SDGs COMMUNITY OF PRACTICE (CoP)

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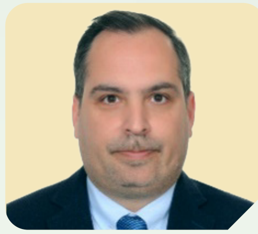
"Resilience, at its heart, begins with people. Employment remains the most powerful bridge from vulnerability to dignity-an anchor of social stability and the heartbeat of shared prosperity, as emphasized by global leaders."

CONTENTS



Hamdi Ahmedou
Senior Manager, Monitoring & Evaluation, Strategy, ITFC

Ahmet Turkum
Project Management Specialist, Regional Hub of Paramaribo, IsDB

Rustam Eshonhujaev
Operations Team Leader, Regional Hub of Almaty, IsDB

Dear Readers,

We are delighted to present the 22nd edition of the SDG Digest, released at a pivotal moment for global development. With the theme of 'Resilient Economies in a Changing World: Debt, Climate and Finance for Sustainable Futures', this edition examines how the convergence of debt pressures, climate risks and shrinking fiscal space is altering the course of sustainable development in our member countries.

As we approach 2030, these interconnected challenges require not only resources, but also new approaches to building resilience in economic, social, environmental and institutional areas. Climate shocks are exacerbating debt burdens, while rising borrowing costs are limiting investments in vital services, and global volatility is testing the capacity of developing economies to adapt. Yet, despite these challenges, there are also powerful examples of innovation, leadership, and collaborative problem-solving.

In his cover story, H.E. Dr Muhammad Al Jasser, Chairman of the IsDB Group, highlights the urgent need to build a new architecture of hope, one that is grounded in values, resilience and equity. He emphasizes the transformative potential of Shariah compliant financial innovation, climate-smart instruments, concessional finance and resilient economic systems in securing a sustainable future.

This edition brings together a wealth of insights from across the global development ecosystem. Contributions come from leaders of international financial institutions, specialized UN agencies, impact investors, regional and global development practitioners, and distinguished academics and policy experts. These contributions offer forward-looking analyses that address today's interconnected challenges of debt, climate and resilience.

We are honored to feature contributions from across the IsDB Group, including the ICD, ITFC, ICIEC and various technical departments within the Bank, which draw on their unique expertise. Their articles offer practical insights from operational teams and country engagements, illustrating how policy, finance, innovation and field experience converge to deliver tangible development outcomes in our member countries. Together, these articles offer a comprehensive overview of emerging solutions, innovations, and lessons learned from the frontlines of sustainable development.

We are also pleased to report on the ongoing development of the SDGs Community of Practice (CoP) as a knowledge-sharing and collaborative action platform. As in previous editions, the CoP is committed to amplifying the voices of practitioners and partners working on the front line of building resilience and advancing the SDGs.

On behalf of the SDGs CoP, we would like to express our sincere gratitude to all the contributors for their valuable contributions, and to our readers for their ongoing engagement. Let us continue this journey together, strengthening resilience and shaping a sustainable future for all.

Best wishes,

Members of the IsDBG SDGs Community of Practice

IsDB HQs

Amir Hamza Syed (Leader), Associate Manager, Global Advocacy, Partnerships, Global Advocacy and Resource Mobilization Department (PGARM); **Nedzad Ajanovic,** Lead Global Advocacy Specialist, PGARM; **Djamel Ghrib,** Lead Global Advocacy Specialist, PGARM; **Rowaa Al Khouli,** Global Advocacy Administrative Coordinator, PGARM; **Hamdi Ahmedou,** Senior Manager, Monitoring & Evaluation, Strategy Department, ITFC; **Mohamed Elsaket,** Senior Technical Specialist, Office of the Vice President, Operations; **Dieynaba Niabaly,** Evalualuation, Learning & Outreach Specialist, Independent Evaluations Department (IEvD); **Musa fadl Allah,** Senior Internal Communication Specialist, Communication Department (COD); **Francis Aubee,** Young Professional, Resilience & Climate Action Department; **Yassin Gai,** Young Professional, IsDB Group Chief Economist Department; **Syed Muhammad Abdullah,** Office of the Vice President, Operations; **Salih Suwarelzahab,** Lead Legal Counsel, Legal Affairs Department, ICIEC; **Idris Mukhtar,** Principal, Partnerships, ICD

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Cover Story

Resilient Economies in a Changing World: **Debt, Climate, and Finance for Sustainable Futures**

Dr. Muhammad Al Jasser
Chairman, Islamic Development Bank Group, IsDBG

Resilience: The New Architecture of Hope

As the world approaches the final stretch of the 2030 Agenda, we stand at a critical juncture defined by converging crises—and a profound opportunity for renewal. Global conflicts, climate extremes, unsustainable debt, and technological disruption are testing the very foundations of global growth and solidarity. Yet within this turbulence lies a powerful call to reinvent our future: to build a new architecture of hope where resilience becomes the cornerstone of sustainable development.

For the Islamic Development Bank (IsDB) and our 57 member countries, resilience is far more than an abstract ambition; it is a moral imperative and a practical duty. We are called to design financial systems that bend without breaking, to translate compassion into catalytic capital, and to transform crises into pathways for shared renewal.

From Crisis Response to Resilient Systems

The 2025 Annual Meetings of the World Bank and IMF underscored a pivotal shift: our task is no longer merely to respond to shocks, but to prevent them by reinforcing structures of sustainability—from public finance and food security to energy access and social protection.

At IsDB, we pursue this vision through faith-aligned, Shariah-compliant innovation. Our green and social Sukuk instruments represent a new frontier in resilience-linked financing, rewarding sound policy choices and safeguarding the well-being of future generations. These tools embody our conviction that true resilience is built on a foundation of equity and foresight, not short-term expediency.

Empowering People: The Human Face of Finance

Resilience, at its heart, begins with people. Employment remains the most powerful bridge from vulnerability to dignity—an anchor of social stability and the heartbeat of shared prosperity, as emphasized by global leaders.

Through the Islamic Corporation for the Development of the Private Sector (ICD) and our expanding network of partners, IsDB has supported over 1,500 SMEs, helping to create more than 200,000 jobs that sustain families and empower communities.

Our new Concessional Finance Window will further strengthen this human-centered approach, ensuring that least-developed member countries gain access to affordable, adaptive, and transformative finance. This initiative is a direct embodiment of the Bank's Ten-Year Strategic Framework (2026–2035), reinforcing our dual commitment to inclusiveness and resilience.

Innovation for a Resilient Future

The frontier of development finance is rapidly evolving toward pre-emptive resilience. Artificial Intelligence, digital inclusion, and green technology offer unprecedented tools to anticipate risk and amplify impact. IsDB is investing in AI-enabled monitoring, blended finance platforms, and climate-smart instruments that link financial terms to verifiable social and environmental outcomes.

This represents more than a technological shift; it is a fundamental change in mindset. We are designing financial solutions that actively support people's resilience through every stage of life.

A Global Compact Grounded in Values

As the G20's agenda for multilateral development bank reform advances, IsDB is committed to ensuring that modernization remains firmly anchored in values. Efficiency must serve equity, and innovation must serve inclusion.

Our unique identity—as a bridge across regions, faiths, and ideas—positions us to help shape a multilateral system that is bigger, better, and fairer. Our collaboration with partners like UNIDO on the Transformation Pathways Initiative demonstrates how faith-inspired innovation can decarbonize industry while preserving dignity in work. This is the essence of resilient development, where climate ambition meets compassion, and economic transformation is guided by justice and fairness.

Our approach demonstrates that financial integrity and social impact can coexist—and that meaningful reform must begin with principles, not just policies.

Solidarity: The Ultimate Renewable Resource

Resilience is sustained not only by capital but also by collaboration. As the global community gears up for COP 30, the FfD4 follow-up, and the launch of IsDB's Ten-Year Strategic Framework (2026-2035), our shared success will hinge on solidarity—the world's most renewable resource.

Every initiative featured in this SDG Digest edition serves as a reminder that sustainability is a covenant between generations—a promise that finance must remain a language of compassion, advancing peace, dignity, and prosperity for all. When development is guided by both faith and foresight, it becomes humanity's most enduring expression of hope.

Delivering at Scale, Delivering as One

Walid Abdelwahab
Director, Regional Hub of Türkiye, IsDB

Syurkani Ishak Kasim
Director, Strategy, Budget & Corporate Performance, IsDB

As we have started work over the past months on the early stages of preparing the IsDB Group 5-Year Corporate Strategies, one thing has become increasingly clear: the direction from the IsDB Group leadership is steady, practical, and focused on the long term. It has given all of us a clearer sense of what matters most as we move into a new phase of our development journey, the 2026–2035 horizon. The guidance has not come as slogans or broad aspirations, but as a consistent reminder that the Group must become more integrated, more capable, and more effective in how it supports our Member Countries.

This clarity has helped teams focus, cut through noise, and grasp the significance of the moment. Scale today reflects the pressures facing MDBs and our Member Countries: rising demand, limited resources, tighter fiscal space, and more complex risks. It means delivering greater impact with the same resources, moving faster, and using all Group instruments in a coordinated way. It requires smarter capital circulation and stronger knowledge-driven and technology-enabled operations. With this understanding, the transformation ahead becomes concrete: it will reshape how we design operations, manage resources, and deliver for impact. Leadership has made it clear that, to remain relevant and strong, the IsDB Group must adapt, and that we can.

Yet, no strategic direction, no matter how strong, will carry weight unless staff shape it, own it, and bring it to life. The responsibility for the next 5-Year Corporate Strategies sits with all of us across the Bank and the Entities, both in HQ and the field. We each hold a piece of the puzzle. Whether we work on financing, insurance, trade, private sector operations, research, or advisory services, our contribution determines the quality of the strategies that will guide our work through 2030.

For this reason, it is time to move beyond synergy to tangible, value-added and seamless integration of our services to our Member Countries. IsDB, ITFC, ICD, ICIEC, and IsDBI serve different functions, but Member Countries expect us to deliver as one institution. They expect coherence in our approach, alignment in our interventions, and coordination in how we deploy our instruments. When we operate separately, we lose momentum. When we move together, we turn individual strengths into Group capability.

The next decade will demand more from us. Digital transformation and AI are no longer peripheral improvements; they are reshaping how development institutions think and operate. If we want to deliver with the speed and quality our countries now expect, we must build the systems, habits, and culture that allow these tools to enhance our work. This means leaner processes, integrated data platforms, and new ways of collaborating across departments and entities.

As we move forward, we hope each colleague sees this strategic cycle not as paperwork, but as a rare chance to influence the institution's direction. We have the frameworks, the leadership backing, and the collective experience to do this well. The rest depends on our willingness to work together, to push for better ways of operating, and to carry a mindset that reflects what our Member Countries deserve and expect from us.

This is a shared journey. Its success will come from the way we act, not only from what we write or say. It will come from all of us: delivering at scale, delivering as one.

Financing Sustainable Trade:
From Intent to Impact

Adeeb Yousuf Al-Aama
Chief Executive Officer, ITFC

Aligning Trade with Climate Action in OIC Countries

Global trade is a key engine of the world economy, with trade finance underpinning up to 90% of all transactions. This vast flow of capital represents a powerful, yet largely untapped, lever for driving global climate action. For many Member Countries of the Organization of Islamic Cooperation (OIC), the challenges of climate change and a widening $2.5 trillion trade finance gap are undermining resilient growth.

With trade estimated to account for 20–30% of global CO_2 emissions, there is an urgent need to reduce emissions associated with how goods are produced, moved, and financed. The challenge is clear: trade-related activities are responsible for a significant portion of global greenhouse gas emissions, creating a paradox where the engine of development also fuels the climate challenge. For OIC nations facing extremes of heat, drought, and floods, steering trade toward sustainable goods and inclusive, resilient supply chains is both a development imperative and a practical path to advance the Sustainable Development Goals (SDGs).

Mobilizing trade finance for climate action is an emerging opportunity, especially within Islamic finance. Guided by Shariah principles of ethical purpose and asset-backed funding, Islamic trade finance is inherently well-suited to champion sustainable development. By mainstreaming climate considerations into trade financing frameworks, financial institutions can redirect capital toward sustainable trade-related goods, equipment, and commodities.

ITFC's Sustainability Journey: Policies, Initiatives, and Innovation

In 2024, ITFC's Board approved the institution's first comprehensive Environmental & Social (E&S) Policy, a milestone that embeds sustainability standards across all our operations. Alongside the policy, ITFC established new governance structures, notably a high-level Sustainability Committee, to steer this agenda and ensure that strategic decisions are filtered through a sustainability lens.

Central to ITFC's approach is a commitment to a just transition, that supports development progress and leaves no one behind. We firmly believe climate action must not come at the expense of our member countries' development progress. Therefore, ITFC financing will continue to address critical needs for today's essential goods, including energy inputs, while also supporting a gradual and equitable shift toward a lower-carbon economy.

Recognizing that standard climate and E&S risk frameworks fail to capture the short-term, flow-based nature of trade finance, ITFC is establishing fit-for-purpose methods to assess environmental and climate risks. We have designed robust E&S safeguards to systematically identify and mitigate any potential negative impacts from our financing activities. Furthermore, ITFC is developing an innovative carbon accounting methodology tailored specifically to trade finance. This will enable us to accurately estimate, report on, and ultimately reduce our portfolio's climate footprint. This financed emissions methodology will complement our practice of measuring and offsetting our organizational footprint, which we have done since 2022 using credits from the Regional Voluntary Carbon Market.

By designing new methods for carbon accounting and embedding E&S checkpoints into financing decisions, we aim to ensure that our financing adheres to sustainability standards. This evolution in risk management reflects a maturing understanding: trade finance may carry lower E&S risk than long-term project finance, but it is not risk-free – and it can be a driver of positive change if managed with the right lens.

The next step for ITFC is to create purpose-built instruments, such as dedicated, Shariah-compliant sustainable trade facilities, to channel capital to transactions with clear mitigation and adaptation benefits.

A Call for Action

In a world urgently seeking pathways to a sustainable future, repurposing trade finance as a force for climate action offers a pragmatic and powerful solution. This movement is already taking root in the Islamic finance community and beyond, but its success hinges on collaboration.

Partnerships will determine the speed of progress. Governments can align incentives through regulations and policies. Standard-setters can harmonize definitions and disclosures to ensure consistency. Development partners can de-risk early movers through blended finance instruments. ITFC is committed to supporting this collective action by deploying innovative assessment tools, structuring products that reward low-carbon trade, and disclosing externalities – positive and negative - with transparency.

The imperative is urgent, and the opportunity is real. Now is the time to turn intent into impact.

Budgeting for the Sustainable Development Goals in the Caribbean

Dindial Ramrattan
Statistician, Economics Department, Caribbean Development Bank (CDB)

Dr. Stephan Maier
Economics Department, Caribbean Development Bank (CDB)

Caribbean Development Bank (CDB) borrowing member countries share challenges common to other Small Island Developing States (SIDS), such as small economic size, vulnerability to natural hazards, and exposure to external shocks. While recent tourism recovery has supported economic growth and public debt ratios have improved, fiscal space remains constrained. High borrowing costs and heightened uncertainty regarding global trade flows constrain the Region's development agenda. Against this backdrop, CDB emphasizes the importance of structured, innovative budgeting approaches to achieve the Sustainable Development Goals (SDGs).

The Case for SDG-Linked Budgeting

Caribbean countries have aligned their national development plans (NDPs) to Agenda 2030. However, the persistence of socio-economic vulnerabilities prevents countries from achieving their SDG targets and this underscores the need for performance-based budgeting. This approach differs from programme-based budgeting by focusing on outcomes and targets, rather than just classifying expenditures by programmes. Performance-based budgeting can deliver greater efficiency, transparency, and accountability, and reduces resource wastage and duplication of development efforts.

The success of this strategy depends on deepening cooperation throughout the public and private sector; Partnerships are key for mobilizing resources and implementing SDG-aligned strategies. Likewise, strengthening statistical capacity and harmonizing national statistical systems are critical to measure progress, and to increase evidence-based decision making.

Regional and Global Context

Globally, SDG progress faltered during the COVID-19 pandemic as the distance to SDG targets widened for the first time since their adoption in 2015.[1] While most Caribbean countries' SDG scores – where available – had recovered by 2025, setbacks tend to disproportionately affect vulnerable populations. SDG areas most impacted include poverty eradication, decent work, sustainable cities, responsible consumption, climate action, and biodiversity protection.

In the Caribbean, the integration of SDGs into NDPs has had mixed success. Jamaica, for example, has achieved over 91% alignment between its national targets and the SDGs through a Rapid Integrated Assessment, embedding SDGs into sectoral projects and tracking progress[2]. Trinidad and Tobago has anchored SDGs in its National Development Themes, while Guyana, Suriname, Saint Kitts and Nevis, and others have integrated SDGs into their respective NDPs.

Pathways to Reform

The CDB proposes a structured approach to embedding performance-based budgeting within Public Financial Management (PFM) reforms to target the SDGs. Key recommendations include:

1. Aligning national plans with SDGs – ensuring development priorities are explicitly linked to SDG targets.
2. Aligning budget programmatic structure with SDGs – grouping spending also by thematic SDG areas rather than only by Ministry/Department/Agency.
3. Implementing a performance evaluation system – monitoring key indicators, targets and outcomes.
4. Implementing regional PFM reforms – harmonizing integrated systems to increase budget efficiency and monitoring, share best practices, and attract donor support.

Countries like Jamaica and Trinidad and Tobago already stress the importance of results-based budgeting, supported by data collection, monitoring, and evaluation systems. Mexico provides a strong example of SDG-linked budgeting as it mapped more than 85% of its budgetary programmes to 16 SDGs and launched the world's first sovereign SDG bond facilitating related funding needs in 2020[3].

Empowering local governments, as the institutions closest to communities and citizens, plays a pivotal role in delivering SDG-aligned services such as sanitation, infrastructure, and disaster management. Guyana's Sustainable Village Plans in Amerindian communities illustrate how localized, participatory approaches can strengthen national SDG implementation.

Moving Forward

Budgeting for the SDGs requires deliberate public sector reform including fiscal frameworks, stronger performance-based budget management, and inclusive participation from all stakeholders. By aligning NDPs with the SDGs, aligning expenditures with the SDGs, enhancing statistical systems, and engaging local governments and private actors, Caribbean countries can strengthen resilience and acheive targets under the Agenda 2030.

Transparent budgeting systems will improve donor coordination, mobilize domestic and international financing, and improve targeting of programmes. CDB targets interventions aligned with multiple SDGs in areas such as climate finance and related socio-economic fields through its technical assistance, capital investments and policy-based lending, while also building partnerships and mobilising development resources.

1. Data sourced from the United Nation's Sustainable Development Goals Report, 2025. (— SDG Indicators).
2. SDGs Accelerators and Policy Bundles...Advancing the Achievement of the SDGs through Vision 2030 Jamaica.
3. Mexico's Budgeting for Sustainable Development.

Financing for Development:
Positioning IsDB at FfD4

Amir Hamza Syed
Associate Manager, Partnerships, Global Advocacy and Resource Mobilization Department, IsDB. Leader, SDGs Community of Practice, IsDBG

IsDB Engagement Highlights:

- Expansion of **Islamic finance** and Sukuk as global SDG financing tools
- Emphasis on **resilience, reconstruction**, and **fragility-responsive financing**
- New collaboration pathways with **international partners.**
- Strong positioning in **South–South Cooperation** and **climate action**

Held in Seville from 30 June to 3 July 2025, the Fourth International Conference on Financing for Development (FfD4) reaffirmed the global urgency of closing the USD 4 trillion annual SDG financing gap. The conference adopted the Seville Commitment, a renewed agenda for scaling investment, tackling debt vulnerabilities, and modernizing the global financial architecture.

For IsDB, FfD4 provided a high-level platform to demonstrate the Bank's comparative strengths — Islamic finance innovation, South–South cooperation, and its growing role in supporting fragile and climate-vulnerable Member Countries.

The Seville Commitment focuses on three central pillars:

- Catalyzing large-scale SDG investments, leveraging blended finance and private capital;
- Addressing the growing debt and development crisis, including expanding risk-sharing and Islamic finance instruments;
- Reforming the global financing ecosystem, promoting MDB–UN coordination, integrated country platforms, and alignment with national strategies.

These priorities are fully aligned with IsDB's 10-Year Strategic Framework and its efforts to scale sustainable, resilience-oriented development finance.

IsDB's delegation, led by H.E. Dr. Muhammad Al Jasser, engaged in high-level dialogues and convened two prominent side events:

- "Reimagining Global Development Finance: Beyond Debt", highlighting the potential of Islamic finance and Sukuk for mobilizing long-term capital,
- "Financing the Future in Fragile Contexts", co-hosted with UNDP, emphasizing resilience, reconstruction, and blended financing approaches.

Across engagements, IsDB underscored its commitment to strengthening concessional financing, scaling Islamic financial instruments, and deepening climate and resilience investments.

The Bank also advanced partnerships with key strategic stakeholders, focusing on agrifood transformation, digital innovation, and climate action. These engagements will help accelerate project preparation and enhance mobilization of co-financing resources.

With only five years remaining to achieve the SDGs, FfD4 outcomes highlight a renewed global push for inclusive, risk-tolerant financing. IsDB is positioned to lead by expanding green and social Sukuk, strengthening blended-finance platforms, and supporting fragile states through resilience-focused initiatives.

As the Bank integrates FfD4 outcomes into its advocacy and operations, it will continue to act as a catalyst for sustainable development, bridging global commitments with practical solutions that serve people and planet.

FfD4 ACG Communique: https://www.isdb.org/news/arab-coordination-group-joint-communique-advancing-sustainable-and-inclusive-development

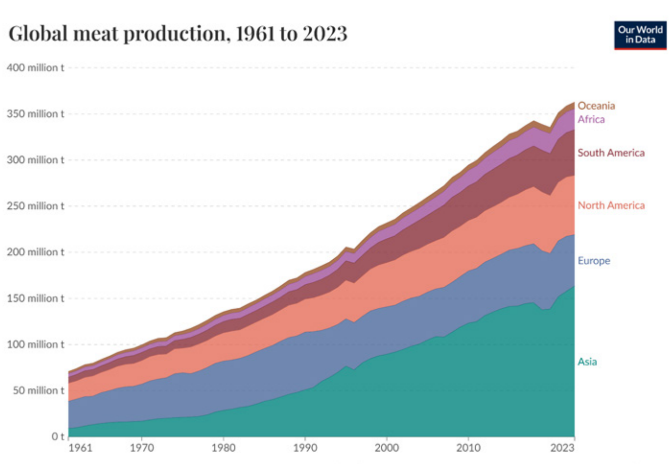
The IsDB Africa Livestock Resilience Program: **Creating Stronger Economic Opportunities and Building Resilience**

Idrissa Dia
Director, Economic and Social Infrastructure Department, IsDB

Nizar Zaied
Manager, Agriculture, Water Resource & Rural Development, Economic and Social Infrastructure Department, IsDB

Background

The production and consumption of animal products is one of the determinants of food and nutrition security, and has become one of the fastest growing sectors in agriculture. This phenomenon, dubbed the "livestock revolution", has been driven by population and income growth, plus rapid urbanization. Continuing expansion is expected, with demand for animal products fueled by the continued increase in the world's population (Acosta, 2018). Between 1961 to 2023 global meat production increased by five-fold from 71 to 355 million tons (FAO, 2023).



Animal-source foods (ASFs) such as meat, fish, eggs, and dairy are an excellent source of high-quality proteins and bioavailable micronutrients that can be difficult or impossible to obtain from plant-source foods. ASFs are particularly important for individuals with high nutrient requirements, such as young children (Leroy and Alonso, 2024). Extensive longitudinal studies have shown strong associations between intake of ASFs and better growth, cognitive function and physical activity of children, better pregnancy outcomes and reduced morbidity from illness (Neumann et al., 2002).

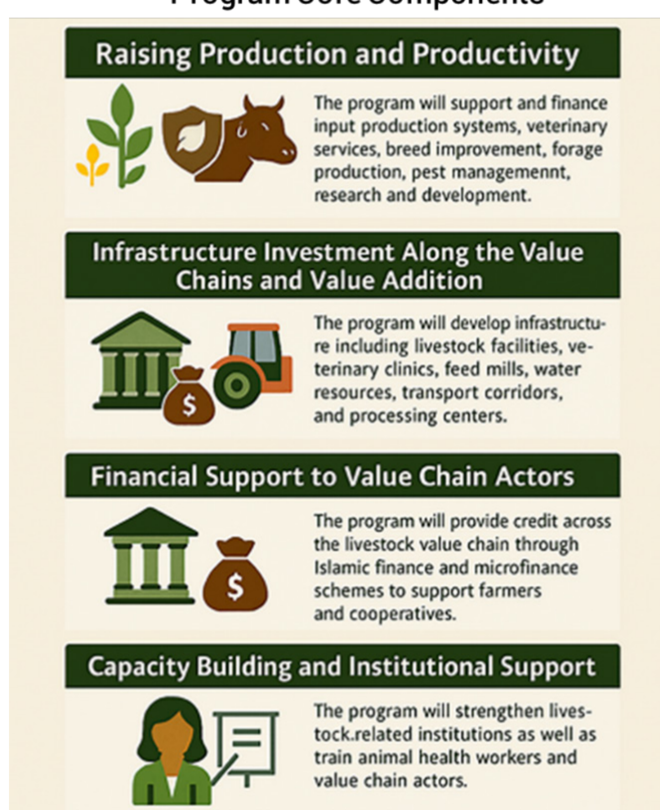
Africa Livestock Sector

Across the continent, livestock is more than an agricultural asset, it is essential for rural livelihoods, nutrition, and cultural identity. However, despite its centrality to many dimensions of modern life, the sector remains under-leveraged, contributing only a meager portion to the global meat and milk output while hosting 85% of the world's livestock keepers. The yield gaps ranged from 28 to 167% for livestock products (Henderson et al., 2016). Lack of good quality animal feed, lack of improvement of indigenous breeds, lack of access to technology and information, poor infrastructure, inadequate processing facility, insufficient veterinary services, lack of access to markets, deficiencies in controlling animal diseases and environmental factors play key roles in deterring sustainable smallholder livestock farming in Africa (Gwaka and Dubihlela, 2020).

Addressing Structural Challenges

The Islamic Development Bank's Africa Livestock Resilience Program (ALRP) offers a bold, integrated response to develop a sustainable and inclusive livestock value chain that will build resilience and create greater economic opportunities

Program Core Components



for livestock value chain actors. The program will address persistent bottlenecks in African livestock systems, such as low productivity, poor feed quality, inadequate infrastructure, limited market access, and climate vulnerability. It also responds to the gender and youth gaps in livestock participation.

Thematic Elements

Women, who manage most small livestock, often lack control over income and access to services. Youth, along with women, face barriers to land, finance, and technology. The IsDB initiative will actively integrate women and youth into livestock activities, enhancing their access to employment, veterinary services, natural resources, finance, and market infrastructure. It will strengthen their organizations, promote leadership, and ensure equitable participation in training, decision-making, and investment operations. While the livestock sector contributes to greenhouse gas emissions, the program will pursue sustainable investment by incorporating climate mitigation strategies such as fodder crops, feed additives, biodigesters, and climate-smart technologies. Each project will follow IsDB's Environmental and Social Safeguard Policy.

Cross-cutting Elements

Under the overall coordination of the Agriculture and Rural Development practice of the Bank, in tandem with the various regional Hubs, the program will support institutional capacity building through the Reverse Linkage mechanism of IsDB, based on country specificity. The IsDB's Science, Technology and Innovation unit will bring onboard and support the deployment of affordable technological solutions including digital ones to respond to the needs of the livestock sector in the beneficiary countries. The Bank's regional integration unit will bring on board relevant regional organizations which can support the facilitation of regional level discussions on the trade and investment aspects of the development of value chains and mobilize complementary

resources. The IsDB Centre of Excellence in Kuala Lumpur will provide technical support for certification, infrastructure, and market linkage—positioning African producers to tap into high-value halal trade corridors. The ALRP is positioned as a collaborative platform, where several financial and technical partners are providing support. The Partnerships Global Advocacy and Resource Mobilization function of the Bank would continue to engage with partners to mobilize financial and non-financial support for member countries through the program.

Country Engagement

The program targets both the member countries already endowed with high potential for livestock production, and countries that are willing to develop or improve their livestock sector. The Bank has been working collaboratively in engaging the member countries, and a number of them have already sent official expressions of interest to participate in the program.

Strategic Alignment

The ALRP aligns strongly with the IsDB Group's Strategic Framework (2026–2035) that explicitly prioritizes agriculture and food security as part of its developmental guiding principles and strategic areas for engagement. Through targeted investments in sustainable agricultural practices, value chain development, and food systems infrastructure, the IsDB aims to enhance productivity, reduce vulnerability, and promote intergenerational prosperity. The program will directly contribute to all six pillars of IsDB agriculture and rural development sector policy. The program is also aligned with various policies in the Bank, such as women empowerment, climate change. as well as national development priorities of the beneficiary countries. The program will contribute to multiple SDGs, such as 1 (No Poverty), 2 (Zero Hunger), 5 (Gender Equality), 8 (Decent Work and Economic Growth), 13 (Climate Action), and 17 (Partnerships for the Goals).

BRICS and the Push for De-Dollarization: **Implications for the Islamic Development Bank**

Mohamed Hedi Mejai
Advisor to H.E the President, IsDB

Introduction

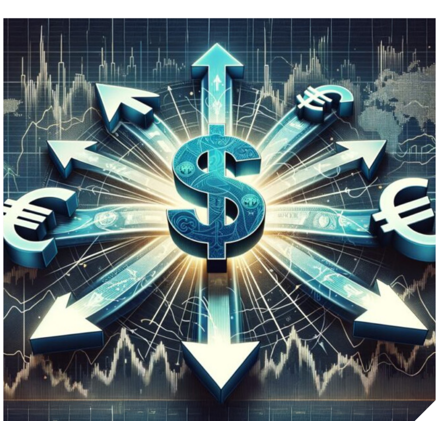
The global financial landscape is undergoing a strategic transformation, with the BRICS nations — Brazil, Russia, India, China, and South Africa — leading a coordinated effort to reduce reliance on the U.S. dollar in international trade and finance. This movement, commonly referred to as de-dollarization, has gained momentum, especially with the recent expansion of BRICS to include Egypt, Ethiopia, Iran, and the United Arab Emirates. For the Islamic Development

Bank (IsDB), a key South-South development finance institution, this shift presents both unique opportunities and complex challenges.

Understanding BRICS De-dollarization

BRICS countries, representing a significant portion of global GDP and population, are increasingly critical of the dollar's outsized role in global finance. Through bilateral trade agreements, local currency settlements, and the exploration of alternative currencies, BRICS aims to establish a more multipolar financial order.

This de-dollarization push is not merely a reaction to geopolitical tensions; it is a calculated move to gain financial autonomy, buffer against dollar-induced volatility, and reduce exposure to Western-dominated monetary systems.



IsDB's Exposure to the Dollar

Though rooted in Islamic finance principles, the IsDB remains heavily integrated into the dollar-dominated global system. Its financing operations, including sukuk issuances and project disbursements, are largely denominated in U.S. dollars. This has historically facilitated ease of trade, investment, and liquidity — but it also exposes the Bank and its members to the risks associated with dollar dependence, such as currency mismatches and interest rate shocks.

Opportunities for IsDB in a De-dollarizing World

1. Diversification of Currency Operations

As BRICS champion the use of local currencies in development finance, the IsDB can follow suit by expanding its lending and capital-raising activities in member country currencies. Several Member Countries could benefit from tailored, non-dollar instruments that reduce exchange rate risks.

2. Strategic Partnerships with BRICS-aligned Institutions

The New Development Bank (NDB), established by BRICS, has already begun issuing bonds in local currencies. The IsDB could collaborate with the NDB and other regional development banks to co-finance infrastructure and climate projects using non-dollar platforms, while ensuring Shariah compliance.

3. Innovations in Islamic Finance Instruments

De-dollarization could catalyze the development of new Islamic finance tools, such as local-currency sukuk or Shariah-compliant digital currencies. The IsDB could play a leading role in creating standards and instruments that align with the changing monetary landscape.

4. Strengthening Economic Sovereignty for Member States

Reduced reliance on the dollar empowers IsDB member countries to chart independent fiscal and monetary paths. This aligns with the broader Islamic economic vision of justice, sustainability, and resilience.

Risks and Challenges

1. Limited Market Liquidity

Local currency markets in many OIC countries lack depth and stability. The absence of liquid secondary markets can hinder the viability of local currency sukuk and raise the cost of capital.

2. Operational Complexity

Transitioning from a dollar-centric system to a multi-currency framework involves substantial changes in accounting, risk management, and IT infrastructure. The IsDB would need to invest in capacity building and internal restructuring.

3. Portfolio Risk and Rating Implications

Shifting currency exposure could affect IsDB's balance sheet and potentially influence its credit ratings. Given its AAA rating from major agencies, any move away from the dollar must be carefully calibrated to preserve financial stability.

4. Political and Regulatory Divergence

Unlike the relatively unified monetary stance of Western institutions, BRICS and OIC countries operate under diverse economic policies. Coordinating de-dollarization efforts across varied regulatory landscapes poses diplomatic and technical challenges.

Strategic Path Forward for the IsDB

Rather than viewing de-dollarization as a threat, the IsDB can embrace it as an opportunity to modernize and diversify its financial architecture. This requires a phased approach:

- Gradually increase local currency lending where macroeconomic conditions allow.
- Issue multi-currency Islamic bonds in partnership with central banks and sovereign wealth funds.
- Create Shariah-compliant frameworks for cross-border payments using digital and alternative currencies.
- Develop risk mitigation tools, such as currency swaps and Islamic hedging instruments, to manage non-dollar exposure.

Conclusion

The de-dollarization agenda led by BRICS is reshaping the contours of global finance. For the Islamic Development Bank, this shift is both a challenge to its traditional operations and an invitation to innovate. By strategically aligning itself with the multipolar monetary trend — while upholding its Islamic finance mandate — the IsDB can not only stay relevant but lead the way in redefining inclusive, resilient development financing for the Global South.

Driving Climate Resilience through Agricultural Transformation:

The LLF-IsDB's Climate-Aligned Intervention in the South West Region, Cameroon

Raoul Fani Djomo Choumbou
Project Management Specialist, Regional Hub of Abuja, IsDB

Ahsanul Kibria
Country Operations Manager, Regional Hub of Abuja, IsDB

Javed Khan
Senior Agriculture Specialist, LLF, IsDB

Background

Agriculture remains the backbone of Cameroon's economy, employing nearly 60% of its population. However, smallholder farmers face persistent challenges, including poverty, inadequate infrastructure, limited market access, low mechanization, and insecurity. A fragmented and inefficient agricultural value chain has long impeded economic advancement in the South West Region of Cameroon. As global momentum builds ahead of COP30, innovative and inclusive strategies for climate mitigation and adaptation are becoming central to development planning. In Cameroon's South West Region, the Islamic Development Bank (IsDB) and the Lives and Livelihoods Fund (LLF) are pioneering a model of climate-resilient rural transformation through the Agriculture Infrastructure and Value Chain Development Project (AIVDP).

Launched in April 2019, AIVDP tackles deep-rooted vulnerabilities in agricultural systems vulnerabilities that are increasingly exacerbated by climate change. With smallholder farmers representing nearly 60% of the country's labour force, the project aims to increase productivity, income and build long-term climate resilience across value chains.

Climate Impact and Project Achievements (2021–2024)

Through integrated climate smart interventions, AIVDP has enhanced the adaptive capacity of over 185,000 beneficiaries. Key results include:

- Climate resilient infrastructure: Construction of rural markets and agro processing facilities has improved food security while reducing post-harvest losses that is a critical climate adaptation measure.
- Sustainable livelihoods: Over 6,000 green jobs were created in processing, infrastructure development, and cooperative led value addition.
- Agroecological training: More than 5,000 farmers, particularly women and youth, were trained in sustainable practices, including soil health management, water use efficiency, and crop diversification.
- Transition to value added products: Semi-industrial oil palm, cassava, plantain, and potato processing units allow communities to mitigate climate related price shocks and income volatility.

Semi-industrial oil palm processing units: Installation of equipment ongoing

Newly constructed Rural Markets: Improving market conditions and reducing post-harvest losses of agricultural products

Plantain production:
Bumper harvest from farmers' fields

Potato and cassava production:
Bumper harvest by a farmer contributes to food security

These interventions form a practical response to growing climate uncertainties, ensuring rural communities are better equipped to adapt to shifting weather patterns and market demands.

Sustainability through Community Ownership

A crucial pillar of climate governance: Farmers' cooperatives manage processing and storage infrastructure, supported by public sector institutions. This community model promotes the stewardship of natural resources, enhances the long-term sustainability of climate investments, and builds social capital crucial for resilient adaptation.

Case Study: The Impact of AIVDP on Cassava Farmers of Buea

In Buea, Cassava farmers once trapped in a cycle of low yields and poor market access now benefit from cooperatives led, solar-powered processing centres. These climate-friendly facilities convert cassava into gari, flour, and starch products with longer shelf lives and greater market value.

This transformation has reduced post-harvest losses and helped buffer farming communities from climate-induced price volatility. By empowering farmers especially women and youth with modern technologies and market linkages, the AIVDP ensures inclusive climate action at the grassroots level.

Alignment with SDGs

The AIVDP demonstrates a strong alignment with multiple Sustainable Development Goals (SDGs). By enhancing smallholder farmers' productivity and ensuring fair market access, the project directly supports SDG 1 (No Poverty) and SDG 2 (Zero Hunger). Focusing on empowering women and youth in agribusiness promotes SDG 5 (Gender Equality). Additionally, investments in modern agro-processing units and market infrastructure contribute to SDG 8 (Decent Work) and SDG 9 (Industry). By integrating sustainable farming practices and climate-resilient techniques, AIVDP contributes to SDG 13 (Climate Action). Through its holistic approach, the project not only uplifts livelihoods but also strengthens resilience, positioning agriculture as a key driver of economic diversification.

Conclusion

The AIVDP serves as a replicable model of climate smart rural transformation. Through strategic investment, strong local partnerships, and a focus on resilience, the LLF-IsDB initiative proves that agricultural development can be both climates aligned and socially inclusive, with Cameroon exemplifying the power of collaborative development efforts. By addressing critical gaps in AIVDP, the LLF-IsDB initiative is improving livelihoods and catalyzing economic transformation.

Popular products from Cassava: Garri, Water Fufu and Cassava Flour (for Pastries and Fufu)

Driving Resilient Economies: Sustainable Transport for a Changing World

Atiq Ahmad
Lead Global Transport Specialist, Economic and Social Infrastructure Department, IsDB

In an era of climate volatility, fiscal pressures, and rising mobility demands, transport is no longer just infrastructure—it is a **strategic enabler of resilient economies and sustainable development.** For IsDB Member Countries (MCs), transport networks connect cities, regions, and markets, facilitating trade, social inclusion, and regional integration.

Despite progress, MCs face structural challenges that limit the pace and scale of sustainable transport transformation. These challenges are **deeply interlinked**—financial constraints slow infrastructure upgrades, while climate impacts erode existing assets, and inequities persist in access and connectivity.

MCs face the dual challenge of **expanding connectivity and modernizing infrastructure** while maintaining **debt sustainability and climate resilience**. Addressing these challenges is central to advancing the **Sustainable Development Goals (SDGs),** particularly SDG 8 (economic growth), SDG 9 (resilient infrastructure), SDG 11 (sustainable cities), SDG 13 (climate action), and SDG 17 (partnerships and financing).

Transport and the SDG Imperative

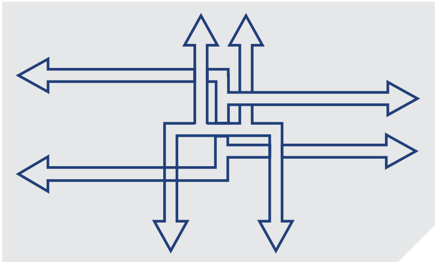
Transport acts as a **cross-cutting enabler of SDGs by ensuring:**

- Reliable infrastructure boosts industrial competitiveness and market access (SDG 9, SDG 8).
- Inclusive urban and rural mobility reduces social disparities and supports sustainable cities (SDG 11).
- Climate-smart transport mitigates emissions and strengthens infrastructure resilience (SDG 13).
- Regional corridors and partnerships unlock trade and financing opportunities (SDG 17).

About 40% of the global rural population live farther than 2 km from an all-season road (MDPI, 2022), and **logistics inefficiencies raise trade costs by up to 50%** (World Bank, 2021). Closing these gaps is a key pathway to economic resilience, improving living standards but also **unlock billions in annual productivity gains,** directly contributing to multiple SDG targets.

Key Challenges in Member Countries

Debt Sustainability: Rising debt-to-GDP ratios constrain fiscal space for transport investment. Without innovative financing, infrastructure development risks exacerbating fiscal vulnerabilities.



Climate Vulnerability: Transport assets in MCs face floods, storms, and heat stress. Coastal port assets in Africa risk $7 billion annually due to extreme weather (JP Morgan, 2025). Many studies estimate that without adaptation, global losses could reach 2-4% of GDP annually (OECD, 2015).

Connectivity Gaps: Landlocked and rural regions incur higher logistics costs, limited access to markets, and constrained social service delivery. Inequitable mobility deepens economic and social disparities.

Opportunities to Drive Resilience and Sustainability

Challenges present a rare opportunity to reimagine transport as a resilience multiplier. The following approaches can help in accelerating the development of sustainable transport systems.

1. Innovative Financing Models:

- **Green Sukuk and Bonds** for electrified rail, low-carbon urban transit, and climate-resilient roads.
- **Debt-for-Climate Swaps** redirecting fiscal resources toward green infrastructure.
- **Blended Finance** combining concessional funds, MDB guarantees, and private sector capital.

2. Climate-Smart Infrastructure:

- Elevated roads, storm-resistant ports, and permeable pavements.
- Electrified rail systems and bus rapid transit reducing urban emissions.

3. Digital Regional Connectivity and Trade Corridors:

Strategic cross-border investments and digitization lower trade costs, enhance competitiveness, and strengthen market access, directly supporting SDG 8 and SDG 17. A regional development and investment approach can create enhanced impacts and integration.

Policy Recommendations for Member Countries

1. **Integrate Transport, Climate, and Fiscal Planning:** Embed adaptation and debt sustainability in sector masterplans.
2. **Mobilize Climate-Aligned Finance:** Expand access to global climate funds and Islamic finance instruments.
3. **Mainstream Resilience Standards:** Require climate-risk screening in all infrastructure projects.
4. **Strengthen Partnerships:** Facilitate corridor-level agreements, PPPs, and MDB collaboration.
5. **Invest in Data Systems:** Establish emissions inventories, enhance digitization and enforce resilience indicators for evidence-based planning and results monitoring.

Transport as a Resilience Multiplier

Transport is more than connectivity—it is a **strategic lever for economic resilience, climate adaptation, and SDG achievement.** By embracing climate-smart design, innovative financing, and integrated planning, MCs can transform transport infrastructure into engines of **inclusive, low-carbon, and resilient economies.**

With COP30 and the 2025 Financing for Development Review approaching, sustainable transport must remain **central to global and national strategies for building resilient economies in a changing world.**

IsDB Group's Regional Cooperation and Integration: Building Bridges for Sustainable Development

Golam Mortaza
Senior Evaluation Specialist, Independent Evaluation Department, IsDB

Oguz Ceylan
Lead Evaluation Specialist, Independent Evaluation Department, IsDB

Bashirullah Najimi
Evaluation Specialist, Independent Evaluations Department, IsDB

Supporting South-South Cooperation for SDGs

South-South and regional cooperation are essential components of the Sustainable Development Goals (SDGs). The SDGs specifically recognize regional cooperation through three targets: Target 11.a promotes regional economic integration, interconnectivity, and development planning; Target 9.1 supports regional and trans-border infrastructure for economic development; and Target 17.6 enhances cooperation on access to science, technology and innovation, and knowledge sharing.

Recognizing this importance, the Islamic Development Bank (IsDB) Group adopted its first regional cooperation and integration (RCI) policy and strategy in 2019. This strategy guides the Group's programming, planning, implementation, and support of integration activities at the regional level, and plays a crucial role in driving South-South cooperation by fostering collaboration among member countries (MCs) not only to share knowledge, know-how, and best practices, but also to co-locate resources for mutual development and economic growth. This positions the IsDB Group as an advisor, financier, capacity builder and partner in facilitating RCI projects and programs.

Achievements in Regional Integration

The IsDB Group has made significant progress in implementing its RCI policy and strategy. Between 2014 and 2023, the Bank approved 84 public finance and grant projects supporting RCI with funding totaling USD 2.53 billion. The International Islamic Trade Finance Corporation (ITFC), the Islamic Corporation for the Development of the Private Sector (ICD), and the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) have complemented these efforts with operations focused on trade, Islamic finance, and insurance guarantees.

Most large-scale public sector projects have focused on essential infrastructure: Transport networks, Gas pipelines, Electricity interconnections, and Information and Communication Technology (ICT). The IsDB Group has also delivered knowledge interventions that have helped to identify potential RCI investments, utilize a broad range of financing mechanisms and assistance modalities, and build capacity across member countries.

Current Focus and Challenges

Most RCI fundings (USD 2.52 billion during 2014-2023) has been directed toward Pillar 1 of the strategy: enhancing cross-border connectivity to promote export-oriented and cross-border investments. However, less emphasis has been placed on:

- Improving the investment climate and competitiveness (USD 5.8 million),
- Integrating trade and Islamic finance (USD 0.58 million),
- Facilitating cooperation to provide regional public goods (USD 0.53 million).

Additionally, most RCI projects have focused on single-country interventions rather than multi-country approaches.

While the RCI policy and strategy remain relevant to member countries' needs, awareness of the IsDB Group's RCI efforts could be improved. Untapped potential exists in addressing infrastructure finance deficits, trade development challenges, and environmental and climate change management. The current RCI policy and strategy have also missed certain important areas, such as infrastructure for agriculture and water resource management, research, and capacity development. The IsDB Group has successfully established partnerships with global and regional organizations but institutional arrangements supporting the RCI agenda need strengthening in terms of human and financial resources, coordination, and synergy.

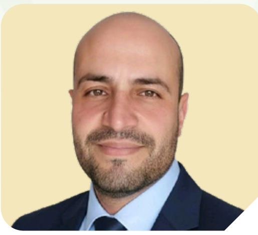
Recommendations for the Future

To enhance the impact of regional cooperation efforts, the IsDB Group should:

- **Adopt a pillar-based approach** to prioritize impactful interventions across cross-border infrastructure, trade, Islamic finance, environmental and climate change management, and regional public goods.
- **Establish a systematic and programmatic RCI approach** by introducing subregional cooperation programs for planning and implementing large-scale infrastructure projects. In this regard, the IsDB Group must combine all available support instruments, including public finance projects, technical assistance and grant support for project identification and feasibility studies, capacity building, and private sector trade and Public Private Partnership (PPP) lending.
- **Ensure inclusiveness and equity** by paying attention to the needs of low-income, island, and fragile MCs. IsDB Group's RCI interventions should be tailored to islands and fragile MCs to ensure their participation in subregional cooperation programs. In this manner, future RCI operations should tackle inclusiveness and equity concerns of RCI strategy.
- **Strengthen internal coordination** by ensuring IsDB Departments, Regional Hubs (RHs), and Group entities actively contribute to implementing RCI strategy pillars. Strong buy-in from all relevant departments and RHs of IsDB and its entities and effective harmonization across these business units are needed to successfully implement the RCI strategy.
- **Institutionalize a monitoring mechanism** for the RCI strategy through annual implementation plans and progress reports to the IsDB Group Management and the Board of Executive Directors.

By addressing these recommendations, the IsDB Group can strengthen its role in fostering regional cooperation and integration, and ultimately contribute to sustainable development across its member countries.

Towards Building Economic Resilience in IsDB Member Countries



Dr. Mahmoud Bekri
Research Economist, IsDBi

Introduction

Debt sustainability is becoming an increasingly urgent issue across many economies worldwide, with the member countries of the Islamic Development Bank (IsDB) facing particularly complex and multifaceted challenges. Rising fiscal deficits, escalating debt service obligations, and mounting exposure to external shocks—including the growing impacts of climate change—are severely constraining fiscal space needed for crucial social and environmental investments. Addressing this intricate environment calls for innovative solutions. In this regard, Islamic finance, founded on unique principles and instruments, may help present promising avenues to drive the needed progress toward the Sustainable Development Goals (SDGs) (IsDB 2022).

Debt Sustainability Challenges

In recent years, emerging and developing countries, including IsDB member countries, have seen a shift in their debt structures, marked by greater reliance on costlier, short-term commercial borrowing. For example, the average external debt of IsDB member countries reached 47% of GDP in 2021, significantly higher than the 31% average for all emerging and developing economies (EMDEs), with the gap widening since 2015. Fuel-exporting members in particular saw their external debt-to-GDP ratio nearly double from about 26% to 50% between 2014 and 2020 (Zulkhibri 2023). Concurrently, inflationary pressures and monetary tightening among advanced economies have further increased debt servicing costs and financing risks for these countries, heightening refinancing risks and vulnerability to external shocks such as commodity price volatility and geopolitical tensions. Persistent fiscal deficits driven by limited revenue collection and rising debt servicing burdens reduce fiscal space sharply, limiting governments' abilities to finance critical infrastructure, social services, and climate resilience efforts (World Bank 2024). Notably, low-income IsDB member countries face the highest debt burdens, estimated at 83.5% of GDP in 2024 (IsDB 2024). Moreover, climate change imposes severe pressures on economic growth and debt sustainability, with vulnerable countries struggling to finance adaptation while facing declining revenues and growing expenditures, compounding sovereign debt risks Thus, fiscal policies must carefully balance sustaining debt viability and enabling continued development.

Role of Islamic Finance in Debt Management

Islamic finance intrinsically supports prudent fiscal management through its core prohibitions of Riba, emphasis on risk-sharing, ethical investments, and demands for transparency and fairness. These foundations discourage excessive reliance on fixed-return debt and instead foster real sector investments tied to profit-loss sharing, contributing to more stable and sustainable financial outcomes (CFS 2023). Among its tools, Sukuk stand out as flexible instruments for raising long-term funds while adhering to Shariah principles. Emerging formats like Green Sukuk specifically finance environmentally sustainable projects, enabling governments and private actors to fund renewable energy, energy efficiency, and climate adaptation initiatives (Oxford Business Group 2025). Contractual forms such as Mudharabah and Wakalah enhance equitable risk distribution between financiers and project implementers, further supporting sustainable fiscal policy. Successfully deploying these instruments requires strong institutional frameworks, including governance, risk management, regulatory oversight, and clear Shariah compliance protocols that lead to a complete ecosystem and hence an enabling environment in each member country. Islamic finance also faces political and governance challenges including regulatory gaps where existing laws are tailored to conventional finance and do not accommodate Islamic principles like profit-loss sharing or Shariah compliance. This leads to inconsistent oversight, difficulty in standardizing Shariah governance, and limited legal recognition of Islamic contracts. Political resistance, especially in non-Muslim majority countries, also delays necessary reforms. Additionally, limitations on banks engaging in trade activities and a shortage of Shariah-compliant liquidity instruments further hinder growth. Addressing these issues requires clear legal frameworks, harmonized regulation, and strong institutional support tailored to Islamic finance (IFSB 2025).

Advancing the Sustainable Development Goals

Islamic finance, through its ethical investment orientation and risk-sharing tenets, can align fiscal strategies with SDG targets. Funding channels favor sectors promoting poverty alleviation, education and healthcare services. Green Sukuk particularly advance environmental sustainability and climate action by channeling capital to projects with measurable ecological impacts (OECD 2020). Integrating Shariah-compliant finance with national development and debt strategies can improve social outcomes while preserving fiscal sustainability, creating a virtuous cycle where sustainable fiscal space drives broader development goals and economic resilience.

Innovative Resource Mobilization Strategies

IsDB member countries face a challenging task of mobilizing adequate resources to meet ambitious climate commitments—such as those under the Paris Agreement—while maintaining debt sustainability. Climate damages threaten growth, elevate debt ratios, and squeeze fiscal space. To navigate this, innovative financing approaches are essential. Blended finance platforms that combine public funds, private investments, and international climate finance can amplify impacts while mitigating sovereign risks. While Green and social Sukuk provide Shariah-compliant capital-raising options tailored to sustainability aims. Sovereign wealth funds and public investment vehicles may offer stable, long-term financing for climate projects, easing immediate debt pressures. Also, reforms and capacity-building to enhance fiscal transparency, boost revenue mobilization, and improve public financial management are critical to maximizing these resource mobilization efforts and safeguarding debt sustainability (Ijaz and Sarwat 2025).

Enhancing Debt management

Climate-related shocks pose significant long-term risks to sovereign debt sustainability, particularly from mid-century onward. Countries most affected by climate damages risk unsustainable debt paths without changes in fiscal and resource mobilization policies (UNCTAD 2023). Conversely, Islamic finance principles such as risk-sharing and asset-backed structures show resilience by cushioning shocks and reducing crisis vulnerabilities compared to conventional interest-bearing debt. IsDB member countries may benefit from exchanging best practices and building institutional capacities to implement innovative Islamic finance solutions and adapt fiscal policies to emerging risks. Enhanced transparency, flexible fiscal rules, and empowered, independent fiscal bodies underpin resilient debt management aligned to local needs. Malaysia leads with the Sustainable and Responsible Investment (SRI) Sukuk framework, issuing diversified Sukuk for social, infrastructure, and green projects under clear regulations and oversight. In 2024, SRI Sukuk issuances in Malaysia rose significantly, reaching USD 2.7 billion, driven by supportive policies aligned with national sustainability goals (SCM 2019). Indonesia's Green Sukuk, launched in 2018, has mobilized over USD 4.2 billion for renewable energy, energy efficiency, sustainable transport, and waste management, supported by robust regulatory frameworks emphasizing environmental, social, and governance (ESG) principles and linked to international climate goals such as the Green Climate Fund (Romadhon and Mutmainah 2023), Zuhri and Fadil 2024. Meanwhile, Egypt and Saudi Arabia prioritize fiscal reforms and strategic debt management to balance ambitious development and climate goals with fiscal sustainability using a mix of Islamic and conventional instruments (UNESCWA 2022).

The Path Forward

Building resilient economies in IsDB member countries hinges on the strategic adoption of innovative Islamic financial instruments such as Social Sukuk, Green Sukuk, and risk-sharing contracts within sound national debt management aligned with long-term development and climate targets. Flexible fiscal frameworks must balance debt sustainability with the countercyclical investments needed for development and climate resilience climate investments (World Bank 2024). Governments should also leverage international climate finance, blending it with Islamic finance tools to expand fiscal space without compromising debt sustainability while directing resources to socially, economically, and environmentally impactful projects. Further, cooperation should be enhanced to share expertise, provide technical assistance, and foster innovation in Islamic finance and climate finance mobilization as strengthened collaboration consolidates resilience to shocks, enabling countries to meet the dual challenge of sustainable development and climate ambitions.

IsDB to Lead the Al-Madinah Social Accord?

Mustafa Omar
Senior Capital Markets Specilaist,Treasury Department, IsDB

Either lead, follow, or get out of the way. That is the choice someone must embrace when approaching any initiative, depending on their own strength, courage, and priority. We may have the strength but lack the courage to lead an initiative, and vice versa.

The same principle applies to the IsDB (Islamic Development Bank). As a leader of the Islamic finance industry, underpinned by Maqasid Sharia principles, the bank carries significant hope and expectation, especially from its Member Countries (MCs). Nevertheless, with limited resources, the IsDB's presence has sometimes been less visible on the global stage. Despite much effort, the contribution may not have been clearly seen or may have been diluted to a certain extent, due to the need to serve diverse stakeholders' expectations. This noble effort, however, must continue despite all the odds. The IsDB should view this not as criticism but as a challenge.

The Global Arena: Fixing a Flawed Model

On the global arena, the United Nation's 17 SDGs agenda was formulated, among other reasons, to fix the distorted direction of the current "free market" economic model. While this model has accelerated global economic growth, it is apparently not sustainable from green and social perspectives.

This failure can be attributed to the model's factory-defect setting, which was predominantly anchored on the short-term view of profit maximization. This approach ignores the long-term impact on green (earth) and social (human) aspects, which were often considered mere cost centers from a financial perspective. Even certain large economies have raised doubts about the green agenda on the grounds of cost. What more can be said about the social agenda, where the material benefits are difficult to measure? These imbalances have resulted in alarming climate change and social unrest, yet both should have been given the same level of priority in policy formulation and the decision-making process.

The Missing Social Accord

In the green space, a climate change accord, called the Paris Agreement 2015, was emphasized and hosted by the UN with the main objective of addressing climate change risks. However, where is the equivalent agreement to champion the social issue, which is equally, if not more, important than the green or climate change agenda?

Someone must take the lead to address the social agenda. Currently, it is treated like an orphan or secondary to the green initiative, lacking a clear leader or owner to champion the initiative in a more formal and organized way.

IsDB's Core Mandate: Leading the Social Agenda

It is worth noting that the main narrative of the IsDB's Vision and Mission since its inception has been skewed toward social development rather than green. Nevertheless, in the last decade or so, the green agenda was slowly embedded to align with the global climate change initiative. At the very least, the IsDB is a follower alongside other Multilateral Development Banks (MDBs) in this important effort, and it should continue to be.

If we dissect the IsDB's overall operations, as reflected in its balance sheet profile and annual report data, the social agenda remains the dominant DNA of its activities. This is likely due to its core establishment objective: addressing the basic human needs of its low- and medium-income Member Countries.

In terms of its framework, the IsDB's Sustainable Finance Framework 2025 (SFF2025) has been updated with the ICMA's revised principles, featuring a dedicated Social section alongside Green and Sustainability guidelines. This further establishes that the social agenda is gaining more traction. Furthermore, as an Islamic MDB whose operations are governed by Sharia principles aimed at achieving Maqasid Shari'a, it is high time the IsDB stepped up to champion and lead the Social agenda. This initiative must be treated at par with the Green initiative, at the very least.

It is indeed a heavy responsibility, and it puts the IsDB's name at stake if the effort remains just a slogan. However, something must be done to address this noble agenda.

The Call to Action

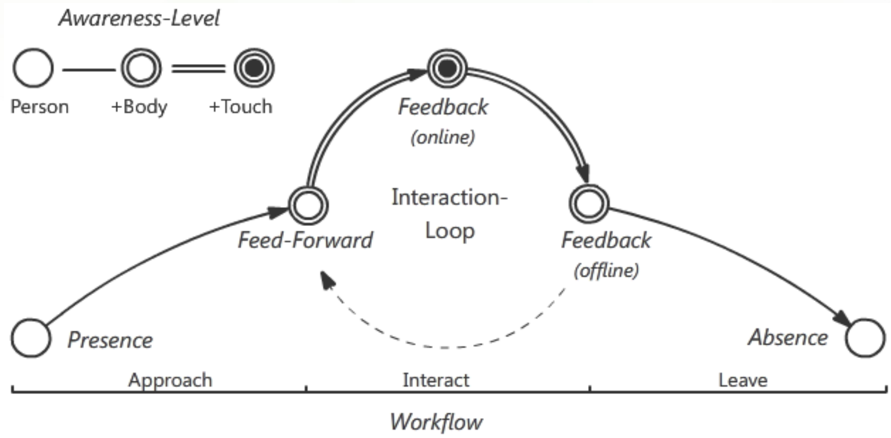
In summary, given the trust placed in the IsDB by its member countries since its establishment in 1974, and given that social well-being is the core mandate of its operation with a strong DNA presence across its activities, the IsDB should be bold enough to take the challenge to lead the social development agenda.

The IsDB should host and own the Social Accord, either singly or jointly with other entities like the OIC, UN, or MDBs. While the UN green initiative was named the Paris Accord, the social aspect could possibly be referred to as the **Al-Madinah Social Accord**, referencing its importance in social history, or any other suitable name given the sensitivity on geopolitical dynamics of the new world order. Timing-wise, it could be launched as the main theme for the new 10-year strategy (2026-2035), as approved by the IsDB's 50th BoG meeting in May 2025 recently.

Again, the choice is in our hands: to either lead, follow, or get out of the way.

Empowering Minds:
A Way to Promote Awareness of Sustainable Development Goals

Dr. Musa ElKheir
Senior Internal Communication Specialist,
Communication & Outreach Department, IsDB



The Sustainable Development Goals (SDGs) call upon us all to eradicate poverty, protect our planet, and foster peace and prosperity for everyone by the year 2030. Achieving these ambitious objectives necessitates a concerted effort from individuals, communities, and nations alike. It is crucial to raise awareness and engage people in this process through several strategies to effectively promote and inspire collective action towards these global ambitions such as:

Educational Campaigns

Education plays a pivotal role in sensitizing people to the SDGs. Schools, universities, and community centers can incorporate SDG-related content into their curricula to create a foundational understanding among students. Educators can organize workshops, seminars, and interactive sessions to discuss the importance of each goal and how individuals can contribute. Online courses and webinars can also reach a broader audience, providing flexible learning opportunities.

Using Social Media

Social media platforms serve as potent tools for disseminating information and engaging with broad audiences. Campaigns that utilize the expansive reach of platforms such as Facebook, Twitter, Instagram, and TikTok can effectively spread awareness about the Sustainable Development Goals (SDGs). By crafting shareable content including infographics, videos, and stories, these campaigns can capture the attention of users and inspire them to delve deeper into the subject. Moreover, influencers and thought leaders can play a crucial role in amplifying these messages, reaching a wider audience and amplifying the campaign's impact.

Community Engagement

Community-based initiatives foster ownership and responsibility towards SDGs. Local governments, non-profits, and grassroots organizations can engage people through forums, town hall meetings, and public discussions, enabling them to voice concerns, share ideas, and collaborate. For instance, clean-up drives, tree planting Projects, and recycling programs can effectively demonstrate practical actions contributing to sustainable development.

Partnerships and Collaborations

Effective partnerships between various sectors, including businesses, government agencies, and civil society, play a crucial role in promoting awareness of SDGs. Collaborative initiatives can pool resources, expertise, and networks to create comprehensive campaigns. For instance, businesses can incorporate SDG-related messages into their marketing strategies, while governments can include them in public service announcements and policy frameworks. Non-governmental organizations (NGOs) can facilitate collaboration and ensure that marginalized communities are included in these efforts.

Awareness flow process is an essential strategy for organizations and individuals to effectively communicate their message

Media Coverage

Media outlets, such as newspapers, television, and radio, continue to play a significant role in raising awareness. Journalists and media outlets can highlight stories and examples of how the SDGs are being implemented locally and globally. Feature articles, investigative reports, and documentaries can provide in-depth analysis and foster a deeper understanding among the public. Media coverage can also hold governments and organizations accountable, ensuring that progress towards the goals is regularly monitored and reported.

Innovative Approaches

Innovation can drive new ways to engage people with SDGs. Gamification, for example, can turn learning about the SDGs into an interactive and enjoyable experience. Mobile applications and online games that incorporate SDG themes can educate users while entertaining them. Virtual reality (VR) and augmented reality (AR) experiences can immerse people in scenarios that highlight the challenges and solutions related to the goals. These technologies can make the SDGs more tangible and relatable, particularly for younger audiences.

Individual Action

Engaging individuals is crucial for the success of the Sustainable Development Goals (SDGs). Everyday actions and decisions can significantly impact our world. Simple measures, such as reducing waste, conserving water, supporting fair trade, and volunteering, can collectively advance the SDGs. Providing practical tips and resources on how to incorporate sustainable practices into daily life can empower individuals to contribute to sustainable solutions.

In conclusion, the IsDB's efforts in raising awareness on the SDGs through diverse initiatives such as the SDG Digest magazine, brown bag seminars, social media videos, articles, and various forums have been successful in fostering engagement and comprehension. Moving forward, these endeavors can be further strengthened by integrating cutting-edge technologies and outreach programs and platforms. By consistently advancing relevant strategies and collaborating with international partners, a more knowledgeable and proactive community dedicated to achieving the SDGs can be nurtured.

Islamic Development Bank's Renewable Energy Financing Mechanisms for the Least Developed Member Countries

Dr. Ashraf Khadam
Senior Global Energy Specialist, Economic and Social Infrastructure Department, IsDB

The Islamic Development Bank (IsDB) has played a key role as a financier of renewable energy projects in Least Developed Member Countries (LDMCs), leveraging innovative Sharia-compliant instruments. Sharia-compliant financing attracts LDMC participation by offering ethical investment structures that comply with Islamic principles, thereby mobilizing untapped capital sources. By aligning its efforts with global climate targets and sustainable development goals, the Bank's financing mechanisms address critical energy access challenges while advancing environmental sustainability.

Between 2020 and 2024, IsDB approved a total of US$447 million in financing renewable energy projects across its Least Developed Member Countries (LDMCs). These initiatives have provided electricity while advancing 1.2 million people while achieving annual CO_2 emission reductions of 450,000 tons. A notable example includes the US$48 million solar hybrid project in Mali, which combined Wakala and Murabaha financing structures to electrify 150 villages and create 1,200 local jobs.

Despite these achievements, several challenges persist in financing renewable energy financing in LDMCs. Currency volatility remains a major concern, potentially affecting project viability. Many member countries also face limitations in local technical capacity, which can hinder project implementation and maintenance. Additionally, the intermittent nature of renewable energy sources also poses integration challenges for national grid and energy storage.

The Renewable Energy Cooperation Program to Power Africa (RECPA), led by the Islamic Development Bank (IsDB) in partnership with various technical partners, is a five-year initiative (2024–2028) aims at expanding electricity access in rural Sub-Saharan Africa through solar energy. The program focuses on developing both off-grid and grid-connected solar projects in countries with low electrification rates, with the goal of preparing 500 MW of bankable projects.

The components of the program are articulated around the preparation of the studies and the necessary engineering services required to prepare/develop renewable energy projects. With a total budget of approximately US$110 million, IsDB contributes around 58% of the financing. The program is expected to deliver solar power to 300,000 households, improving energy access for approximately 2 million people.

To address these challenges, several strategic approaches are recommended.

- Expanding local currency financing options to mitigate exchange rate risks.
- Enhanced capacity building programs to strengthen local expertise in renewable energy technologies.
- Developing innovative energy storage solutions to manage the variable output of renewable sources.
- Catalyze private capital and amplify development impact by strategically deploying concessional funds from MDBs to de-risk renewable energy investments in high-risk LDMCs.

The IsDB's renewable energy financing model illustrates how Islamic finance principles can be effectively applied to modern sustainable development challenges. By mobilizing capital for clean energy projects, these efforts simultaneously advance SDG 7 (universal clean energy access), SDG 9 (resilient infrastructure), SDG 13 (urgent climate action), and SDG 17 (global partnerships for sustainable development). As the Bank continues to refine its financial instruments and strategies, its role in facilitating the energy transition in LDMCs remains vital. Future efforts will likely focus on scaling successful models and developing new mechanisms to overcome persistent barriers in renewable energy deployment.

IsDB's Partnership with Suriname During Macroeconomic Recovery (2021-2025)

Dr. Cem TINTIN
Country Economist, Regional Hub of Paramaribo, IsDB

Dr. Ilker Ersegun KAYHAN
Operation Team Leader, Regional Hub of Paramaribo, IsDB

Largely covered by dense forests, with a population of less than 700 thousand, Suriname is endowed with abundant natural resources, including bauxite, gold, and oil. As an upper-middle-income country, its economy has historically been driven by the extractive industries, with mining contributing nearly half of public sector revenues and accounting for more than 80 percent of total exports.

In recent years, however, Suriname's economy has faced significant turbulence stemming from the COVID-19 pandemic, currency depreciation, and declining prices for its key export commodities — all of which contributed to elevated public debt levels. In response, the country entered into an International Monetary Fund (IMF) program in December 2021 that concluded in March 2025. Since 2021, macroeconomic conditions have improved markedly, as seen in Table 1. Notably:

- The macroeconomic reforms helped the economy have sustained GDP growth, and its rate has remained positive and steady since 2022.
- Suriname achieved a more than 60% reduction in domestic debt burden in four years — a major fiscal success due to improved debt management and fiscal consolidation. The domestic debt (% of GDP) went down from 43.9% in 2020 to 17.1% in 2024.
- Gross international reserves nearly tripled in the country from US$ 585 million in 2020 to US$ 1.63 billion in 2024.
- Import cover ratio rose from 3.8 months to 7.6 months, comfortably exceeding the standard adequacy benchmark (3 months).
- Price stability was restored under the IMF's program, enhancing real incomes and economic predictability. Forecasts show that inflation in 2025 will be less than 10%, marking a considerable reduction since 2021.

Table 1: Selected Macroeconomic Indicators: Suriname

	2020	2021	2022	2023	2024
Real GDP growth (%)	-16	-2.4	2.4	2.5	2.5
Domestic debt (% of GDP)	43.9	34.6	27	19.6	17.1
Gross international reserves (mln US$)	585	992	1195	1346	1632
Import cover ratio (months)	3.8	6.3	6.1	7.3	7.6
End-of-period inflation (%)	60.8	60.7	54.6	32.6	10.1

Source: Central Bank of Suriname, Ministry of Finance, Suriname Debt Management Office, General Bureau of Statistics and Planning Office Suriname. Dataset version 16 July 2025

Suriname's journey over 2021-2025 demonstrates how careful macro stabilization, combined with strategic development finance, can preserve growth momentum and protect long-term SDG goals even during difficult times. When Suriname entered an Extended Fund Facility (EFF) arrangement with the IMF in December 2021, there was a risk of reversing hard-won social and infrastructural gains due to fiscal deficit and debt issues. Yet, the IMF-backed program and the efforts of the Government of Suriname provided a framework for macro stabilization and debt restructuring, while multilateral partners — including the Islamic Development Bank (IsDB) Group — continued to support priority investments such as large infrastructure projects that are critical for inclusive development and job creation (IMF, 2025).[1]

IsDB's role during this period illustrates how development finance institutions can complement macro stabilization programs without undermining them. By extending credit for large, transformative development projects, while Suriname was under the IMF program, IsDB helped ensure that necessary public investment — often the backbone of SDG delivery — could proceed while macroeconomic consolidation was taking place.

Overall, between 2021 and 2025, the IsDB Group financed three projects in Suriname, totaling US$ 261.8 million, including co-financing at a ratio of greater than one-to-one. Meanwhile, IsDB also carefully maintained its portfolio in the already ongoing five operations during this time. Moreover, IsDB decided to take its cooperation with Suriname to another level by preparing and launching the new Country Engagement Framework (CEF), which covers the period 2024-2026. The CEF was launched in Riyadh on May 1st, 2024, on the sidelines of the 2024 Islamic Development Bank (IsDB) Group's Annual Meetings and the Bank's 50th Anniversary Golden Jubilee, which allocates US$ 235 million under two pillars of "Igniting Growth and Diversification" and "Building Human Capital for the Future".

Such key development projects financed by IsDB in Suriname and ongoing CEF — guiding IsDB's strategic partnership with Suriname — help safeguard jobs, improve diversification of the economy, and raise the economy's productive capacity, thereby strengthening the country's ability to capitalize on the stabilization gains and sustain poverty-reducing growth with the ultimate objective of achieving sustainable development.

Looking ahead, Suriname's medium-term prospects are brighter than a few years ago. A major recent development has been the discovery of substantial offshore oil reserves, expected to drive robust economic growth and expand fiscal space from around 2028, once large-scale production begins. The smoothly completed election cycle in the country in July 2025 will further help economic stability and resilience. The country is now set to improve its fiscal balances and economic resilience while ensuring sustainable development. Importantly, the newly elected Government of Suriname will be tasked with overseeing the early stages of oil production, ensuring transparent governance, and determining how the anticipated revenue is distributed until 2030, which could alter the country's development trajectory for decades.

Since its joining, the IsDB Group has approved a total financing of about US$ 338.6 million for Suriname, reflecting its longstanding support for sustainable development, particularly towards achieving SDG 3, SDG 7, SDG 8, SDG 11, and SDG 17, among others. As Suriname transitions from stabilization to sustainable and inclusive growth, IsDB reaffirms its commitment to being a reliable partner in the country's SDG journey.

1. IMF (2025). IMF Executive Board Completes Final Review Under the Extended Fund Facility Arrangement with Suriname. March 24, 2025.

Economic or Climate Resiliency? Perhaps Both in Tandem

Francis Aubee
Young Professional, Resilience & Climate Action Department, IsDB

Transforming economies, particularly from being structurally weak and fragile into resilient and dynamic ones, is a tough but surmountable challenge; hence, for developing countries, this endeavor cannot exist in silos nor in a vacuum. Today, developing economies require extensive structural foundations to withstand varying degrees of shocks, support horizontal and vertical economic diversification, create jobs, and transform lives and livelihoods sustainably.

The current international financial architecture has not been designed to galvanize adequate financial support to aid resiliency for the world's most vulnerable. Inevitably, any significant collective effort to build resilient 21st century economies must confront long-standing structural economic imbalances, restrictive debt burdens in a faltering international financial system, climate injustices, trade challenges, as well as technological innovation limitations.

Existing debt structures and climate action positions highlight paradigms in need of change. First, the global economy's bifurcation into the core and peripheries underscores the paradoxical design of economic exploitation, value-chain structures, trade imbalances, and economic dependencies. Second, developed and developing economies have diverging approaches, and capacities towards reducing economic inequalities, increasing employability and growth, as well as driving climate action through significant financial investments.

Present Realities

Debt burdens remain very unsustainable and therefore restrict critical human, climate and infrastructure investments. On average, least developed countries spend more than 10% of their government revenues towards debt servicing.[1] Additionally, out of 56 developing economies, 17 of them spend more than 20% of government revenue towards interest payments yearly.[2]

According to the ND-GAIN climate vulnerability and readiness index, there are only two lower-middle income countries among the top 65-ranked countries, and only six Islamic Development Bank (IsDB) Member Countries feature in the top 50.[3] Global income disparities mean that richer countries are more likely to have financial and resource capacities readily available to develop and adopt the most advanced climate technologies to respond faster to climate disasters. However, most developing economies that are also among the most climate vulnerable economies, are constrained in their effective response and recovery to climate disasters.

At present, low-income and lower-middle income countries face increasing opportunity and financing costs that they cannot afford nor navigate without making delicate spending cuts to critically important sectors. These cuts tend to postpone the expected timeframe for socio-economic development gains. The financing targets outlined in Nationally Determined Contributions (NDCs), a framework capable of resilience building, are not being realized by many Parties. These significant climate financing shortfalls run the risk of slowing down the pace of achieving Sustainable Development Goals (SDGs) climate action targets, while further exposing the most vulnerable communities.

Way Forward

Though COP29 concluded with a financial agreement to increase annual funding from $100 billion to $300 billion by 2035, many parties were left dissatisfied because it still falls significantly short of the expected levels of funding required. Given that NDCs 3.0 are expected to be more ambitious than previous NDCs as outlined at COP29, this suggests the further expansion of climate financing gaps while commitment levels remain insufficient. Now, As COP30 approaches, developing economies and IsDB Member Countries should collectively push for a significantly greater share of unconditional climate financing as part of their NDCs 3.0 objectives to accelerate adaptation and mitigation efforts.

In line with The Fourth International Conference on Financing for Development (FFD4), held in Seville, key outcomes that emerged sought to catalyze investment at scale for sustainable development, address the debt and development crisis, and to also reform the international financial architecture. Under this paradigm shift lies an opportunity for just transition advancement and sustainable debt management trajectory for IsDB Member Countries. Borrower countries should aim to adopt debt management strategies and frameworks that are embedded within sustainable growth-focused and climate resilience enhancing models.

Finally, a two-pronged approach must consider a sustainable fiscal space that enables financial strengthening to better deliver effective sustained recovery from climate disasters. To that end, economic and climate resilience action plans should be co-designed to maximize synergies, boost livelihoods of vulnerable communities, and minimize uncertainties capable of stalling real growth and development.

1. Ballooning Debt Service Payments in Poorest Countries Reach Alarming Levels, UNDP warns (2025) https://www.undp.org/press-releases/ballooning-debt-service-payments-poorest-countries-reach-alarming-levels-undp-warns#:~:text=Debt%20servicing%20is%20consuming%20a,number%20from%20a%20decade%20ago.
2. Ibid
3. ND-GAIN Country Index https://gain.nd.edu/our-work/country-index/rankings/

Impact-Linked Finance (ILF): The Essential Tool for Donors and Impact-Oriented Investors



Hanna Capeder
Regional Head International Cooperation & Sustainable Development, Swiss Agency for Development and Cooperation (SDC)

Peter Beez
Senior Policy Advisor, Swiss Agency for Development and Cooperation (SDC)

Katie Naeve
Director, Impact-Linked Finance Collaborative (SDC partner)

Donors and philanthropic organizations have long faced two common challenges:

1. How to transform their resources into lasting social and environmental impact; and
2. How to leverage scarce resources to achieve significantly greater social return on investment, at scale?

Small and medium enterprises (SMEs) have demonstrated their ability to create impact in their communities around the world, especially in resourced-constrained settings. Investment in these enterprises can fuel their growth and their impact.

While traditional SME investment tools—such as technical assistance, concessional financing, and guarantees—remain necessary and effective, one crucial approach is gaining well-deserved traction among donors, investors, and entrepreneurs: Impact-Linked Finance (ILF).

ILF links financial incentives or rewards directly to measurable outcomes. It enables donors to maximize the efficiency and catalytic potential of their grant funding to unlock additional capital flows for high-impact business so they can achieve even better results.

A Concrete Example: WASH in Cambodia

Khmer Water Supply Holding (KWSH), a water company in Cambodia, was incentivized to expand safe, piped drinking water to previously unconnected, remote, and lower-income households. To serve this costlier-to-reach population, KWSH was rewarded with a total of €231,000 in outcome-based payments, enabling them to use $3M in investment capital to connect over 1700 additional households, and generate approximately €500 per household annually in saved time and money.

Along with transaction cost, the project cost totaled €270K, generating a grant to investment leverage ratio of over 1:10: for every €1 of grant funding, KWSH put €10 in investment to work to provide drinking water to a population that otherwise would not have accessed it.

By generating total aggregate household benefits of €1.8M, the outcome payments also had a nearly 1:7 cost-benefit ratio: every €1 of grant funding generated almost €7 of impact. And this is by no means "one-off": households remained connected far beyond the ILF intervention.

Why ILF works

At its core, ILF is built on a simple understanding: capital flows to where profits are strongest. To build industries around climate-positive and socially inclusive solutions, impact must not only be ethically compelling but also financially attractive. With ILF, funders pay directly for verified outcomes, making more efficient use of their capital. ILF also convinces investors to crowd-in; by helping enterprises move up the investor's optimal investment curve, they become investable.

The World Economic Forum (WEF, 2025) even envisions tradeable impact--where social and environmental outcomes are transformed into measurable, monetizable value, which creates powerful market incentives for enterprises to scale sustainable solutions.

The Potential for Scale – building the bridge

Globally, there are over $1.5 trillion in impact investment assets and an estimated 10 million social impact enterprises (SIEs) (WEF, 2025, GIIN, 2024). Yet these two pools—capital and opportunity—often remain disconnected. Investors frequently cite a shortage of "investment-ready" enterprises, while social enterprises struggle to access the financing needed to scale their impact. ILF effectively bridges this gap.

Islamic Finance: A Natural Fit for ILF

Islamic finance manages nearly $4 trillion in global assets and is supported by strong traditions such as Zakat, Waqf, and Sadaqa. ILF can integrate both sides—philanthropy and investment. Outcome funds replenished through Islamic philanthropy can reward verified impact and allocate Islamic investment to the right kind of enterprise. For example, a Zakat-backed outcome fund could incentivize enterprises to deliver affordable irrigation to smallholder farmers, using Islamic investment. Zakat tradition thus enhances the possibilities of Islamic finance and contributes to achieving critical social and environmental outcomes.

Catalyzing Action

Major institutions such as the Green Climate Fund (GCF) have already established dedicated outcome-payment funds to complement traditional technical assistance and risk-sharing tools.

ILF could be a catalytic tool for Islamic philanthropy, which could create outcome-payment funds to mobilize Islamic finance and multiply impact.

Conclusion

ILF anchors impact within the market logic—paying only for proven results, monetizing real impact, and thus integrating impact into profit- and-loss statements. This is a real game changer, enabling financial markets to recognize impact and improve the allocation of capital.

For donors aiming to generate scalable, systemic, and lasting impact, ILF should not be a niche experiment—it should be the sharpest tool in their toolkit.

Building Economic Resilience through Effective Resource Mobilisation: Qatar's Pathways for IsDB Member Countries Development Finance

Kenan Bagci
Research Assistant Professor,
Qatar University

Achieving the SDGs in a turbulent global environment requires countries to mobilise resources beyond traditional fiscal revenues. For resource-rich economies, the challenge is twofold: securing long-term financial sustainability while aligning investment with climate and development objectives. Qatar offers an instructive case. Despite its hydrocarbon wealth, it has deliberately built financial and institutional mechanisms that mobilise both domestic and international resources in support of sustainable development. Several of these initiatives hold transformative lessons for other IsDB Member Countries.

Creating regulatory clarity through sustainable finance frameworks

Qatar Central Bank (QCB) has introduced a Sustainable Finance Framework, positioning green and sustainability-linked instruments as an integral part of financial sector regulation. The framework establishes guidelines for sustainable finance and sustainability-linked finance to foster growth and innovation in green, social, and sustainable financial instruments (QCB, 2025). This is a relatively low-cost policy intervention that does not rely on sovereign wealth but sends a powerful signal to financial markets. For other Member Countries, even those with modest financial systems, adopting a similar supervisory approach can catalyse the growth of green portfolios, attract international investment, and align domestic banking with SDG priorities.

Deepening capital markets through Shari'ah-compliant instruments

Qatar has also leveraged its role as a financial hub to pioneer sustainable sukuk and bond frameworks through the Qatar Financial Centre (QFC), the first in the GCC region. While aligning with global green finance standards and retaining Shari'ah compliance, the QFC's Sustainable Sukuk and Bonds Framework has opened a pathway for corporates, state-owned enterprises, and financial institutions to raise capital for climate and social projects (QFC, 2022). In 2024, Qatar set a regional benchmark by issuing $2.5 billion in green bonds to fund environmentally friendly projects and it targets $75 billion in ESG-driven investment opportunities by 2030 (ESG News, 2025). This growth in green sukuk financing expands access to affordable, Shari'ah-compliant capital for SMEs and enables them to invest in sustainable projects that drive business development, innovation, and diversification. For other countries, adopting such frameworks can diversify funding sources, reduce dependence on public budgets, and tap into the growing global demand for Shari'ah-compliant green assets. While supportive regulatory frameworks in countries like Indonesia, Saudi Arabia, Malaysia, and the UAE help foster the growth of the Green Sukuk market, Indonesia has already been leading the market by raising $12.6 billion since 2018 for climate change adaptation (LSEG, 2024).

Empowering SMEs as agents of diversification

The Qatar Development Bank (QDB) complements these top-down reforms with a bottom-up green financing programme for small and medium enterprises (SMEs). By providing concessional loans, guarantees, and technical assistance, the scheme supports domestic firms to invest in energy efficiency, renewable energy, and circular economy projects (QDB, 2025). This approach links financial mobilisation with skills upgrading, helping SMEs integrate sustainability standards and access new markets. Other IsDB Member Countries, whether resource-rich or small, can replicate this model by establishing targeted credit windows, supported by development partners, that combine finance with capacity-building in sustainable practices.

Aligning climate ambition with investment pathways

Qatar's resource mobilisation strategies are also tied closely to its climate commitments. The financing frameworks introduced by QCB, QFC, and QDB are designed to channel resources towards the country's National Climate Change Action Plan, which includes scaling solar power, deploying carbon capture and storage, and promoting water efficiency (MECC, 2021). The integration of finance with national climate strategies ensures that mobilised resources are not just additional, but also transformative. For IsDB Member Countries preparing their own climate strategies ahead of COP30, the lesson is clear: resource mobilisation mechanisms must be designed hand-in-hand with climate action plans, creating pipelines of bankable projects that attract both domestic and external finance.

Transformative pathways for other countries

The Qatari experience illustrates that resource mobilisation for resilient economies does not depend solely on the level of wealth. Rather, it hinges on creating credible frameworks, linking them to national priorities, and providing inclusive access to finance. Regulatory clarity, Islamic finance innovation, and SME-focused instruments can each be adapted to diverse contexts from low-income countries seeking concessional blended finance, to middle-income economies building capital markets, to resource exporters aiming to future-proof their fiscal base.

Policy lessons for IsDB Member Countries

- Integrate sustainability into central bank and supervisory guidelines to crowd-in private finance.
- Develop Shari'ah-compliant green sukuk and bonds as scalable vehicles for international resource mobilisation.
- Link financing instruments to national climate and development strategies, ensuring that resources directly advance SDG targets.
- Support SMEs through green credit windows and technical assistance, recognising their role in diversification and job creation.

By embedding resource mobilisation within a broader resilience agenda, Qatar illustrates how countries can reduce dependence on public budgets and hydrocarbons while advancing climate goals (SDG 13), sustainable finance (SDG 17), and inclusive growth (SDG 8). These practises will be instrumental in shaping the preparation of the IsDB's Member Country Partnership Strategy (MCPS) for Qatar and facilitating the transfer of knowledge and experience across the IsDB community.

Pearl of Prosperity "Blue Finance" Surfacing Sustainable Pathways to Debt Sustainability & Climate Resilience

Tala M. Alsaati
Assistant, Strategic Planning & Communications Department, ICIEC

Blue Economy emerged as a significant framework for advancing sustainable development, climate-action adaptations, and debt sustainability, especially in the Global South (Diederichsen et al., 2025). Coastal and island countries face several challenges, including rising debt burdens, increasing susceptibility to climate change, and inadequate access to traditional climate funding. Yet, through innovative financing tools, such as blue bonds, debt-for-nature swaps, and PPPs, the Blue Economy provides practical solutions to these problems (Lee et al., 2020).

In April 2025, the Islamic Development Bank, in partnership with the OECD, convened a forum in Jeddah, KSA to address the pressing challenge of financing sustainable water investments. The forum called for a restructuring of water financing to improve capital flow quality and ensure equitable risk-sharing between investors and communities. Discussions covered innovative PPP models, leveraging capital-markets and other sustainable instruments. Results based financing was highlighted for aligning incentives and boosting project performance, while Islamic social finance and philanthropy were seen as key to promoting inclusive access. Aligning these approaches with SDGs 13, 14 and 17 can accelerate progress toward a more equitable and sustainable blue economy, with high potential opportunities for the IsDB Group, as the MDB for the South and a leader in South-South and Triangular Cooperation, to serve Member Countries, especially in the Global South, where the natural environment suffers most from the adverse consequences of climate change. To strengthen the economies going forward, then the integration of blue finance instruments such as blue sukuk and blended finance mechanisms within national fiscal frameworks, as well as improved cooperation between Southern economies are key policy proposals.

Thus, this article highlights how blue finance can protect local economies against external disruptions. *Cases* indicate that effective blue finance mechanisms can ensure debt sustainability, promote climate adaptation, and advance the achievement of ocean-related development goals.

Seychelles Sovereign Blue Bond in 2018 is a case study of blue finance in action, where Seychelles completed the pioneering sovereign blue bond in the world via the World Bank's SWIOFish projects, valued at US$15 million (WBG, 2018). The bond aimed at protecting the ocean economy of countries in the region by supporting sustainable ocean and fisheries initiatives, expanding marine protected areas, and improving governance of priority fisheries. Funds were issued in the form of aid and debt instruments (the Blue Grants and Blue Investment Fund) to individual projects and local businesses that are engaged in sustainable fishing activities. As per the World Bank Group (2018), this initiative showcased the potential for nations to leverage capital markets for the conservation of ocean resources. A takeaway from this case study is the alignment of financing with technical assistance to ensure that small island economies can successfully shift to sustainable practices.

Belize Blue Bonds for Ocean Conservation In 2021, is another case study, where the government of Belize, together with the Nature Conservancy (TNC), completed a landmark US$ 364 million debt-for-nature swap for marine conservation (TNC, 2021). The conversion saw the country reduce its debt by about US$ 250 million (nearly 12% of GDP). In addition, the transaction allowed the nation to create long-term sustainable financing for conservation and lock in a commitment to safeguard 30% of Belize's marine territory (TNC, 2021). This conversion replaced expensive sovereign debt with concessional financing connected to conservation outcomes, providing fiscal relief and environmental protection. The case study demonstrated the significance of legally binding conservation protocols and the effectiveness of blended finance in reducing risk for investors (TNC, 2021).

Hence, blue finance is an important contemporary framework that connects critical aspects of debt-sustainability, climate-resilience and sustainable-development (Diederichsen et al., 2025). In developing or coastal countries, rising-sea-levels, overfishing, and degradation of marine environments are existential threats (Lee et al., 2020). A number of these countries face problems resulting from high levels of debt threatening their ability to obtain funds to adjust to the effects of climate change (Lee et al., 2020). It is believed that, by linking debt restructuring to marine conservation, blue finance can offer a pathway to fiscal relief, environmental sustainability and long-term climate resilience.

Statistics from the World Bank indicate that the ocean economy contributes approximately US$ 3-6 trillion annually to global GDP, equivalent to 3-5% of the total GDP (WBG, 2025). The industry supports about 350 million jobs worldwide, employing over 30 million people in the fisheries sector alone. However, data from OECD (2022) showcase that, while a whopping US$ 83.3 billion was mobilized jointly by first-world countries for climate action in third-world nations in 2020, a paltry 2% of these funds were allocated towards solving ocean-related challenges. Additionally, a number of small island developing countries continue to face unique social, economic, environmental, and sustainable development challenges. In most of these countries, for instance, the debt-to-GDP ratios exceed 70% (OECD, 2022), which limited fiscal resources for investment in climate adaptations (WBG, 2025).

Statistics highlight the urgent need to prioritize blue finance. The misalignment between ocean reliance and allocation of funds points to the fact that marine-based solutions are not adequately financed relative to their ecological significance and economic contributions (OECD, 2022).

From the findings, policy suggestions, focusing on channeling investments towards sustainable marine resource governance, can be implemented. First, it is important for countries to incorporate blue bonds, debt conversions, and PPPs into national fiscal plans. The approach, as per the WBG (2025), will shift financial flows towards a sustainable future, foster economic growth, and ensure environmental sustainability. Second, there is a need to promote South-South cooperation. By putting focus on maritime economies and sustainable development, regional organizations can pool expertise and share successful funding frameworks, and co-design scalable projects, which leverage collective strength to mobilize blue finance and foster collaboration among countries to develop sustainable blue economies.

Tree-Crops Value Chains for Rural Livelihood Enhancement

Djalal Ademonla Arinloye
Country Director, CIFOR-ICRAF Benin

Biola Kazeem Badmos
Lead Global Rural Development Specialist, Economic and Social Infrastructure Department, IsDB

Ougfaly Badji
Lead Global Food Security Specialist, Economic and Social Infrastructure Department, IsDB

State of Rural Development in the IsDB Member countries (MCs)

Nearly half of the population in the IsDB Member countries resides in rural areas, with agriculture being their primary means of survival and growth. Many rural communities face challenges such as poverty, limited access to resources, lack of infrastructure, and environmental degradation. Despite their central role in national development, rural populations continue to face a complex web of challenges that hinder their progress and resilience. In the IsDB MCs, four in five people who are poor and undernourished live in rural areas.

Tree Crops

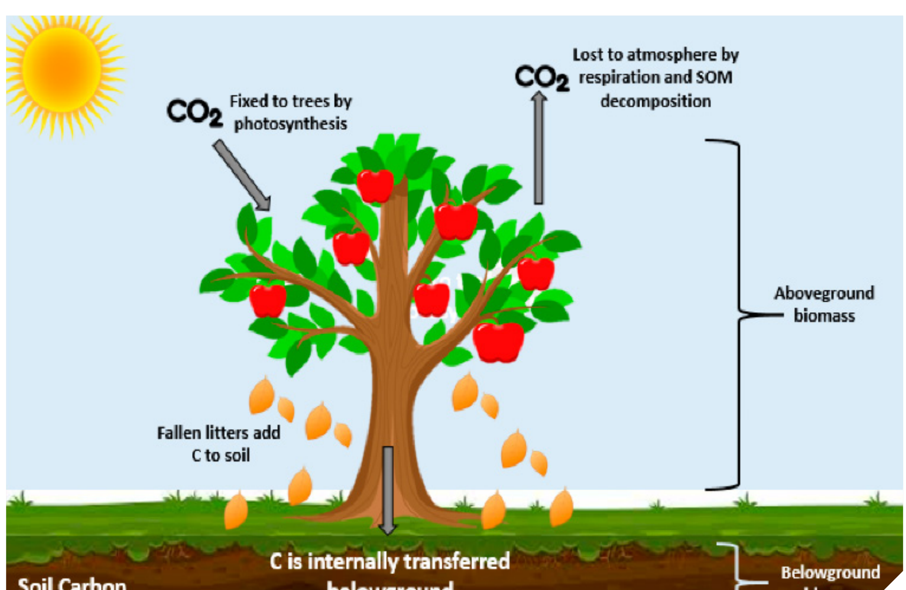
They offer a wealth of socio-economic and environmental benefits to the rural communities. Socio-economic benefits of tree-crops include (i) food security - providing a wide range of nutritious foods, including fruits, nuts, and oils, (ii) income generation – providing income for farmers, communities, enterprises, private sectors trading tree-crops products in local, regional and international markets, (iii) employment and job creation - tree crop cultivation and processing create employment opportunities, (iv) sustainable agriculture and agroecology promotion - with less tillage and cost-effective fertilizers and pesticides used. Other socio-economic benefits include shade and cooling, windbreaks in agriculture systems protecting crops and livestock feeding.

Environmental benefits associated with Tree crops include (i) erosion control with extensive root systems acting as natural anchors, holding the soil together and preventing erosion caused by wind and water, (ii) soil fertility through fallen leaves and branches enriching the soil with organic matter and essential nutrients, (iii) carbon sequestration by absorbing carbon dioxide and mitigating climate change by reducing greenhouse gases, (iv) biodiversity conservation by providing habitats for a wide variety of plants and animals, contributing to ecosystem and biodiversity conservation, (v) water conservation – by improving water infiltration into the soil, replenishing groundwater supplies by reducing water runoff, preventing soil loss and pollution of waterways.

Challenges facing Tree Crop Value Chains

Tree-crop value chains face several challenges that reduce productivity, limit income for smallholders, and threaten sustainability, particularly in the rural areas.

- Productivity gaps and agronomic constraints. This lead to low yields and inefficiencies. Tree crops suffer due to limited access to quality planting materials, low adoption of better farming practices, long growth periods, and vulnerability to pests, diseases, and climate change.



- Obstacles to accessing finance, quality input, and technology. Factors like lack of collateral make it hard for them to secure formal credit, and they often struggle to obtain essential resources such as seedlings and fertilizers. This inequity in agricultural lending often favors larger plantations.
- Poor market access. Tree-crop producers grapple with market access issues and price volatility. They frequently receive low prices due to long supply chains and face fluctuating global markets that discourage investment. Agroforestry systems show promise but lack robust market connections and policy support.
- Post-harvest losses. This stems from inadequate storage and processing facilities, limiting quality assurance and adding to costs.
- Weak institutional and policy support. This hampers progress, with fragmented governance, inequitable land laws, and ineffective support programs.

Addressing the above-mentioned challenges will unveil tree crop value chains' potential to contribute to economic growth, poverty reduction, and environmental sustainability. However, these require a multi-faceted approach involving investments along the segments of the value chain, such as in research and development, infrastructure development, capacity building, policy reforms, and improved coordination among stakeholders.

Sustainable Increase in Tree Crop Production and Productivity

Support to Value Addition

Strengthening Links to Markets

Financial Support to Value Chain Actors

- Sustainable Increase in Tree crop Production and Productivity can be achieved by enhancing access to quality inputs, enhancing access to agricultural information and extension services on tree crops production, promoting sustainable land management, and revitalizing old plantations.
- Support to value addition by facilitating acquisition of modern processing, storage packaging and handling technologies; strengthening the capacity of selected producers and value-chain operators to comply with food safety/quality standards to enhance their potential for exports.
- Strengthening links to markets by improving value chain coordination, enhancing production capacity with new technologies. Also, construction/rehabilitation of rural roads would ensure seamless connection between the farm and the market.
- Financial Support to Value Chain Actors to support domestic enterprises that need financing to upgrade or modernize their existing infrastructure. Access to finance would encourage investment in the sector.

IsDB Experience in Tree Crop Value Chain Development

Olive Value Chain Development for Smallholders Project, Morocco: The project aims to improve the income of rural farmers by enhancing olive-tree plantations and productivity using a value chain approach. The project focuses on (i) development of olive trees plantations, (ii) setting up olive processing units, (iii) training smallholder farmers to improve their skills in olive farming and management, and (iv) construction and rehabilitation of rural roads to facilitate rural access.

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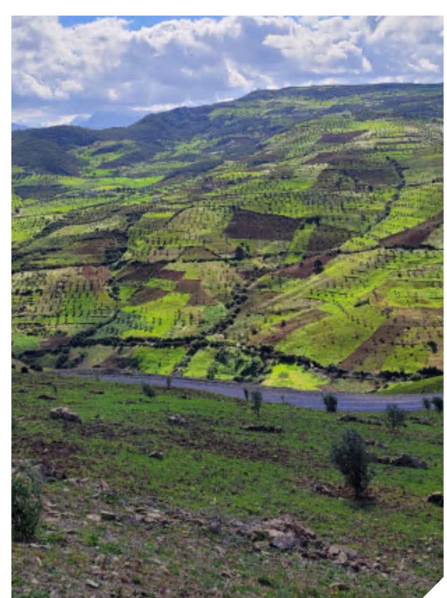
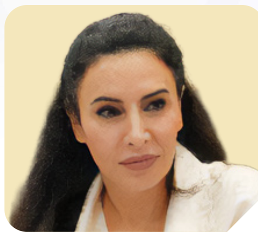


Driving Impact Through Strategic Partnerships: Lessons from IsDB–UNOPS Collaboration

Noriko Kominami
Partnerships Specialist
Partnerships and Liaison Group, UNOPS



Hala Al-Sharifi
Head of the Gulf Countries Liaison Office,
UNOPS

Nedžad Ajanović
Lead Global Advocacy Specialist
Partnerships, Global Advocacy and Resource Mobilization Department, IsDB

The Islamic Development Bank (IsDB) and the United Nations Office for Project Services (UNOPS) have strengthened their partnership through a landmark two-day partnership dialogue held on 5–6 October 2025 at IsDB Headquarters in Jeddah. This engagement marks a critical step in aligning operational collaboration with global development priorities and accelerating progress toward the Sustainable Development Goals (SDGs).

Why Partnership Dialogues Matters

The dialogue convened senior leadership from both institutions, including Dr. Rami Ahmad, Vice President of Operations at IsDB, and Ms. Kirstine Damkjaer, UNOPS Deputy Executive Director for Delivery and Partnerships, together with the UNOPS Director for Partnerships and Regional Directors. A Fireside Chat between Ms. Damkjaer and Dr. Issa Faye, Director General of Global Practices and Partnerships at IsDB, moderated by Mr. Ibrahim Shoukry, Director of Partnerships, Global Advocacy, and Resource Mobilization, explored global shifts in development finance, scaling delivery in fragile contexts, and enhancing cooperation between multilateral development banks and UN agencies. The IsDB–UNOPS Lessons Learned Paper, capturing best practices and key insights from the implementation of IsDB financed projects, anchored the discussions and served as a catalyst for shaping a forward looking and more strategic partnership. Both institutions reaffirmed their commitment to co-develop a Joint Action Plan, based on the existing Memorandum of Understanding (MoU), identify quick wins, and formalize next steps.

Maldives MDV-1013: A Pandemic Response with Lasting Impact

The Maldives MDV 1013 project, a US$20 million IsDB financed COVID 19 response implemented by UNOPS, not only addressed immediate pandemic needs but also modernized the country's health system. It delivered the Maldives' largest-ever ICT upgrade in the health sector, deployed advanced medical equipment and medical drones, expanded nationwide PCR capacity, and introduced MRI services at Ungoofaravu Regional Hospital. Training for biomedical engineers strengthened long term resilience, while decentralized services reduced pressure on tertiary facilities and advanced the Maldives' digital health future.

Uzbekistan Oncology Modernization: Building Systemic Resilience

The Uzbekistan Oncology Modernization Project, a US$90 million initiative co-financed by IsDB and implemented by UNOPS in partnership with WHO, IAEA, and IARC, is upgrading oncology and radiology services nationwide. It equips 14 regional centers, trains over 2,200 medical professionals, and strengthens cancer registries, palliative care systems, and radiation safety frameworks. By completion, the project will provide 150,000 cancer patients with improved access to treatment and screen 1.8 million women for breast and cervical cancer, laying the foundation for long-term health system resilience.

Guinea: Rehabilitation of Infrastructure for Enhanced Health Services

The US$24 million IsDB financed project in Guinea, implemented by UNOPS, is upgrading health infrastructure nationwide. In Conakry, hospitals were renovated and expanded, while 27 new health centres and 13 refurbished emergency rooms were delivered across the regions. The project strengthened local capacity, ensured sustainable infrastructure, and relied entirely on national suppliers, supporting local businesses and community livelihoods.

Key Enablers of Success

Success across the three projects stemmed from strong government ownership, ensuring alignment with national priorities from the outset. This foundation enabled flexible and adaptive project design, supported by UNOPS' robust procurement and technical delivery capabilities. Investment in local capacity, combined with inclusive stakeholder engagement, reinforced sustainability, resilience, and the potential to scale impact across diverse country contexts.

Strategic Priorities for the Future

The dialogue identified five priorities for deepening IsDB–UNOPS collaboration:

- **Joint Planning and Alignment:** Synchronize pipelines with IsDB's 10-Year Strategic Framework (2026–2035), UNOPS Strategic Plan 2026-2029 to support scalability.
- **Country Ownership and Capacity Building:** Engage governments early and strengthen local institutions for sustainability.
- **Governance and Risk Management:** Enhance coordination through joint supervision missions and robust contingency planning.
- **Innovation in Key Sectors:** Expand cooperation in climate-resilient infrastructure, transport corridors, and green transition.
- **Institutionalizing Learning:** Document and apply lessons learned to improve delivery and scale impact.

Conclusion: A Model for SDG Acceleration and Scaling-up

The IsDB–UNOPS partnership shows how combining emergency response with long term system strengthening can deliver scalable impact. From the Maldives to Uzbekistan and Guinea, these initiatives highlight the value of flexibility, strong government ownership, and strategic alignment. As development finance evolves, such partnerships offer a model for inclusive, resilient, and sustainable SDG acceleration.

Mission 300: Powering Africa Through Partnerships for Sustainable Development

Ibrahim Shoukry
Director, Partnerships, Global Advocacy and Resource Mobilization (PGARM), IsDB

Husain Mugaibel
Manager, Economic Infrastructure, Economic and Social Infrastructure Department (ESID), IsDB

Access to reliable, affordable, and sustainable energy is a cornerstone of development. Without electricity, progress in education, healthcare, digital inclusion, and economic growth remains elusive. Today, nearly 600 million people in Africa, representing 83% of the world's unelectrified population, still live without electricity. This reality underscores why Mission 300 (M300), an ambitious initiative led by the World Bank Group (WBG) and the African Development Bank (AfDB), is a game-changer for the continent and for global efforts to achieve the Sustainable Development Goals (SDGs).

What is Mission 300?

Launched in 2024 during the World Bank/IMF Spring Meetings, Mission 300 aims to connect 300 million Africans to electricity by 2030. This initiative is not just about infrastructure, it is about transforming lives, creating jobs, and enabling inclusive growth. It aligns directly with SDG 7 (Affordable and Clean Energy) and has ripple effects across SDGs related to health, education, gender equality, and climate action[1]. The initiative, which will be implemented through Country Energy Compacts, to engender country ownership, comprises the following pillars:

- Pillar 1: Expand Electricity Generation, Transmission, and Distribution Networks at Competitive Costs;
- Pillar 2: Regional Integration;
- Pillar 3: Last-mile electricity connectivity/Clean Cooking;
- Pillar 4: Private-Sector Participation;
- Pillar 5: Sector Reforms and Sustainable Utilities; and
- Additional Cross-Cutting for Consideration.

The foregoing pillars underpin the challenges and opportunities associated with the energy access situation in Africa.

IsDB's Role and Commitment

The Islamic Development Bank (IsDB) has joined this historic effort as a strategic partner, pledging USD 4.65 billion to expand energy access across Africa. This includes USD 2.65 billion in financing and USD 2 billion in insurance coverage to de-risk projects and attract private capital. Building on a legacy of high investment by IsDB Group in energy projects across African countries, IsDB is leveraging Islamic finance instruments to mobilize resources and scale transformative solutions.

Our approach focuses on renewable energy development, rural electrification, and resilience in fragile contexts. By partnering under Mission 300, IsDB aim to accelerate socio-economic transformation and ensure that energy access becomes a reality for millions. The Bank has established a Group-wide Implementation Coordination Committee to facilitate the actualization of the pledge. IsDB together with other IFIs, has joined the Development Partners Coordination Group (DPCG) established by AfDB and WB to monitor the implementation of Mission-300. The Bank has also held several technical meetings with WB and AfDB to discuss engagement modalities and co-financing opportunities in some of IsDB's member countries in West, East and Southern Africa.

Existing IsDB initiatives such as the Renewable Energy Cooperation Program to Power Africa (RECPA) will complement interventions towards the realization of the goals of Mission-300. RECPA is a project preparation facility for Renewable Energy Projects in Africa implemented through the Bank's Reverse Linkage mechanism, which is a South-South capacity building initiative.

Why Partnerships Matter

Mission 300 exemplifies the power of collaboration and co-financing. No single institution can solve Africa's energy challenge alone. Governments, multilateral development banks, private investors, and philanthropic organizations must join forces to pool resources, share expertise, and align strategies.

IsDB has established formal partnership agreements with the World Bank and AfDB, including specific co-financing targets. These targets are designed to maximize impact by blending resources and technical expertise, ensuring that Mission 300 delivers at scale. Co-financing not only increases financial leverage but also enhances project design, implementation, and long-term sustainability, critical for achieving SDG 7 and related development goals.

Co-Financing for Impact

Co-financing is central to the success of Mission 300. By strategically blending concessional financing, guarantees, and private investment, we can unlock billions in additional resources. For example, IsDB's insurance coverage under this initiative helps de-risk projects, making them attractive to private investors. This integrated approach ensures that every dollar invested delivers maximum impact, driving large-scale electrification while advancing sustainability goals.

Benefits for Common Member Countries

Mission 300 is particularly relevant for IsDB's African member countries, many of which face severe energy deficits. Expanding electrification will boost productivity, enable digital economies, and enhance public services. It will also generate employment and entrepreneurship opportunities for youth, which are essential for stability and economic growth in fragile contexts. By aligning Mission 300 with national energy compacts and regional integration strategies, we can ensure that investments are context-sensitive and inclusive.

Driving SDG Acceleration

Energy access is a powerful catalyst for achieving multiple SDGs. With reliable electricity, schools can extend learning hours, hospitals can deliver life-saving care, and businesses can grow and innovate. Moreover, clean energy solutions reduce reliance on fossil fuels, directly advancing SDG 13 (Climate Action). Mission 300 is therefore far more than an energy initiative, it is a comprehensive development strategy that accelerates progress across the entire 2030 Agenda.

A Call to Action

Mission 300 is bold, ambitious, and urgent. Its success depends on sustained commitment from all stakeholders. IsDB calls on governments, development institutions, and the private sector to join us in this transformative journey. Together, we can light up Africa, empower communities, and deliver on the promise of sustainable development.

Through Mission 300, we have a unique opportunity to turn ambition into reality and create a fully powered Africa, that unleashes potential, drives prosperity, and transforms lives for generations to come.

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https://www.worldbank.org/en/programs/energizing-africa

Islamic Finance Institutions:
Promising Future with Escalating Need for Innovative Products and Process

Khalid Abdelrahman Ahmed
Operations Team Leader,
Regional Hub of Cairo, IsDB

Reem Mahmoud
Country Economist,
Regional Hub of Cairo,
IsDB

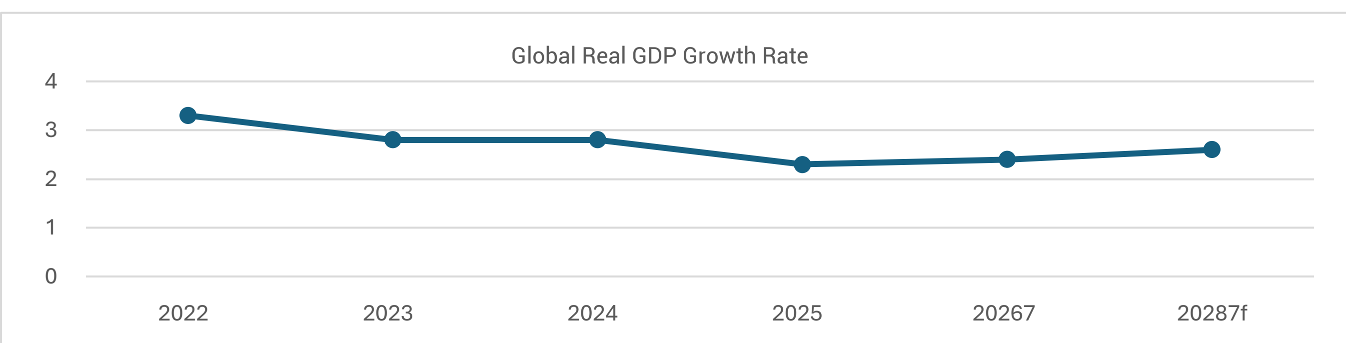
The world is passing through a slowdown in global growth as the downside risks intensify. This is coupled by the rise in consumer inflation expectations influenced by the implementation of trade restrictions, and the rising regional conflicts fueling supply chain disruptions. Investment growth is slowing in most countries because of high interest rates, subdued global manufacturing and trade activity, and idiosyncratic drivers, including lower extractive production or conflict.

This global stagflation is coupled by elevated government debt-ratios-to-GDP in developing countries, especially MENA region and Africa. Higher interest rates have been applied to combat inflation and attract investors, leading to rising debt-servicing costs and hence narrowing fiscal space, while financing needs remain high as international development assistance is cut back.

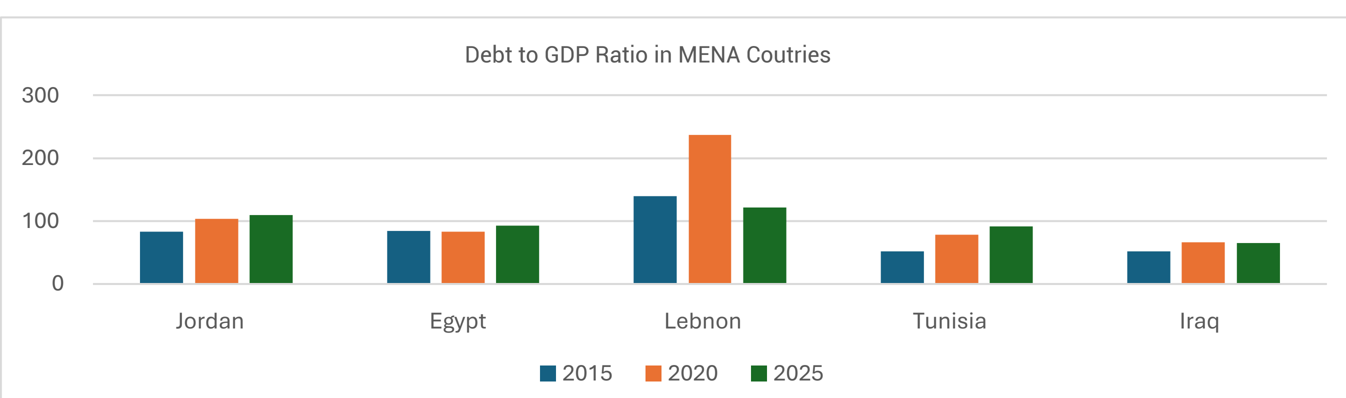
Recently multiple countries like Egypt and Jordan issued debt management strategies and debt ceilings, or limits on how much a government can borrow. Such ceilings exist in various forms across multiple countries, often as part of fiscal responsibility legislation. These limits aim to control government debt levels and promote fiscal sustainability.

The factors above emphasize the need for innovative development of financial tools and policies. Finance for Development Products should be there for promoting healthy aging, bridging gender disparities, creating jobs, enhancing the alignment of migrants' skills with local labor market demands and boosting economic growth and infrastructure investment, while on the same time taking into consideration the escalating fiscal pressures and governments' priorities. New financing products and affiliated procedures should help MCs to attain SDGs without adding to the burden of macroeconomic imbalances

At the Fourth International Conference on Financing for Development (July 2025 in Spain), global leaders reaffirmed the importance of country leadership in financing. The conference highlighted Integrated National Financing Frameworks (INFFs) and inter-agency collaboration as key to developing adaptable, context-



Source: World Economic Outlook



Source: ISDB Databas

specific tools. This approach aims to help countries strengthen their planning and overcome obstacles to financing sustainable development and achieving the SDGs at the national level.

Faith-based finance, particularly Islamic finance mainly Modaraba and Musharrakah , holds significant financing potential, - according to S&P Global Islamic finance market is projected to reach around $4.94 trillion in 2025, with some forecasts predicting it to be even larger, potentially around $5.47 trillion - without disrupting debt management plans of MCs because they rely on profit sharing rather than interest payments. Despite involving higher contractual and transactions costs, Islamic finance instead of using one standardized contract like the classical loan contract, it uses products based on numerous contracts, involving the possibility of mixing and matching as well as securitization. It offers a unique alternative to other financing tools, based on the principles of ethical investment, risk-sharing, and social responsibility. Multiple finance for development tools can rely on islamic princinples including SDGs Sukuk and Social Impact Bonds. According to Fitch Ratings Global sukuk volumes will likely cross USD1 trillion outstanding at the end of 2025. Sukuk will remain a key part of the debt capital markets (DCM) in several Organization of Islamic Cooperation (OIC) countries, and stay significant in emerging markets (EM), after representing 12% of all EM US dollar debt issued in 2024 (excluding China). Main factor behind the rising market for Sukuk is the investor demand, there is a demand from GCC Islamic banks, due to their ample liquidity. In addition to the fact that the market is becoming more diverse, with issuances from sovereign wealth funds, aircraft lessors, and government-related entities. Sukuk are increasingly used to finance infrastructure projects, which are crucial for economic growth in the region.

In February 2024, Central Bank of Jordan introduced new short-term liquidity facilities to Islamic banks. Starting 2023, Egypt has been issuing medium term Sukuk as well. The latest was in June 2025, as it launched the second issuance of Sharia-compatible sovereign sukuk at USD 1bn in the form of special issuance during 2024-2025 fiscal year with an annual coupon at 7.875% for three years. This issuance comes after the first issuance in February 2023, within the framework of the international program of sovereign sukuk, where the volume of such program is around USD 5bn.

However, faced by decreasing appetite for high-cost non-concessional loans[1] and competition from financing opportunities in securities' markets, Islamic financial institutions will soon need to move to more agile lending profiles, relying more on country led programs and results-based financing.

As highlighted above, Islamic finance products are unique in that they are based on asset-, goods-, or service-backed transactions, emphasizing risk-sharing partnerships and genuine ownership and hence backing for inflation related vulnerabilities. However, considering evolving global economic dynamics and increasing demand for more flexible and efficient financing mechanisms, existing Islamic finance instruments -particularly sale-based and lease-based financing - require reform and innovation to more effectively address the pressing challenges faced by OIC member countries including rising unemployment, inflation, poverty, and declining human development indicators. In this context, sector- or policy-based financing can provide rapid interventions by supporting the creation of social and economic assets, particularly small and medium sized infrastructure which can play a critical role in improving livelihood conditions especially in poverty pockets. The current procedural framework in Islamic finance is largely shaped by the requirement that financed assets or goods must be free of uncertainties and must constitute a sound, tangible infrastructure that can be sold or leased to governments without any form of deception. While this principle reflects strong ethical foundations, it often results in complex and time-consuming implementation processes. This, in turn, prolongs the gestation period of projects, affects financial sustainability, increases markup rates, and delays delivery - negatively impacting both debt sustainability and economic growth.

To overcome these limitations, there is a pressing need to develop more programmatic or sector-based Islamic financing approaches. These should be guided by three core principles: (1) fast and efficient delivery, (2) greater delegation of implementation responsibilities to governments, and (3) enhanced flexibility in the scope and procedures of financing.

The current financing procedures involve procurement and financial management systems designed to ensure value for money, fair competition, transparency, and proper auditing. These are essential principles that must be upheld in any development process, whether funded by government budgets or external financing. However, these principles can still be preserved - without compromise - if we rethink our approach and partnership with governments. This can be achieved by strengthening the capacity of our partners to deliver in line with these principles and by adopting automated systems that improve transparency, accountability, and efficiency.

In this regard, the role of the Fiduciary Functions, Capacity Development, Global Practices, and the IsDB Institute becomes critical in driving this shift and enhancing the institutional capabilities of stakeholders to meet these standards more effectively.

A critical factor affecting the competitiveness of Islamic finance products is the cost of borrowing, particularly in the case of non-concessional financing from Ordinary Capital Resources (OCR). These rates are typically linked to Sale, Leasing, and Modaraba instruments and are calculated based on a reference rate (SOFR or EURIBOR), plus financing spreads comprising the contractual spread, funding spread, and risk premium. Other MDBs offer three modes of financing which are investment project financing, development policy financing and program for result financing. The cost of financing is lower (down to 0% in some long-term loans) with a wider window of concessional lending,

Despite the relatively competitive nature of fixed-rate Islamic financing products such as IsDB's Sale Instruments; especially when compared with offerings from similar banks, many countries continue to seek lower-cost financing. This is often necessary to align with national debt control strategies and to meet IMF conditionalities.

It is important to note that a significant number of OIC member countries are subject to the IMF's concessionality condition, which restricts their access to non-concessional financing. Therefore, a comprehensive pricing reform based on sound banking assessments is essential to guarantee sustainability of the ISDB's processes. Moreover, consideration should also be given to blending with concessional windows to reduce the overall cost of financing, without imposing excessive restrictions on project scope or intended beneficiaries.

1. The World Bank for example grants a higher share of concessional loans and conducts loans, interest rates are down to 0% in some funding programs for 40 and 60 years. With a service charge of 1.48% for small economies.

Toward New Types of Strategic Partnerships for Impact:
Enabel and IsDB Chart a New Path for Development Cooperation

Jean Van Wetter
Chief Executive Officer, Enabel

Gerladine Ladriere
Skills, Employment and Decent Work Expert, Enabel

Sebastiano Mori
Global Partnerships Advisor, Enabel

Enabel's first official visit to the Islamic Development Bank (IsDB) headquarters in Jeddah in November 2025 marks a significant milestone in strengthening ties between Belgium, Europe, and the Gulf. As the Arab Coordination Group (ACG) celebrates its 50th anniversary, this moment provides a timely opportunity to rethink how we work together, especially in fragile contexts in Africa and the Middle East, where needs are rising and traditional models of cooperation often fall short. At a time of geopolitical uncertainty and eroding trust in multilateralism, deeper engagement with IsDB forms part of a broader effort to renew global partnerships built on shared responsibility.

A tangible example of the value of complementarity already exists: in Uganda, IsDB financed the construction of the National Teachers' College in Unyama, and Enabel later provided pedagogical support. This experience demonstrates how different strengths, large-scale financing and locally rooted capacity building, can reinforce each other. In fragile settings, such complementarities are not only beneficial; they are essential.

Enabel's approach, anchored in local ownership and co-creation, allows the design of scalable, context allows the design of projects and actions that respond to both national priorities and the strategies of international partners such as the EU's Global Gateway. This model naturally lends itself to triangular cooperation with institutions from the Arab Coordination Group, including: (i) Abu Dhabi Fund for Development (ADFD); (ii) Arab Bank for Economic Development in Africa (BADEA); (iii) Arab Fund for Economic and Social Development; (iv) Arab Gulf Programme for Development (AGFUND); (v) Arab Monetary Fund; (vi) Islamic Development Bank (IsDB); (vii) Kuwait Fund for Arab Economic Development; (viii) OPEC Fund for International Development; (ix) Qatar Fund for Development (QFFD); and (x) Saudi Fund for Development (SFD).

Together, we have the opportunity to shift from traditional bilateral Europe, Africa cooperation toward a more impactful triangular approach, connecting European expertise, Arab financial strength, and African and Middle Eastern priorities. This tripartite model is particularly relevant for fragile and conflict-affected countries, where development challenges are closely connected with governance, climate pressures, demographic change, and social cohesion. No single partner can address these alone.

This vision also aligns with recent transformations in the EU's external action including the creation of the new Directorate-General for MENA and the Pact for the Mediterranean. These evolutions reflect Europe's growing recognition that stability, resilience, and shared prosperity in the extended neighbourhood depend on deeper partnerships that bridge continents and regions.

During our visit to the IsDB headquarters, we identified promising entry points for triangular cooperation in climate adaptation, youth and women's employment, digitalisation, energy, and social innovation. These are not simply areas of overlapping interest—they are sectors where our combined assets can deliver transformational impact:

- IsDB bring large-scale financing, political reach, and deep regional legitimacy.
- Enabel brings local anchoring, operational flexibility, co-creative approaches, and strong experience in fragile environments.
- Partner countries define their priorities and steer international cooperation processes in line with national strategies.

Together, this forms a powerful model for addressing fragility: one that links investment with capacity building, infrastructure with human development, and short-term support with long-term resilience. Whether it is connecting vocational training with renewable-energy investments, scaling digital public goods in vulnerable regions, or empowering women and youth to participate in emerging economic sectors, triangular cooperation can help ensure that financing translates into sustainable, inclusive results.

This spirit of joint ambition was strongly felt during the panel discussion on youth empowerment held during the visit. We highlighted the importance of aligning investment strategies with skills development, an approach particularly relevant for fragile contexts, where unemployment and lack of economic prospects undermine stability and social cohesion. Both institutions expressed strong enthusiasm for deepening their partnership and formalizing it through the forthcoming Memorandum of Understanding (MoU), which will establish a clear and ambitious framework for future joint initiatives.

The visit was mutually enriching and reinforced a shared conviction: by leveraging our complementary strengths, Enabel and IsDB can help shape a new generation of partnerships capable of responding to today's most complex challenges. Through triangular cooperation, we can deliver more impactful, more resilient, and more locally anchored development outcomes, especially in African and Middle Eastern countries facing fragility.

Thank You – SDGs Digest Issue 22 Publication Update (Two-Part Release)

Dear Colleagues and Partners,

Thank you for the outstanding response to the Call for Papers for SDGs Digest – Issue 22. We received a high volume of technically strong submissions from across the IsDB Group and our external partners—an extremely positive signal of the SDGs Community of Practice's growing reach and relevance.

Given the strength and number of contributions, and to protect both editorial quality and author visibility, it was agreed that Issue 22 will be published in two parts. Part 01, being issued now, reflects the consolidated set of articles included following a thorough editorial review and harmonization process.

Part 02 will be published in January 2026 and will include the remaining accepted articles. This split is purely a publication management decision, enabling us to maintain rigorous peer review and copy-editing standards, ensure consistency in references and formatting, and preserve thematic coherence and readability across the issue. Most importantly, articles not featured in Part 01 have not been deprioritized. Scheduling them for Part 02 ensures each contribution receives the space, editorial attention, and visibility it deserves—rather than being compressed into a single release.

We sincerely appreciate the time, expertise, and effort invested by all contributors and reviewers. Part 02 will be issued once final editorial and production checks are completed.

Grateful for your excellent contributions and continued collaboration.

Sincere regards,

Amir Hamza Syed
Leader, SDGs Community of Practice
On behalf of the SDGs Community of Practice