

► As part of this comprehensive approach, IsDB has prepared the Disbursement Handbook.

► With the objective of providing IsDB beneficiaries with clear and easy-to-use guidelines about disbursement policies and procedures, the Handbook:

- Focuses primarily on the critical steps that beneficiaries are required to follow in submitting withdrawal applications and in obtaining proceeds from financing or grant accounts, for the execution of projects and programmes financed either by or through IsDB
- Covers the processes required by IsDB for closing the relevant project or programme disbursement accounts, after project implementation
- Is intended to be read in conjunction with the relevant financing or grant documentation.

► The Handbook is designed to reduce delays at various project stages. It has already played a part in enabling the achievement of IsDB's 2019 disbursement targets and improvements in various portfolio quality indicators.

METHOD

► The Handbook plays an important role in ensuring continued improvement on all relevant metrics. It provides a summary of the disbursement policies, guidelines and procedures followed by IsDB and is an important reference tool for:

- Beneficiaries





- Executing agencies
- Project implementation units
- Co-financiers
- Suppliers
- Other external contracting parties involved in the preparation and implementation of projects and programmes financed by or through IsDB.

► It also contains advice on how to deal with co-financing from partners who have requested that IsDB assume responsibility for administration of project or programme disbursements.

► The policies and procedures outlined in the Handbook apply to sovereign and sovereign-guaranteed operations funded by IsDB (or IsDB-administered funds). These operations utilise proceeds from sources including:

- OCR
- ISFD
- Waqf Fund
- Special and trust funds.

Other donor-originated funds administered by IsDB

► The policies and procedures outlined in the Handbook apply to all Islamic mode financing extended by IsDB to beneficiaries, including grants financed or managed by IsDB. They cover matters such as:

- IsDB's general conditions applicable to sovereign-backed

financing, guidelines for procurement of goods, works and related services, and guidelines for procurement of consultants

- Services under IsDB's Project Financing, Project Financial Management or Integrity Policy, and IsDB's Anti-Corruption Guidelines.

► Other matters covered by the Handbook include:

- A broad overview of IsDB Group structure and organisation, with a particular focus on IsDB's operations to which the disbursement-related policies and procedures apply
- Aspects of IsDB's policies that relate to disbursement operations, including those covering critical financing-related project events such as suspension or cancellation
- The broad procedural contours of the four standard modes of disbursement at IsDB.

► The Handbook also features information about the main organisations relevant to disbursement operations of IsDB:

- ICD
- ICIEC
- ITFC
- IsDBI.

ACHIEVEMENTS

► The Handbook has enabled IsDB to achieve a significant reduction in delays at various stages of project implementation.

► Significant time efficiency was gained in disbursement request processing, from an average of 19 days in 2017 to only 7 days in 2020. This is primarily due to the decentralisation of disbursement-related functions under the P5P, as well as other initiatives such as the Disbursement Handbook, which has improved the overall efficiency of the process.

► An aspect of IsDB's funding cycle that has seen considerable improvement is the time from approval to first disbursement of funds. Between 2017 and 2019, IsDB reduced this by five months (from 24 months to 19 months), thus enabling recipients to begin seeing the benefits of funding much sooner.

► The greatest improvements were observed in water sector projects, where the time lag between the approval date and first disbursement date was reduced from 30 to 17 months, followed by the finance and agriculture sector projects.

INVESTMENT

► The Handbook's comprehensive focus on IsDB's disbursements has contributed to reducing the ratio of internal administrative expenses per US\$ 1 million disbursement to US\$ 50,000 in 2021 from US\$ 63,000 in 2018.

2019 DISBURSEMENTS

In 2019, IsDB disbursed
US\$ 2.98 billion
for projects and grants —
16% higher than in 2018

The Handbook and the new
decentralised disbursement
model have reduced the
disbursement cycle period
from 19 to **7** days

e-Disbursement Platform

IsDB has developed an integrated digital solution with its e-Disbursement Platform (EDP), an online platform to allow MCs to submit project disbursement requests electronically with an instant messaging functionality for internal and external project team members to collaborate directly

PURPOSE

► Enhancing and improving project implementation will always be a top priority for IsDB. The Bank is systematically endeavouring to reduce its ecological footprint by adopting environment-friendly best practices via digitisation. The EDP aims to fulfil these goals whilst enhancing the user experience of all stakeholders. The platform is designed based on the latest technology, allowing flexible mobile access. It also serves as a remedy solution for control gaps that are inherent in any manual process.

► IsDB is continually enhancing and improving its efficiency in processing disbursement requests from MCs. Significant time efficiency was gained in processing these requests, from an average of 19 days in 2017 to only 7 days in 2020.

The e-Disbursement Platform is an online service that allows MCs to submit disbursement withdrawal applications, monitor real-time status of payment requests and collaborate directly with project teams to resolve disbursement-related issues in a secure environment

► In 2020, due to the unforeseen disruption caused to mailing services, a temporary solution was developed, as an emergency measure, to validate withdrawal applications sent electronically. Given the risks inherent to such a mode, there was need for a more permanent solution streamlining the submission process with in-built system controls.

► During the period from 2018 to 2020, IsDB received an average of 5,045 disbursement requests per year. This entails an excessive number of hard documents as well as manual processing and storage space requirements.

► With the objective of constantly improving controls and time efficiency to process disbursements, the EDP:

- Will be the single point of entry for submission of disbursement requests, ensuring that all requests received are tracked and processed more efficiently
- Is fully integrated with IsDB internal Operations Management System (OMS) such that once the request is validated in the EDP, it will automatically trigger in the OMS a disbursement request with all documents attached
- Validates submissions before the project's disbursement closing date is reached.

METHOD

► The EDP plays an important role in the continuous improvement of all relevant KPI metrics. It will serve as a user-friendly interface to monitor and track real-time status of disbursement requests and collaborate directly with project teams to resolve disbursement-related issues in a secure chat environment.





► The EDP is an integral tool for authorised signatories to register official users who will submit disbursement withdrawal applications on their behalf as well as relevant finance and accounting staff from the Project Implementation Units who will respond to disbursement-related enquiries.

► A plethora of training materials has been made available to support users: a user guide, on-screen help menus and recorded video demos.

► The EDP is accessible in IsDB's three languages: Arabic, English and French.

► Continuous improvements are in progress and additional features for future releases are being designed.

► The new e-Disbursement platform will be piloted in Indonesia and Senegal end of June 2021. An accelerated stabilisation period

is planned for the rollout to the remaining MCs before the 46th Annual Meeting scheduled in September 2021.

ACHIEVEMENTS

- The EDP will achieve:
 - Greater control and governance, ensuring the tracking of every submission with the relevant audit trail of human and system processes from receipt to payment
 - Expedient collaboration with the instant messaging feature to accelerate resolving disbursement-related issues
 - Transparency, thanks to live status updates on withdrawal applications submitted by MCs.

INVESTMENT

- The EDP's comprehensive focus on the end-to-end disbursement process will:

- Reduce direct cost of courier service to the MC and the project
- Minimise delays in receiving disbursement requests by up to 5–10 days, in some cases
- Reduce the cost related to temporary storage and permanent archiving of physical documents
- Reduce processing time and manual tasks to scan and upload physical documents into the ERP system.

DISBURSEMENT REQUEST PROCESSING

From an average of **19** days
in 2017 to only **7** days
in 2020

Reform package for the Waqf Fund

In 2017, IsDB's Management commanded a report that conducted a comprehensive assessment of the status of IsDB Waqf Fund, leading to improvements in the Fund's sustainability

PURPOSE

- ▶ In its efforts to align with best practice in endowment management, IsDB commissioned a study to ensure the long-term financial sustainability of the Waqf Fund.
- ▶ The recommendations are to:
 - Optimise returns by enhancing the proposed investment policy statement
 - Reinforce transparency with an improved reporting mechanism
 - Optimise spending through prudent spending policy and guidelines
 - Establish responsibility and single-point accountability by revamping the governance structure
 - Optimise resource allocation by revisiting the business model

Several positive outcomes have been achieved as a result of IsDB's investment in a formal study of its Waqf Fund, including the enhancement of the Fund's long-term sustainability

- Ensure financial sustainability through a robust financial projection model and strengthening the budgeting process
- Drive change management through workshops with required stakeholders.

▶ The key programmes and initiatives of the Waqf Fund include:

- Islamic Development Bank Institute (IsDBI)
- Adahi project for the utilisation of Hajj sacrificial meat
- Special assistance to Muslim communities in non-MCs
- STI
- Scholarship Programme.

▶ An effectively managed Waqf Fund would result in scaling up the above programmes and enable IsDB to use the Fund as a new source of concessional finance for the benefit of MCs such as the following from IsDB's 2020 work programme:

- Smart Economy Initiatives: Aiming at knowledge-driven economic transformation
- Capacity Building Programmes: An initiative for future knowledge leaders
- Knowledge Creation Programmes: Developing the requisite enabling environment for Islamic finance
- Knowledge Dissemination Programmes: Enhancing IsDBI's visibility as a knowledge leader in Islamic finance.

METHOD

▶ A comprehensive report, the 'Technical Study and Recommendations on the Way Forward', was carried out over several months, comprising analysis and discussions with various stakeholders regarding all aspects detrimental to the Waqf Fund's financial sustainability. An external consultant was hired for this





purpose, with the objective of providing an independent review of the challenges.

ACHIEVEMENTS

- ▶ A number of outcomes have been achieved as a result of the investment in the formal Waqf Fund Study, including the creation of:
 - Investment policy statement and asset transition plan
 - Spending policy and guidelines
 - Waqf Fund governance
 - Assessment framework for activities supported by the Fund
 - Disclosure guidelines and templates.

INVESTMENT

- ▶ The findings of the report resulted in the implementation of a series of recommendations, which has helped to improve the financial and governance-related aspects of the Waqf Fund.
- ▶ The study cost less than US\$ 1 million and resulted in a series of recommendations, including:

- A change of functional currency from ID to US\$ to minimise currency risk, enhance profitability of the Fund and comply with new Investment Policy objectives
- Establishment of a Board of Trustees Charter, with clear guidelines and objectives to be achieved and with a focus on the strategic, operational, financial and performance management of the Fund
- Development of the Waqf Fund Investment Management Committee to maintain oversight and review all investments in the Fund assets
- Development of a protocol to define the allocation of the Fund's attributable net income among its three distinct accounts
- Development of a spending policy to formalise the spending decisions of the Fund and to define spending rate, rules and regulations. The policy includes detailed spending guidelines for the grants and administrative costs associated with the programmes supported by the Fund.

- ▶ Although the Waqf Fund's spending needs to be curtailed further, the study has made the Fund relatively more sustainable.

WAQF FUND REFORM

The current spending of the Waqf Fund fell by **59%** after implementing the study's recommendations

The reform has reduced the Fund's spending by **US\$ 23 million** compared to the past few years



Environmental, social and governance risk ratings

In recent years, ESG-related risks have emerged as key focus areas of risk management. IsDB is committed to playing a leading role in helping its MCs to manage and mitigate these risks

PURPOSE

- ▶ To tackle the enormous challenges presented by climate change hazards, leading financial institutions (FIs) have committed to various global standards, including:
 - The United Nations' six Principles of Responsible Investment (PRI)
 - UNEFP-led initiative on Principles of Responsible Banking
 - The Paris Agreement (with 189 signatories as of February 2020)
 - The Task Force on Climate-related Financial Disclosures recommendations.
- ▶ The industry has adopted various approaches to identification, quantification, mitigation and control of ESG-related risks. Markets have developed various mechanisms to manage their exposure and move towards ESG-compliant financing and investments.

Recommendations by the Task Force on Climate-Related Financial Disclosures have received support from over 1,500 organisations globally, with market capitalisation of US\$ 12.6 trillion, and FIs responsible for assets worth US\$ 150 trillion

- ▶ MDBs are aligned with ESG initiatives as these are directly linked with the SDGs and best practices.
- ▶ IsDB has initiated the necessary steps to implement climate-related best practices in its business operations for sustainable development of its MCs.
- ▶ IsDB aims to ensure that all components of identifying, measuring, mitigating and monitoring ESG risk-related factors are adequately captured, managed and reported in IsDB's internal credit rating models. This will:
 - Ensure that IsDB's portfolio remains climate-friendly while maintaining quality in line with the highest ratings requirements
 - Facilitate better access to market funding and boost the achievement of relevant SDGs for the benefit of MCs.

METHOD

- ▶ Within IsDB, governance is formalised by policies on environment protection and climate change, as well as by social safeguards for IsDB-financed and -invested projects, together with the adoption of ESG-related disclosure requirements.
- ▶ Strategy is formulated by considering the risks and opportunities related to ESG issues and their impact on business decisions and financial planning.
- ▶ Risk management is strengthened by applying quantitative modelling for identifying, measuring, mitigating and managing ESG-related risks at transaction and portfolio levels.
- ▶ Targets and benchmarks are set and analysed for IsDB's management to track performance and take informed





decisions. The overall approach and methodology applied at IsDB revolves around four areas:

- Governance
 - Strategy
 - Risk management
 - Metrics and targets.
- ▶ From the risk management perspective, the ESG-related risks are integrated into credit risk assessment at transactional and portfolio levels.
 - ▶ The project-level approach to ESG-related risks comprises:
 - Identifying project-level ESG risks such as physical risks (acute and chronic) and transition risks such as legal, technology, market, reputation, etc.
 - Measuring project-level impact on revenues, costs and profitability after adjusting for the ability to adopt and mitigate.
 - ▶ An ESG-adjusted risk rating of the project is arrived at to make an informed decision.

- ▶ The transactional-level risk assessment is followed with portfolio-level scenario setting and stress testing to come up with the resulting impacts on financial performance of IsDB by considering ESG risks.

ACHIEVEMENTS

- ▶ Under the P5P, IsDB's policies and guidelines relating to ESG areas have been developed and approved in coordination with the Risk Management function.
- ▶ IsDB has appointed a renowned consultant to internally develop a project-level assessment of climate-related risks.
- ▶ IsDB has undertaken a review of its risk rating methodologies that will include an overlay for ESG-related risk, to arrive at a risk-adjusted rating of the financing operations portfolios covering projects, corporates, FIs and countries.

- ▶ It successfully launched its first Green Sukuk, which quickly became oversubscribed.

- ▶ An enterprise risk management programme was launched that includes tools for conducting scenario analysis and stress testing to capture the impact of ESG-related risks.

- ▶ Peer analysis was conducted with other MDBs about their approach to ESG risks.

INVESTMENT

- ▶ IsDB is expected to receive significant financial and non-financial benefits from its ESG initiative. Primarily, the intention is to maintain IsDB's access to larger financial markets in terms of resource mobilisation, by adopting ESG-related market best practices.

- ▶ ESG-related models will provide a proactive scenario and a stress testing-related approach to mitigate the related financial risks.

- ▶ MCs will benefit from IsDB support to highlight and suggest mitigations for ESG-related risks of projects.

- ▶ Under the P5P, resources have been allocated for risk management staff to undergo the necessary training for full implementation of an ESG-related framework at IsDB.

ESG METHODOLOGY — KEY FOCUS AREAS

Governance

Strategy

Risk management

Metrics and targets

COSO Framework

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a comprehensive, integrated framework that aims to improve the quality of financial reporting by focusing on corporate governance, ethical practices and internal control

PURPOSE

► As part of the P5P, IsDB prepared for COSO readiness throughout 2020. The initiative's main objective was to perform a detailed assessment of the existing internal control environment impacting IsDB's financial reporting and operational risks with a view to implementing the COSO framework for internal controls over financial reporting processes.

Once the framework is implemented, IsDB will be on par with the leading global organisations and MDBs

► Fully implemented by IsDB by the end of 2020, COSO has achieved the following:

- Created a system of effective internal controls that are a critical component of IsDB management, and a foundation for its safe operations
- Enhanced the control environment to effectively mitigate many financial reporting and operational risks, contributing to greater efficiency and effectiveness of IsDB's overall financial reporting and risk management activities
- Identified and mitigated potential control gaps in the internal control system over financial reporting
- Formalised and institutionalised internal control change initiatives
- Contributed towards sustaining the AAA rating.

► The foundation of every good COSO Internal Controls over Financial Reporting (ICFR) programme is a well-defined strategy that aligns with organisational priorities. It requires understanding how that chosen level of reliance supports broader goals. More mature ICFR strategies aim beyond basic compliance, supporting IsDB's corporate values and the P5P work programme and strategy.

METHOD

► IsDB took an effective risk-based approach which was a cumulative and iterative process, rather than following a more linear path.

► The project began with a planning and scoping phase, with identifying and understanding significant accounts, disclosures and assertions that present a reasonable possibility of material misstatement to the financial statements.





- ▶ A Risk Control Matrices (RCM) approach was applied to build awareness and individual accountability, focusing on business unit objectives, risks and mitigating controls.
- ▶ The COSO team obtained template approvals from the stakeholders and used these for developing RCMs across various processes established in IsDB.
- ▶ A Test of Design was performed to ensure that controls are designed appropriately and will prevent or detect risks of material misstatement in financial reporting or fraud.
- ▶ A Test of Operating Effectiveness was conducted to ensure that the controls were operating effectively during the financial year 2020.
- ▶ Gaps / improvement opportunities were identified in the existing control environment, providing management with recommendations to remediate the gaps along with providing alternative / compensating controls.
- ▶ All deficiencies / deviations were highlighted and analysed in a separate tracker to evaluate whether:
 - The nature of deviation is limited to a certain type of transaction
 - A lack of control owner competence has led to the deviation
 - Changes to the volume of activity and transactions have led to the deviation.

ACHIEVEMENTS

- ▶ Entity-level controls were documented based on the COSO principles.
- ▶ Proposed processes and controls for financial reporting and fraud risk were tested and implemented.
- ▶ Anti-fraud controls were developed and documented, and a permanent anti-fraud programme was established.
- ▶ A formal inventory of all processes affecting IsDB's financial results was carried out (i.e. from entity level controls to control activities).
- ▶ Process flows and key control tables were developed for all business processes affecting financial results.
- ▶ Recommendations were provided to optimise processes and controls and a gap analysis of financial controls was performed.
- ▶ Existing process flows and control tables were reviewed and updated to reflect process/system changes and improve the design of key processes and controls.
- ▶ An inventory of all IsDB applications in use affecting financial results (including end-user computing applications) was carried out, and key controls over those applications were documented.
- ▶ Improvements and enhancements in IT application controls were proposed.
- ▶ A methodology, work programme, operational procedures and templates for self-assessment were developed, together with an ongoing audit of the controls in terms of their design and effectiveness.

- ▶ A staff training programme on ICFR was developed to ensure the effective operation of the controls.

INVESTMENT

- ▶ Investments were made in terms of:
 - Formalised and institutionalised system of effective internal controls
 - Improved internal controls which will allow IsDB to better mitigate financial reporting risks and access the data necessary to support sound financial decision making
 - Positive attention from sukuk investors, making IsDB more attractive for these investors and better prepared for sukuk issuances and international rating reviews
 - Documented risk control library, Key Risk Indicators (KRI), ICFR methodology and detailed gap report
 - Further enhancements to IsDB's integrity and ethical values
 - The appropriate levels of management to be held accountable for their internal control responsibilities in the pursuit of P5P objectives.

SCOPE OF IMPLEMENTATION

8 Functions

150 sub-processes

800+ risks documented

200+ gaps identified as part of Phase I

150+ gaps remediated / compensating controls

100+ IT remediations

Enterprise Risk Management Programme

IsDB has created a comprehensive roadmap to strengthen its risk management capabilities by implementing integrated, advanced risk and financial management tools and solutions to enhance analytics and preserve financial sustainability and long-term resilience for the benefit of its MCs

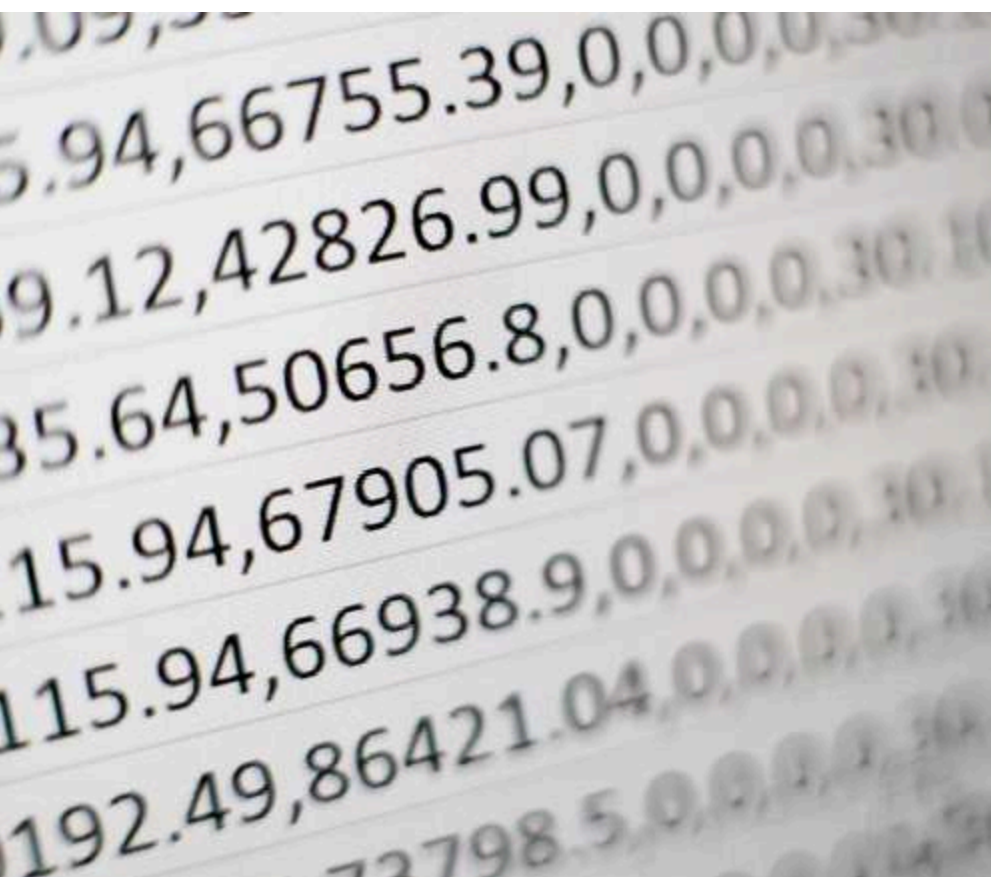
PURPOSE

- ▶ Becoming a developer-focused institution is at the core of IsDB's new business model and P5P. Successful implementation of this requires an agile risk management framework and architecture supported by enhanced analytics. IsDB has therefore commenced the ongoing implementation of an Enterprise Risk Management (ERM) solution as one of the key initiatives of the P5P.
- ▶ The ERM programme requirements are based on IsDB's risk management architecture, which has two pillars:
 - Capital adequacy management
 - Liquidity and balance sheet management.

The project involves multiple business stakeholders, vendor product solutions, and integration with IsDB's existing systems and platform, relying critically on accurate data and integrated reporting

METHOD

- ▶ Both pillars require a robust enterprise-wide stress-testing framework to manage emerging or unforeseen risks and vulnerabilities, in addition to a financial and risk-reporting dashboard that can inform proactive decision making.
- ▶ The ERM programme comprises:
 - An integrated risk and finance DataMart
 - Financial projection model
 - Advanced asset liability and proactive profitability management
 - Risk and financial analytics
 - Risk reporting
 - Economic capital calculation
 - Enterprise-wide stress testing solution
 - Dynamic finance and risk management dashboard.
- ▶ Successful implementation of the ERM solution is expected to strengthen IsDB's data governance and enhance financial and risk management capabilities, resulting in long-term financial sustainability.
- ▶ The selection of the ERM solution vendor was conducted via a comprehensive request-for-proposal preparation, vendor due diligence, evaluation and selection with the support of a specialised external consultant.
- ▶ The broad nature of the project, involving multiple business stakeholders, vendor product solutions and integration with IsDB's existing systems and platform, is an extremely complex undertaking, critically reliant on accurate data and integrated reporting. As such, it demands the alignment of stakeholders, vendors and IT, as well as tight control of interrelated processes such as project management, business processes, data governance,





change management, quality control and commercial considerations.

► To ensure smooth implementation of the ERM programme, IsDB has operationalised a detailed project governance structure with several delivery streams and defined roles and responsibilities for each of the participants across various stakeholders under the supervision of a high-level steering committee.

ACHIEVEMENTS

► The ERM programme is at an early stage of implementation. Upon completion, it will deliver an integrated risk and finance DataMart along with advanced Asset Liability Management, capital management and a financial projection system and analytics.

► Milestones achieved so far include the following:

- Finalisation of technical scope and signing of contracts with the selected vendor
- Establishment of the ERM project governance, comprising steering committee, project director, project management office and project teams
- Automation of IsDB's internal rating models
- Development of customised Loss Given Default models, the methodology of which was also presented to the Global Emerging Market Risk Data Consortium, an initiative of the of the leading MDBs
- Implementation of IFRS9/FAS30.

INVESTMENT

► In order to ensure that adequate investment is made for this crucial

initiative, the BED and management have made available the required budget and resources. Once the solution is implemented, the potential return is expected to far outweigh the underlying costs.

ISDB RISK MANAGEMENT ROADMAP

Balance sheet management

Liquidity risk

Capital adequacy management

Financial projections

Enterprise-wide stress testing

New Investment Management Framework

A key component of the President's Five-Year Programme is forging IsDB investment arm into an alpha-generating fiduciary asset management function to manage the capital resources of IsDB-related funds and the OCR equity portfolio

PURPOSE

- The shift towards a new Investment Management Framework is characterised by the adoption of a fiduciary asset management model for managing the capital of IsDB-related funds, as stipulated by the P5P. This shift imparts greater transparency to the objectives of IsDB's investment arm and ultimately ensures a focus on delivering superior risk-adjusted returns to enable greater operational spending.
- The Framework will contribute to de-risking IsDB's balance sheet and aims to improve investment returns in line with global benchmarks.
- IsDB developed new investment policies to enhance strategic asset allocation, bearing in mind diversification factors by managing risk. The policies paved the way for new investments in growth asset classes using external fund managers, introducing better investment governance processes and aiming to deliver superior

IsDB's investment arm has a renewed business model in managing investments of IsDB trusts, endowment funds and the OCR equity portfolio with the objective of achieving superior risk-adjusted returns, contributing to IsDB's broader mission and the P5P in all investment-related matters

return, thus improving the IsDB-related fund net income and subsequently the operations headroom.

METHOD

External fund managers

- The investment policy statement of each fund will include multiple asset classes, each having sub-classes, that will allow the overall portfolio to reach an efficient level of diversification. This means that when choosing an asset class and constructing a portfolio, care is taken to allocate an appropriate risk budget and to be clear on the source of risk i.e. market, credit, sector etc.
- Within each asset class, a portfolio of multiple external fund managers (with different investment strategies, investment styles, risk factors, geographies, sectors and currency exposures) will be constructed. Both the first and second level are the remit of IsDB. A third level of diversification is for each external manager to construct a well-diversified portfolio of securities to fulfil their investment mandates. IsDB will search for best-in-class external fund managers. This process is a lengthy one of due diligence, analytics and manager meetings to garner sufficient confidence in the ability of the fund manager to achieve IsDB's investment goals. So far, IsDB has executed two major individually managed accounts (IMAs) with Franklin Templeton (STI Transform Fund) and Cambridge Associates (Waqf Fund).
- IsDB selected Franklin Templeton to manage a substantial part of the STI Transform Fund. This was done through a rigorous request for proposals (RFP) and due diligence process. Franklin Templeton was mandated to manage a multi-asset portfolio



comprising a global equity smart beta strategy, a private equity growth strategy, a broad sukuk strategy and a low-duration sukuk strategy. So far, the project has achieved positive returns, both relative to the benchmark portfolio and in absolute terms.

► IsDB selected Cambridge Associates as an Outsourced Chief Investment Officer for the Waqf Fund. Cambridge Associates will manage a large part of the Waqf Fund by constructing a portfolio through best-in-class fund managers in the public equity, Real Estate Investment Trust and Shariah-compliant Fixed Income space. The mandate will see Cambridge Associates appoint passive and active public strategies, combining both separately managed accounts and co-mingled fund vehicles to meet the return objectives of the Waqf Fund.

► INV has selected world-class asset managers and top-tier fiduciary managers to implement the overall IsDB-related fund investments portfolio using innovative open architecture, with respect to cost optimisation and superior return objectives.

► To enable the asset management model, IsDB has procured global custody and reporting services for the Waqf Fund, Pension Fund, and ISFD. This project culminated in appointing two global custodians, HSBC and SocGen, for the safekeeping and servicing of assets of the Funds as well as other required services relating to compliance, accounting and reporting.

► With both HSBC and SocGen on board, IsDB will be able to ensure access to global markets and encourage a high quality of service—a key consideration in enabling the strategic shift towards the asset management model. Specifically, with the global custodian on

board, IsDB can rapidly scale up its investment operations capabilities to match the substantially more complex back-office operations required to support active, globally diversified investment strategies employed by EFMs. Further, the custodian banks provide IsDB with analytic and reporting functionalities for portfolio monitoring and evaluation, namely performance attribution, risk reporting, compliance, and fund accounting and reporting services.

► IsDB followed a prudent and meticulous procurement and selection process in the hiring of the global custodians. Thomas Murray, a custody procurement specialist advisor, was appointed to manage the RFP process. INV convened a bid evaluation committee, with representatives from all the relevant departments (FCD, RMD, IMDT and Treasury), to evaluate and select the global custodian.

ACHIEVEMENTS

► IsDB has successfully developed the investment policies of Waqf Fund, Pension Fund and ISFD. Strong investment policies are now in place for all the funds and are now being implemented.

► The reform package of the Waqf Fund has been pushed forward with the appointment of Cambridge Associates, who will deliver on the terms of the IMA and achieve superior returns for the Fund.

► IsDB successfully implemented a multi-asset portfolio for the STI Transform Fund. This first-of-a-kind project for IsDB has seen it procure a global custody solution for the STI Transform Fund from Standard Chartered that enabled the investment of the endowed capital of the Transform Fund with Franklin Templeton. The investment performance in 2020 is encouraging

and IsDB is on track to achieve the medium-term return objective of the Fund.

INVESTMENT

► IsDB will be able to boost returns on the investments of all the related funds (ISFD, Waqf, Pension Fund and STI) and the OCR long-term equity portfolio, unlocking additional resources to deploy in IsDB operations. In this regard, IsDB set a medium-term target of 6% for the STI Transform Fund with existing endowed resources of US\$ 100m. That translates to an average US\$ 6m annual operations envelope in support of STI start-ups and proof of concept funding in MCs. The ISFD has set similar target returns and with US\$ 1.5 billion earmarked for investments, an average of US\$ 95m of resources will be available for the concessional window of IsDB, which will be used to alleviate abject poverty in least developed MCs.

► The new asset management model will provide an additional quality assurance for donor partners to bolster the resource mobilisation efforts of IsDB. This reflects the P5P objective to increase off-balance sheet financing.

ISFD TARGET RETURNS

US\$ 1.5 billion

are earmarked for

investments and an average of

US\$ 95 million

of resources will be available

to alleviate abject poverty in

the least developed MCs

Business Continuity Management Framework

IsDB practices business continuity management as a comprehensive process that highlights possible threats and their impact on business operations, leading to the development of organisational resilience through suitable responses and impact mitigation. A central aim is to protect both stakeholders' interests and IsDB's reputation before, during and after crises

PURPOSE

► Business continuity management (BCM) is integral to the implementation of the P5P and is defined as an operational framework that seeks to:

- Understand IsDB Group's critical and core activities and staff in order to maintain the capability to resume operations within agreed timeframes, following the deployment of a contingency planning response
- Increase resilience by protecting personnel and critical assets and data (electronic and otherwise) through a coordinated approach to management and recovery.

► The key objectives of the BCM as an enabler to the P5P are to:

- Maintain, develop and review BCM, business continuity plans (BCP), Business Impact Analysis (BIA) and the Information Technology Disaster Recovery (IT DR) plan and to utilise the already completed achievements made in this regard
- Ensure that IsDB Group Headquarters and RHs have knowledgeable,

The main purpose of BCM is to improve organisational resilience through robust plans to respond to, manage and recover from any sudden disruption of business

experienced and effective business continuity (BC) teams through BCP exercises and testing, including the IT DR Plan

- Embed BCM within the organisation and create an ethos whereby building resilience and mitigating vulnerability are regarded as aspects of normal business process under strategic direction
- Increase risk awareness and horizon scanning
- Define roles and responsibilities of departments and individuals in case of emergencies.

METHOD

► The main function of BCM in the IsDB Group is to improve organisational resilience through robust plans to respond to, manage and recover from any sudden disruption of business due to events such as natural disaster or terrorist or criminal attack, including cyber-attack, and to:

- Maintain/upgrade rating and strengthen credibility with clients and partners
- Assess the risk of emergencies and use this to inform contingency planning
- Put in place emergency plans
- Make information available to staff concerning protection, and maintain arrangements to warn, inform and advise in the event of emergency
- Share information and cooperate with local and international agencies to enhance credibility, coordination and efficiency
- Provide advice and assistance to businesses and partner organisations about BCM
- Ensure the safety of staff, visitors and the local community in the Headquarters building and RHs' premises well managed response activity.





ACHIEVEMENTS

- To date, the following achievements have been made:
 - The BCM Standing Committee was established, comprising IsDB Group management members
 - BCM Steering Committee was established, comprising all IsDB Group entities' representatives and reporting to the IsDB Group BCM Standing Committee
 - The BCM strategy was approved
 - The BCP was updated in cooperation with a best-in-class consulting firm based on a BIA document
 - An IT disaster recovery plan and site were put in place
 - Several internal disaster drills were undertaken in the buildings of the IsDB Group HQ
 - The BIA document was

- thoroughly reviewed and updated by BCM Task Force and approved by IsDB Group management
- The Risk Assessment document was reviewed and updated by the IsDB Risk Department and the BCM Task Force members, and approved by IsDB Group management
- The Logistic Crisis Guide, Crisis Communication Guide and disaster recovery documents were reviewed and updated by the BCM Task Force and approved by IsDB Group management
- IsDB's Human Resources Management Department issued a notification requiring all IsDB staff to update their personal information
- BCM Task Force members were trained in BCM, with all of trainees certified to ISO 22301

- IsDB Group critical staff and alternate critical staff were nominated
- A fire drill and a BCM declaration took place in June 2019, in which critical staff moved to the designated alternate business site to resume business transactions
- Contract was made with SOS company to facilitate travel advice, security support and medical evacuation of international staff.

INVESTMENT

- IsDB's investment in developing its BCM strategy is crucial to enabling IsDB to continue its operations in the event of a major incident and ensure, as far as practicable, that critical processes and resources are recovered before their non-performance threatens the long-term security of IsDB. The aim is to:
 - Maintain the reputation and credibility of the organisation
 - Complement the IsDB Group Risk Management Framework by identifying and planning for high-impact scenarios where BCM is the appropriate risk mitigation strategy
 - Provide a framework of management and decision making that will result in an agreed recovery programme that will minimise the impact of the event.

ORGANISATIONAL ETHOS

Building resilience
and mitigating vulnerability
should be regarded as aspects
of normal business process

Modernisation and total quality management of shared administrative services

As a major multilateral development bank active in 57 countries, IsDB needs a highly reliable and efficient support infrastructure. IsDB's shared administrative services play a crucial role in having an agile organisation that responds to emerging global trends

PURPOSE

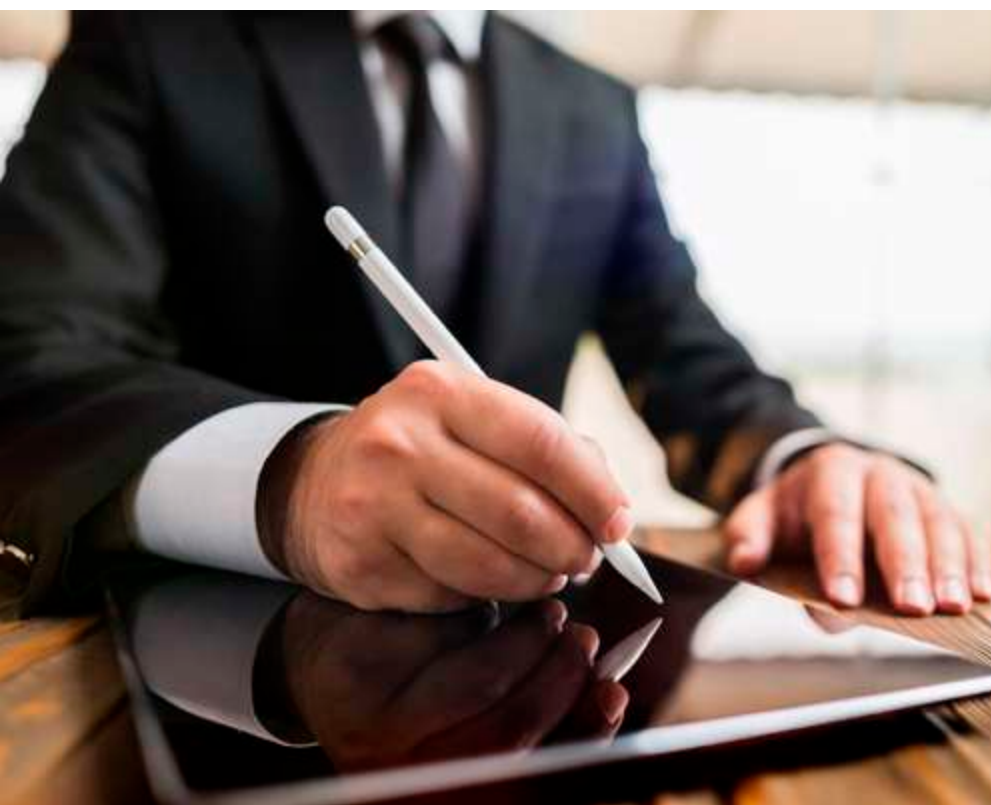
- ▶ Building an agile organisation underpins many of the key achievements of IsDB with regard to the P5P. One of the P5P objectives is building competency through efficient delivery of services to all internal business units that are, in turn, facing external clients.
- ▶ As such, IsDB has embarked on several initiatives to enhance competency in recent months. One of these is the implementation of a Total Facility Management (TFM) Contract that aims to streamline IsDB's services and improve the quality of existing facility services, while reducing total costs at IsDB headquarters (HQ).

During the COVID-19 pandemic, IsDB arranged for the successful return of 223 stranded staff members and their dependents from 29 countries

- ▶ Features of the TFM Service, which enables comprehensive facility services through a single-source service provider, include:
 - A 24/7 helpdesk service
 - Contractor performance monitoring
 - KPI implementation and management
 - Spare parts and warehouse management
 - Customer support
 - Quality Management System [ISO] audits
 - Auditing of building structure with visual inspection and full structural investigation, using an Oracle system to manage the work
 - Supply, operation and maintenance of photocopier machines and production machines for bulk copies
 - Hospitality services at HQ and other premises.

METHOD

- IsDB has enhanced and updated many of its administrative policies and procedures to align with the objective of reinforcement, as outlined in the P5P. Policies and procedures that have been approved, developed or enhanced so far include:
- Implementation Policy for Fixed Asset Management, which manages all fixed assets under IsDB's control through each phase of their lifecycle in an effective, efficient and economical manner
 - Approved Revised Corporate Procurement Policy, which complies with international procurement practices to deliver best value for money and highest standards of integrity and efficiency





- IsDB Business Travel Policy and Guidelines, providing guidance for IsDB staff to enable them to conduct business travel effectively
- Emergency corporate procurement procedures to respond to situations of emergency quickly and effectively
- The Safety and Security Manual, which has now been completed
- Back-to-office guidelines
- New Vendor Code of Conduct
- Records and Documents Management Policy
- Guidelines for the hiring of consultants and procurement guidelines for the RHs
- Disposables Policy
- Announcement guidelines
- Office space allocation guidelines
- Agreement with International SOS to provide travel advisory, medical, security and emergency support for staff during travel or international assignments
- A new SAP Travel Management System for RHs to enhance the business travel experience for all RHs.

ACHIEVEMENTS

A major area of focus for IsDB's administrative services in 2020 was the COVID-19 pandemic and its implications for IsDB staff and infrastructure. Actions and initiatives taken in response to COVID-19 risk include the following:

- Providing 2,000 staff with health kit, including 20 thermal screening devices for use by trained staff
- Disinfection and spraying of premises on three occasions, awarding this project to a specialist company
- Replacement of IsDB's main entrance doors, switching from a manual system to automatic sliding doors
- Requesting in-house operations and maintenance contractors to identify their critical staff working within IsDB and imposing strict conditions for their presence
- Organising PCR tests for staff staying in IsDB's shared accommodation

- Conducting health and safety precautionary awareness training for critical staff after the quarantine period
- Arranging office cleaning kits with cleaning instructions and drinking water bottle cartons for critical staff on site
- Deep-cleaning activities by all inhouse housekeeping contractors
- Sanitising all surfaces, including elevators and copy machines, along with parking areas, mechanical rooms and other communal areas
- Daily visit of engineers to IsDB facilities to check the preparedness programmes and ongoing projects.

INVESTMENT

► IsDB has implemented a 'Procure to Pay' solution, which streamlines the whole procurement process right up to the payment stage. It covers strategic sourcing, contract management and supplier management within a single comprehensive solution on SAP Ariba.

► To improve efficiency and speed of response, the Administrative Services Department has automated all its process and services, in addition to fully digitising the payment process using DocuSign and PDF electronic signature.

RESPONSE TO COVID-19 RISK

Providing **2,000** staff
with health kit, including **20**
thermal screening devices for
use by trained staff



SHAPING NEW FRONTIERS

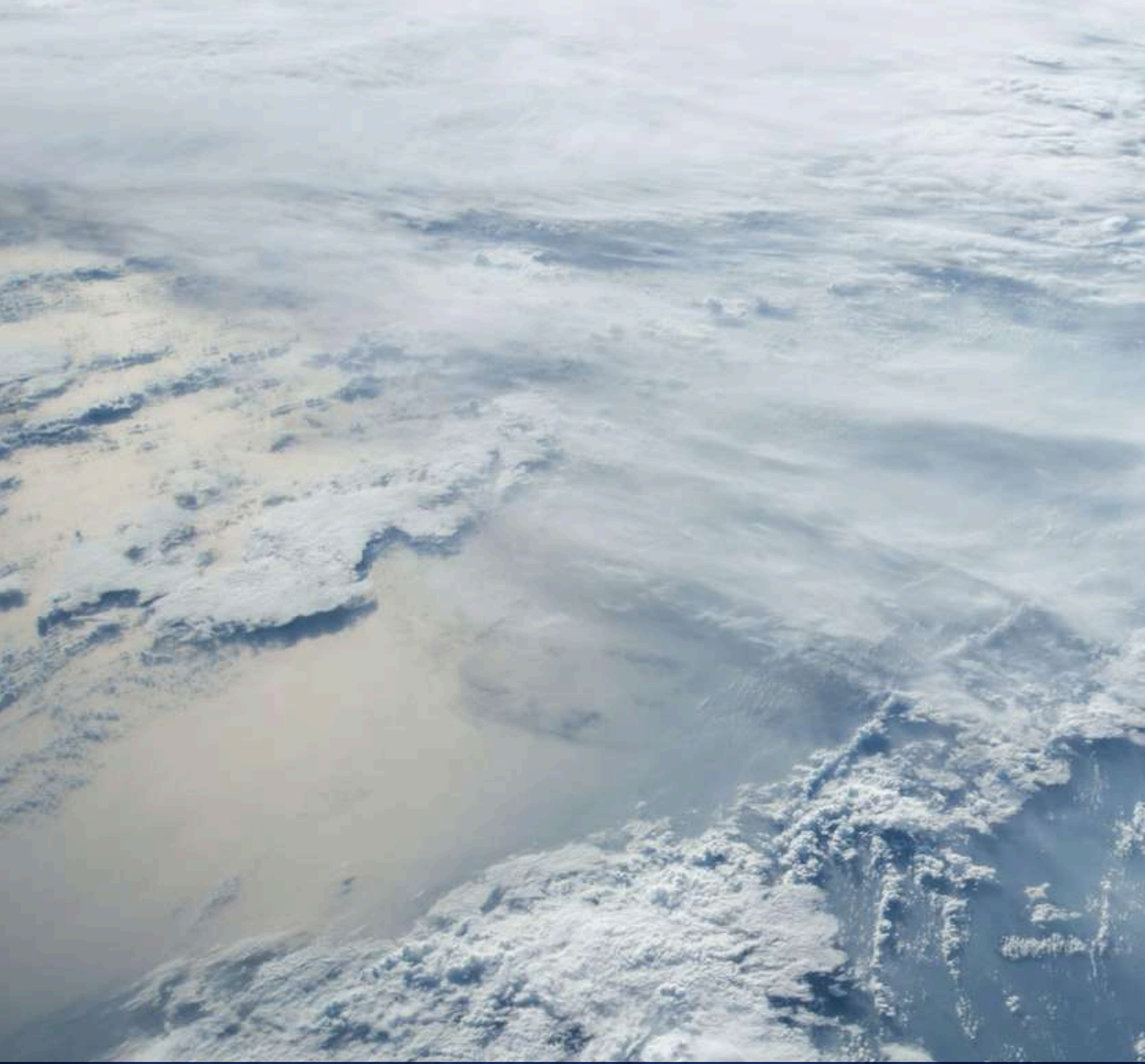


Introduction

Our MCs will face a multitude of tough decisions in the coming years in response to major challenges. One of these is the need to cater for a growing youth population, projected to increase by 100 million between 2015 and 2030, with a pressing need to find ways to cope with a worsening trade deficit in 22 out of 25 industries.

Various factors exacerbate this problem, not least the implications of the fourth industrial revolution, an estimated SDGs financing gap of US\$1 trillion annually that dwarfs the available annual global Official Development Assistance funding of US\$135 billion per year, and the outbreak in 2020 of the COVID-19 pandemic, which has challenged even the capacities of the world's richest and most stable nations.

In response to these challenges, IsDB's new business model introduces a completely revamped country engagement standard. It is based on building industry-led global coalition networks aimed at enabling orchestrated re-globalisation at an unprecedented scale, thus shaping new frontiers for sustainable growth in MCs.



Global







Reglobalisation: IsDB's strategic positioning for the G20

Two important events marked the year 2020: IsDB was invited to the G20 as a 'regional organisation' under the Presidency of Saudi Arabia, and chaired 2020 Meetings of the Heads of MDBs

PURPOSE

- ▶ The year 2020 marked a key milestone for globalisation, forcing the world's nations to make an important choice: to deglobalise or to reglobalise. In light of the steady increase in the population, with at least 40 million young men and women annually entering the job market, and the acceleration of structural challenges as a result of the fourth industrial revolution and the COVID-19 pandemic, the world sits at a crossroad with major trade-offs to make.
- ▶ IsDB introduced to the G20 a new strategic orientation that aims to create a feasible pathway for reglobalisation to make globalisation more resilient, smarter and more inclusive. It demonstrated how resilience in GVCs can be achieved while maintaining optimal efficiency. By capitalising on the intrinsic comparative advantage of developing countries, global markets can have alternatives that are

The G20 concluded its Leaders' Summit in November 2020, and IsDB participated in over 120 meetings across all working groups under both Finance and Sherpa tracks, including all meetings of finance ministers and central bank governors

efficient in times of crisis. This not only makes globalisation more resilient but also inclusive of nations that have been left behind historically.

METHOD

- ▶ IsDB enjoyed unprecedented opportunities to support and participate in critical discussions while presenting the advantages of its new business model.
- ▶ In December 2019, the Saudi Presidency of the G20, which is the main forum for international cooperation, invited IsDB to participate in its work under the theme for 2020: 'Realising opportunities of the 21st century for all'.
- ▶ In January 2020, IsDB assumed the chairmanship of the Heads of MDBs Meetings, a forum that brings together the 11 largest MDBs in the world and the International Monetary Fund.



- ▶ To enable its global engagement and advocacy work, IsDB dedicated resources to:
 - Advocate its mission and vision
 - Provide expertise on global topics and knowledge of developing countries' challenges
 - Foster improved coordination among MDBs in relation to G20 works
 - Build and develop strategic partnerships
 - Increase its global visibility and position itself as a world-class international organisation.
- ▶ With its intensive work during the G20 Saudi Presidency, IsDB developed and demonstrated significant capacity to contribute to the G20 agenda by conducting studies and surveys and providing expert opinion and recommendations to policy makers.



► IsDB stands ready to provide similar engagement whenever its MCs invite it to participate in future international meetings related to its mandate to support economic development and achieve the SDGs.

ACHIEVEMENTS

Experts from IsDB have made 58 interventions in 2020 G20 events and meetings and contributed to discussions with a total of 56 presentations and written submissions over the year.

- IsDB published four reports on leveraging key industries in the post-COVID-19 recovery.
- IsDB delivered three reports to the meetings of G20 finance ministers and central bank governors:
 - A stock-taking study on 'Best Practices of MDBs and Specialised Multilateral Insurers in Political Risk Insurance for Equity Investments, Medium, and Long-Term Debt Investments and other Insurance Solutions'
 - Two update reports on the operationalisation of country platforms following the 2020-adopted G20 Reference Framework for Effective Country Platforms in Somalia and Uzbekistan.

- Engagement of IsDB experts in 2020 G20 events also favoured positive outcomes such as:
 - The acceptance of IsDB's application to become an implementing partner of the GPFI, with participatory finance now represented through IsDB in this important forum
 - Strengthening of relationships with other international organisations in critical times, reaching agreements with key partners, including WHO, UNICEF, UNDP, UNOPS and the WFP
 - Active promotion of IsDB's recent initiatives, including the 3-R Programme 'Respond, Restore, Restart' to support MCs in their fight against COVID-19
 - Development of partnerships with organisations involved in the G20 and its engagement groups, including SEforALL, UN Habitat, the King Khalid Foundation, and the International Dialogue Center (KAICIID).

INVESTMENT

- IsDB invested in building strategic relationships with the G20 Saudi Secretariat and the chairs and co-chairs of working groups under both tracks as well as engagement groups and dedicated global experts to promote the priorities of IsDB MCs.

- An internal coordination framework facilitated strong participation of IsDB delegations to G20-related events.
- A clear process flow and templates were developed to support and guide IsDB Group delegates in their participation in G20 meetings and events.
- A reporting mechanism was established, allowing for compilation of feedback and outcomes of the meetings.



INTERVENTIONS IN 2020 G20

IsDB made **58**
interventions in 2020 G20
events / meetings and
contributed to discussions
with a total of **56**
presentations and written
submissions

A post-COVID-19 unifying vision for MDBs

The COVID-19 pandemic has triggered a significant global shift in economic, financial, social and health models, with profound implications on how MDBs operate

PURPOSE

► The unprecedented magnitude of the pandemic's impacts has jeopardised the economic wellbeing of citizens and institutions worldwide. It has also shown the lack of readiness of MCs to manage the anticipated scale of loss, both in population and financial terms.

► In this context, the role of MDBs is crucial in addressing the need to set up short-, medium- and long-term containment policy measures and regulations to pre-empt future multidimensional crises.

► In addition, most of IsDB's MCs will need to intensify investments in critical healthcare infrastructure and systems in the medium and long term. Areas for focus include:

Recent months have seen MDBs refocusing on the SDGs as they set new post-COVID-19 trajectories

- Quickly containing the rise in infected patient volumes
- Managing supply and demand proactively
- Creating contingency for local production facilities and critical medical equipment, including testing
- Providing adequate treatment.

METHOD

► The rapid reaction of the MDB community has already proved critical in managing and mitigating the COVID-19 crisis.

► In his capacity as the chairman of the Heads of MDBs meetings for 2020, IsDB President chaired a brainstorming session to chart the future of MDBs.

► Recent months have seen MDBs refocusing on the SDGs as they set new post-COVID-19 trajectories. In fact, MDBs are aware of the need to provide additional support to MCs to reposition them on the 2030 targets of the SDGs.

► Attainment of the SDGs at country level is affected by:

Micro-economic trends:

- Shift to online and digital purchasing
- Protect customers and employees from contracting or spreading COVID-19
- Flexible resource allocation
- Take advantage of the close supply stores
- Shift to value for money.

Macro-economic trends:

- Progressive shift to regional/national value chains
- Increase focus on improving health conditions
- Scale up financial resources towards health infrastructure investment.



► Both developed and developing countries urgently need large-scale funding to help maintain economic activity and jobs during the current pandemic. MDBs should:

- Collectively devise future adaptive strategies that will address an anticipated paradigm shift from MCs
- Be ready to fill the competitive technological opportunity gaps
- Envision new adaptive business models, with employee and consumer expectations fully integrated through proactive and affordable technological architecture.

► MDBs will need to invest heavily in digitisation in the following areas:

- Fintech solutions that can reduce costs of doing business, increase efficiency, allow firms and individuals to transact seamlessly and instantaneously, and enable a deep personalisation of financial services
- E-learning, e-commerce, e-banking, e-health technologies and e-governance
- Powerful IT platforms that will combine blockchain and artificial intelligence (AI) to facilitate data-driven solutions and decision making with greater convenience, accuracy and speed
- Country digital platforms for MDBs, MCs and other private and public entities to enhance the transparency and coordination of transactions
- Investment in new AI-powered analytics to help predict the impact of COVID-19 through a multitude of scenarios under certain assumptions.

ACHIEVEMENTS

- The global responses of MDBs have been tailored to address the threat to life in a proactive manner. This has included:
- Short-term emergency health sector financing

- Accelerated infrastructure investment financing
- Unconventional financing
- Infrastructure project financing.

► MDBs also targeted SMEs, mid-caps working capital and trade finance, and health sector response with a focus on financing the acquisition of consumables and medical equipment.

► In order to speed up the disbursement of the approved funds in priority to the most affected countries, MDBs agreed to soften the lending and procurement rules and procedures as well as partnership legal arrangements.

INVESTMENT

► MDBs pooled their efforts to secure an overall COVID-19 envelope of approximately US\$ 300 billion (over 15 months) and US\$ 3–4 trillion is being provided by the International Monetary Fund to support the lending capacity of affected countries.

- To secure sustainable growth in the countries they serve after the COVID-19 pandemic, MDBs will need to invest resources in addressing the following issues:
- Shifting the global supply chain to design new regional and national value chains close to the end-user or consumer
 - Rethinking a balanced socioeconomic development model that looks for equitable development and climate-change mitigation technology
 - Protecting the workforce and the economy of each country (health, financial and economic containment measures)
 - Managing the overall economic, financial, social and health risks to ensure BC
 - Considering which investment areas and labour policies will help drive productivity remotely

- Leveraging technological solutions quickly for the benefit of MCs
- Jointly implementing strategies to provide access to clean and affordable technology
- Unlocking untapped private sector financial resources and turning them into bankable investments
- Enhancing political and economic governance
- Establishing financial solutions that are best suited to individual MCs going forward.

MANAGING AND MITIGATING THE COVID-19 CRISIS

MDBs have pooled their efforts to secure an overall COVID-19 envelope of approximately
US\$ 300 billion
over 15 months

The Heads of MDBs reaffirmed

that IsDB's P5P focus on smart, green, inclusive and resilient GVCs should be at the core of MDBs' mandate in the future

Governors' Roundtable

IsDB has embarked on a roundtable initiative as part of its quest for transformation and future-proofing of MCs

PURPOSE

- ▶ The population of IsDB's MCs is estimated to increase to 2.2 billion by 2030, from 1.7 billion in 2015 (i.e. by half a billion people).
- ▶ The number of youth labour force (aged 15-30), which will continue to represent most entrants to the workforce, will increase by 100 million during the same period. Almost 80% of this growth will happen in urban areas, resulting in an expansion of the urban population to 56% of all inhabitants of MCs. This is coupled with a widening annual financing gap, estimated at US\$ 1 trillion, to meet the SDGs.
- ▶ In response to these challenges, IsDB arranged a structured annual Governors' Roundtable, which was launched on the occasion of the IsDB 43rd Annual Meeting in Tunis in 2018. The roundtable assembled again in Morocco in 2019.

The aim of the roundtable discussion process is to advance MCs' transformative agendas by leveraging their knowledge on aspects such as engaging the private sector and civil society while ensuring top-down ownership of the new transformation agenda

- ▶ The objectives of the roundtable are:
 - To jointly confer on IsDB 's future strategic direction and priorities
 - To underline the role of national governments in creating favourable conditions for IsDB to operate as an effective player in the transformation of its MCs.

METHOD

- ▶ IsDB's new business model and P5P have enabled the coordination of efforts leading to comprehensive transformation of the end-to-end value chains in selected industries in which MCs have current or future comparative advantage.

However, these steps forward are threatened by a number of significant risks facing MCs, ranging from the impacts of recent and emerging trends in geopolitics, technology and employment to the long-term effects of the COVID-19 pandemic and climate change.

- ▶ To help its MCs steer away from these risks while leveraging the benefits of its new approach, IsDB decided to organise an annual Governors' Roundtable to enable MCs to share their experiences and agree on the top priorities of the institution for the year ahead.

- ▶ Topics typically include:
 - Putting in place the right legislative and regulatory framework for private sector participation
 - Guiding technological and innovation choices
 - Mechanisms of consensus building and programme formulation
 - Creating safeguards to ensure social responsibility and broad-based participation.
 - Ways to engage the private sector to





close the US\$ 1 trillion financing gap of MCs to meet the SDGs

- Ways to engage in smart industrialisation to participate in the 4th industrial revolution (Industry 4.0)
- Ways to build inclusive economies to absorb 10 million new job market entrants annually.
- ▶ The Governors participating in the roundtables are asked several questions to help determine the key factors of success in their countries:
 - What are the salient features of your country's transformation journey, main milestones, success stories and impact of the economic transformation?
 - What are the specific challenges, obstacles and/or barriers to broad-based participation of the private sector and third sector in the economic transformation in your country (from planning to execution)?
 - How can IsDB partner with you to share or receive your experience among MCs to create new global market linkages?
- ▶ Governors are also asked to make recommendations on how IsDB can help them to continue with their transformation journeys.

ACHIEVEMENTS

- ▶ A key achievement of the roundtable process is finding out

from participants how they have managed to achieve success in their development goals and what experiences can be transferred to other MCs.

- ▶ In 2018, the roundtable managed to align MCs on the key three existential challenges that they are facing in the run-up to 2030 and that can serve as priorities/goals for IsDB Group to provide a response with a new business model to address them.

- ▶ In 2019, the roundtable reflected MCs' endorsement of IsDB management response to the priorities of its new business model 'Making Markets Work for Development'.

- ▶ Thanks to these roundtables, IsDB received insights into the core markets to focus on, which led to five core industries that are fundamental to job creation in its MCs:
 - Food and agribusiness industries
 - Textile, clothing, leather and footwear industries
 - Petrochemicals and petroleum industries
 - Construction and construction-related industries
 - Islamic finance.

- ▶ The discussions with the Governors incorporate a deep dive into the three dimensions of IsDB's GVC approach:

- The need to undertake the process of industrialisation by upgrading value chains using natural endowments and building on latent and revealed comparative advantages
- The need to adopt rapid technological development as an essential means to create environment-friendly and sustainable growth, making innovation a prominent feature in the process of structural change
- The need to support the rise of the middle class to create economies of scale that justify incurring high investment costs, with promotion of intra-OIC trade and creation of regional markets that can sustain broader value chains and higher internal demand.

INVESTMENT

- ▶ IsDB increased its allocation to the new business model to 40% of the Annual Operations Plan and will gradually increase it to 80%.

ROUNDTABLE DISCUSSION

How to build inclusive economies to absorb 10 million new job market entrants annually?

How to engage the private sector to close the US\$ 1 trillion financing gap to meet the SDGs?



MDBs' first joint report on SDGs contributions

To mark the beginning of the Decade of Action in 2020, IsDB President, as chair of the 2020 Meetings of Heads of MDBs, proposed the publication of a joint report on financing the SDGs

PURPOSE

- ▶ With just ten years to go before 2030, the start in 2020 of a Decade of Action to accelerate progress on the SDGs coincided with the COVID-19 pandemic, raising deep questions about prospects for achieving this ambitious agenda.
- ▶ Following a proposal made by IsDB's President, who had chaired the meetings of the Heads of MDBs during 2020, this Group — comprising the 11 largest MDBs and the International Monetary Fund — launched a report on their contributions to the SDGs.

The MDBs' joint report presents a new vision of development for all countries, highlighting the importance of partnerships to mobilise financing for sustainability

- ▶ As the world seeks to recover from the COVID-19 crisis, focus on the SDGs must be renewed. In line with the Linkage pillar of the P5P, the joint report outlines MDBs' efforts in each of the 17 SDGs, reflecting their respective mandates and comparative advantages.

- ▶ National and global leaders have recognised both the opportunity and the responsibility to ensure that recovery efforts support the SDGs. This was emphasised at various forums, including the G20, the high-level process on "Financing for Development in the Era of COVID-19 and Beyond", co-convened by Canada, Jamaica and the United Nations General Secretariat in May 2020, and the Finance in Common Summit held in November 2020.

- ▶ In this context, much is expected from the MDBs, while more needs to be done so that their current role in financing the SDGs is fully recognised. It is therefore timely for the MDBs to communicate their contributions to the 2030 Agenda.

- ▶ The report has increased the visibility of MDBs' efforts to support countries in achieving the SDGs, and promoted an appreciation of their role, including in the context of supporting responses to, and recovery from, the COVID-19 crisis.

METHOD

- ▶ The proposal was developed following discussion at the Sherpa meeting. It was suggested that IsDB further develop the proposal jointly with the Asian Development Bank, the current chair of the MDB working group on Managing for Development Results, for which reporting on the SDGs is an ongoing workstream.
- ▶ At the first Heads of MDBs meeting





held in April 2020, IsDB's proposal to develop the report was supported. Based on a mutually agreed outline, each MDB designated focal points to provide inputs to the report, which was compiled by the two chairs, IsDB and ADB.

- Consistent with the Awareness pillar of the P5P, the joint report showcases examples of how MDBs' financing directly contributes to advancing the SDGs relating to empowerment, safeguarding the planet, fostering prosperity for all and developing sustainable infrastructure.
- The report indicates the critical importance of partnerships to

mobilise financing and demonstrates how MDBs embody SDG 17 (Partnerships for the Goals) through TA, policy support and knowledge.

- The publication lays down some of the commitments to continuing to work together to bring the world closer to realising the 2030 Agenda for Sustainable Development, including by advancing common approaches to results management.

ACHIEVEMENTS

- This first joint report by MDBs on their contributions to the SDGs showcases collective support for the 2030 Agenda to shareholders and stakeholders at a time when

the world seeks to recover from the COVID-19 crisis.

- The report is driven by the examples and case studies proposed by designated focal points from each of the MDBs.
- Further convergence on common approaches would allow a more cohesive picture of the MDBs' coordinated contributions to be presented in the future. Following IsDB's original proposal, future chairs of the Heads of MDBs meetings could consider producing an update to this report during the Decade of Action.

INVESTMENT

- Investment was made by all members of the MDB group to provide input and review.
- Further investment from ADB and IsDB was made on developing the report.

MDB ALIGNMENT

The heads of the **11** largest
MDBs and the IMF have
come together to showcase
their commitment and
contributions to the SDGs

The MDBs embody
SDG 17

Future of the finance industry

Low economic growth, high debt levels and low interest rates have been compounded by fragility contexts and the COVID-19 pandemic. IsDB's 'Future of Finance' report addresses these issues as part of its 'The Future' publication series, which forecasts economic trends, disruptive technologies and emerging global priorities and their impact on the financial industry for the benefit of MCs

PURPOSE

► **Strong trends** are identified in the Report, as the traditional business model of banking institutions is challenged by fintech and large tech companies. Among these trends are:

- The adoption of environmental, social and governance criteria by institutional investors
- The adoption of impact investment mechanisms by social finance institutions
- The progressive integration of disruptive technology by private and public institutions to further support the SDGs framework.

► **Technology** is reducing the entry cost for new players:

Emerging technologies will improve the collection and distribution of charitable funds with greater transparency, monitoring and control, driving more generous participation

- Lowered barriers to entry are intensifying competition, to the benefit of customers
- Cloud computing, distribution across different digital channels and increased digitisation are encouraging financial services customers to switch to direct banking and fintech
- FIs can operate in a similar way to consumer companies with multiple points of access and can optimise their distribution model to expand their reach beyond the traditional customer.

► **Behavioural shifts** are shaping access to social and environmental finance:

- Through increased awareness of social and environmental imperatives, pushing actors across the spectrum to internalise non-financing goals in their decision making, creating investment opportunities and redefining investment criteria
- Through concerted efforts between development, humanitarian and FIs to mobilise alternative finance (philanthropic and charitable) via crowdsourcing platforms.

► **Payment systems** have benefited greatly from new technologies and fintech:

- New digital payments are providing consumers and businesses with seamless payment ecosystems, increasing speed, accessibility and efficiency.

► Technologies such as blockchain are now used for fast and secure crossborder payment, clearing and settlement. Cryptocurrencies and digital money are fast, secure and low-cost. If better regulated, they have the potential to replace cash in future.



METHOD

- ▶ The overall aim of this Report is to take stock of the global disruptive trends and propose forward-looking new approaches to bring about a fairer, more stable and more sustainable financial industry:
 - Through the development of better policy tools and instruments, and of a more conducive institutional and regulatory framework to achieve socially optimal outcomes
 - Through faster and greater technology adoption by the financial industry to improve its efficiency, customer experience, inclusion and fairness.
- ▶ The objectives of IsDB's new programming framework are to:
 - Design a financial framework conducive to Islamic and ethical finance institutions to better respond to modern needs and threats and redefine the developmental role of finance by rechannelling resources towards economic sectors and segments with the highest potential for sustainable value creation
 - Set in motion transformational trends and practices which will transform the way finance-sensitive government policies operate and broaden the policy toolbox to develop a productivity-focused financial industry capable of helping MCs attain their developmental aspirations
 - Achieve financial deepening and promote equality and environment-friendly and development-focused FIs that are agile, efficient and ready to integrate Industry 4.0 technologies to solve MCs' challenges.

POTENTIAL IMPACTS

- ▶ If IsDB is to help unlock the potential of finance for delivering the 'Industry 4.0 revolution' and to bridge the financing gap in the key economic

sectors of our MCs, economic policy needs to be geared towards achieving greener and fairer economic growth.

- ▶ The government policy apparatus, including taxation, spending and regulations (especially those related to the financial institutional and regulatory environment, monetary policy and social policy) must improve social and environmental outcomes.

- ▶ IsDB invites its MCs to help develop innovative fiscal and monetary policies that will enable a better alignment with the welfare objectives of the economy. The proposed policies will be based on the shared universal objectives of prosperity, stability and fairness and will be tailored to the circumstances and aspirations of participating countries.

▶ A Welfare Economy Policy

Toolkit will serve as a starting point that will help countries further adapt and enhance in order to inform national policies.

- ▶ IsDB will invite MCs to work together on piloting policy recommendations in order to generate evidence that can support the mainstreaming of such policies more widely.

- ▶ The new framework advocates more strategic deployment of public funds through innovative financial instruments (such as tokenisation and crowdfunding) and mechanisms (including blending and de-risking).

- ▶ It divides countries into three categories in terms of their strategic orientation to the financial system: high readiness, medium readiness and low readiness. It suggests that:
 - Countries in the high-readiness category should focus on digitisation, moving towards sustainable finance and setting guiding principles for others to follow

- Countries in the medium-readiness category should focus on financial inclusion and capitalise on existing resources to improve economic diversification and build the needed human capital
- Countries in the low-readiness group should focus on improving governance and build trust in the system through education and reforms.
- ▶ Another prospect explored by the Report is the potential to form an Islamic merchant organisation, which could:
 - Enable fairer and more controlled risk distribution in the economy
 - Leverage emerging AI and blockchain technology to remove some of the barriers preventing participative banking
 - Use low-cost, high-efficiency tools to considerably lower information asymmetry and transaction costs from non-debt-based transactions.

INVESTMENT

- ▶ IsDB has increased its allocation towards the new business model to 40% of the total annual work programme financing envelope and will gradually increase it to 80%.

STRONG TRENDS IN FINANCE

SDG financing needs,
climate emergency and
 mounting **inequality**
 will drive the financial sector
 to reconsider its prioritisation
 and allocative mechanisms

Future of the agri-food industry

Growing populations in many IsDB MCs means that substantial production increases are required going forward. Meanwhile, the COVID-19 pandemic has underlined the need for resilient and robust agri-food value chains. An 'Agri-food' report addresses these concerns as part of IsDB's 'The Future' publication series, which forecasts economic trends and emerging global priorities for the benefit of MCs

PURPOSE

- ▶ The agri-food sector is fundamental to many MCs. The COVID-19 pandemic has brought a new set of challenges and opportunities and reinforced the need to build resilient value chains in the future.
- ▶ The next decade is likely to be marked by soaring food demand, shifting consumer preferences, resource depletion and rural exodus.
- ▶ While MCs are significant agricultural producers, many are not very advanced in food processing, causing them to miss out on the most lucrative segments of agri-food value chains.
- ▶ To respond effectively to global calls for sustainability and quality standards, the agri-food sector needs to transform itself.

IsDB is proactively rolling out a programming framework that aligns MCs with the future of agri-food, leveraging industry 4.0 technologies to meet productivity levels and expectations for the 2030 markets

- ▶ IsDB has identified innovation and private sector involvement as crucial to improving the future competitive position of MCs.
- ▶ Value chains are under pressure to become more sustainable, resource-efficient and transparent. This offers MCs an opportunity to enter new markets and increase the value-add of their products.
- ▶ Unless decisive action is taken on innovation and more sustainable farming techniques, climate change and resource-depleting agricultural practices will hit MCs hard, limiting output and putting food security at risk.
- ▶ Shrinking economic opportunities will continue to fuel a steady rural exodus in many IsDB countries. To prevent lasting damage to their agri-food production potential, these economies need investment and innovation in the agri-food sector to provide young workforces with jobs and skills.
- ▶ The IsDB agri-food programming framework highlights all of these issues and offers solutions and practical steps for MCs.

METHOD

- ▶ Agriculture already contributes in large part to the GDP of IsDB MCs and this is set to increase in future. As demand rises globally due to an expected 800 million increase in the world's population by 2030, MCs need to take action now to create additional resources, increase their productivity and transform their business models in order to support stable growth and innovation.





► The new programming framework reveals that there is significant untapped potential in production capacities of IsDB countries, such that:

- MCs are losing out on value creation through massive food wastage along the value chain
- Infrastructure investments, better farm management and education of smallholders can significantly boost agricultural output
- There is potential for MCs to boost value creation by expanding their food processing activities
- While MCs currently have a limited presence in food processing, there are opportunities in both primary and secondary processing for higher value creation in many industries.

► The new programming framework sets out the opportunities and challenges facing IsDB MCs. It recognises that:

- Productivity champions among IsDB countries display high levels of agricultural productivity and are integrated into the GVC
- Production-focused countries have well-established agricultural sectors, but lack productivity, processing capabilities and adequate infrastructure
- Domestic-focused countries are heavily dependent on farm output, but their levels of

productivity and mechanisation are too low to lift most farmers out of subsistence agriculture.

► It highlights:

- The need for productivity champions to invest in innovation and sustainability to maintain output and expand market share
- The potential for production-focused countries to expand their processing footprint to increase their share of market value
- The opportunities for domestic markets to increase productivity through mechanisation and scale, to eliminate food insecurity and meet national demand.

ACHIEVEMENTS

► The framework lays the groundwork for MCs to achieve their required targets in agri-food production. By taking decisive and innovative actions, MCs can:

- Generate additional agri-food exports worth US\$ 380 billion
- Transform the labour market, improving qualification and income levels for 170 million people
- Eradicate severe food insecurity for at least 40 million people.

► To help MCs achieve these outcomes, the framework also addresses:

- The extent to which management systems can offer potential to improve sustainability in production
- The control measures that need to be introduced to stop deforestation and loss of biodiversity, given that farmers often lack TA and know-how
- The importance of private sector involvement in driving the expansion of value-adding processing to yield higher value creation, with a focus on risk sharing and cooperation models between the private and public sectors

- The availability through IsDB of joint project financing and risk sharing as well as access to high-level decision makers to incentivise collaboration
- The way affordable low-tech innovations can boost resource efficiency and productivity (for example, modern drip irrigation systems can increase non-flooded rice yields by up to 30% while reducing water consumption by 50%)
- The way digital solutions can be leveraged to improve farmers' living conditions and incomes, connecting them to the value chain
- The role of cooperative leasing models in enabling mechanisation and strengthening smallholders' productivity by connecting lenders, equipment providers and farmers to drive mechanisation.

INVESTMENT

► IsDB increased its allocation towards the new programming framework to 40% of the Annual Operations Plan and will gradually increase it to 80%.

► As a first step, IsDB published a report on the likely future of the industry in the post-COVID-19 era.

MEMBER COUNTRIES CAN

**Generate additional
agri-food exports worth
US\$ 380 billion**

**Transform the labour market,
improving income levels for
170 million people**

Future of the petrochemical industry

The petrochemical sector contributes approximately US\$ 5.7 trillion to global GDP. IsDB MCs contribute only 22% to petrochemical output although they hold nearly 60% of global oil and gas reserves. IsDB's 'Petrochemicals' report addresses this concern as part of its 'The Future' publication series, which forecasts economic trends and emerging global priorities for the benefit of MCs

PURPOSE

- ▶ The COVID-19 pandemic has brought unprecedented challenges, with the potential to change the overall structure of the petrochemical industry, especially in MCs that consume or produce petrochemical products.
- ▶ The report shows how MCs can build resilient petrochemicals value chains for the future. It produces a programming framework that recommends actions MCs should take to create additional capacity, increase their productivity and transform their business models in order to support stable growth and innovation and also:
 - Become more self-sustaining by reducing dependence on petrochemical imports from non-MCs
 - Double their value creation by exploring primary and secondary processing and leveraging their access to petrochemical feedstocks such as oil and gas

To benefit from the growth in the petrochemical sector, MCs need to move beyond producing base chemicals and commodity petrochemicals, to adding value through secondary processing to produce engineered plastics and chemicals

- Create thousands of highly skilled jobs, with positive spill-over effects in education, governance and overall industrial competitiveness.
- ▶ Over the next decade, demand for petrochemicals is expected to continue to grow. However, to reap the benefits of this growth:
 - Growth must be accompanied by deeper integration along the value chain and development of a broader product portfolio to increase value creation in the future
 - Tailored strategies are needed to increase petrochemical value creation across all MCs
 - Private sector investment and collaboration among IsDB countries will be of increasing importance to foster value creation in petrochemical sectors.

METHOD

- ▶ Despite declining demand for petrochemicals in 2020 due to the COVID-19 pandemic, a growing global population and increasing income levels will drive overall petrochemical demand upward in the long term, according to the report.
- ▶ In this context, IsDB's new programming framework for the industry emphasises the following:
 - Capacity optimisation and efficiency gains should be the focus, as long-term and capital-intensive investment cycles force industry players to concentrate on optimising current processes
 - End-user industry demand will determine the future of petrochemicals, with changing customer needs and demand from end-user industries causing the sector to become more sustainable





- Access to key feedstock remains key to success for MCs operating in the petrochemical sector.
 - Overall, IsDB recognises three major challenges for the sector:
 - Volatile raw material prices and market environments
 - An innovation gap in sustainability
 - Tightening regulations.
 - Despite their strategic advantage when it comes to feedstock access, many MCs risk missing out on opportunities to add value in the sector. Below are some of the key factors that shape IsDB's new programming framework:
 - MCs' limited capabilities in primary and secondary processing can be boosted by stronger domestic demand
 - Overall, end-user industries will see demand increase, providing MCs with new opportunities to shape their petrochemical industry
 - Demands for sustainability are increasing, but fossil feedstock such as from oil and gas will continue to dominate
 - Bio-based materials are gaining in importance due to MCs' need to meet their environmental obligations and achieve their targets under the SDGs.
- POTENTIAL IMPACTS**
- The new programming framework documents a variety of different positive outcomes for MCs engaged in the sector:
 - While some are ready to move into high-value speciality chemicals, others should focus on opportunities to create the most favourable conditions under which to grow their petrochemical industries
 - Countries with little access to feedstock can focus on attracting secondary processing
 - Many MCs can leverage the advantage of feedstock access to add value at the higher end of the petrochemical value chain
 - All MCs can act in the two dimensions of domestic demand and vertical integration to drive their petrochemical activities forward
 - Countries will benefit from taking action to improve education, governance, resources and job creation to sharpen their comparative advantage in petrochemicals.
 - The industry has the potential to drive smart and strategic investments along the lines of the following priorities:
 - Countries can enhance their competitiveness by investing in the required infrastructure for the export-driven petrochemical industry
 - The investment needed to improve the petrochemical infrastructure in MCs requires collaboration between national agencies and international donors
 - The key to attracting petrochemical players in MCs is

to foster local end-user industries as petrochemical production strives to stay close to sources of demand

- Stimulating industrialisation in MCs can attract end-user industry demand, leading to growth in the local petrochemical industry
- Investment in a skilled workforce is a vital aspect of building a petrochemical industry, with technical and vocational education and training aligned with the needs of the petrochemical industry
- Financing opportunities and intercountry collaboration can give MCs a comparative advantage.

INVESTMENT

- IsDB increased its allocation towards the new programming framework to 40% of its Annual Operations Plan in 2021 and will gradually increase it to 80% by 2023.

MEMBER COUNTRY ACTION

MCs will benefit from
taking action to improve
education,
governance,
resources and
job creation
to sharpen their competitive
edge in petrochemicals

Future of the mining and construction industry

The mining and construction sectors will see major transformations by 2030 due to demand driven by growing populations, increasing urbanisation rates, rising e-mobility and increased dependence on electronics. IsDB's 'Mining and Construction' report addresses these concerns as part of its 'The Future' publication series, which forecasts economic trends and emerging global priorities for the benefit of MCs

PURPOSE

- ▶ IsDB is committed to helping its MCs to leverage their resources and position to develop and grow their economies in the future, taking advantage of new technologies. Resiliency and readiness are key to MCs' competitiveness and capacity to benefit from these changing dynamics.
- ▶ The mining and construction sectors are fundamental to many IsDB economies. Adopting a forward-looking industrial policy can enable MCs to capture more value from mining and construction through:
 - Higher revenues
 - More diversified economies
 - More skilled jobs.

The Mining and Construction report demonstrates the power of industry partnerships to unlock potential in MCs while partially hedging for risks

- ▶ The COVID-19 pandemic is expected to considerably shape the future of the mining and construction industries. Its effects will be felt by MCs' economies in the short, medium and long term. To manage these impacts, MCs need a deeper understanding of complex value chains in order to rebuild with resilience.
- ▶ IsDB's Mining and Construction report offers an in-depth view on key trends and initiatives that will shape the future of the sector in its 57 MCs for the next decade and beyond.
- ▶ The report identifies several key elements in the two sectors:
 - The rise of new technologies and disruptive innovations such as autonomous vehicles, Internet of Things (IoT) connectivity, robotics and 3D printing promises to bring drastic change to populations around the globe
 - Disruption is inevitable – several innovative technologies and techniques will enhance productivity
 - Increased reliance on critical minerals and materials will boost demand across the mining and construction sectors
 - Many MCs hold vast mineral reserves that remain untapped, with significant potential to increase production
 - The focus on extraction in some MCs means that there is potential to unlock additional value by expanding into processing and even manufacturing.
- ▶ According to the report, there are several opportunities to turn the key challenges facing MCs into competitive advantages. It advises MCs to take a stance as either early adopters or innovation leaders to create competitive advantages. In addition, it emphasises



the crucial role of the private sector in the development of the mining and construction sectors, with new collaboration models to help share risk and unlock growth potential.

METHOD

► The COVID-19 pandemic will reshape global demand in both the mining and construction sectors. Growing population and increasing urbanisation levels will continue to drive demand in both sectors, while shifting consumer behaviour is expected to boost demand and criticality for minerals. It will also drive changes in consumption patterns and labour market habits. Key industry trends identified by the report include:

- Improved productivity through full automation of large-scale mines
- Normalisation of technological innovations such as autonomous vehicles, robotics and workforce augmentation
- Increased reliance on advanced analytics and IoT enabling data-driven decision making
- Widespread adoption of innovative and digitally integrated construction methods
- Phasing out of traditional construction methods with the growth in highly productive solutions, such as 3D printing and modular construction
- Rise of Building Information Modelling to tackle complexity across the construction lifecycle
- Emphasis on improving environmental footprint
- Alleviation of mining impacts through stricter regulation, gradual shift to renewable energy sources and increased focus on recycling
- More energy efficient solutions and alternative fuels in the construction sector.

► The report identifies low industrialisation levels as the main hurdle facing many MCs and

suggests that improvements can be made by addressing investment gaps, poorly developed infrastructure and inadequate workforce qualifications.

POTENTIAL IMPACTS

► Opportunities for MCs to achieve their goals for productivity and sustainability are outlined in the report, with the following trends highlighted:

- The importance of mining and of most minerals is expected to increase. There is considerable potential to increase production in several MCs based on high, untapped proven reserves.
- The construction industry is projected to grow by 50% by 2030, exceeding global GDP growth, with the picture looking especially promising for MCs in West Africa, the Middle East and Southeast Asia.
- There are strong regional opportunities in construction materials production for MCs that can establish national capacities to meet domestic and regional demand.
- Aluminium and nickel show significant growth potential. The surge of electric vehicle (EV) technology and nickel's role as a primary source for batteries will significantly drive demand.
- Expansion from the current focus on extraction into processing and manufacturing can unlock additional value for MCs.

INVESTMENT

- The report demonstrates how early decisive action can enable MCs to:
 - Capitalise on the overall growth of mining and construction, expected by 2030 to cumulatively expand by US\$ 7 trillion and

account for approximately 17% of global GDP, compared to about 15% today

- Create additional skilled jobs, both directly and indirectly, especially through expansion into processing, which could triple the number of employees in the sector
- Turn MCs' construction trade deficit into a surplus.

► In the mining sector, MCs hold vast mineral reserves and the focus of investments should be on finding ways to access renewable energy generation (solar, hydro, geothermal) as a cost-effective solution.

► Investment programmes for SMEs and start-ups can provide the necessary ecosystem for technological innovation.

CONSTRUCTION INDUSTRY

Growth projection of **50%**
by 2030, exceeding global
GDP growth.

High growth rates expected
in MCs, particularly in West
Africa, Middle East and
Southeast Asia

MINING INDUSTRY

The surge of **EV** technology
and nickel's role as a primary
source for batteries will drive
demand significantly

Future of the textiles and apparel industry

Although the COVID-19 pandemic holds short- to medium-term risks and vulnerabilities for the textiles and apparel value chains in IsDB MCs, there are many longer-term opportunities for the industry to bounce back. IsDB's 'Textiles and Apparel' report addresses these issues as part of its 'The Future' publication series, which forecasts economic trends and emerging global priorities for the benefit of MCs

PURPOSE

- ▶ With a market size of US\$ 2.2 trillion and an expected annual growth rate of 3.5%, the textiles and apparel industry holds great potential for MCs.
- ▶ However, to achieve success, MCs must navigate major market disruptions. These include innovations in automation and digitalisation, as well as the rise of new sustainable materials.
- ▶ The report documents the many ways in which changes in the industry could shift the balance of power, providing opportunities for MCs to position themselves at stages in the GVC where they can add higher value.

For MCs in the textiles and apparel industry, GVCs are an important part of their business model. The report indicates how countries are performing at diverse stages of the value chain

- ▶ Collaboration with industry associations within and across countries is identified as an important factor. In particular, joint projects with universities can lead to knowledge exchange and drive innovation.
- ▶ The report also highlights the importance of partnerships with brands and knitting houses or weaving mills, with a view to fostering more vertical integration for companies in MCs.

METHOD

- ▶ IsDB's new programming framework demonstrates how MCs can position themselves for success by:
 - Boosting recycling and circular economy principles
 - Strengthening their standing and visibility as sourcing destinations
 - Using platforms such as industry associations and fairs for industry marketing
 - Considering IsDB's collaboration models for PPPs, joint project financing and risk sharing.
- ▶ The report sketches out a range of futures for the textiles and apparel industry in MCs, taking into account a range of major trends. These include:
 - The growing importance of MCs in the processing side of the industry, driven by rising labour and production costs in China, as well as a relocation of some of the GVC to other countries
 - Digitalisation and new processing technologies that present opportunities for MCs, such as installing advanced textile- and apparel-making equipment such as laser-cutting, automated knitting or sewing robots





- Materials competing against each other globally, driving innovation in new fibres, which can represent a cost-competitive and better-performing substitute for natural fibres
- The increasing importance of sustainability as consumers and brands become more aware of the environmental impact of apparel, putting pressure on MCs to tackle issues such as pollution and water consumption
- The need for established players to focus on innovation and consistent implementation of the SDGs
- Emerging industry players' need for improved infrastructure and more financing options to capture their full export potential
- The potential for new market entrants to gain strength by directing more FDI into

manufacturing capabilities and increasing their industrialisation levels.

POTENTIAL IMPACTS

- ▶ In terms of raw materials, MCs produce 25% of global cotton, 26% of wool and 15% of raw leather, and eight of the world's top 15 cotton-producing countries are MCs. The new programming framework demonstrates ways in which MCs can increase their market share:
 - Uzbekistan, Turkmenistan and Sudan focus mainly on raw material production but are attempting to increase the added value of their respective domestic textiles industries
 - Pakistan and Turkey produce raw materials but have also increasingly integrated value chains vertically as they process

textile fibres into finished products

- Bangladesh imports raw materials that it then turns into products, and its business model has made it the world's second-largest apparel exporter, accounting for 7% of total apparel exports.

INVESTMENT

- ▶ The industry has the potential to drive smart and strategic investments along the lines of the following priorities:
 - Extending activities up- or downstream in the GVC to deliver additional value
 - Strengthening or broadening processing capabilities by engaging in networks with other suppliers
 - Vertically integrating further processing activities
 - Investing in state-of-the-art technology and digitisation
 - Developing more appropriate infrastructure and logistical support by collaborating with national agencies and international donors
 - Leveraging innovative technology and new business models to drive sustainability, which is increasingly important for end customers and supplier selection for international brands
 - Investing in new machinery to improve material utilisation, increasing suppliers' revenue and profitability.

MEMBER COUNTRY PRODUCTION

In terms of raw materials, MCs produce 25% of global cotton, 26% of wool and 15% of raw leather

Blockchain-based Global Coordination Platform

The IsDB Global Coordination Platform is a blockchain-based online marketplace that aims to coordinate aid delivery and mobilise financial and technical resources to support MCs

PURPOSE

► Given its massive and overarching impact beyond the immediate health effects and the mounting economic and social ramifications, the COVID-19 pandemic response requires a holistic approach that charts an end-to-end recovery path, orchestrating work done by many partners domestically and internationally.

► During the pandemic, the IsDB Global Coordination Platform (GCP) has served as the strategic tool to orchestrate IsDB's SPRP.

In the past, the linkage between supply and demand was often disrupted. The Global Coordination Platform provides a structured solution to this challenge

► The initiatives undertaken in this context represent a response to the call of the Paris Declaration on Aid Effectiveness, whereby three principles are implemented: mutual accountability, country ownership, and alignment on results.

METHOD

► The GCP is an online free market system for development that allows MCs to explore services offered by various providers worldwide, allowing them to take a structured approach to meeting their needs, by:

- Allowing MCs to reach out to different vendors and suppliers, which can be challenging, especially in times of crisis
- Helping MCs to reach out to donors, experts and centres of excellence.

► Each country accesses the GCP through its own dedicated Country Platform (CP). Furthermore, each provider defines its contribution to the GCP in a structured way.

► The GCP reflects the values set out in several core aspects of the P5P:

- Enhancing IsDB's visibility by creating an integrated and effective strategic communication tool for interactions with potential investors, donors and service providers
 - Strengthening partnerships with other MDBs and development institutions at both global and country level; having successfully onboarded a number of partners (UNOPS, UNICEF, UNDP, WHO, Standard Chartered Bank); giving MCs access to the latest scientific, technological and innovative products and enabling them to compete globally in fields where they have a competitive edge
 - Building capacities by accessing the knowledge of MCs; helping IsDB to produce development solutions that are





based on the genuine root causes of problems

- Enabling off-balance-sheet resource mobilisation; streamlining the transfer of information from the CP (demand-side) to donors/ investors (supply side)
- Ensuring speedy project implementation through real and virtual field presence using a participatory model.

► The GCP is powered by blockchain. Blockchain is a technology that can increase development impact by providing transparency and reducing fraud, whilst enabling efficiency. It enables organisations to create digital networks, where they can transact securely and digitally in a decentralised manner without the need for intermediaries.

► IsDB sees blockchain as a technology that offers considerable potential and is strategically aligned with its strategic principles of decentralisation and moving towards being a bank of developers.

ACHIEVEMENTS

- The GCP successfully onboarded over 30 MCs to cover urgent needs during the COVID-19 crisis in 2020.
- Through the SPRP, IsDB allocated US\$ 2.3 billion to MCs.
- Four UN agencies (UNOPS, WHO, UNICEF and UNDP) came together to implement the SPRP package.

INVESTMENT

- Currently, the GCP is mobilising resources for the SPRP Restore track, including financing for SMEs and trade to sustain activity in core strategic value chains, the aim being to ensure continuity of necessary supplies and other commodities (mainly to the health and food sectors).
- ICD will act as the IsDB Group's execution agent for lines of finance to MSMEs, while ITFC will be the Group's execution agent for trade finance operations. The projects will feature 12 to 18-month revolving financing lines through export-import

banks and IFIs. This support will be fully backed with a sovereign guarantee and priced according to the IsDB pricing guidelines.

- ICIEC and IsDB have jointly launched the COVID-19 Guarantee Facility, an innovative programme providing US\$ 2 billion in support of the private sector. The facility will be implemented by the two entities to support COVID-19-hit industries in MCs and to attract cross-border investments.

GLOBAL COORDINATION PLATFORM FOR COVID-19

The platform helped allocate
US\$ 2.3 billion
to MCs

The platform onboarded
more than **30** MCs to cover
urgent needs during the crisis



Country Platforms: fourth-generation development finance

IsDB's Country Platform employs a cutting-edge fourth-generation development finance approach and constitutes the flagship implementation vehicle for the new MCPS

PURPOSE

- ▶ IsDB's new business model has led to changes in its country engagement strategy methodology to adopt an approach centred around GVCs by promoting development through better integration of MCs in the GVCs.
- ▶ IsDB's interventions focus on resolving binding constraints hindering the development of the identified GVCs. Infrastructure development takes centre stage as it is the most capital-intensive sector (approximately 70% of funding needs) and has a higher economic multiplier effect. It also blends with other activities to address root causes and unlock the potential of the value chain.

The CP concept has been received with great interest by all MCs and industry experts

METHOD

- ▶ A CP is an independent investment vehicle established as a joint-venture partnership between IsDB and MCs, with the specific objective to develop bankable projects, including public-private partnership infrastructure projects among others, with financing support from crowded-in private capital. While CPs can be designed as regional institutions covering several countries, at the initial stage of the roll-out of the model, the focus is on setting up single-country vehicles. CPs cover the full project cycle, including:
 - Conducting feasibility studies
 - Structuring the concessions
 - Tendering infrastructure concessions out to the market
 - Contributing to the project equity and/or debt financing
 - Supporting the operations and maintenance together with a technical partner
 - Extending lines of finance as liquidity facility for value-chain players
 - Delivering emergency social projects.
- ▶ A CP is rolled out as a standalone investment vehicle (off the IsDB balance sheet) created under a special legal regime separate from the applicable corporate and commercial law of the jurisdiction(s) where it operates. It aims to benefit from privileges and immunities similar to those of IsDB.
- ▶ Each CP employs internationally accepted, transparent procurement standards, whereby market principles are adhered to, in order to achieve the best value for money through a competitive tendering process with a focus on total lifecycle costs.
- ▶ The initial equity of the CP, which is contributed by the MC and IsDB, is used



to set up the vehicle (operational expenses) and to prepare the selected projects (from feasibility study to tendering stage).

► In the span of 1-2 years, the CP conducts the necessary studies to structure bankable projects with the help of consulting firms. The objective is to de-risk the projects and provide the MC in question with a proposed risk distribution structure that ensures value for money for the public partner and bankability for the private partner.

ACHIEVEMENTS

► IsDB engaged with 12 countries in 2019 and 2020 with the objective of implementing CPs in Gabon, Indonesia, Morocco, Turkey, Kuwait, Saudi Arabia, Senegal, Niger, Tunisia, Maldives, Guinea and Afghanistan.

► The CP mechanism is currently under implementation and/or discussions with MCs, as follows:

- **Afghanistan** — The CP model was adapted to support the Afghanistan Self-Reliance Acceleration Package; discussions are ongoing with other development partners active in the country
- **Gabon** — The CP was established in October 2020 and operations are expected to start in the second half of 2021 with a sourced pipeline of projects in the transportation and energy sector for an expected total financing amount of US\$ 2.1 billion
- **Indonesia** — It was agreed to focus on the automotive and agribusiness industries; the CP is currently reviewed by the Government to provide recommendations on regulatory and finance issues
- **Maldives** — Preliminary analysis of Maldives investment climate and private sector development was conducted, identifying challenges and bottlenecks

hindering private investment; new MCPS financing model was agreed through the CP for the tourism and fishery industries

- **Morocco** — It was agreed to develop the MCPS with a focus on agribusiness; discussions are continuing with the ITHMAR sovereign wealth fund to identify the potential for cooperation on CP entity
- **Niger** — MoU was signed to leverage the CP mechanism; modalities of implementation to be determined once the GVC projects have been identified
- **Nigeria** — The CP model was met with interest by Government; it was agreed to take the discussions forward in the context of the MCPS
- **Senegal** — MoU was signed to start CP implementation with projects focusing on the energy and agriculture sectors; CP discussion and implementation to be coordinated with the Senegal sovereign wealth fund (FONSIS)
- **Turkey** — The CP model was presented to the Government, followed by a technical discussion with the Turkish Development Bank as a key partner to take the model into the implementation phase.

INVESTMENT

► The CP investment in project preparation and development features a cost-recovery arrangement with the MC's government, whereby projects reaching financial close will see the CP investment transform into a stake in the underlying projects' special purpose vehicles.

► As projects gradually mature to the tender stage and financial close, project-level funding will be sourced by tapping into the global infrastructure investors at the relevant risk-return profile (equity, hybrid, fixed income).

► If necessary, the CP will have the capacity to raise funds by issuing capital market instruments (Sukuk) in local or international capital markets.

► Once all construction-related risks expire, the CP will have the capacity to recycle its capital through the sale of the reduced-risk assets. IsDB will design tailored distribution packages adapted to the appetite of institutional investors which can hold long-term assets in their portfolio.

► The CP oversees implementation of the portfolio until all repayments are completed and will incorporate knowledge transfer and skills development components to ensure that lasting effect is achieved in MCs in terms of project preparation and funding.

► IsDB is allocating 20–40% of its annual financing capacity as seed funding to launch the CP model, and will gradually double it at a steady pace.

CP GABON

CP Gabon has been operational since October 2020 and is building a US\$ 2.1 billion strategic infrastructure portfolio to upgrade the wood and manganese value chains

Programming for resilience in response to climate change and other challenges facing MCs

Through various policies, strategies and publications, IsDB is building resilience for sustainable development that takes account of the contexts and drivers of fragility, enabling more relevant and tailored interventions

PURPOSE

► With 50% of the world's fragile populations residing in IsDB MCs, the P5P has a strong focus on resilience. It calls for IsDB to find innovative solutions to support MCs to manage risks, shocks, stresses and pressures posed by human-made and natural disasters. As a result, IsDB has developed and launched a number of initiatives to help its MCs tackle challenges to their resilience, from factors as diverse as climate change, conflict and the COVID-19 pandemic.

- IsDB has developed a Fragility and Resilience Policy, which aims to:
 - Set the strategic direction of IsDB in addressing fragility and conflict by strengthening institutions
 - Build resilience and contribute to social cohesion and sustainable development in MCs

Effective programming for resilience requires strategies for combating climate change and other risks to be included in programmes and projects to ensure that the drivers of fragility are addressed in advance

- Address the drivers of fragility, ranging from social and economic exclusion and marginalisation to unequal development
- Learn from the experiences of other MDBs.

► IsDB is engaged in a range of activities and programmes to combat climate change. In this connection, it has developed a Climate Change Policy to support the drive to mitigate and adapt to the effects of a warming planet. Comprehensive climate change guidance for several key sectors has been prepared by the World Resources Institute for IsDB, including:

- Water sector guidance, which covers water resources extraction and conveyance structures, water treatment facilities (including desalination), treated water storage (tanks and basins), distribution networks and sewerage infrastructure
- Energy sector guidance, which applies to energy sector projects including thermal power, hydroelectric power, solar and wind power projects as well as transmission and distribution projects
- Transport sector guidance for roadway, railway and port projects, and urban mass transit projects.

METHOD

► A number of tools have been introduced to address resilience issues in IsDB's work in MCs:

- Fragility and Resilience Analysis, an early risk and resilience assessment
- Watching Brief (WB), which provides political, economic, social and environmental reporting on high-risk fragile and conflict-affected environments





- Transition Management and Mitigation Strategy, which provides support for development in fragile and conflict-affected regions
- RRP.
- Climate Change Policy supports IsDB's overall objectives of a client-driven approach to sustainable development and economic growth. Its eight guiding principles are:
 - Country leadership
 - Selectivity
 - Adaptability
 - Proactivity
 - Capacity building and knowledge sharing
 - Catalysing private-sector capital and institutional investors
 - Partnerships for climate change action
 - Accounting for climate action.
- IsDB conducts climate risk screening at the early concept stage for all projects involving physical assets, using the Acclimatise Aware climate risk screening tool. This screening, coupled with project impact assessments, establishes the climate change vulnerability context of a project.
- Sector guidance is implemented in the following ways:
 - Offering help with identifying potential impacts and adaptation options, while focusing on the use of climate risk screening tools to identify the key climate risk areas based on a project's type and location
 - Providing insights into the process of identifying project vulnerabilities and adaptation options for projects
 - Agreeing on a scale or metric for each criterion
 - Scoring projects, incorporating the different adaptation alternatives against each of the criteria
 - Evaluating options in greater detail using a quantitative economic assessment.
- IsDB has published its first-ever annual flagship Resilience Report, which aims to assist stakeholders in planning efficient interventions and investments. Titled 'Understanding, Investing & Programming for Resilience', the Report highlights nine case studies (Indonesia, Turkey, Syria, Nigeria, Somalia, Jordan, Pakistan, Iraq and Palestine), providing concrete and practical solutions for building resilience to cope with risks and shocks in MCs.
- Sheds light on locally driven solutions and coping mechanisms in building the resilience of governments and communities.
- In 2019, the World Resources Institute sector guidance documents informed the design and formulation of components in more than 25 projects financed by IsDB towards building climate resilience of infrastructure and beneficiary communities in MCs.
- IsDB's Climate Risk Management Framework is piloted in 2021, to ensure that all climate risks identified in IsDB operations are addressed. Climate risk assessment case studies have been produced for all relevant sectors.

INVESTMENT

- IsDB's new climate finance targets require 35% of overall annual financing to be committed to projects and activities that mitigate emissions and support adaptation to climate change. IsDB is taking various actions to ensure the financial sustainability of its climate change interventions, including assisting MCs to mobilise private capital to finance climate change projects and leveraging the resources of its own private-sector entities.

ACHIEVEMENTS

- By providing practical recommendations for increasing financing and introducing tailored smart investments in building resilience to achieve the SDGs, IsDB's first Resilience Report positions it to contribute to, and participate in, finding innovative solutions to address fragility and build resilience in MCs. The Report:
 - Expands understanding of the challenges and opportunities of building resilience by sharing knowledge, experience, best practices and lessons learned to enable MCs to manage the pressures, risks and shocks posed by human-made and natural disasters

ISDB'S NEW CLIMATE FINANCE TARGETS

35% of overall annual
financing is to be committed
to projects that mitigate
emissions and support
adaptation to climate change



Africa



Guinea — A post-COVID-19 restart strategy

In Guinea, IsDB has analysed two industries to identify opportunities for upgrading or deepening their impacts on the economy

PURPOSE

- ▶ Guinea is richly endowed with natural resources but faces major challenges in reaching its full potential through participation in GVCs. Analysis based on GVC selection methodology has identified four champion industries for the country:
 - Agribusiness
 - Mining
 - Rubber
 - Chemicals.
- ▶ Based on discussions with the Government of Guinea, agribusiness and mining were chosen as the main champion industries.
- ▶ The government of Guinea is actively promoting and supporting the agriculture and mining industries with the following objectives:

IsDB's GVC participation index summarises the importance of the global supply chain for the country for which it is calculated. For Guinea, the data gathered suggests the country can achieve important gains in mining and agriculture

- Improving wellbeing, reducing inequalities and ensuring intergenerational equity
- Undertaking the structural transformation of the economy by increasing the share of manufacturing value added in GDP and total exports.

- ▶ In order to enhance the competitive performance of the selected industries, IsDB's GVC analysis will document:
 - Required interventions
 - Policy measures
 - Support programmes required.

METHOD

- ▶ IsDB's GVC analysis methodology (see page 170) was used to identify the key action points for Guinea.
- ▶ Guinea is a country that has considerable mineral wealth. Its iron ore resources are among the largest and highest quality in the world and its reserves of bauxite represent about one third of total global resources. However, Guinea exports 95% of its bauxite in raw form and has not managed to exploit its other mining resources to the fullest extent possible.
- ▶ Agriculture is the main source of employment in Guinea. The country also has high potential in hydropower generation. However, the level of production in these sectors is well below the potential identified by IsDB.
- ▶ Preliminary GVC analysis for agribusiness yielded the following conclusions:
 - Guinea is a country with domestic market potential due to its high labour intensity and lower productivity combined with high employment in agriculture





- The preliminary selected value chains are seafood/aquaculture (fresh, dry and smoked fish), horticulture (fresh and chilled fruits and vegetables) and cash crops (cocoa, groundnuts, coffee and rubber)
- Cash crops have significant export potential and could present profitable business opportunities for the private sector.

► Preliminary findings for the mining industry are as follows:

- Value chains are focused on aluminium, aluminium compounds (corundum) and gold. Other significant minerals include massive iron ore reserves as well as significant resources of cement, salt, diamonds, graphite, limestone, manganese, nickel and uranium
- The mining sector, which contributed to 80% of the country's economic growth in 2017, has immense transformative potential if harnessed appropriately. The two main products identified in this sector are:

Bauxite – Guinea has the world's largest bauxite reserves, estimated at 7.4 billion tons and representing 30% of global reserves. Bauxite is a key source of export revenue, accounting for 90% of exports and contributing 20% of the country's tax revenues

Gold – Guinea's gold reserves are predominantly found in the northeast of the country. The

country produces an annual average of 9 tons of gold, although the potential reserves are estimated at 700,000 tons.

- Guinea is home to the world's largest untapped iron ore deposits, which could transform the country's economic landscape.
- The high level of vertical integration in mining GVCs means that the large mining companies possess their own refineries and smelters all over the world. This means that parts of the value chain shift to the cheapest areas of production.

POTENTIAL IMPACTS

- The Government of Guinea has identified key areas for action that are aligned with the bottlenecks specified by the IsDB GVC team. The complete GVC analysis for Guinea will further address the identified gaps and constraints at a more granular level to ensure:
 - The development of agriculture value chains with a view to encouraging value addition, diversifying Guinea's economy and reducing reliance on food imports
 - Structural transformation of the economy through investment in infrastructure (energy and transport)
 - Participation of Guineans in skilled jobs in the mining sector through skills development programmes

- Participation of local SMEs in the mining sector
- Access to finance for local SMEs in both mining and agriculture
- Human capital improvement for better outcomes in both mining and agriculture
- Sustainable use of natural resources through environment-friendly production and processing.

INVESTMENT

- IsDB's GVC analysis found that investment in the food crops segment will contribute directly to rural poverty reduction for smallholders and food security for the country.
- Increased investments in mining have already contributed to Guinea's economic growth, with the sector currently accounting for 90% of exported goods and one fifth of tax revenues. However, IsDB's analysis concludes that the mining sector is still far from reaching its true potential.
- The recommended measures for both sectors should enable the country to access gains from market-oriented agriculture and mining practices.

MINING

Bauxite accounts for
90% of exports and
contributes **20%** of
Guinea's tax revenues

Potential gold reserves are
estimated at
700,000 tons

Niger — A post-COVID-19 restart strategy

IsDB is developing a new MCPS for Niger, based on GVC analysis

PURPOSE

- ▶ With a population of 22.4 million people and a gross national income per capita that is among the three lowest in the world, Niger faces many challenges in its efforts to achieve its development objectives. Reflecting the country's high reliance on primary products and several episodes of political instability, growth has remained subdued and highly volatile for several decades.
- ▶ Since 2012, however, a solid growth momentum has emerged, supported by favourable rainfall and a relatively stable political context, despite heightened security challenges. Growth is expected to accelerate above 6% in the medium term,

Each step in the GVC represents opportunities for job creation, wealth generation and empowerment for the next generation of MSMEs in Niger

driven by increased public and private investments.

- ▶ The dominant industries are:
 - Agriculture and livestock — accounting for 40% of GDP and engaging about 80% of the workforce but with low productivity levels, resulting in productions well below the potential
 - Extractive industries — playing a key role in the economy, with uranium and crude oil accounting for 25% and 22% respectively of goods exports in 2018.
- ▶ The main strategic objective of the country's national development plan is to achieve accelerated, inclusive and sustainable growth for income generation, job creation and consolidating the foundations of sustainable development.
- ▶ IsDB's GVC approach of focusing on the GVC of products in which the country has a comparative advantage is well aligned with the government's strategic development goals.

- ▶ The preliminary GVC analysis conducted by IsDB highlighted significant potential within the following sectors:
 - Mining and minerals (uranium, gold)
 - Food and beverages (sugar, pasta, palm oil)
 - Agriculture (cotton, rice, sugar, live animals)
 - Textiles (cotton, woven fabric, leather).
- The GVC analysis conducted by IsDB was presented and discussed with the Government of the Republic of the Niger, with representation from various sectoral ministries.

- ▶ Based on the analysis and subsequent discussions, the agribusiness sector and the textiles sector were selected as the primary champion industries for Niger.





METHOD

► IsDB's GVC analysis methodology (see page 170) was used to identify the key action points for Niger.

► Agribusiness has immense transformative potential for Niger. The livestock sector alone contributes 13% to the national GDP and provides 22% of the country's export earnings. The country has significant asset levels, with 10 million cattle, 24 million small ruminants, and 1.5 million camels.

► The primary market for the country's agribusiness exports is Nigeria, which receives more than 95% of Niger's total exported livestock products. This amounts to US\$ 190 million in trade annually, a figure that is understated due to informal export channels.

► Other critical products include rice and cotton, which rely on irrigated, labour-intensive, year-round production along the Niger River Valley. Niger has 2 cotton ginneries with a capacity of 60,000 tons/year and 2 textile factories that produce textiles for domestic use.

► Niger has significant potential to expand the scale of irrigated farming. Only 1% of surface runoff and 15% of renewable groundwater are currently used and less than 30% of potentially irrigable land is currently irrigated.

► The sector performance is hampered by lack of inputs

(machinery and fertilisers), poor linkages between actors in the value chain, and significant infrastructure gaps.

► Niger has an international reputation for high-value hides with a prized Nigerian goat breed, chèvre rousse de Maradi, considered to be of exceptional quality. There is a minimal level of local processing, with most of the hides exported as wet-blue to Nigeria (80%), with a small quantity going to India, Bangladesh and Italy.

► Key constraints to the leather sector are:

- Lack of quality control
- Reliance on traditional tanning
- Seasonal variation of livestock availability which makes it difficult for tanneries to operate
- Lack of marketing and branding and therefore of investment and sourcing opportunities.

ACHIEVEMENTS

► The GVC-based MCPS aims to identify and help mitigate the critical bottlenecks to the transformative potential of the country's agribusiness and textiles sector.

► By harnessing public investments and mobilising private resources, the MCPS will help to strengthen the competitiveness of the identified industries through interventions that will create jobs, increase FDI and contribute to the country's industrial development.

► IsDB is committed to working closely with the Republic of the Niger to collaborate on interventions related to:

- Infrastructure development
- Access to finance
- Strengthening institutional and value chain actor capacity.

INVESTMENT

► The agribusiness and textiles sectors hold significant promise for value-added benefits as well as job creation.

► In the textiles and apparel sector, for example, IsDB will use a GVC-based approach to identify opportunities for value creation along each step of the chain for, among others:

- Cotton production
- Spinning to dyeing
- Print and design
- The retail fashion industry.

EXPORTS

The primary market for Niger's agribusiness exports is Nigeria, which receives more than **95% of the total exported livestock products, amounting to **US\$ 190 million** in trade annually**

Uranium and crude oil respectively accounted for **25% and **22%** of Niger's goods export in 2018**

Senegal — A post-COVID-19 restart strategy

The promotion of GVCs in Senegal will allow markets to mobilise resources for development

PURPOSE

- ▶ With a young and growing population (currently 16 million but expected to expand to over 21 million by 2030), Senegal benefits from political stability and a diversified economy.
- ▶ As the continent's most western city with access to the Atlantic Ocean, Senegal's capital, Dakar, has become an African hub for the provision of products and services to the rest of francophone Africa.
- ▶ IsDB's analysis, in cooperation with the Government of Senegal, of the country's participation in GVCs indicates that labour force might require assistance with its capacity and competencies, which are crucial for the development of transformative industries.

Based on analysis of the structure and long-term outlook of the five industries identified by IsDB and following discussions with the Government of Senegal, the petrochemicals and agri-food sectors were selected as champion industries for Senegal

- ▶ To help Senegal improve its participation in GVCs, IsDB's quantitative methodology has identified five important manufacturing industries for the country:
 - Chemicals
 - Agri-food industries
 - Wood industries
 - Apparel industries
 - Petroleum industries.
- ▶ Based on existing resources in Senegal, the structure and long-term outlook of these five industries and following discussions with the Government of Senegal, IsDB has selected petrochemicals and agri-food as the main champion industries for the country.

METHOD

- ▶ IsDB's GVC analysis methodology (see page 170) was used to identify the key action points for Senegal.
- ▶ To identify and subsequently develop the sectors with the most potential that Senegal needs to focus on to achieve its high value-add increase and job creation targets, IsDB deployed its GVC methodology, which uses a filtering tool to identify champion sectors and products.
- ▶ GVC analysis identifies bottlenecks, capacity gaps and product potential across the value chain from the initial phase of production up to export and distribution. The interventions derived from this process will seek to address the gaps and bottlenecks in the GVCs of Senegal's leading products/industries.
- ▶ The MCPS will look to expand and upgrade the Senegalese industries that the analysis has selected for their potential as champion industries.





- ▶ Special attention will be paid to the formulation of fertilisers and detergents for petrochemicals, and agriculture food products such as rice, malt extract, groundnuts, fruits and vegetables and fishing products for agri-foods.
- ▶ The country will be encouraged to pursue more inclusive development goals such as the creation of high-quality jobs and the promotion of sustainable export competitiveness.
- ▶ IsDB used a RCA index to determine the products in which Senegal has a comparative advantage.
- ▶ The PCI was used to gauge the export potential of manufactured products.
- ▶ Manufacture of agri-foods, petroleum, basic chemicals and related products industries were compared with the average growth of world demand for all products and the average growth of Senegalese exports over the same period. The same analysis was completed for all five champion industries.
- ▶ The value-add of the overall exports was broken down across all industries, then divided into the domestic value-add, foreign value-add and indirect value-add contributions of each industry.
- ▶ The highest value-add was recorded for agri-foods, dwarfing the value-add of the other industries. The domestic value-add was particularly high, which suggests very low GVC participation and position.

POTENTIAL IMPACTS

- ▶ The main preliminary recommendations of the agri-food GVC analysis includes the following:
 - To further grow the agri-foods industry in Senegal, there needs to be an increase in productivity and scale of agricultural output
 - The country should further integrate its processing value chain to capture larger shares of the market value
 - Productivity and scale should be increased by supporting smallholder farmers to form cooperatives, as these will enable them to achieve economies of scale through knowledge and technology transfer and gain better access to financing for agricultural equipment
 - The Government can support the establishment of cooperatives by providing platforms as well as guidelines and educational support
 - The effects of climate change in Senegal are expected to severely harm the agri-foods industry due to extreme weather such as drought, as well as increased temperatures. Therefore, mitigation measures must be implemented to prevent these adverse effects.
- ▶ The findings of a preliminary study on the petrochemical industry reveal that:
 - The petrochemical industry is a capital and asset-intensive one, requiring economies of scale to justify the huge investments required, especially upstream activities of base-chemical formulation
 - The same oil and gas lead firms or their subsidiaries are usually responsible for the first few activities (upstream) of the petrochemical GVC, with upstream integration into base chemical production and plastics manufacturing

- Although Senegal is not a historical petrochemical player, its existing refining capacity can allow it to upgrade its position by helping local firms formulate base chemicals and ammonia, especially considering the future natural gas production in the country
- Senegal can look at the African market to increase demand from end-industries (mainly fertiliser and detergent) to stimulate demand for petrochemical formulation in the country. This is aligned with the new AfCFTA.

INVESTMENT

- ▶ Overall, the preliminary GVC analysis completed by IsDB in Senegal concluded that:
 - Productivity should be increased through the introduction of new machinery and further mechanisation and automation
 - Additional investments are needed, through loans as well as foreign direct investments
 - Investment should be evaluated in terms of its environmental impacts to make sure it is not doing more harm than good
 - Senegal needs to improve its transport infrastructure and services to speed up export processes and facilitate cross-border trade.

GROWING POPULATION

Senegal has a young and growing population of 16 million but expected to expand to over 21 million by 2030

Nigeria — A post-COVID-19 restart strategy

IsDB's global value chain-based analysis for Nigeria has identified significant opportunities in five different industries

PURPOSE

- ▶ IsDB conducts GVC-based analysis of the economic conditions in selected MCs to determine their competitiveness in their major industries.
- ▶ IsDB's analysis, in coordination with the Government of Nigeria, revealed five key champion industries:
 - Food and agribusiness
 - Apparel
 - Petroleum
 - Automotive
 - Transport equipment.
- ▶ Of these, three industries were determined to have a high natural potential:
 - The petroleum industry (manufacture of petroleum products)
 - The rubber industry (manufacture of rubber products)
 - The apparel industry (manufacture of footwear, leather and related products).

The preliminary value chain analysis revealed that promoting vertical integration and incentivising foreign processors will help address the weak linkage between producers and processors in Nigerian agriculture

METHOD

- ▶ IsDB's GVC analysis methodology (see page 170) was used to identify the key action points for Nigeria.
- ▶ Further examination of the data gathered during the GVC-based analysis identified the following trends for the selected industries in Nigeria:
 - The food and agribusiness industry is performing poorly in a sector that is growing worldwide, which suggests that it is an industry with great potential and untapped opportunities
 - The apparel industry is doing comparatively well in a declining sector
 - Petroleum products do not have much dynamic potential and are situated in declining sectors
 - Although the rubber industry overall does not show dynamic potential, a specific rubber product which makes many automotive components has dynamic potential to improve its performance in growing industries.
- ▶ The rise in the application of rubber products in various end markets has triggered growth for the industrial rubber products market. The rubber moulded component industry is expected to grow by 6.38% CAGR due to demand for fuel-efficient vehicles. Therefore, the potential in rubber products gives a great competitive edge for the development of the automotive industry.
- ▶ There has been a decline in gross exports in the agriculture, food and beverage industry. However, key trends in exports and value-add composition reveal opportunities in both local and international markets.
- ▶ The apparel industry's share of exports is decreasing, which signals potential loss of competitiveness. However, the gross



output for the industry is growing significantly, suggesting that the local market is thriving. While the local content has increased over the years, there has been no change in the indirect value-add, indicating the potential to expand into new territories.

► Petroleum, chemical and non-metallic mineral products follow the same patterns as the apparel industry, with strong potential for the local market. Products from all these industries can be used to build a thriving automotive industry.

POTENTIAL IMPACTS

► A preliminary case study, based on the information gathered via the GVC methodology, indicates the prospects for future development of the cocoa industry in Nigeria. The main points are as follows:

► The cocoa industry is one of the key drivers of Nigeria's agriculture, contributing 30% of agricultural products.

► The industry employs 300,000 farmers directly and 2 million people indirectly. Although Nigeria is the 4th largest producer of cocoa in the world, the country's current participation in world exports in this commodity is limited mainly to cocoa beans.

► The overwhelming majority of cocoa exports are unprocessed. The country receives 30% lower cocoa prices than competing exporters because of lower quality beans. In general, the cocoa industry faces two challenges:

- Farm-level constraints
- Process-level constraints.

► At the farm level, the system of sourcing quality inputs for farmers is limited. Poor road access, lack of post-harvest infrastructure and lack of irrigation are critical issues.



► Other challenges include:

- Skill gaps
- Cost of finance
- Segmentation of the industry into a large number of small farmers
- Weak processing capacity
- Unstable energy supply
- Lack of storage facilities
- Lack of skilled labour.

► IsDB's readiness assessment of the agricultural sector in Nigeria found the following key factors to be of greatest importance for the future development of the sector:

- Access to finance
- Sector competitiveness
- Sector capabilities.

► IsDB's recommendations include:

- GVC integration to help improve the country's low competitiveness and poor productivity
- Innovation and workforce qualification
- Action to address lack of adequate training and technology adoption.

INVESTMENT

► IsDB's recommendations for the cocoa industry include investment in improvements across the value chain, starting from inputs and extending to sales and distribution. These include:

- Having the correct inputs delivered to farmers, especially access to quality seed
- Disseminating farming best practices using farmer field school methodologies or extension services

- Providing funding for mechanisation and the means to replace cocoa trees, which are vulnerable to pests and disease as they age
- Developing and implementing training programmes to help smallholders gain certification
- Improving value addition by promoting bean-to-bar branding strategies
- Introducing agritourism (based on the value chain experience) as a second source of income for farmers
- Enhancing farmer cooperatives
- Using extension service
- Partnering with lead firms to leverage access to the sector.

► Suggested financial measures include:

- Improving access to finance for the processing stage
- Introducing trade financing mechanisms and other financing modes for processors
- Reinstating the Export Expansion Grant scheme or a similar incentive structure to encourage origin grinding.

NIGERIA'S AGRICULTURE

The cocoa industry is one of the key drivers of Nigeria's agriculture, contributing 30% of agricultural products and employing 300,000 farmers directly and 2 million people indirectly



Asia



Indonesia — A post-COVID-19 restart strategy

Analysis based on IsDB's GVC selection methodology has identified the agri-food, mining and automotive sectors as champion industries for Indonesia, with potential to improve the country's competitiveness

PURPOSE

- ▶ IsDB has conducted preliminary GVC analysis of Indonesia's major industries, taking into account issues that could help the country to compete more effectively in global value chains.
- ▶ Analysis based on IsDB's GVC selection methodology initially identified five key industries for Indonesia:
 - Agri-food
 - Textiles and clothing
 - Food
 - Mining
 - Automotive.

Indonesia has significant potential to expand into EV battery production, thanks to its critical raw material deposits

- ▶ Of these, the GVC analysis narrowed the list down to agri-food, mining and automotive as the most important champion industries for the country going forward. These are also industries that the Government of Indonesia is actively promoting and supporting with major industrial policies.

METHOD

- ▶ IsDB's GVC analysis methodology (see page 170) was used to identify the key action points for Indonesia.
- ▶ The GVC analysis of Indonesia's key industries has highlighted many opportunities for economic growth:
 - The agri-food industry is indispensable for Indonesia's economy, contributing nearly 13% of GDP and employing 30% of the workforce. Over the years, with its vast arable and fertile land, Indonesia has built a comparative advantage in a variety of crops such as palm oil, rubber, coffee, tea, cassava, spices, coconut and fisheries
 - Currently, Indonesia is the world's first producer of durian and fourth producer of avocado, with untapped exports in these products
 - Due to the growing international demand for fresh fruits and vegetables, connecting smallholder farmers to the international market can offer excellent opportunities for poverty reduction as it increases the income of farmers and generates employment. In addition, farmers should be helped to meet the growing international demand for fresh fruits
 - There is significant growth potential for one of the country's main mining products, nickel, which is a key input for products in the automotive industry.





► Targets for Indonesia include:

- The achievement of locally produced high quality raw materials for the automotive industry
- Strengthened local production of key automotive components
- Regional leadership in EV production
- Establishment of a regional automotive export hub.

ACHIEVEMENTS

► Preliminary recommendations of IsDB analysis in the agricultural sector include the following:

- Improved access to finance is a crucial factor for the future of the sector
- Access to quality seeds will help Indonesian producers to enter high-value markets, while better understanding of modern cultivation and post-harvest techniques will allow for the production of high-quality, high-yield products
- Infrastructure is crucial to increased competitiveness. In addition to roads, rail and ports, medical facilities are needed to allow older farmers to remain

healthy and hold on to their farms longer, as 80% of farmers in Indonesia are aged 45 and above

- The agriculture industry suffers from constraints in access to finance, which limits opportunities for farmers to increase their income and leaves them vulnerable to natural disasters and volatile commodity prices
- A deeper GVC analysis will help to identify the required interventions to address all these bottlenecks.

► Findings in the mining and automotive sectors are as follows:

- Although Indonesia has introduced EV policies, it should develop an EV battery policy, starting by gaining an understanding of the global electric battery value chain
- To ensure cost and value-add competitiveness, Indonesia needs to secure a battery manufacturing facility, although domestic targeted volume and access to raw material could be challenging
- As demand for EVs booms, Indonesia should leverage its nickel and copper resources to expand into processing, thus increasing value addition.

INVESTMENT

► Future investment will be needed to address the challenges facing Indonesia's main industries. The preliminary GVC analysis reveals the need to build resilient and agile value chains by:

- Creating efficient storage infrastructure to generate a more resilient value chain and allow for perishable commodities such as fruit, vegetables, eggs, dairy products and fish to be preserved for a longer period in order to mitigate the effects of supply chain shocks
- Implementing redistribution infrastructure as a mitigation tool against food insecurity, with continuous monitoring of supply, distribution and storage built into the food system, and investment in digital solutions
- Initiating further in-depth GVC analysis to confirm and identify the appropriate interventions needed to address bottlenecks and capacity gaps in all selected industries.

THE AGRI-FOOD INDUSTRY

The agri-food industry is indispensable for Indonesia's economy, contributing nearly **13% of GDP and employing **30%** of the workforce**

80% of farmers in Indonesia are aged **45** and above



THE WAY FORWARD



Conclusion

As IsDB moves into a future marked by greater uncertainty than has been seen in many years, we are confident that our new business model is fit for the tasks that lie ahead. The P5P is proving its worth, capitalising on IsDB's long-term strategy and extensive experience in delivering funding and financing to the world's poorest communities. The projects and initiatives outlined in this publication demonstrate both the resilience of our MCs and the importance of the work we are doing as a multilateral development bank in challenging times for global development.

As the world emerges from the Covid-19 crisis, we are ready to help our MCs to recover economically. In all these endeavours, it is essential to work together. Our project successes to date show that we can achieve great things by coming alongside our partners to deliver the support they need. We do this through a unified country platform, in line with G20 principles, to ensure long-term coherence and coordination among key stakeholders.

We believe that the Covid-19 storm will pass but the choices we make today will change our lives for decades. We are determined to help our MCs seize the existing opportunities to lift themselves out of poverty and strengthen their economies. In all of this, we will continue our path of making markets work for development — and doing development differently, in ways that work for all.



Doing business differently

IsDB's new business model is achieving significant results in making markets work for development, with a range of impactful initiatives planned between 2021 and 2023. This concept of making markets work for development necessitated engaging with MCs via a different modality and required a shift in the approach of how the MCPS was prepared. Hence, the MCPS 2.0 was designed to reflect this new approach, which was different from the classical way of developing the MCPS, that was based on standalone projects.

The MCPS documents for Gabon and Maldives have been completed, whereas five new MCPSS were initiated in 2020 and thirteen MCPSS will be initiated in 2021. With the objective of ensuring IsDB's pro-active responsiveness to the growing macro-economic challenges of MCs, a fast-track MCPS completion process is in progress that will ensure timely completion of these documents. The yearly breakdown of the GVC-based MCPS is shared below:

Shaping new frontiers for development

GVC-based MCPS 3-Year Plans:

- ▶ 2019
 - Gabon, Maldives, Morocco, Turkey.
- ▶ 2020
 - Guinea, Indonesia, Niger, Nigeria, Senegal.
- ▶ 2021
 - Afghanistan, Azerbaijan, Bangladesh, Guyana, Saudi Arabia, Kuwait, Kyrgyzstan, Malaysia, Sierra Leone, Suriname, Uganda, Yemen, Palestine.

Many MCs have expressed interest in implementing IsDB's new business model and the next three years will see significant progress in this regard

- ▶ 2022
 - Albania, Algeria, Côte d'Ivoire, Iraq, Kazakhstan, Mauritania, Mozambique, Pakistan, Tajikistan, Togo, UAE.
- ▶ 2023
 - Cameroon, Djibouti, Jordan, Oman, Turkmenistan.

Creating impact the smart way

Some of the projects that are a part of the 2021 work programme are as follows:

- ▶ **Cotonou storm water drainage project, Benin:** The objectives are to reduce floods causing damage to shoreline dwellers and infrastructure and to reduce stagnant water in the city of Cotonou.
- ▶ **Construction of regional integration roads project, Sierra Leone:** The proposed roads are links of national and regional importance between Sierra Leone, Guinea, and Liberia.
- ▶ **Strengthening primary healthcare, Chad:** The project aims to reduce the mortality and morbidity rates of the most vulnerable groups, especially women and children.



► **LLF – decentralised rural electrification through mini solar power plants, Togo:** The project focuses on the villages furthest from the grid, overlooked by the various electrification programmes where the most vulnerable sector of the population lives.

► **Zero slums project, Djibouti:** Upgrading slum neighbourhoods and improving the living conditions of the population.

► **Enhancement of the bread-wheat reserves in the Governorates of Al-Diwaniah and Maysan, Iraq:** The development objective of the project is to increase the volume of the strategic reserve of bread wheat in Diwaniah and Maysan.

► **Reconstruction of Hawija Technical Institute, Iraq:** The development objective is to support the Government's post-conflict reconstruction efforts in the most badly damaged regions. Specifically, the project will re-establish access to, and improve the quality of the Hawija Technical Institute.

Building an agile organisation

Initiatives include:

► **Roll out of Country Programme Delivery Unit:** The plan includes completing the establishment of the Programme Delivery Unit, initiated by Senegal. IsDB will provide capacity development for the new Monitoring and Evaluation Unit under the Governor Office (Ministry of Economic Planning) in terms of embedding the delivery approach in monitoring project design, implementation and output evaluation.

► **Communications and external relations:** The objective is to enhance IsDB's profile on the global stage through flagship events and initiatives. This includes:



- Communicating the real impact of IsDB's projects by profiling the people who benefit from them, improving digital footprint and increasing international media coverage
- Developing a database of content, films, images and publications and building a robust communications team at IsDB
- Arranging international Sukuk conferences, redesigning IsDB's new website, adopting a new logo, participating in the WEF and various other initiatives that have helped placing IsDB in a stronger position on the global stage.

► **Enterprise Risk Management:** The ERM Programme is being implemented and its completion will strengthen internal risk management aspects.

► **Operationalisation of Environmental and Social Safeguards (ESS) Policy:** The ESS Policy which was approved in 2020 is being mainstreamed and operationalised in IsDB's projects. The approval of this policy has positioned IsDB at a respectable position among its peers as it was the only major MDB that did not have an ESSP in place. This policy has improved IsDB's stature from a Corporate Social Responsibility (CSR) perspective, which is perceived in a positive way by the rating agencies and international donor institutions.

► **IsDB Risk Appetite Statement:** IsDB has developed its own Risk Appetite Statement.

► **Workload assessment:** This exercise is in progress and its outcome will ensure alignment

between IsDB's new business model and the skillset required. This will make IsDB more efficient and leaner. The workload assessment (WLA) exercise will prepare the IsDB of tomorrow with a clear understanding of the resources that are needed to implement the new business model. The WLA will also complement the workforce planning aspect that will ensure that the relevant human capital is developed with the right skillset needed.

► **Activity-based budgeting:** With the objective of improving efficiencies across the processes and understanding all IsDB-managed fund's recharging of administrative expenses, a dedicated methodology has been developed and the recharge process was implemented in 2020. Building on this experience, the activity-based budgeting will be developed.

► **Strengthening global partnership and expanding the network of developers:** The RL Division will continue to position IsDB as a global actor of South-South Cooperation. In addition to enhancing its existing partnerships with technical cooperation agencies, private sector, network of developers and non-MCs, the

The fundamental principle is to create tailored, comprehensive solutions that tackle the root causes, not just the symptoms, in response to development needs raised by the beneficiaries

Division will also forge new partnerships with the aim of mobilising technical and financial resources for the benefit of MCs.

► **Supplier and contract management tool:** The objective is to improve IsDB's IMDT contracts, vendors management and monitoring with better visibility and controls. IMDT is currently relying on semi-manual practices.

► **Developing national ecosystems for SSTrC:** The RL team will continue promoting the IsDB concept of National Ecosystems for South-SSTrC in MCs and at the global level by leading the development of new publications and tools as well as implementing activities in MCs.

► **Enterprise architecture (EA):** A major programme from IMDT is to establish an EA practice to ensure standardisation and consistency.

► **Integrated Results Framework (IRF):** In February 2021, IsDB initiated the development of an Integrated Results Framework (IRF) for IsDB Group. This exercise aims to develop an Integrated Results Framework to measure the development effectiveness of IsDB Group operations over the period 2021-2030, in an integrated manner. The IRF will pay particular attention towards establishing an alignment of the results framework with the P5P, the new business model and the SDGs. Though benchmarking with other MDBs and other development institutions will also be carried out, the ethos and uniqueness of IsDB's own strategic priorities will be at the heart of the IRF.

► **Digitisation:** IsDB launched the digitisation initiative in 2019, designed to improve the internal communication, working practices, content management, documentation storage and knowledge sharing. This has led to a change in the way these aspects are managed in IsDB, resulting in improved efficiency and transparency and more effective communication.





► **COSO Framework:** IsDB has obtained COSO certification, which is one of the leading frameworks used to assess the controls of an organisation. An implementation plan is in place to ensure improved controls and governance.

► **Project Data Governance Framework:** A Project Data Governance Framework has been developed with the aim of improving data-related aspects of the project management. It will ensure adherence to international standards of data accuracy, data reliability and data integrity.

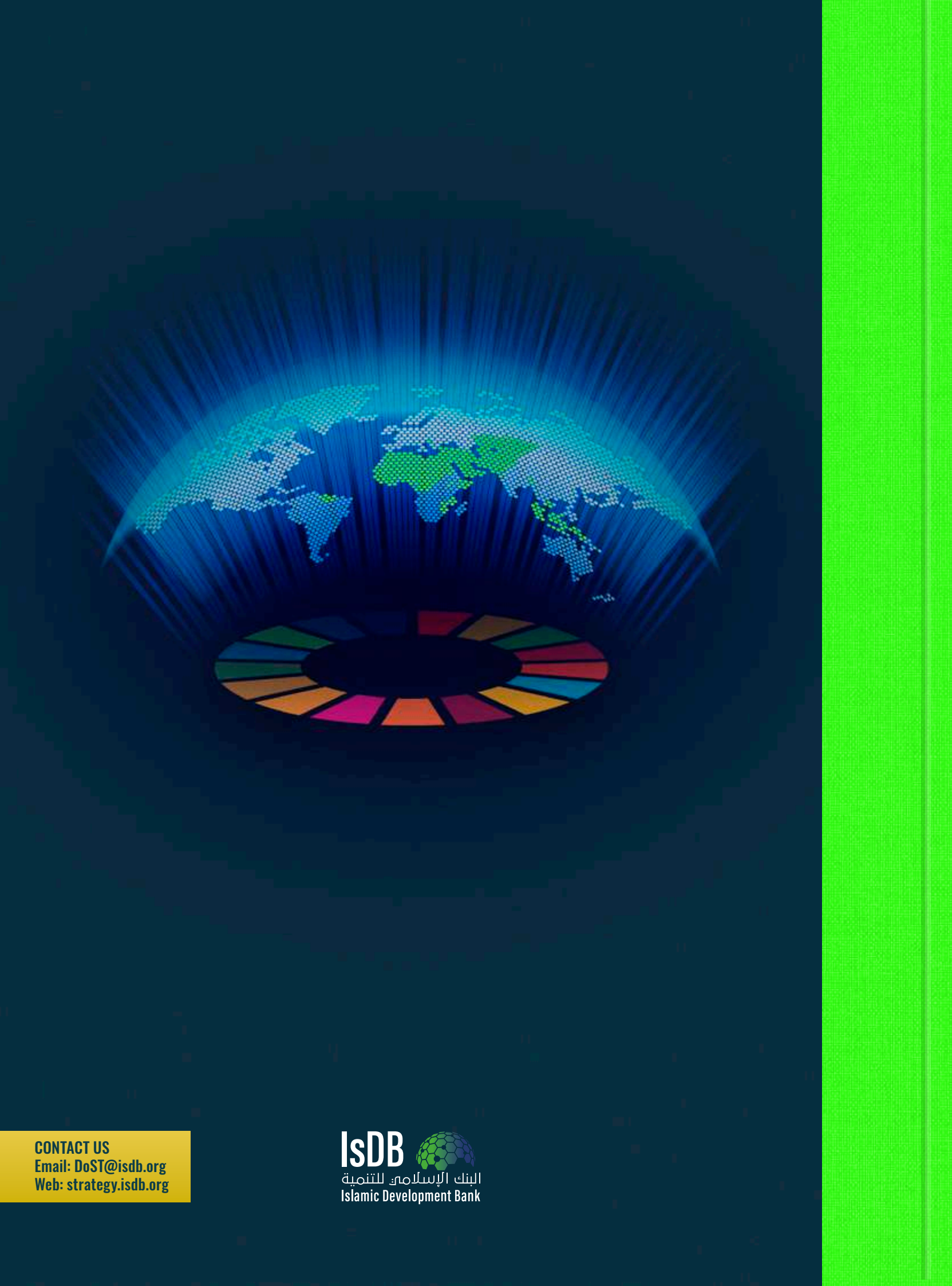
► **Objective Key Results (OKR):**

As the successful implementation of the P5P entailed cascading the KPIs from the President's level to the staff level to ensure that the strategic priorities are well embedded in IsDB's planning processes, the effective monitoring and reporting on these KPIs was equally important. Hence, a dedicated tool, OKR, was launched, gathering more than 200 objectives and KPIs. All staff members can now use this application to report their progress.

► **Performance dashboards:**

IsDB has developed a Project Portfolio Dashboard for the Board of Executive Directors (BED), with the aim to provide project level live access to BED members. This dashboard is instrumental in improving transparency, visibility and awareness about projects' performance. Besides, the P5P Dashboard, the Work Programme Dashboard, the Budget Utilization Dashboard, the MCPS Dashboard and various other dashboards have been developed to ensure greater monitoring and promote reporting culture within IsDB.





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