



A Biannual Publication



# SDGs DIGEST

By the IsDB Group Community of Practice (CoP) on SDGs

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## Strategy in Action: The IsDB Concessional Fund (ICF) for SDG Impact



“ The establishment of the IsDB Concessional Fund is a significant and progressive step forward. We are committed to raising concessional financing to approximately 15 percent of our annual approvals. This ensures our least developed member countries receive the support they need to build a resilient and prosperous future. ”

**Dr. Muhammad Al Jasser**  
Chairman of IsDB Group



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- Resilience at the Crossroads: Financing Climate Action in Fragile Contexts
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**Amir Hamza Syed**  
Associate Manager, Partnerships, Global  
Advocacy and Resource Mobilization  
Department, Leader, SDGs CoP

### Dear Colleagues,

This edition reflects the breadth of what the Islamic Development Bank Group strives to do: translate global agendas into practical institutional action. It features the launch of the IsDB Concessional Fund (ICF) as a landmark step to strengthen support to Least Developed Member Countries (LDMCs) through debt-sensitive concessional financing. It also includes perspectives on how our AAA credit rating helps enable SDG delivery at scale, alongside forward-looking reflections on adaptation finance, innovative blended finance, and climate resilience in fragile contexts. From operations, it draws on applied learning—such as climate-resilient flood protection in Oman—and complements this with policy insights on debt vulnerabilities and SDG progress toward 2030. The edition also highlights practical pathways on partnerships, affordable housing, safeguards for sustainable agriculture, diaspora sukuk, and systems approaches to development finance. Taken together, these contributions reflect the pragmatic direction the SDGs Community of Practice (CoP) has been working to strengthen.

As we step into 2026, I would like to share two things through this editorial: first, offer a clear and candid update on what the CoP has delivered; and second,

propose an orderly leadership rotation to keep the community resilient, renewed, and genuinely owned across the wider Bank Group.

Following the transition of CoP leadership and the anchoring of SDGs-related activities in PGARM, our approach has been guided by three practical pillars: raising awareness through the CoP, the SDGs Digest, dialogues, and key moments; ensuring alignment by mainstreaming SDGs across strategies, programs, and projects; and strengthening advocacy by amplifying the IsDB Group's SDGs contribution through internal and external platforms. The intent has been simple: protect the framework, professionalize execution, and widen ownership across the Group and Regional Hubs—without turning this into a bureaucratic exercise.

On progress, I will be as concrete as possible. The CoP is more robust today in three ways: predictability, reach, and product quality and visibility.

First, predictability and delivery discipline have improved. We have moved from ad hoc bursts to a more reliable rhythm for the SDGs Digest, SDGs dialogues, and Annual Meetings engagements. This may seem modest, but it is the difference between a community that occasionally produces and one that consistently delivers. Consistency builds trust, strengthens participation, and sustains momentum. Planning is clearer, last-minute scrambles are fewer, and coordination with contributors and reviewers has improved.

Second, the CoP is increasingly One IsDB Group inclusive, with stronger Regional Hub engagement. Participation has expanded beyond a small core-team model. Engagement is broader across business units and functions, Regional Hub representation is stronger, and contributions increasingly reflect a Group-wide perspective rather than a single-unit lens. In short, the CoP is evolving from a small circle into a Bank-wide community with real connective tissue.

Third, the SDGs Digest has become a stronger advocacy and knowledge product. We strengthened the editorial process with tighter curation, clearer structure, and more consistent standards, so the Digest reads less like a compilation and more like a purposeful product. The contributor base has also widened internally and externally, improving legitimacy and visibility. Our social media presence has increased through regular updates, and the number of external authors has grown, with several partners now contributing articles. This further positions the Digest as both a knowledge bridge across units and hubs and a light but credible advocacy instrument that helps communicate IsDB's SDGs contribution more clearly.

With this strengthening in place, the next step is a planned leadership rotation. We have now passed the three-year mark, which is typically a healthy cycle for voluntary communities. Rotating at this point will help institutionalize the CoP beyond any single individual, bring fresh energy and ideas, safeguard the delivery pipeline and quality standards, and reinforce shared ownership across the Bank. This is intended as an orderly handover—continuity, not disruption.

To keep momentum, CoP core and active members agreed to confirm the successor co-leadership of Mr. Nedzad Ajanovic and Ms. Adja Khanata, to ensure continuity while maintaining Regional Hub representation and broad, inclusive representation. We will keep the transition light and structured, with a short handover to protect delivery and ensure the Digest and dialogues continue without interruption.

Thank you, and most importantly, thank you for what you have collectively built. The progress is real, and it is worth protecting through a transition that keeps this community strong for the next cycle.

Warm regards,

## Members of the IsDBG SDGs Community of Practice

### IsDB HQs

**Amir Hamza Syed**, Associate Manager, Global Advocacy; **Nedzad Ajanovic**, Lead Global Advocacy Specialist; **Djamel Ghrib**, Lead Global Advocacy Specialist; **Rowaa Al Khouli**, Global Advocacy Administrative Coordinator; **Hamdi Ahmedou**, Senior Manager, Monitoring & Evaluation, Strategy Department, ITFC; **Mohamed Elsaket**, Senior Technical Specialist; **Dieynaba Niabaly**, Evaluation, Learning & Outreach Specialist; **Musa Fadl Allah**, Senior Internal Communication Specialist; **Francis Aubea**, Young Professional, Resilience & Climate Action Department; **Yassin Gai**, Young Professional, IsDB Group Chief Economist Department; **Syed Muhammad Abdullah**, Administrative Coordinator, Executive Office of the President; **Salih Suwarelzahab**, Lead Legal Counsel, Legal Affairs Department, ICIEC; **Moataz Zawam**, Acting Associate Manager (Operations, Sovereign Risks), ICIEC; **Idris Mukhtar**, Principal, Partnerships, ICID

### Regional Hubs (RH)

**Ahmet Turkum**, Project Management Specialist, Paramaribo RH; **Rustam Eshonkhujayev**, Operations Team Leader-AI, Almaty RH; **Cem Tintin**, Country Economist, Paramaribo RH; **Adja Khanata Diagne**, Country Economist, Dakar RH; **Inshallah Franco**, Project Management Specialist, Kampala RH; **Abd Elrhman Saaid**, Senior Research Economist, Cairo RH; **Said Mourabit**, Country Economist, Rabat RH; **Mahbub Rabbani**, Country Economist, Dhaka RH; **Ali Fallahi**, Country Economist, Jakarta RH

# Launch of IsDB Concessional Fund: Advancing Development and Resilience in LDMCs

On February 8, 2026, at the second ALUla Conference for Emerging Market Economies that was hosted by the Government of the Kingdom of Saudi Arabia in the city of ALUla, the Islamic Development Bank (IsDB) Group marked a historic milestone with the official launch of the IsDB Concessional Fund (ICF).

The high-profile gathering brought together finance ministers, central bank governors, policymakers, leaders of international organizations, and key development partners. Against the backdrop of intensifying global challenges, this landmark event provided an ideal platform to unveil the ICF, reaffirming IsDB's enduring commitment to solidarity, justice, equitable growth, and shared prosperity. Far more than a financial instrument, the ICF stands as a vital strategic component of IsDB financing toolkit to strengthen its offering in a bid to significantly boost net transfers to Least Developed Member Countries. The anticipated strategic outcome of ICF is to increase the total quantum of investments in key SDGs.

The launch arrives at a critical juncture for the IsDB's LDMCs, which continue to confront formidable obstacles: mounting debt pressures, constrained fiscal space, heightened climate challenges, and cascading crises that jeopardize decades

of progress in poverty reduction and human development. These intertwined threats demand decisive and material responses; precisely what the ICF is designed to deliver.

In his keynote address, **H.E. Dr. Muhammad Sulaiman Al Jasser, Chairman of the IsDB Group, hailed the ICF as a bold declaration of hope and a pragmatic solution to these pressing realities. Rooted in the spirit of the "Riyadh at 50" Declaration, the Fund**

**The launch arrives at a critical juncture for the IsDB's LDMCs, which continue to confront formidable obstacles: mounting debt pressures, constrained fiscal space, heightened climate challenges, and cascading crises that jeopardize decades of progress in poverty reduction and human development.**

establishes a dedicated, scalable platform for concessional financing. By substantially increasing the proportion of such resources within IsDB's overall approvals, the ICF enables more predictable, agile, and tailored support for nations burdened by fragility, debt distress, and climate threats.

The ICF represents a renewed pledge: communities will not face their struggles alone. It prioritizes sectors fundamental to human dignity and long-term well-being, including education, healthcare, food security, climate resilience, and essential social infrastructure. Through this focused approach, the Fund promotes resilient and inclusive futures while carefully avoiding any exacerbation of debt burdens.

To secure the long-term sustainability of ICF's mission and enable it to consistently deliver on its mandate of preserving development gains and mitigating debt distress in LDMCs, the Fund relies on robust and predictable financial mechanisms. These are anchored by the repurposing of existing assets and the IsDB's cornerstone commitment of substantial yearly allocation of 20% of its annual net income. This core contribution will be strengthened by periodic replenishments from member countries, together providing a strong and resilient financial foundation for the Fund.

As ICF achieves full operational status with an initial project pipeline, **it embodies a powerful convergence with the Bank's 10-Year Strategic Framework, fundamentally enhancing its countercyclical role by centering equity and efficiency and impact.** Its landmark launch in ALUla stands as a testament to the indispensable power of multilateral cooperation and strategic partnership in mobilizing resources and amplifying global impact, reaffirming that development is profoundly a shared responsibility. Through unified resolve, decisiveness, and purposeful action, ICF transforms this timeless truth into a tangible engine of progress, now carrying the concrete promise of sustainable transformation and enduring hope for communities in IsDB LDMCs.



\*Prepared by the ICF Team.

# A New Dawn: Accelerating Sustainable Development with IsDB Concessional Fund (ICF)



**Eng. Mohammad Jamal Alsaati\***  
Special Advisor to the President; Project  
Director of ICF Operationalization

*"The establishment of the IsDB Concessional Fund is a significant and progressive step forward. We are committed to raising concessional financing to approximately 15 percent of our annual approvals. This ensures our least developed member countries receive the support they need to build a resilient and prosperous future."*

— Dr. Muhammad Al Jasser, Chairman of IsDB Group

In an era where fragile and least developed countries face myriad development challenges, including crushing debt burdens, shrinking access to essential services, deepening poverty, and overlapping crises, the path to inclusive progress can no longer rely on incremental steps or outdated approaches. These countries demand bold, fresh thinking, informed by hard-won lessons from past efforts in poverty reduction and sustainable development.

Recognizing this urgent reality, the Islamic Development Bank (IsDB) has taken decisive action and launched the IsDB Concessional Fund (ICF). **Far more than a traditional financing tool, ICF represents a strategic recalibration of our commitment: a dedicated, highly targeted mechanism designed to ensure that sustainable development aspirations of IsDB LDMCs are realized.**

When the Board of Governors welcomed the general design of ICF in May 2025, they embraced more than a new financing mechanism. They engendered a promise rooted in the "In Riyadh at Fifty" Declaration: to significantly expand concessional financing through a dedicated institutional instrument that embodies both IsDB's enduring values while advancing a shared vision for a more inclusive and equitable world.

### Why ICF Matters Now

The numbers underscore an undeniable urgency. Our LDMCs face stagnating economic growth, rising debt levels, and shrinking fiscal space at precisely the moment when their populations need support the most to combat poverty and overlapping shocks. Current IsDB concessional financing tools, while vital, fall short of the scale and speed of these escalating demands. Other multilateral development banks (MDBs) have recognized this gap and already operated such dedicated concessional windows. The ICF is IsDB's timely response, a recognition that we must evolve our instruments to deliver the sustainable, impactful financing that many communities desperately need.

### Beyond Finance: Investing in Human Dignity

ICF goes beyond mobilizing concessional resources; it is a profound commitment to unlocking human potential. By channeling concessional financing to LDMCs, the

Fund directly invests in the foundations of dignified life and human development, the very pillars enshrined in the Sustainable Development Goals. Goals that were already enshrined in the founding Articles of Agreement at the inception of the Bank and reaffirmed through the "In Riyadh at Fifty" Declaration. This is not a charity, but a deliberate, values-driven strategy to eradicate poverty (SDG 1) through empowered communities and resilient futures. **ICF, through its eligible projects and programs in priority sectors such as education, health, food security, agriculture, and social infrastructure, will meaningfully contribute to addressing the Sustainable Development Goals (SDGs), including but not limited to SDGs 1 (No Poverty), 2 (Zero Hunger), 3 (Good Health and Well-being), 4 (Quality Education), 5 (Gender Equality), 6 (Clean Water and Sanitation), and 7 (Affordable and Clean Energy).**

### A Framework Built for Impact

ICF will operate as a standalone Special Fund within IsDB's governance ecosystem, designed with both ambition and pragmatism to deliver results at scale. Its overarching goal is to elevate concessional lending to nearly 15% of total annual approvals, mobilizing diverse funding sources including internal allocations, member country contributions, and innovative Islamic finance instruments, including Qard Hasan, highly concessional Installment Sale/Leasing, and targeted grants.





ICF would fully integrate with IsDB's project lifecycle, adhering to existing processes, systems and procedures for eligibility and allocation, project preparation, appraisal, approval, implementation, and results management. A structured, data-driven dynamic screening and scoring system ensures that resources are directed toward high-impact, sustainable projects aligned with LDMCs' strategic priorities. Complementing this, rigorous monitoring, evaluation, and real-time learning mechanisms, coupled with ongoing efforts to streamline development and enhance implementation efficiency, will maximize development impact thereby ensuring accountability and fiduciary compliance. By consistently demonstrating timely, measurable impact to shareholders and donors, ICF will build trust, secure greater buy-in, and attract sustained, significant financial commitments to current and future funding cycles.

What sets the ICF apart is its unwavering emphasis on flexibility and financial sustainability as well as its alignment with IsDB's core principles. Contributors will be meaningfully engaged in decision making, in conformity with the Bank's legal and operational standards. Financially, ICF is architected for resilience, supported by a robust model of periodic replenishments and sound financial management while maintaining full coherence with IsDB's strategic priorities as well as the 10-Year Strategic Framework (2026-2035) and the 5-Year Corporate Strategy (2026-2030).

The operational blueprint is already at an advanced stage. A dedicated Project Team has made significant headway in four strategic tracks: legal and governance, operations and deployment, finance and capitalization, and resource mobilization. This comprehensive roadmap towards the full implementation of ICF includes critical milestones, from stakeholder engagement, operations and deployment framework to financial management policy, culminating in the ICF launch on 8th February 2026, during the AI-Ula Conference for Emerging Market Economies in the Kingdom of Saudi Arabia.

### Innovation Meets Integrity

The ICF's design thoughtfully draws on lessons learned from similar facilities such as the World Bank's IDA and African Development Bank's ADF, while incorporating adaptations suited to Islamic finance principles. The Fund will use impact investment instruments structured around installment sale and leasing at concessional rates and will eventually explore alternative resource mobilization solutions, including social Sukuk to expand its funding base and amplify its capacity to support LDMCs over the long term.

At its core, the ICF will maintain robust safeguards to preserve capital, including provisions for maintaining privileges, immunities, exemptions, and preferred creditor status. These protections ensure the Fund's long-term viability and its ability to secure a legacy of progress for various communities and future generations alike.

### Equity, Not Charity

ICF recognizes that poverty persists not due to scarcity of resources, but due to systems that fail to channel resources where they are needed most. Fighting poverty is not act of charity, but a commitment to fairness and equity. By creating an efficient, transparent, and accountable mechanism for concessional financing, IsDB is taking concrete action to transform this landscape and rectify these imbalances.



### The Power of Visibility and Voice

As we march in ICF progress and operationalization, one truth becomes increasingly clear: the success of ICF depends not only on its financial architecture but also on our collective ability to communicate its vision, progress, and impact.

Visibility is a catalyst for sustained momentum. When member countries, donors, and stakeholders understand the tangible difference ICF makes in people's lives, new schools empowering the next generation, health centers restoring dignity and well-being, clean energy solutions lighting resilient communities, and agriculture initiatives breaking cycles of poverty, they become partners in this mission. When we document and share success stories, we inspire replication and scale. When these tangible stories of change are reported with consistency and transparency, we build trust and sustain long-term commitment.

### A New Chapter in Fighting Poverty and Advancing Development

The ICF represents far more than a concessional financing window. It stands a powerful declaration of solidarity with the world's least resilient populations. It is an undertaking that, as members of the global community, we will not accept poverty as an unsolvable fact of life. The Fund is built on a shared conviction: through collective and purposeful action, we can build a world without poverty.

**The time to act is now. The frameworks are ready. The commitment is clear. Together, through the IsDB Concessional Fund, we will help write a new chapter in development, one where the populations of least developed countries can have the opportunity to live with dignity and hope.**

\* Article presented on behalf of the ICF Operationalization Project Team

# Our AAA Credit Rating: Fueling Sustainable Development for the Ummah and Beyond



**Zine Elabidine Bachiri**  
Director, Finance, Policies, Planning & Analytics Department, IsDB

As we mark our Golden Jubilee - celebrating five decades of dedicated service to humanity - it is timely to reflect on how our institutional achievements, including our coveted AAA credit rating, directly empower us to advance global development goals. One such global agenda is the United Nations Sustainable Development Goals (SDGs), a blueprint for peace and prosperity for people and the planet. At the Islamic Development Bank (IsDB), our sustained AAA credit rating is not just a mark of financial soundness - it's a strategic enabler for delivering on the SDGs across our Member Countries and communities.

## A Bridge Between Trust and Transformation

Credit ratings evaluate more than numbers. They assess institutional resilience, governance, and mission alignment - qualities that resonate strongly with the SDGs' call for transparent, accountable institutions (SDG 16). By maintaining top-tier ratings from S&P, Moody's, and Fitch, IsDB demonstrates that it is a trusted, stable partner in development - capable of channeling funds efficiently and equitably where they are most needed.

This credibility allows us to raise capital through Sukuk at competitive rates, unlocking greater resources to finance sustainable infrastructure (SDG 9), support inclusive economic growth (SDG 8), and combat poverty (SDG 1) and climate change (SDG 13) among others.

## Strategic Capital for Shared Impact

Our AAA rating journey began with the foresight to diversify funding sources. Over time, with the support of committed shareholders and proactive risk management, we achieved and

maintained this rare status - remarkably, without a single AAA-rated shareholder.

This underscores a core SDG principle: resilience through equity and solidarity. It also means every capital increase and every prudent investment decision is amplified through our ability to raise and deploy funds at scale for SDG-aligned programs.

## Looking Ahead: Sustaining the Momentum

Preserving our AAA rating is a continuous process, reflecting our organizational agility and commitment to excellence. As we enhance our operational practices and invest in human capital (SDG 4: Quality Education), we deepen our alignment with the SDGs.

Together, we reinforce the Bank's resilience.

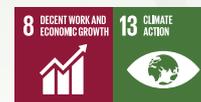
Together, we advance the SDGs and serve humanity.

#ServingWithHimmah

#Trust



# Building Resilient Economies Through Adaptation Finance



**Juan Carlos Mendoza**  
Director, the Environment, Climate, Gender and Social Inclusion Division, The International Fund for Agricultural Development (IFAD)

Climate change is reshaping economies, straining fiscal space, and undermining development gains. Without urgent action, global GDP could decline by 14% by mid-century.<sup>1</sup> For climate-vulnerable economies, repeated climate shocks drive up borrowing needs, stressing public budgets and debt obligations.

Yet, adaptation finance covers just 27% of projected yearly needs, even though evidence shows it yields high returns.<sup>2</sup> Reframing adaptation as an economic growth strategy—rather than a sunk cost—is critical to building resilient economies in a changing world.

## Business as Usual – Adaptation Inaction

The costs of inaction are clear. Globally, heat stress could erase 80 million jobs by 2030,<sup>3</sup> and climate-related disruptions may account for up to 30% of food price inflation in vulnerable regions.<sup>4</sup> Insurance premiums, and emergency response and recovery funding are all being tested. For developing countries, this erodes fiscal space and increases sovereign borrowing costs, a negative feedback loop of growing vulnerability and debt.

## Adaptation is a Return on Investment

Adaptation finance helps break this cycle. By reducing future losses and stabilizing fiscal outlooks, adaptation investments improve credit risk ratings and lower borrowing costs and deliver robust financial and economic returns.

IFAD's 2025 "Adaptation Finance: building the investment case" publication highlights

the need to assess adaptation investment benefits in terms that private investors and lenders understand, such as returns, costs, and savings.

- **Early warning** systems yield between US\$4 and US\$36 in benefits for every US\$1 invested, largely through avoided damages and productivity losses.<sup>5</sup>
- **Climate-resilient roads and transport systems** generate savings of roughly US\$4 for each US\$1 spent, by reducing repair costs and disruption.<sup>6</sup>
- **Climate-smart agriculture** interventions, such as drought-resilient crops and efficient irrigation, achieve benefits to costs of 4:1 with productivity gains of 15–25% even under climate stress.<sup>7</sup>



In Brazil, IFAD concessional financing helped family farmers adopt climate smart agriculture practices - drought-resilient crops, agroforestry, and water-saving irrigation. Within four years, revenues reached US\$10–12 million, driven by higher yields and avoided climate losses. Over its lifetime, a US\$60million investment showed 12% returns and benefits to costs of ~4:1.

- **Nature-based solutions** show benefits to costs range up to 10:1 through long-term co-benefits for biodiversity, emission mitigation and rural livelihoods.<sup>8</sup>

The outcomes are clear: adaptation investments are profitable and cost-saving, not merely protective or responsive.

## Financial Solutions for Adaptation

Scaling adaptation finance requires packaging projects to appeal to both public and private investors - profitability linked with resilience outcomes. We have the financial instruments to do this, yet they are underutilised in the adaptation space:

- **Concessional loans:** lower the cost burden of large-scale infrastructure such as irrigation and flood defences.
- **Blended finance and guarantees:** de-risk investments and cooperation with public and private capital.
- **Equity investments:** support emerging agri-tech and water-saving ventures with growth potential.
- **Green and resilience bonds:** provide stable, long-term returns, such as climate-proofed infrastructure.
- **Debt-for-climate swaps and insurance:** reduce fiscal pressure by building climate resilience.

Aligning the right instruments with the right adaptation approaches, governments and financiers can shift adaptation finance from niche to mainstream.

## The Way Forward

Adaptation finance prevents catastrophic losses, enhances productivity, and creates jobs. It stabilizes debt, strengthens creditworthiness, and attracts private capital. At the bottom line, it reframes climate resilience not as a cost, but as an investment in competitiveness and stability.

Nearing COP30, within a volatile global economy, convergence of debt strategies, climate ambitions, and innovative finance is central to building sustainable futures. The evidence is clear: countries should invest in adaptation as an economic strategy.

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# The Transformation Pathways Initiative Innovates Resource Mobilization for Climate Action



**Karim Ould Chih**  
Division Chief, Innovative Finance and  
International Financial Institutions, UNIDO

UNIDO is developing the Transformation Pathways Initiative (TPI) in partnership with Finance in Motion, a global impact fund manager. TPI is an innovative blended finance mechanism that will increase access to critical investment capital, decarbonize and future-proof industry, and create future-proof jobs in emerging markets and developing economies (EMDEs).

The United Nations Industrial Development Organization (UNIDO) is the specialized agency of the United Nations that promotes industrial development for poverty reduction, inclusive globalization and environmental sustainability. As one of five Directorates, the Directorate of SDG Innovation and Economic Transformation, headed by Managing Director Gunther Beger, is responsible for the development of innovative UNIDO services in the areas of agro-industry, agribusiness, sustainability standards, fair production, and climate-improving technologies. It is also responsible for developing innovative cooperation concepts, identifying new sources and mechanisms of innovative finance and entering into new partnerships with a broad range of stakeholders.

As part of this Directorate, the Division of Innovative Finance and International Financial Institutions (IET/IFI), headed by Karim Ould Chih, in charge to conceptualize, identify, develop and deploy innovative financial instruments and programmatic partnerships with private sector financial institutions to catalyze and leverage investments in sustainable industrial development in line with the 2030 Agenda and the Paris Agreement.

To accelerate SDG progress, massive investments from both the public and private sectors will be required. Industry must be at the core of these investment decisions as it plays a key role in accelerating economic growth, fostering innovation, creating jobs, reducing poverty and hunger, and fighting climate change. Accordingly, investments in sustainable

industrialization have the potential to provide attractive returns and generate positive impacts across all SDGs.

Although private capital is in principle abundant, the challenge lies in identifying investment opportunities with the risk-return profile that satisfies the requirements of investors. UNIDO plays a vital role in this process, particularly by providing dedicated capacity-building to design appropriate industrial policies, mobilize necessary investments, and tap into innovative financing instruments. "Industry is the key to generating income for workers and for businesses, as well as for the public sector through tax revenues," says UNIDO's Director General Gerd Müller, "so investing now in sustainable industrialization is the smartest choice amid shrinking official development assistance worldwide. However, new opportunities are also opening up. Domestic resources, foreign investment, remittances, and blended finance can all help countries finance their own industrial transformation."

Such investments are especially important to SMEs, which are central to industrial development and key drivers of sustainable job creation and development. However, SMEs often suffer from a systematic financing gap. By strategically combining public, philanthropic, and private funds, innovative finance schemes can mitigate risks and enhance the attractiveness of investments that might otherwise be deemed too risky or unprofitable.

Therefore, in order to bridge the climate financing gap in industry, UNIDO is developing the Transformation Pathways Initiative (TPI) in partnership with Finance

in Motion. Investments will be placed directly with companies and projects as well as channeled through partner financial institutions. The target fund size is USD 1 billion, which will allow to mobilize at least USD 3 bn of investments over the fund lifetime, thereby reducing greenhouse gas emissions by 56 Megatons of CO<sub>2</sub>eq, and support 600,000 jobs across target countries.

The Fund focuses on four core investment topics that contribute to decarbonization of industry as well as resource efficiency, therefore contributing to climate change mitigation and adaptation. Investments must achieve emission reductions according to eligibility criteria aligned with best practices and established reporting frameworks. All investments undergo thorough due diligence, including analysis of the targeted use of proceeds, financial and market position of the investee, alignment with national legal and regulatory frameworks, E&S risk management practices, financial risk considerations, and potential technical assistance needs.

Delivering climate finance effectively requires robust technical assistance (TA) to local financial institutions, companies, and regulators. The TA provided by TPI will strengthen local banks' capacity to assess climate technologies, design tailored debt instruments and identify investment opportunities. It will also help businesses and regulators build institutional capacity for low-carbon, climate-resilient investments in industry and agrifood systems. Working through sector associations can further deliver targeted knowledge and scale adoption across value chains.

With the TPI, UNIDO together with its partner Finance in Motion will contribute to setting up an innovative financial instrument to support SMEs in selected UNIDO Member States and -via its connected TA Facility- to mainstreaming climate finance and the greening of industries in ODA-countries. The main takeaways for success were to engage early on in the PPP in an exchange between UNIDO and the fund manager as well as to define clear roles and responsibilities so that each organization can bring in its comparative advantages. Another takeaway is that building a partnership takes time, but it is worth it as cooperation can be expanded to other topics and initiatives. Furthermore, the early engagement with the Islamic Development Bank on TPI helped to develop a structured exchange on cooperation in the target countries which are also IsDB Member Countries.



# Resilience at the Crossroads: Financing Climate Action in Fragile Contexts



**Abdi Abdullahi**  
Manager, Fragility & Resilience,  
Resilience and Climate Action  
Department, IsDB



**Nicholas Bishop**  
Head, Climate Resilience and  
Security, IOM

*“By embedding climate resilience into fragile and conflict-affected contexts, we can prevent future displacement, foster peace, and ensure that those uprooted by climate crises are not left behind.”*

Across many Islamic Development Bank (IsDB) Member Countries, climate change is a threat multiplier exacerbating fragility, deepening humanitarian crises, and driving displacement. According to the OECD’s 2025 State of Fragility Report, 33 of 57 IsDB MCs are classified as fragile and 9 as extremely fragile. In contexts such as Sudan, Chad, Iraq, and Afghanistan, the compounding effects of droughts, floods, and extreme heat are accelerating displacement and deepening vulnerabilities. The 2025 IsDB Resilience Report highlights that climate stressors such as resource scarcity and environmental degradation intersect with conflict dynamics, undermining institutional capacity and reducing communities’ ability to adapt. For these countries, climate action is not a distant goal but an immediate necessity tied to peace, stability, and survival.

Despite escalating needs, fragile and conflict-affected contexts continue to receive disproportionately low levels of global climate finance. Per capita climate finance in fragile states averages just \$6.68, compared to \$22.77 in non-fragile contexts. This disparity threatens to leave millions behind, even as the Baku to Belém Roadmap targets \$1.3 trillion annually by 2035 for climate action. The roadmap emphasizes inclusive financing mechanisms that reflect the unique vulnerabilities of fragile states. The Resilience Report underscores the urgency of addressing this gap, calling for tailored financing strategies that go beyond adaptation to tackle displacement, weak institutions, and recurrent shocks. It advocates integrated approaches that combine humanitarian response with long-term resilience-building, including anticipatory action and climate-resilient infrastructure investments.

## Scaling Climate Mobility Solutions in Fragile Contexts

Community-led responses are essential to addressing the complex challenges of climate mobility, particularly in fragile and conflict-affected settings. Since 2020, the **International Organization for Migration (IOM)** has implemented over **570 climate mobility projects across 80 countries**, including many **Islamic Development Bank (IsDB) Member Countries**. These initiatives empower individuals and communities to stay, relocate, or return home with dignity, reducing displacement risks while strengthening long-term resilience. In **Iraq**, climate and migration dynamics are being integrated into national planning frameworks, while in **Somalia and Chad**, programs support sustainable agriculture, land

restoration, and improved water governance, helping rebuild trust and reduce resource-based tensions.

These efforts closely align with the **IsDB Group’s strategic commitment to supporting fragile and conflict-affected Member Countries (FCAS)** in managing climate and conflict-related risks. Central to this approach is the **IsDB 3R Facility (Response, Recovery, and Resilience)**, a flagship Group-wide platform designed to help MCs **anticipate, absorb, and recover from shocks**, including climate-induced disasters, food insecurity, forced displacement, and conflict-related disruptions. The 3R Facility enables rapid response while simultaneously investing in medium- and long-term resilience, ensuring that emergency interventions are linked to sustainable development pathways.

Beyond the 3R Facility, the IsDB Group has **scaled up climate adaptation financing in FCAS**, committing **several billions of US dollars over the past decade** to support climate-resilient infrastructure, water and food security, disaster risk management, and nature-based solutions in some of the world’s most vulnerable contexts. A significant share of this financing has been directed to **low-income and fragile MCs**, combining concessional loans, grants, guarantees, and technical assistance. These investments prioritize early warning systems, climate-smart agriculture, resilient livelihoods, and institutional capacity strengthening, critical enablers for reducing climate-induced displacement and fragility.

Within this ecosystem, **IsDB and IOM play highly complementary roles**. IOM brings strong operational reach, community engagement, and cutting-edge analytics, such as its **Risk Index for Climate Displacement**, which helps anticipate displacement hotspots and guide early action. Its **Climate Mobility Innovation Labs and Climate Mobility Investment Plans** translate local realities into bankable pipelines, bridging humanitarian, development, and climate finance. These tools directly complement IsDB’s upstream policy dialogue, sovereign financing, and project-scale investments under the 3R Facility and broader climate adaptation portfolio.

Financing innovation further strengthens this partnership. Diversifying funding sources is essential to scaling climate mobility solutions in fragile contexts, and **Islamic finance and philanthropy offer powerful, values-driven pathways**. IOM’s **Islamic Philanthropy Fund** channels Zakat and Sadaqah to support displaced and vulnerable populations, aligning closely with IsDB instruments, sovereign and sustainability-linked Sukuk, and emerging **Green and Sustainability Sukuk**. Together, these approaches reflect a shared commitment to mobilizing ethical, inclusive capital that responds to climate risks, fragility, and human mobility in an integrated and people-centered manner. "

## A Call to Action on the Road to Belém

With humanity at the center of climate action, as underscored by the COP30 Presidency, urgent action is needed for displaced people and fragile communities who remain least served by global finance. The Baku to Belém Roadmap’s USD 1.3 trillion target must prioritize these contexts, directing funds to locally led adaptation, resilient infrastructure, and inclusive mobility solutions that reflect the realities of those most affected. As the international community prepares for COP30 in Belém, the focus must shift from commitment to delivery. For IsDB Member Countries, investing in climate resilience and mobility is both a pathway to the SDGs and a means to promote peace and stability for those most exposed to the climate crisis.

# Debt-for-Skills Compacts for Resilient Economies



**Ousmane Diagne**  
General Manager, People & Culture  
Department, ICD

## The Human Core of Resilience

Resilient economies are built as much on people as on balance sheets. Across IsDB member countries, fiscal pressure is mounting: debt service absorbs rising shares of revenue just as climate transition costs accelerate. Instruments such as climate-resilient debt clauses (CRDCs), debt-for-climate swaps, and performance-based lending offer temporary relief. Yet, without a parallel investment in skilled personnel and effective institutions, these tools risk being half-measures.

## Debt and Capability

Senegal's 2025 reconciliation audit placed public debt between 111 and 120 percent of GDP, with debt service consuming 46.8 percent of central-government revenue (IMF 2024). This squeeze on fiscal space coincides with expanding climate obligations. CRDCs—now embedded in several World Bank and AfDB operations—permit payment suspension after disasters without damaging credit ratings (World Bank 2024). Barbados' 2024 debt swap showed similar flexibility (Green 2024). But relief alone does not ensure implementation capacity. Where procurement officers, engineers, and regulators are scarce, execution falters.

**Debt-for-Skills Compacts** (DfSCs) could tie a defined portion—say 10–15 percent—of fiscal relief directly to accredited training, project-preparation teams, and procurement reform. The principle is to turn liquidity into capability: to embed measurable human-capital and institutional outcomes within debt operations through disbursement-linked indicators (DLIs).

## Reframing Climate Action

Evidence from the World Bank–LinkedIn Data360 platform shows demand for green skills in Sub-Saharan Africa growing nearly twice as fast as supply (World Bank & LinkedIn 2024). The ILO (2023) reports parallel shortages in renewable-energy technicians, energy auditors, and adaptation planners. Multilateral climate finance often stalls not for lack of funds but for lack of people able to design and supervise projects.

DfSC-linked DLIs could focus on three metrics:

1. Numbers of certified technicians in nationally prioritized occupations;
2. Verified female participation rates; and
3. Reduction in procurement-cycle time.

The Program-for-Results model already proves that MDBs can disburse against verified outcomes. Extending this approach to skills and institutional metrics would strengthen the climate-finance chain at its weakest link – execution capacity.

## Institutional Architecture: The IsDB Group Academy

For the IsDB Group, the case for a unified training and advisory platform is compelling. Current capacity-building is fragmented – short missions with limited follow-up. A consolidated IsDB Group Academy in Jeddah could provide permanent, structured support linking debt operations to capability creation.

Each entity brings a comparative advantage:

- ICD anchoring financial-sector and private-enterprise programs;
- ITFC advancing trade-finance and supply-chain literacy;
- ICIEC embedding risk-management and guarantee expertise; and
- The IsDB Institute curating applied research and evaluation.

The Academy would transform IsDB from a project lender into a destination for learning and partnership, aligning fiscal innovation with institutional strengthening.

## Senegal as Proof of Concept

Senegal's 2024 DSA confirms debt service already crowds out public investment, while the Plan Sénégal Emergent and emerging Just Energy Transition Partnership earmark roughly US \$1.2 billion for energy-climate programs (World Bank 2023). Yet, the Autorité de Régulation des Marchés Publics (ARMP 2022) notes median procurement cycles for large energy contracts exceed 320 days.

Demand for new projects—Taiba N'Diaye (158.7 MW), Malicounda (120 MW), and forthcoming Scaling Solar sites—implies a need for about 3,000 distribution technicians and 150 supervisors between 2025 and 2027. Present training output is far below that threshold.

A DfSC embedded in Senegal's next restructuring could fund three annual cohorts of roughly 1,100 trainees, while procurement-related DLIs reduce cycle time to ≤ 220 days. With training costs of US \$2,600–3,100 per technician, the total—US \$3.2–3.8 million per year—remains within the 10–15 percent CRDC envelope. The impact is tangible: technicians trained, contracts accelerated, and results verifiable by national regulators.

## Broader Reflections

Resilience cannot be bought; it must be built. Initiatives such as the Bridgetown Initiative and the New Global Financing Pact challenge MDBs to “do more with less,” but efficiency must be measured not only in leverage ratios. True progress lies in whether fiscal innovation leaves behind competent institutions and skilled cadres.

Research on productive knowledge (Hausmann et al., 2008) and capability traps (Andrews 2013) shows that nations grow resilient by accumulating problem-solving capacity, not merely capital. Institutionalizing Debt-for-Skills Compacts through an IsDB Group Academy would redefine upstream advisory. Debt relief becomes more than a pause – it becomes a seed of state capability. As COP30 approaches, the real test for development finance is whether innovation will remain transactional or evolve into sustained investment in human infrastructure.

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# Reflections, Innovations, and Global Lessons IsDB Financed Climate-Resilient Flood Protection Dams in Oman



**Munira Beshir Abdalwahid**  
Operations Team Leader,  
Regional Hub GCC&Yemen,  
IsDB



**Munther S AlKayyali**  
Operations Team Leader,  
Regional Hub GCC&Yemen,  
IsDB



**Yousuf Masood Al-Manthari**  
Director Dams Department  
- Ministry of Agriculture,  
Fisheries & Water Resources

and (117) dams for surface storage with a total storage capacity of (100,624) million cubic meters, including Wadi Dayqah Dam in the Wilayat of Quriyat, which has a storage capacity of (100) million cubic meters. This Flood Protection Dams Network represents one of the most ambitious climate adaptation programs in the region. It reflects Oman's commitment to proactive disaster risk management, blending engineering excellence with environmental stewardship.

## The New Generation: Climate-Resilient Flood Protection Dams Project

The recently IsDB approved Climate-Resilient Flood Protection Dams Project marks a new phase in this national journey. Officially endorsed during the 360th IsDB Board Meeting in Algiers (May 2025), the project introduces a new paradigm; one that integrates nature-based solutions, community engagement, and climate-smart agriculture into flood protection design. Through this project, the Islamic Development Bank and Oman's national institutions have worked hand-in-hand to design infrastructure that not only safeguards lives but also catalyzes sustainable development.

As IsDB Operations Team Leaders of the project in collaboration the Sultanate of Oman Ministry of Agriculture, Fisheries and Water Resources (MAWFR), represented Director of Dams Eng. Yusuf Almantheri, we had the opportunity to guide this project from its early concept in June 2024 through to its approval in May 2025. The process involved close coordination with the Ministry of Finance, and MAWFR, in addition to other key stakeholders such as Ministry of Housing and Urban Planning, National Disaster Management Authority, and

**C**limate change doesn't knock; it crashes in. When the skies open over Oman, rainfall once measured in decades now falls in hours, testing the strength of cities, valleys, and livelihoods alike. In Oman, intense rainfall events have surged in both frequency and severity, threatening lives, livelihoods, and infrastructure. The question was never if action was needed, but how to do it right.

Led by the Government of Oman, a comprehensive network of Flood Protection Dams has been developed across the country; a national effort that embodies the principles of integrated, forward-looking development envisioned in Oman Vision 2040 and the United Nations Sustainable Development Goals (SDGs).

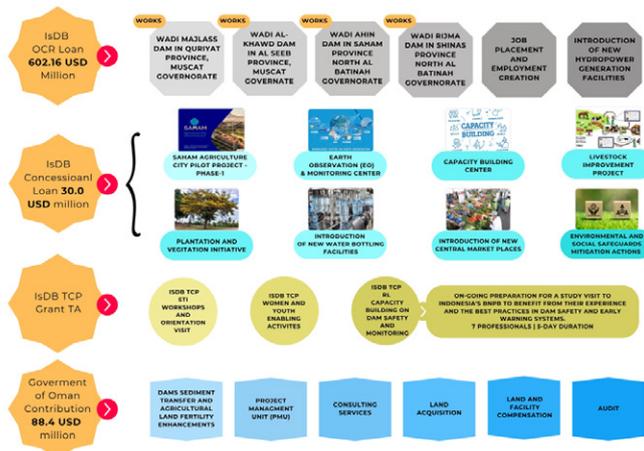
## Building a National Shield Against Climate Risks

Over the past decades, Oman has faced recurrent floods that caused significant damage to infrastructure and disrupted economic activity, particularly in rapidly growing urban areas. In response, the Government launched a long-term

strategy under Oman Vision 2040 to establish a national flood protection network, in partnership with national, regional and international stakeholders including the Islamic Development Bank through a series of projects designed to enhance water security, protect communities, and preserve natural resources. These strategic efforts have already resulted in a robust network of dams. In the Sultanate of Oman, dams are among the most important projects because they serve as a protective mechanism against floods, enhance water resources, and help reduce water shortages. Due to their strategic importance, the Ministry of Agriculture, Fisheries and Water Resources (MAWFR) continues to implement dam projects of various types. The number of dams in Oman until the end of September 2025 reached (206) dams with a total storage capacity of (458,508) million cubic meters, including (7) dams for protection from flood risks with a total storage capacity of (247,730) million cubic meters, (82) dams for groundwater recharge with a storage capacity of (110,154) million cubic meters,



## PROJECT RESOURCE ALLOCATIONS



## THE PROJECT SUMMARY

### INTEGRAL DEVELOPMENT AND LIVELIHOOD ENHANCEMENT PROJECTS



Meteorological Services, alongside specialized consultants. The collaboration was as much about building relationships and trust as it was about technical design.

### Innovation and Integration: Where Nature Meets Infrastructure

While the project focuses primarily on flood protection dams, its innovation lies in integrating nature-based solutions, technology, and community-driven approaches. A central feature of this innovation is the creation of a fully equipped Monitoring and Observation Center. This center leverages Earth Observation (EO) technologies, real-time radar systems in dam catchment areas, and a comprehensive early warning system to enhance dam safety, monitoring, and emergency response across Oman's wider flood protection dams' system. By integrating EO technologies with conventional dam safety equipment, the center ensures that both local authorities and communities are better prepared for flood events.

In parallel, the project establishes a Capacity Building and Training Centre aimed at strengthening the technical expertise of MAFWR. Training programs focus on sustainable aquaculture practices, dam safety monitoring, operation and maintenance of water infrastructure, early warning systems, and EO technologies for water resource management. Activities include hands-on workshops, certification programs, study visits, and knowledge-sharing sessions, ensuring that the technical knowledge and capabilities needed to operate and maintain these assets are embedded locally and sustainably.

Another example that stands out is Saham Agricultural City, a model for climate-resilient, community-driven development. Located in the North Al Batinah Governorate, which is Oman's agricultural heartland and the country's food basket, Saham dedicates 70% of its 65 km<sup>2</sup> area to agriculture and 30% to urban development, directly

benefiting nearly 30,000 local farmers and providing food for an estimated 25,000 people annually. The project integrates modern techniques such as hydroponics, aeroponics, and fish farming, while modernizing traditional irrigation systems through automation, water recycling, and climate-smart cooling technologies.

Beyond technology, what makes Saham unique is its inclusive governance; land is distributed free of charge to licensed farmers, with subsidized utilities, ensuring equity and access. Women, youth, and local cooperatives have been meaningfully engaged through participatory design workshops and community forums, ensuring that resilience is built from the ground up.

Resilience cannot be engineered in isolation; it must be designed through the lenses of environment, economy, and society together. By integrating resilient infrastructure with advanced monitoring technologies, capacity building, and community-driven agriculture, the project strengthens both flood protection and livelihood security, turning climate resilience into a driver of economic opportunity. Dams are safer and better monitored, local authorities and communities gain critical technical skills, and initiatives like Saham Agricultural City enhance food security and livelihoods. Together, these elements illustrate how Oman is setting a new standard for holistic, sustainable, and inclusive flood protection.



### Alignment with Oman Vision 2040 and the SDGs

The project aligns with Oman Vision 2040 and International Climate Goals. Oman Vision 2040 sets a national agenda for sustainable economic and social development, emphasizing environmental stewardship, resilience, and inclusive growth. The Dams Project directly supports Vision 2040's pillars by:

- Enhancing water security and disaster risk reduction.
- Promoting sustainable infrastructure and resilient cities.
- Fostering social cohesion and economic diversification through community engagement and job creation.

Internationally, the project advances SDG 6 (Clean Water and Sanitation), SDG 11 (Sustainable Cities and Communities), and SDG 13 (Climate Action) by:

- Building infrastructure that protects against extreme weather.
- Supporting sustainable water management and agricultural productivity.
- Integrating climate adaptation into national planning.

### Conclusion: Building Tomorrow's Resilience Today

The Climate-Resilient Flood Protection Dams Project stands as a beacon of innovation, partnership, and vision. It reflects how Oman and the Islamic Development Bank are translating global climate commitments into tangible, context-specific action; protecting communities, nurturing ecosystems, and empowering people.

As the project transitions into its implementation phase, it offers lessons not only for Oman but for all climate-vulnerable regions, positioning Oman as a regional leader in sustainable water management and climate resilience.

# Converging Climate Action and Debt Sustainability: Shaping a Resilient Development Paradigm



**Zakaria Hanafi**  
Associate Manager, Administrative  
Services Department, IsDB

As the world stands at the crossroads of escalating climate threats and persistent debt vulnerabilities, MDBs face a clarion call to reshape financial strategies in pursuit of the Sustainable Development Goals (SDGs). The Islamic Development Bank and its development partners are uniquely positioned to champion a new fiscal paradigm: one where debt sustainability and climate ambition are mutually reinforcing, not competing forces.

## Rethinking Debt for a Climate-Resilient Future

The past decade has underscored a stark reality. Many countries, particularly in the Global South, navigate rising interest rates and climate shocks that threaten both their fiscal and development gains. Against

this backdrop, debt strategies are evolving beyond the sole aim to stabilize economies to catalyze climate-smart investments and build long-term resilience.

A promising approach is emerging in the form of debt-for-nature and debt-for-climate swaps. Recent innovations, notably in small island states, demonstrate how restructuring external debt can generate targeted resources for coastal resilience and renewable energy. The IsDB, drawing upon its leadership in Shariah-compliant finance, stands at the forefront of adapting such instruments thereby ensuring climate finance solutions are contextually relevant and aligned with member countries' socio-economic realities.

## Elevating Climate-Driven Financial Solutions

Growing consensus at global forums advocates for integrated approaches to debt relief and climate resilience. The trajectory is clear: future-oriented solutions must embed climate risk assessments and resilience investments directly into financing dialogues. For IsDB and its peers, this means adopting collective negotiation frameworks that holistically consider both developmental and fiscal benchmarks.

Equally vital is the surge in blended and concessional finance. Sovereign markets increasingly reward those who align fiscal plans with climate objectives, whether through green bonds, carbon pricing, or renewable energy incentives. Here, IsDB's trailblazing efforts in growing the green sukuk market offer a blueprint for mobilizing Islamic finance at scale to accelerate climate-aligned investments.

## From Innovation to Impact: Mainstreaming Resilient Infrastructure

Climate risk is now a daily operational reality. Next-generation solutions require moving beyond rhetoric to action, mainstreaming climate innovations, such as digital irrigation, renewable microgrids, or adaptive infrastructure technologies, across member country projects. Partnerships with the private sector, particularly in climate-sensitive sectors such as agriculture and urban development, are central to this adaptive financing model.

These efforts align closely with IsDB's commitment to demonstrable impact. As the late W. Edwards Deming observed, "long-term thinking produces quality in the process." IsDB's legitimacy and reputation rest on linking every financing decision to measurable progress in climate resilience and fiscal stability.

## Advancing a New Multilateral Compact

International coordination is more important than ever. MDB annual meetings and major global gatherings offer pivotal opportunities to build consensus on innovative metrics for sustainability and to negotiate more robust risk-sharing frameworks. Needless to reiterate to all stakeholders concerned that debt sustainability and climate resilience are inseparable in the modern development agenda.

Ultimately, the future of debt management for the Global South lies in adaptive finance models that buffer against shocks while fast-tracking SDGs achievement. It is a transformative opportunity to forge a fair, resilient, and climate-conscious fiscal architecture.



# Powering Development Through Partnerships: How DFIs Multiply Impact Together



**Idris Mukhtar**  
Principal, Partnerships, ICD

Development Finance Institutions (DFIs) are vital to financing projects that promote inclusive and sustainable growth, particularly in sectors like infrastructure, SMEs, and renewable energy. In a complex global economy, partnerships have become indispensable to their success. Through collaboration with governments, private investors, and multilateral institutions, DFIs can mobilize capital, share risks, and amplify impact. This paper argues that **strategic partnerships are essential to expanding DFIs' financial capacity, innovation, and sustainability.**

## 1. The Value of Partnerships

Partnerships in development finance involve cooperative arrangements that pool financial, technical, and knowledge resources toward shared goals. They enable DFIs to overcome capital constraints, enter new markets, and enhance efficiency by leveraging complementary strengths (OECD, 2022). Collaborative efforts align interventions with national priorities and the Sustainable Development Goals (SDGs), ensuring that institutions can **do more with less** while maximizing developmental outcomes.

## 2. How Partnerships Deliver Impact

- **Co-financing and Syndication:** Joint financing allows multiple DFIs to share risks and resources. For example, the Islamic Development Bank (IsDB) and the European Investment Bank (EIB) have co-financed infrastructure worth over USD 4.7 billion, while the African Development Bank (AfDB) and the French Development Agency agreed on a EUR 2 billion co-financing plan (AfDB, 2023).
- **Risk-Sharing Mechanisms:** Exposure exchange agreements, such as the USD 3.2 billion deal between AfDB and the Inter-American Development Bank, expand lending capacity and diversify sovereign risks (World Bank, 2023).

- **Technical Cooperation:** The European Bank for Reconstruction and Development (EBRD) partners with local banks to finance women-led SMEs and enhance credit-assessment capacities (EBRD, 2023).
- **Policy Collaboration:** The 2023 IsDB–World Bank partnership framework targets USD 6 billion in joint climate and energy projects (IsDB, 2023).

These mechanisms illustrate how DFIs leverage partnerships to achieve broader and more sustainable development outcomes.

## 3. Comparative Experiences

The **IsDB Group** collaborates with AfDB, EIB, and the World Bank to expand Islamic finance and blended-finance instruments. The **IFC** mobilized over USD 87.9 billion in private capital in 2023 (IFC, 2024). The **AfDB** uses partnerships to implement major infrastructure projects, such as the USD 10 billion Ethiopian Airport development, while the **EBRD** focuses on inclusive finance for SMEs and women entrepreneurs. Collectively, these DFIs demonstrate that cooperation enhances scale, innovation, and institutional learning.

## 4. Benefits and Challenges

Partnerships enhance DFI effectiveness by expanding resources, leveraging private capital, and improving project quality through shared due diligence. They encourage innovation, foster local capacity, and ensure alignment with national priorities (OECD, 2022).

However, challenges persist: varying mandates, approval processes, and data systems often hinder coordination, while limited political commitment can reduce sustainability (UNDP, 2022).

## 5. Policy Priorities

To deepen cooperation, DFIs should:

1. **Institutionalize frameworks** with clear governance and accountability mechanisms.
2. **Digitize collaboration**, creating shared platforms for project tracking and knowledge exchange.
3. **Standardize risk tools** and blended-finance models to attract private investors.
4. **Promote country ownership** by aligning projects with national development plans.

These actions will enhance transparency, reduce duplication, and strengthen impact.

## Conclusion

Partnerships have evolved from optional arrangements into strategic imperatives. They empower DFIs to pool resources, share risks, and collectively address global development challenges. The experiences of IsDB, IFC, AfDB, and EBRD show that partnerships multiply financial leverage, promote innovation, and build institutional resilience. **In a world of rising development needs, no single institution can succeed alone—partnerships remain the cornerstone of collective progress.**



# Driving synergies across the Rio Conventions: IsDB's Role in Sustainable Development



**Dr. Bradley Hiller**  
Lead Climate Mitigation  
Specialist, Resilience & Climate  
Action Department, IsDB



**Dr. Amr Sobhy**  
Senior Climate Change  
Specialist, Resilience & Climate  
Action Department, IsDB

Nature is the food we eat, the water we drink, the air we breathe, the creation we marvel at, and the recreation we enjoy. Recognizing signs of degradation and shifts in nature over 30 years ago, the global community realized the need to broaden the industrial revolution paradigm to include nature-friendly development. At the 1992 Earth Summit in Rio De Janeiro, Brazil, three United Nations Conventions – on Biodiversity, Climate Change, and Desertification – were established. Today, many of our Member Countries stand at an important inflection point on these interconnected issues.

There is no doubt that human-caused pressures have increased on our global systems. 1 million plant and animal species are at risk of extinction (IPBES, 2019), and many ecosystems are experiencing rapid negative change. Climate change has accelerated, bringing more extreme weather events resulting in human and economic loss. Desertification has expanded, with up to 40 percent of global land degraded, directly affecting half of humanity (UNCCD, 2024). Reduced ecosystem services have a direct and indirect impact on livelihood opportunities.

There is growing agreement that the three Conventions should be approached synergistically. Meaningful action on climate change cannot be achieved without commensurate action on nature and land degradation, and vice versa. Livelihood opportunities must be central to all solutions.

The international community has come together remarkably in some areas. For example, collective agreement culminated in the Millennium Development Goals (MDGs, 2000–2015) and Sustainable Development Goals (SDGs, 2015–2030) as guiding frameworks for global action. Between late October and early December 2024, each of the Rio Conventions held its Conference of the Parties (COP), which presented an opportunity for coordinated progress.

The 16th Biodiversity COP, held in Cali, Colombia (CBD COP16), was the largest gathering for a Biodiversity COP and dubbed the “people’s COP”. Progress was achieved on indigenous and local community decision-making and discoveries derived from nature’s genetics. However, breakthrough progress on financing and monitoring remained outstanding.

COP29 on Climate Change, in Baku, Azerbaijan (UNFCCC COP29) aimed to secure a new goal on climate finance, set a new collective quantified goal at a minimum of US\$300 billion in climate finance per year by 2035, up from the previous US\$100 billion target. Developed countries are expected to lead in financial mobilization, including private capital to developing countries. The decision called on all actors to scale up funds from all public and private sources to at least US\$1.3 trillion by 2035.

The Desertification COP16, held in Riyadh, Kingdom of Saudi Arabia (UNCCD COP16), was the largest-ever meeting of UNCCD’s 197 Parties and the first in the Middle East region. Significant focus was on public and private finance mobilization to strengthen drought resilience and tackle land degradation and desertification.

IsDB plays an important role in advocating for and supporting the sustainable development ambitions of its 57 Member Countries (MCs) and Muslim communities globally. IsDB supports the coming together of the Rio Conventions for the benefit of MCs and actively supported the 2024 COPs. For example, at COP29, IsDB supported the Azerbaijan COP29 Presidency’s agenda and MDBs announced a collective annual climate finance goal of US\$120 billion for low- and middle-income countries. In 2024, MDBs collectively mobilized US\$137 billion for climate finance globally, a 10 percent increase from 2023. At UNCCD COP16, IsDB co-led the Finance Thematic Day, announced US\$1 billion of aligned finance towards the Riyadh Global Drought Resilience Partnership by 2030, and joined a collective Arab Coordination Group announcement of US\$10 billion to UNCCD-aligned goals by 2030. IsDB is supporting ongoing joint MDB progress on nature finance tracking.

In recent years, the leadership of IsDB MCs has become increasingly visible on the global stage – from COPs to G20 summits and other key international fora. IsDB is proud to support our MCs in advancing their ambitions and accelerating progress toward the SDGs, both in scope and scale.

Beyond such fora, IsDB’s day-to-day support to MCs comprises technical assistance, capacity building, policy support, and investment. This support covers critical sustainable development sectors such as agriculture, water, energy, transport, and healthcare, culminating in cumulative approvals of US\$182 billion over a 50-year history and surpassing US\$13 billion in 2024 alone. IsDB integrates thematic support for Women and Youth, Civil Society, Fragility and Resilience, and Climate Change. IsDB is at the forefront of advancing Islamic finance solutions – including Sukuk, which mobilize private sector investment, and Takaful, which strengthens financial resilience across MCs. IsDB Group entities – spanning private sector development, trade, research, and insurance – each play a critical role in driving sustainable development and delivering lasting impact.

As we reflect on five decades of IsDB’s contributions, new opportunities are emerging to deepen support for the three Rio Conventions while advancing shared prosperity and ensuring no one is left behind. In today’s rapidly evolving geopolitical landscape, IsDB’s role as a catalyst for sustainable development and multilateral cooperation is more vital than ever.

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# Navigating Myriad of Challenges to Promote Affordable Housing in Developing Countries



**Papa Abdoulaye SY**  
Global Lead Urban Development Specialist,  
Economic and Social Infrastructure Department,  
IsDB

From slums to gated communities, from overcrowding to sprawl, from homelessness to vacant houses, there is much evidence that housing is shaping cities worldwide despite regional, demographic, socioeconomic and cultural specificities. According to the report *Adequate Housing for All* (UN-Habitat, 2024), cities and communities continued to face multiple challenges that can be summarised as follows:

- 318 million people across the globe are homeless.
- 1.1 billion people live in slums or informal settlements, 90% of whom reside in Africa and Asia.
- 96,000 new housing units need to be built per day to meet adequate housing needs by 2030.

In this article, housing challenges are going to be examined through three main perspectives: affordability, supply, and demand.

## Affordability Challenges

Affordable housing is defined as "housing which is adequate in quality and location and does not cost so much that it prohibits its occupants from meeting other basic living costs or threatens their enjoyment of basic human rights" (UNHABITAT, 2011).

Urban housing is often unaffordable due to the rise in housing prices in recent decades as well as the declining or stagnant investment in social housing. Real house prices across the OECD rose by 77% between 1996 and 2022, while gross domestic product per capita increased by only 29% over the same period; cities are grappling with housing affordability challenges (OECD, 2023).

## Supply and Demand Challenges

Although both the supply side and demand side factors individually shape the housing

market, their interaction determines the market equilibrium price where the market exchange happens (Ahlfeldt 2021).

The supply side influences housing prices, including land availability, profitability, and regulations. Inflation in construction materials and labour shortage can increase the costs of building. Therefore, profit margin for developers is squeezed unless they can pass the costs to buyers, resulting in less incentive to supply. 'Not in my backyard (NIMBY)' type of homeowners may also block or increase obstacles for new developments.

Other factors that can negatively impact the housing supply side include but not limited to, regulatory restrictions like over-zoning commercial districts, too strict building codes, cumbersome and costly permitting process, poor urban planning e.g. lack of provision for urban growth, or weak municipal capacity to delivery urban infrastructure, rental market legal framework unfavorable to landlord, etc...

On the other hand, examples of factors of the demand side include mortgage rates, population growth, real income level and demand for space. During COVID-19, prices in London rose for houses but fell for apartments, reflecting an increased demand for homework and garden space. Different attitudes towards homeownership and debt also contribute to variances in demand (Ahlfeldt 2021). Other factors impacting the demand side include inflationary pressures of interventions favoring demand side, weak or no credit culture/market for term financing, weak domestic savings – insufficient for down-payment, shallow domestic capital markets, outdated commercial bank lending practices – collateral based, etc...

To highlight the seriousness of the housing shortage, in Africa for instance, the housing deficit is estimated at 2.5 million homes in Morocco, 471,000 units a year on average in Ethiopia, 400,000 units per year in Egypt and 800,000 units in Cote d'Ivoire (Centre for Affordable Housing Finance in Africa, 2024). In South Africa, the Housing Development Agency notes that, "90% of the population cannot afford housing costing more than R190 000 (i.e. US\$10,512)," (HAD, Annual Report, 2023).

## The Way Forward for Promoting Affordable Housing in Developing Countries

Clearly there are multitude of challenges paying the way towards mainstreaming affordable housing in developing countries either on the affordability, supply, or demand sides. Nonetheless, innovative strategies are being developed here and there, to effectively overcome these challenges. Some of these new innovative strategies are related to:

- land acquisition and titling (e.g., land-pooling, focusing on ensuring property rights, partnerships between community land trusts);
- land use i.e. zoning and regulation used by city local authorities, transit-oriented development, mixed-use development and inclusionary zoning, to ensure neighborhoods have a mix of income levels and proximity to jobs and services, taxation solutions, such as taxing the underlying value of land rather than the value of the property on it, and imposing a tax on vacant land or properties;
- algorithmic zoning, with incentives for developers based on assessment of what is needed to maximize the vibrancy of a community;
- develop specific housing finance solutions for low-income earners and population active in the informal sector;
- increase the repayment duration of mortgage (up to 25 years);
- promote social innovation to generate or reinvent models of decent housing finance and production.
- establish or strengthen mortgage refinancing and guarantee institutions.
- promote infrastructure subsidies (close to 50% reduction of the price).

On the demand side, new strategies are focusing on different screening processes for the targeted populations to be able to bid for different options on the housing market (WEF, 2019):

- different forms of tenure, going beyond a binary choice between rental and homeownership, can offer more options to city residents struggling to afford a house. They include build-to-rent, shared ownership and shared equity ownership.
- rent controls offer the potential to protect tenants but must also take care not to restrict the future supply of properties to rent by unfairly disadvantaging landlords.
- demand-side interventions need to guard against the risk of helping in the short term but not in the long term. Mechanisms to keep units affordable on resale include subsidy recapture and subsidy retention.

The strategy adopted by the Islamic Development Bank (IsDB) was to develop a **dual approach** focusing both on slums upgrading (90% of slums dwellers live in Africa and Asia) and on promoting social and affordable housing in various schemes<sup>1</sup> within its member countries. This may be the best way forward.

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- The first housing projects financed by IsDB were "Social Housing Project in Bamako, Mali with phase 1 in 2012 and phase 2 in 2013. They were both successful projects. Then came "National Slums Upgrading in Indonesia", financed in 2016 and completed in 2023. It was a flagship and successful project as well. Currently, there are 2 ongoing projects: "Social Housing Project in Benin" approved in 2019 and "Slum Upgrading and Integrated Urban Development Project in Boulos, Djibouti" approved in 2023. In rural areas, "Social Housing Programs in Uzbekistan phase 1 and phase 2" and "Rural and Peri-urban housing in Bangladesh, Phase 1" were successful projects as well

# ICD and the 2030 Agenda: 2024 Results



**Dr. Mohammed Alyami**  
General Manager, Development Effectiveness Office, ICD



**Talal Karim Alobayd**  
Head, Monitoring and Evaluation, ICD



**Ismael Barry**  
Principal, Development Effectiveness Office, ICD

patients were served by healthcare facilities supported by ICD's financing, and 46,672 students were enrolled in educational programs funded through ICD's initiatives.

*ICD's major premise is that the development of the Private Sector will be fundamental to the achievement of its strategy as well as the SDGs, in terms of access to finance, access to business infrastructure and job creation.*

## Targeted SDGs

The table below shows the percentage of ICD total approvals contribution to each respective SDG. For example, 22.5% of interventions contributed to SDG 7 (Affordable and Clean Energy) in 2024:

SDG		% of interventions that contributed to the SDG*
1	No Poverty	20.3%
2	Zero Hunger	36.2%
3	Good Health and Well-being	12.9%
5	Gender Equality	11.9%
7	Affordable and Clean Energy	22.5%
8	Decent Work and Economic Growth	90.1%
9	Industry, Innovation & Infrastructure	100.0%
17	Partnerships for the Goals	100.0%

Note: The figures represent the percentage of each intervention contribution to each respective SDG.

In the context of the overall SDGs, ICD considers three of them as particularly important and directly and indirectly targeted through its operations. These are SDG 7 (Affordable and Clean Energy), SDG 8 (Decent Work and Economic Growth)

The Islamic Corporation for the Development of the Private Sector (ICD) strives to advance the 2030 Agenda by catalyzing private investments in its member countries. ICD's portfolio focusses on Islamic financial intermediation, small to medium enterprises (SMEs), finance and real economic sectors, such as energy, transport, and industry. In 2024, ICD approved 24 interventions totaling USD 663.0 million and disbursed USD 526.76 million, bringing ICD's cumulative disbursements since its inception in 1999 as of today to over USD 5.06 billion.

A critical objective of ICD's interventions is expanding access to Islamic finance, particularly for the non-banked members of society. In 2024, around 127,000 new clients accessed Islamic finance for the first time, with 27% (around 34,000) of these clients being women, underscoring the importance of gender financial inclusion.

SMEs are a cornerstone of private sector development and ICD has continued its focus on enabling their growth. Through direct financing and support, 1,529 SMEs benefited from ICD's financing facilities in 2024, contributing to the diversification of local economies and fostering entrepreneurial spirit across various regions. Of the SMEs supported, almost one-third were women-led or women-managed (around 500 SMEs), showcasing ICD's commitment to empowering women entrepreneurs and ensuring their access to the resources needed for business growth. The total amount of financing allocated to SMEs was USD 353,011,523.

ICD's support to the private sector has proven to have a direct impact on

employment generation as well. In 2024, almost 200,000 jobs were supported through businesses and projects that were financed by ICD. Of these, over 25% jobs were allocated for women, reflecting the increasing participation of women in the workforce. Additionally, 23,409 new jobs were created, with 7,903 new jobs specifically for women. These figures emphasize the importance of ICD's commitment to enhancing women's economic participation, with 1,985 women occupying senior management positions across supported companies, showcasing potential progress in gender equality at the leadership level.

The wider economic impact of ICD's interventions is also evident in the performance of businesses and industries funded by ICD. Positive externalities that were catalyzed via ICD funding included domestic purchases of slightly below USD 1 billion, demonstrating the considerable contribution of supported businesses to national economies. Additionally, USD 779,045,399 in export sales were generated, highlighting the growing international competitiveness of businesses within ICD's portfolio. ICD's support not only helped to generate significant revenue but also contributed to USD 215,528,112 in government revenues, helping to finance public goods and services in member countries.

ICD's initiatives also focus on ensuring that the growth of the private sector translates into positive community outcomes. In 2024, roughly USD 20 million was channeled into community development projects. These efforts have possibly had a tangible impact on social well-being, particularly through improved access to essential services. Notably, 2,280,653



and SDG 9 (Industry, Innovation and Infrastructure).

**SDG Alignment Efforts**

ICD's 2024 Annual Development Survey highlighted a strong alignment of ICD's partners and clients with ICD's priority SDGs. The survey shows that 38% of respondents are at the "Basic" stage of SDG alignment, indicating that many institutions are still in the early phases of integrating SDGs into their business operations. Additionally, 23% are in the "Beginning" phase, reflecting efforts to incorporate SDGs into corporate literature and operations over the past year.

The main motivation for contributing to the SDGs, as identified by 52% of respondents, is the opportunity to align their core business activities with societal needs. Additionally, 14% see it as an opportunity to grow revenue or enter new markets. This suggests a growing awareness of the business value in supporting the SDGs. The primary barrier to benchmarking investments against the SDGs, cited by 42% of respondents, is the difficulty in measuring progress due to a lack of data. Another 25% cited potential cost and financial return implications. Interestingly,

42% of respondents stated that their customers are "neutral" in their perception of the company's efforts towards the SDGs. This may suggest that the public remains unaware of the specific SDG initiatives being implemented by these institutions.

Approximately 80% of respondents reported that 0-25% of their annual investments over the last three years were directed toward SDG or ESG-related themes. This indicates a relatively modest allocation of resources to SDGs, highlighting room for further growth in these areas. The survey also highlighted a strong alignment of ICD partners and clients with ICD's priority SDGs: SDG7 (affordable and clean energy), SDG8 (decent work and economic growth), and SDG9 (industry, innovation, and infrastructure). When asked "Which SDGs are you currently or planning to target?" Most respondents (59%) stated that they are focused on SDG7, with 58% are targeting SDG8 and SDG9.

And lastly, in looking ahead, when asked "How likely will your institution consider enhancing its SDGs framework over the short term (1-2 years)?", 53% of

respondents stated that they are "Likely" to consider enhancing their SDGs framework, illustrating the importance of SDG alignment towards the 2030 Sustainability Agenda.

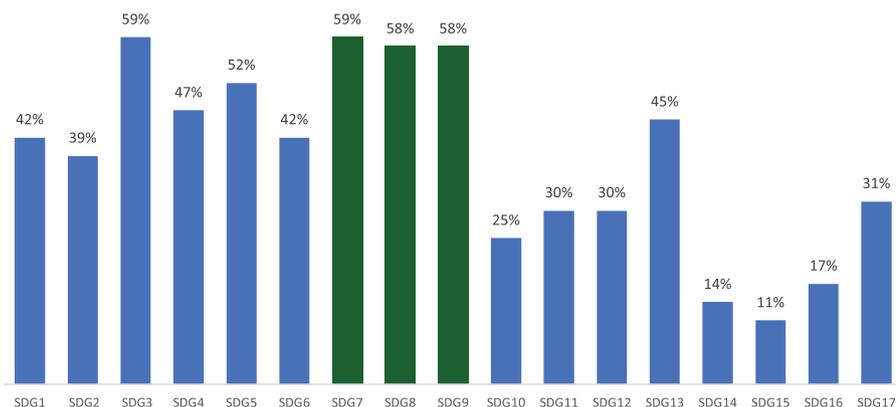
The above cannot determine in any definite manner whether there has been a gradual shift over time by ICDs clients and partners toward greater alignment with SDGs and sustainability initiatives. Furthermore, while some respondents may have expressed increasing consciousness with regards to such topics including areas such as fair employee treatment, ESG policies, and SDG-related investments, this could not be proven or demonstrated via the survey. It is also worth noting that challenges remain, particularly around data measurement and customer awareness.

In order to address the above and – in general – help advance the 2030 Agenda for Sustainable Development, the ICD is in a position to apply its creativity, resources and its partner network.

Other ways through which the ICD might contribute include:

- Help create or strengthen the business enabling environment
- Address the market failures needed for the private sector to contribute to the SDGs
- Build trust and relationships through shared values with other DFIs and the private sector
- Finance projects earmarked towards SDGs contribution
- Raising awareness among private sector actors of the benefits of SDGs alignment
- Exchanging latest best practices, data and technology

In response to these findings, and to be aligned with the IsDBG 10-Year Strategic Framework, ICD will continue to focus its efforts on fostering a conducive environment for private sector development. This includes enhancing access to Islamic Finance for SMEs and catalyzing private investment in key sectors such as renewable energy, agribusiness, manufacturing, healthcare and digital infrastructure. ICD will also continue to promote cross-border investments and regional value chains in line with the 10-Year Strategy. At the while, ICD will work towards fostering transparency, accountability and data driven decision making, thereby, ensuring that private sector growth contributes to the broader economic, social and environmental goals of MCs.



# Addressing Debt Vulnerabilities in IsDB Member Countries



**Cheikh Ahmed Diop**  
Lead Economist, Chief  
Economist Department, IsDB



**Novia Budi Parwanto**  
Senior Data Scientist, Chief  
Economist Department, IsDB

Many IsDB member countries are highly vulnerable to global economic volatility due to their elevated reliance on external inflows such as export earnings, remittances, and official development assistance (ODA). These external dependencies, when coupled with undiversified production structures, narrow tax bases, and underdeveloped financial markets, amplify exposure to external shocks and limit the effectiveness of domestic policy responses.

IsDB member countries' macroeconomic vulnerabilities are exacerbated by the looming debt crisis in the aftermath of the COVID-19 pandemic crisis, with rising debt burdens limiting the ability of many member countries to finance critical investment needs and social programs that foster economic resilience.

Low-income member countries are especially concerned by the narrowing of fiscal space and the tightening of financing conditions.

IsDB country classifications mainly differentiate the Least Developed Member Countries (LDMCs) and others, labelled as non-Least Developed Member Countries (non-LDMCs). This categorization has proven to be useful for analytical and lending purposes, enabling the Bank to channel limited concessional resources to countries that mostly need financial assistance. The LDMC category aligns with the UN Least Developed Country (LDC) framework with a few exceptions<sup>1</sup>.

In this analysis, which focuses on debt vulnerabilities, we identify low-income MCs (LIMCs) using two key criteria:

- An income criterion which recognizes the low and lower-middle-income member countries based on the latest World Bank classification, and
- Creditworthiness based on the International Development Association (IDA) framework, to single out countries lacking access to international financial markets and which rely mainly on concessional financing.

With these joint criteria, we point out 25 LIMCs. Other MCs are labelled as Emerging and Middle-income MCs (EMIMCs)<sup>2</sup>. Compared to the EMMICs, LIMCs have significantly lower income level and higher poverty rates. Furthermore, LIMCs have relatively higher public debt levels and larger financing needs as measured by their fiscal and current account deficits (Table 1).

**Table 1. Selected Economic Indicators**

	LIMCs		EMIMCs	
	2019	2024	2019	2024
GNI per Capita, Atlas Method (Current US\$)a	1217.5	1495.7	4816.8	5495.3
Poverty Headcount Ratio at \$3.00 a day (2021 ppp) (% of Population) b	53.0	55.4	12.1	10.7
General Government Gross Debt (% GDP)c	47.9	55.9	40.1	42.2
General Government Net Lending/Borrowing (%GDP)c	-4.5	-4.0	-2.8	-2.7
Current Account Balance %GDP c	-4.1	-4.7	0.3	1.5

## Data sources

a The World Bank, World Development Indicators (July 2025).

b The World Bank, Poverty & Inequality Platform, (July 2025).

c International Monetary Fund, World Economic Outlook, (April 2025)

Debt dynamics among IsDB member countries are becoming increasingly diverging, highlighting different capacities to manage fiscal pressures and build resilience. The significant gaps between LIMCs and EMIMCs calls for renewed emphasis on structural reforms to strengthen fiscal sustainability. Key priorities include enhancing domestic revenue mobilization, institutionalizing prudent debt management strategies, and expanding access to affordable and long-term financing.

Debt restructuring or reprofiling will be necessary for countries already in debt distress or on the brink. However, these efforts must be accompanied by domestic reforms that strengthen fiscal governance, close tax compliance gaps, and modernize public financial management systems. This includes transitioning toward program-based budgeting, improving state-owned enterprise oversight, and enhancing fiscal transparency to rebuild investor trust.

Multilateral development institutions like the IsDB have a pivotal role to play—particularly in delivering technical assistance for debt diagnostics, supporting medium-term debt management strategies, and facilitating access to concessional and blended financing instruments. Innovative tools such as debt-for-climate swaps, sustainability-linked sukuk, and GDP-linked bonds could also offer fiscal relief while aligning debt strategies with broader development and resilience goals.

1. Palestine, Kyrgyz Republic, and Tajikistan are currently included in the IsDB list of LDMCs as per Board decision. Maldives is also maintained as LDMC despite its graduation from the UN LDC category since 2011.  
2. IMF has a similar categorization separating Low income developing countries (LIDCs) and Emerging Market and Middle-Income Economies (EMMIEs).

# Smart Agriculture, Safe Futures: Leveraging Safeguards for Inclusive Growth



**Dr. Farhat Jahan Chowdhury**  
Senior Environmental Safeguard Specialist,  
Resilience and Climate Action Department, IsDB

Agriculture remains a vital pillar of global development, employing over 27% of the global workforce and contributing significantly to GDP in developing regions. Between 2001 and 2023, Africa led global farm expansion, adding 75 million hectares—96% of the global increase—primarily through the cultivation of cereals, tubers, cocoa and coffee<sup>1</sup>. Despite growth in agricultural production, this sector faces persistent challenges such as water scarcity, limited market access, and environmental degradation.

In 2022, IsDB launched the Food Security Response Program with a budget of USD 10.54 billion to assist member countries in tackling the ongoing food crisis. Current investment targets cassava and rice value chains, agricultural mechanization, and market infrastructure to enhance productivity and climate resilience. From 2025 to 2027, 20% of IsDB's pipeline projects are agriculture-related, with 9% focused on crops and irrigation.

## Understanding Safeguard Risks in Agriculture

Agricultural projects often pose significant environmental and social risks, including

water over-extraction, agrochemical pollution, deforestation, and biodiversity loss. Globally, agriculture accounts for 70% of freshwater withdrawals<sup>2</sup> and nearly 90% of deforestation<sup>3</sup>. In Turkey, pesticide use rose from 1.76 kg to 2.31 kg per hectare between 2000 and 2017<sup>4</sup>. In Nigeria, 60% of freshwater bodies are polluted by agricultural activities, harming fish populations and communities<sup>5</sup>. In Egypt, agriculture consumed 86.38% of freshwater in 2000, with 2.9 billion m<sup>3</sup> of drainage water—laden with fertilizers, pesticides, and organic waste—returned annually to the Nile<sup>6</sup>.

## Safeguard Driven Innovative Solutions for Risk Management in Agriculture

IsDB adopted its Environmental and Social Safeguard (ESS) Policy in February 2020, grounded in Shariah principles of trust, justice, fairness, and well-being. The policy introduces environmental and social considerations in project identification, preparation, and implementation, enabling timely risk assessment and mitigation. Since 2024, IsDB has systematically applied ESS instruments—such as Environmental and Social Impact Assessments (ESIA) and Environmental and Social Management Plans (ESMP)—to strengthen project outcomes.

Recent agricultural investments in member countries have incorporated climate-smart practices recommended through safeguard due diligence. These include intercropping with nitrogen-fixing legumes to enhance soil health and reduce agrochemical use, Integrated Pest Management (IPM) to limit pesticide reliance, solar-powered irrigation and energy-efficient value chains to reduce deforestation and greenhouse gas emissions, and efficient irrigation technologies to conserve freshwater resources. These measures not only

improve food security but also deliver financial, environmental, and social benefits by protecting ecosystems.

Food safety practices—such as hygienic processing and safe storage—are essential for public health and market competitiveness, enhancing product quality and increasing farmer incomes. Sustained agricultural productivity also depends on empowering stakeholders and fostering community ownership. Capacity building in agrochemical safety, IPM, crop rotation, and biodiversity conservation strengthens resilience and supports inclusive, long-term development.

## Policy Recommendations for Enhancing Agricultural Sustainability

To build a resilient agricultural sector that drives economic growth, safeguards natural resources, and ensures food safety, the following policy actions are recommended:

- **Embed environmental and social safeguards** into project design, implementation, and performance monitoring for early risk identification and mitigation. Utilize the Project Preparation Facility to enable early identification and mitigation of potential risks.
- **Ensure adequate budgeting** for safeguard measures and the adoption of climate-smart technologies within investment projects to enhance sustainability and resilience.
- **Strengthen farmer capacity** through targeted training in climate smart agriculture and sustainable farming practices.
- **Promote inclusive land governance** by ensuring transparent land acquisition processes and fair compensation for affected landowners.



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# Re-assessing the Road to 2030: UNGA80, SDGs, and the Role of IsDB



**Dr. Mariam Yakubu Bala**  
Technical Cooperation Officer, Reverse  
Linkage, Cooperation & Capacity Development  
Department, IsDB

As the 80th Session of the United Nations General Assembly (UNGA) concluded on September 25, 2025, world leaders gathered in New York to reflect on the global progress made since the establishment of the United Nations (UN) in 1945. The session, held under the theme "Better Together: 80 Years and More for Peace, Development and Human Rights," came at a critical juncture with just five years away from the 2030 target set for the Sustainable Development Goals (SDGs). This milestone assembly raised critical questions: Has the UN remained true to its founding mandate? And more urgently, are the 17 SDGs realistically achievable? How close are we to achieving it?

## Global Snapshot: Mixed Progress on SDGs

According to The SDGs Report 2025, global progress on the SDGs remains uneven and, in many areas, stagnated. As reported in July 2025, the 194 UN Member States (MS) has on an average reached approximately 35% of their SDG targets with 18% of the MS regressing. These countries are mostly from the Global South which are within the purview of the Islamic Development Bank (IsDB). With several setbacks, most notably the COVID-19 pandemic, have reversed years of development gains, particularly in SDG 1 (No Poverty), SDG 3 (Good Health and Well-being), and SDG 4 (Quality Education). The pandemic alone pushed an estimated 119 to 124 million people back into extreme poverty. Worsening the situation is the prevalence of fragility among nations. The Fragile States Index identifies 61 (34%) out of 178 UN MS as fragile, further complicating the pathway to SDG achievement. Fragile states often

suffer from weak institutions, political instability, armed conflict, group refugee crises, and a lack of access to finance and basic services. As important as the SDGs are, other researchers have queried the need for an additional SDG 18. The proposed SDG 18 is meant to focus on the role of communication as regards bridging

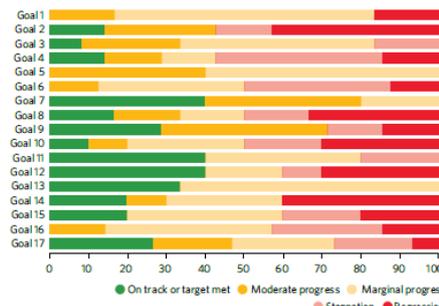


Table 1: Source - The sustainable development goals report 2025

the culture, human & indigenous rights and digital inclusion gap. Communications for All is a key to sustainable development and a means to resolving certain challenges. These complex and interlinked challenges continue to drag development backwards and limit the effectiveness of existing efforts.

## Spillover Effects: Global Responsibility & Shared Accountability

A major theme emerging from recent assessments is that no country achieves the SDGs in isolation. The Spillover Index, which measures how a country's actions affect other SDG progress, shows that high income countries often have disproportionate negative impacts on lower income ones through trade, climate emissions, financial flows, and conflict. Conversely, stronger cooperation, knowledge transfer, and regional integration can create positive spillovers that accelerate collective progress. SDG Index score provides a detailed assessment of 159 countries' performance in relation to the SDGs which currently stands at a cumulative approximate of 50%. Unfortunately, many developing nations are not even ranked due to insufficient data. The lack of disaggregated and inconsistent data further limits policy makers' ability to

make informed decisions. Inherently, now more than ever, the SDG 17, Partnerships for the Goals, needs to be brassier and tackled in a more proactive way.

## The Role of the Islamic Development Bank (IsDB): A Catalyst for Change

As a Multilateral Development Bank representing 57 Member Countries (MCs), primarily from the Global South, the Islamic Development Bank (IsDB) is uniquely positioned to contribute meaningfully toward bridging the SDG gap. 33 out of 57 of the Bank's MCs remain among those with the lowest SDG Index scores, and many are classified as fragile. Yet, through its Cooperation and Capacity Development Department, IsDB is already making strides in contributing to reducing the spillover index, especially within IsDB MCs by:

- Promoting Regional Integration and trade facilitation through the Regional Integration Classification
- Enhanced Financing for Development.
- Inclusive Partnerships between public, private, and civil society actors.
- Technology transfer and innovation exchange.
- Development of structured platforms for knowledge exchange.
- Promoting Direct Foreign Direct Investment (FDI) towards green technologies
- Build capacity-building and innovation to address spillover effects

## A Call to Action: Bridging the Final Gap

With only five years remaining, the road to 2030 is both daunting and urgent. The UN's revised approach to SDG localization offers hope but execution requires cooperation, financing, innovation, and resilience. IsDB's continued investment in knowledge sharing, human capital, and infrastructure in its MCs will be key. As a development actor rooted in solidarity, the Bank must further amplify its voice on global platforms, build strategic partnerships, and ensure that no Member Country is left behind. The path to achieving the SDGs is still open, but it demands bold action, localized solutions, and shared responsibility. As the UN turns 80, the global community must prove that it can indeed do better together.

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# Unity is Strength: Arab Coordination Group's Golden Milestone



**Mohamed Shaker Hebara**  
Lead Partnerships Specialist,  
Partnerships, Global Advocacy  
and Resource Mobilization  
Department, IsDB



**Ahmad Shawesh**  
Partnerships Engagement  
Specialist, Partnerships,  
Global Advocacy and Resource  
Mobilization Department, IsDB

Many of us have heard this folktale whispered from the lips of fathers and grandfathers, woven deep into the fabric of Arab tradition. It tells of a wise old man whose sons were constantly quarreling threatening to tear their bond apart. To teach them the power of unity, he handed each a single stick, they broke them with ease. Then he gave them a bundle of sticks, tightly bound, and challenged them again...but this time, their strength failed. With a gentle voice and a knowing smile, he said: "Alone, you are fragile. Together, you are unbreakable." Rooted in Arab heritage yet echoing across cultures and generations, this story carries a universal truth—that unity is strength. The founding fathers of ACG once heard this same tale and they didn't just remember it; they lived it. They bound their visions, their values, and their efforts like those unbreakable sticks, translating a simple story into a half-century legacy of unity, resilience, and shared purpose.

Established in 1975 as a strategic alliance of ten Arabic Financing Institutions working collectively to advance transformative economic and social outcomes. ACG member institutions are united in the principle that joint action and coordinated financing are critical to addressing common development priorities, both within the Arab region and globally.

For half a century, this strategic alliance of ten development institutions has pioneered a model of South-South cooperation, demonstrating how coordinated finance can build resilient economies in a changing world

The Arab Coordination Group (ACG) holds a distinct competitive edge through its deep-rooted partnerships with countries, ensuring its development support is locally owned, aligned with national priorities, and tailored to specific contexts. ACG member institutions also enjoy a strong internal complementarity feature that allows the deployment of a wide range of financial instruments and services. Moreover, the ACG amplifies its impact through strategic partnerships with global development actors and the private sector.

The ACG builds its work on shared principles of collaboration, trust, sustainability, and excellence. These principles have enabled the ACG to commit over USD 300 billion collectively to finance development across more than 13,000 projects in 160 countries. In 2024 alone, the ACG committed nearly USD 19.6 billion across 650 programs and projects in more than 90 countries. This powerful track record encapsulates the Group's role as an engine

for growth and a testament to the enduring power of South-South cooperation.

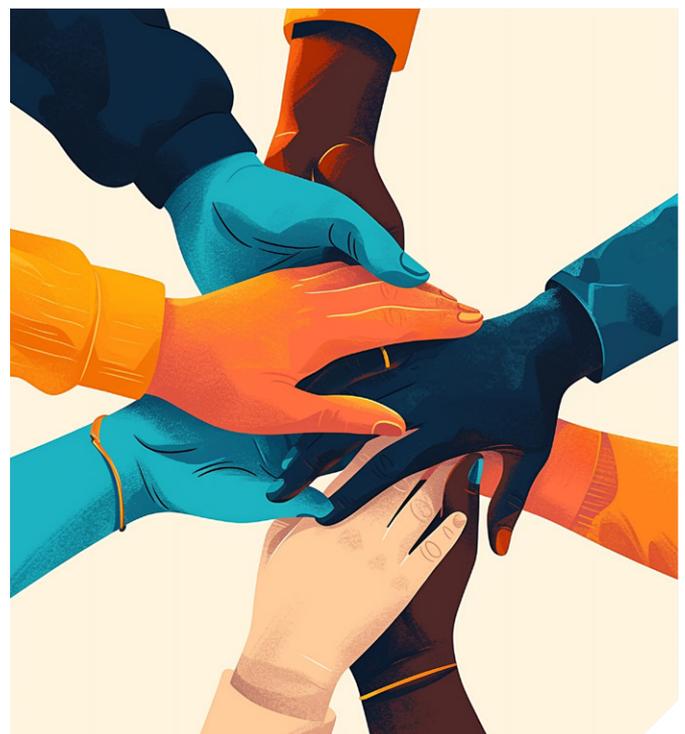
When the world faced a food security crisis, the ACG pledged and delivered ten billion US dollars demonstrating an agility and commitment that are essential in today's volatile environment.

Behind every project, every number, and every strategic pledge, there is a human story. A farmer whose harvest is secured by a new irrigation system. A student whose future is brightened by a modern university. A family whose health is protected by a new hospital. For fifty years, the work of the Arab Coordination Group has been about empowering these stories.

This 50th anniversary is more than a celebration; it is an inflection point. As ACG honors its past, it is actively shaping the future. The entire global development architecture is evolving, with a call for Financing Institutions and development banks to be bigger, better, and bolder. The ACG is embracing this transformation. In this spirit, ACG is embarking on a journey to forge a new, unified vision that will guide its collective action for the decades to come.

The new ACG is setting its sights on development effectiveness, digital transformation, and modernized governance and structures, laying the foundation for a more agile, impactful, and future-ready institution.

In Washington, D.C., not far from the Memorial Garden honoring the great Arab poet and philosopher Kahlil Gibran; who once wrote, **"Progress lies not in enhancing what is, but in advancing toward what will be"** ACG is working hand in hand with its strategic partners to shape a new vision, one that looks boldly toward a better future for the nations it serves.



# Recalibrating Fiscal Futures: Debt Sustainability in Sub-Saharan Africa



**M. Ashekur Rahman**  
Operations Team Leader, Regional Hub  
Indonesia, IsDB

Sub-Saharan Africa stands at a pivotal crossroads, where daunting fiscal challenges intersect with the promise of transformative progress. The region is grappling with a perfect storm: crumbling infrastructure, limited access to investment capital, mounting sovereign debt, and escalating climate threats. These intertwined crises risk stalling progress and deepening vulnerability. Yet, amid this turbulence lies a compelling opportunity. Through bold reforms, strategic investments, and innovative solutions, Africa can redefine its fiscal trajectory - unlocking a resilient, inclusive, and forward-looking economic renaissance.

## Sovereign Debt Conundrum

Africa's debt burden is escalating. Over 60% of countries in the region spend more on debt servicing than healthcare. From 2008 to 2022, external sovereign debt nearly tripled, straining public finances. Climate shocks, limited reform capacity, and global disruptions—like the Russia-Ukraine conflict—have widened the financing gap and increased debt exposure.

Interest payments now consume over 12% of tax revenues in many nations, crowding out essential investments in health, education, and infrastructure. This fiscal pressure exacerbates poverty and inflation, threatening long-term development.

## Climate Fragility and Capital Flight

Africa is among the most climate-vulnerable regions globally. Yet, concessional financing mechanisms remain fragmented, under-resourced, and inflexible. Far from a luxury, concessional finance is vital for resilience-building and sustainable development.

Simultaneously, illicit financial flows and multinational profit-shifting siphon off over \$88.6 billion annually—nearly equivalent to Africa's infrastructure financing gap. Without systemic reform, these capital leakages will continue to undermine development ambitions.

## Reimagining Development Finance: Beyond the Status Quo

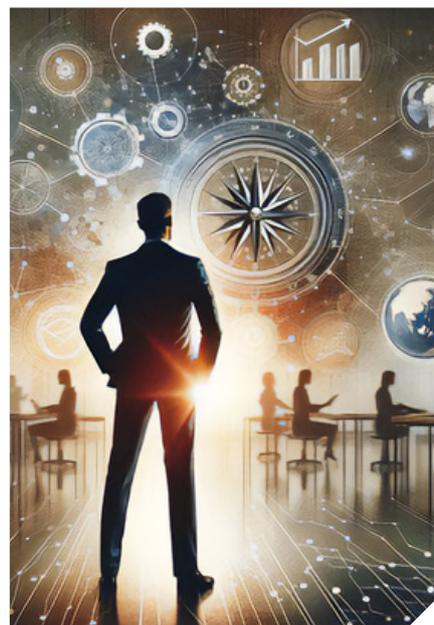
The traditional financing paradigm—anchored in domestic taxation, limited borrowing, and dwindling aid—is no longer viable. In sub-Saharan Africa, domestic revenues fund nearly 80% of government expenditure, while grants and concessional support contribute a mere 2%. Tax mobilization remains fraught with political and technical hurdles, and market borrowing remains costly and volatile.

To escape this cycle, Africa must pivot toward innovative financing and structural transformation. Fragile states require increased budgetary grants from the global community. Others need scalable concessional financing aligned with development milestones and income trajectories.

## Catalyzing Private Capital: A New Investment Frontier

Despite underdeveloped capital markets, private investment in Africa is rising—driven by demographic dynamism, urbanization, and investor optimism. Sectors like infrastructure, technology, and healthcare are attracting capital. However, currency volatility, liquidity constraints, and policy inconsistencies persist.

Currently, public entities are responsible for executing 95% of infrastructure projects in Africa—compared to 53–64% in South Asia and less than 10% in Western Europe. Moreover, the continent captures just 2% of global foreign direct investment (FDI).



Unlocking private capital necessitates regulatory reforms and transparent, targeted incentives for long-term infrastructure investment.

Global businesses must also recalibrate. Transplanting external models is insufficient. As Africa's workforce becomes globally central, firms that fail to innovate and localize risk obsolescence.

## Architecting Continental Financial Sovereignty

Africa must develop robust regional and continental financial institutions capable of mobilizing indigenous capital. Multilateral development banks like the African Development Bank, World Bank, and Islamic Development Bank must anchor a reformed financial architecture. International and regional institutions must align with global reform agendas and pioneer next-generation concessional frameworks. A fortified concessional window is essential to attract donor resources and offer favorable terms to debt-distressed nations.

## Innovative Finance for Transformative Impact

To address its multifaceted development challenges, Sub-Saharan Africa must embrace innovative financing mechanisms that complement traditional sources. This includes leveraging private finance for transformative infrastructure, supported by time-bound incentives that mitigate market failures.

Expanding concessional finance and grant support remains critical, especially for low-income and fragile states. New instruments and new avenues of blended finance offer promising pathways for climate adaptation and mitigation, aligning capital flows with long-term resilience.

Strengthening domestic financial ecosystems is equally vital. Enhancing tax administration, promoting savings, and expanding inclusive financial services can unlock local capital and reduce external debt reliance. These efforts must be underpinned by governance reforms and transparency to foster investor confidence and ensure sustainability.

## Toward Structural Economic Renaissance

Beyond finance, Sub-Saharan Africa must pursue structural transformation. Despite growth, labor remains concentrated in low-productivity sectors. Strategic investments in infrastructure—such as reliable energy systems and transport networks—and reforms to boost export competitiveness are essential.

# Navigating Uncertainty: Foresight and Finance for a Greener Future



**Houssein Eddine Bedoui**  
Lead Strategic Coordinator, Global Practice & Partnerships, IsDB

As global systems face accelerating climate, fiscal, and technological disruptions, IsDB member countries stand at the forefront of the green transition—where resilience and innovation are no longer optional but essential.

The coming decade will define how IsDB member countries adapt to converging crises including climate stress, fiscal strain, and development financing shortfalls. While multilateral development banks (MDBs) delivered a record \$137 billion in climate finance in 2024, developing economies still face a \$4 trillion annual SDG funding gap<sup>1</sup>. For many IsDB countries, this gap is not just financial, it can be structural. The challenge is to turn vulnerability into opportunity through foresight, innovation, and cooperation. The challenge is to turn vulnerability into opportunity through foresight, innovation, and cooperation, building systems that anticipate change rather than absorb shocks. Embedding foresight across policy and finance systems enables countries to anticipate change rather than react to it: turning planning into preparedness and investment into resilience.

## Strategic Foresight: From Planning to Preparedness

Strategic foresight is not about predicting the future, it's about preparing for it. By exploring multiple plausible futures, policymakers can design "future-proof" strategies that hold under uncertainty. The IsDB's 2025 Resilience Report emphasizes that fragile states, home to 43 million displaced people in 2024, must strengthen their ability to anticipate shocks rather than merely react to them<sup>2</sup>.

Embedding foresight within economic ministries and development banks allows countries to stress-test plans against potential disruptions, from food insecurity to green-technology shifts. The OECD–IsDB 2025 report on Triangular Co-operation further highlights how collaborative foresight, when shared among development partners, enhances institutional agility and innovation<sup>3</sup>.

Governments and development banks can enhance preparedness by establishing national foresight units linked to regional knowledge platforms, embedding risk analysis, scenario planning, and early-warning systems into decision-making to

strengthen resilience and long-term policy coherence. When foresight informs industrial policy, it transforms sustainability from an environmental goal into an economic advantage.

## Green Industrialization: Building Competitive and Clean Economies

Green industrialization is both an environmental necessity and a growth strategy. By transitioning toward low-carbon production, member countries can create quality jobs, boost exports, and reduce energy dependence. Morocco's recent \$6.4 billion EV battery gigafactory, projected to create 25 000 jobs, exemplifies how industrial policy aligned with sustainability can attract global capital<sup>4</sup>.

The IsDB Climate Change Action Plan (2026–2030) calls for scaling such success stories through regional value chains in renewable energy, sustainable cities, and green transport<sup>5</sup>. Countries like Malaysia and Indonesia demonstrate how leapfrogging to advanced clean technologies, supported by strong institutions, can accelerate diversification.

Experience shows that 1) successful green industrialization depends on coherent policy, skilled people, and effective partnerships. 2) Aligning industrial, trade, and energy strategies with climate goals ensures consistency and attracts investment. Investing in technical training for renewable and circular-economy sectors builds the human capital needed for inclusive growth. 3) Strengthening South–South and triangular cooperation accelerates technology transfer and mobilizes green investment, helping countries replicate success and scale innovation across regions.

Building on these lessons, developing regional green industrial hubs powered by renewable energy embeds sustainability in production, attracts investment, and drives cross-border competitiveness.

## Financing the Future: Scaling Capital for Development

Closing the SDG financing gap demands financial innovation. The IMF estimates that 90% of climate mitigation finance in developing countries must come from private capital<sup>6</sup>, yet private flows remain below 20% of total climate finance<sup>7</sup>. Blended finance, using public funds to de-risk and mobilize private investment, is one of the most effective tools available.

Indonesia's "SDG Indonesia One" platform, which unites MDBs, donors, and investors in co-financing sustainable infrastructure, is a global model<sup>8</sup>. Similar national platforms could unlock capital for IsDB countries by aggregating projects and sharing risk. Meanwhile, IsDB's *Sustainable Finance Framework* (2025) lays out how Islamic finance instruments, such as Green and Sustainable Sukuk and risk-sharing models can crowd in investors<sup>9</sup>.

Mobilizing large-scale finance for sustainable development requires innovation in financial architecture. Emerging blended-finance models show how public capital can de-risk investment and crowd in private funds for sustainable infrastructure. Integrating performance-based metrics and transparent reporting frameworks strengthens investor confidence and ensures that financing delivers measurable climate and SDG impact.

## Regional Cooperation: Multiplying Impact through Solidarity

Sustainability cannot be achieved in isolation. Regional cooperation magnifies individual effort, through shared infrastructure, harmonized policies, and joint financing. The Arab Coordination Group's \$24 billion climate pledge (2023–2030), to which IsDB contributes more than half, shows how joint action achieves scale<sup>10</sup>.

Triangular and South–South cooperation can also bridge capability gaps. The OECD–IsDB Triangular Co-operation Report (2025) highlights that such partnerships yield greater innovation and local ownership than traditional aid models. Collaborative research, cross-border green corridors, and co-financed adaptation projects can anchor sustainable prosperity.

Strengthening regional foresight and finance platforms can turn cooperation into tangible results, helping member countries align standards, mobilize investment, and share innovation across borders.

## From Vision to Action

Strategic foresight equips IsDB countries to anticipate disruption; green industrialization provides the growth engine; blended finance opens the funding channel; and regional solidarity ensures no country is left behind. The coming decade is a chance not just to weather global turbulence but to shape a more equitable future.

With foresight as a compass, finance as a catalyst, and solidarity as a guiding principle, IsDB member countries can redefine what sustainable development leadership looks like in an age of uncertainty. The tools exist. The time to act is now.

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# From Remittances to Investment: The Case for Diaspora Sukuk



**Yassin Gai**  
Young Professional, ISDB

**M**obilizing reliable and sustainable finance remains one of the most pressing challenges for many ISDB member countries. Governments are seeking ways to accelerate progress toward the Sustainable Development Goals (SDGs) while maintaining external debt sustainability. A promising innovation in this space is diaspora sukuk<sup>1</sup>, Shariah-compliant investment instruments that combine the enduring commitment of diaspora communities with the ethical, asset-backed and asset-based principles of Islamic finance to channel long-term capital into resilience-building investments.

**Why Diaspora Sukuk?** Diaspora communities represent a stable yet underutilized source of capital. Even in times of crisis, remittances have proven countercyclical, sustaining households and local economies. According to the World Bank, remittance flows to Sub-Saharan Africa, for example, reached USD 54 billion in 2023, despite a slight 0.3% decline from the previous year<sup>2</sup>. These flows accounted for 2.9 percent of the region's GDP and provided crucial countries grappling with food insecurity, drought, supply chain disruptions, floods, and rising debt-servicing pressures<sup>3</sup>. By comparison, foreign direct investment (FDI) stood at USD 40.7 billion, underscoring the relative weight and resilience of remittances<sup>4</sup>.

Diaspora contributions extend beyond financial transfers. Strong cultural and familial ties to their home countries often inspire a willingness to accept modest returns, sometimes referred to as a "patriotic discount,"<sup>5</sup> in exchange for

investments that deliver visible impact at home. Nigeria's inaugural diaspora bond issuance in 2017, which raised USD 300 million and was oversubscribed by 130 percent, underscored the appetite for well-structured products<sup>6</sup>. Diaspora sukuk, a Shariah-compliant version, can build on this momentum by combining faith-based investment preferences with impactful development projects.

## **What Would It Take for Diaspora Sukuk to Succeed?**

First, accessibility is a key factor. Diaspora sukuk should feature affordable and inclusive minimum entry points that are low enough to attract a broad base of investors but high enough to remain administratively viable. For example, thresholds in the range of US\$500 to US\$1,000 could provide an effective balance. Denominating sukuk in widely traded international currencies such as the US dollar, or British pound and making them easily accessible through digital platforms. Importantly, affordability must be paired with clarity: investors are more likely to engage when funds are transparently ring-fenced for community-centered projects such as hospitals, renewable energy plants, schools, or transport corridors<sup>7</sup>.

Second, regulatory compliance is equally important. Registering diaspora sukuk in major financial centers such as the United States or the United Kingdom, or securing appropriate exemptions, would expand distribution and help avoid costly setbacks. Ethiopia's 2011 diaspora bond highlights the risks of launching without such preparation, which ultimately undermined investor trust<sup>8</sup>. Strong institutional governance also plays a central role in the success of diaspora sukuk. Effective legal systems, contract enforcement, and anti-corruption safeguards can reassure investors.

Third, structural design matters. Diaspora sukuk could be issued as *ijārah* (lease-based)<sup>9</sup> instruments, backed by revenue-generating public assets such as toll roads or renewable energy plants. Investors would receive periodic returns from lease payments, with principal repaid at maturity through project cash flows. A long-

standing concern with *ijārah* financing has been the perception of mortgaging national assets and risking sovereign ownership. In the case of diaspora sukuk, this concern is minimized since investors are citizens of the issuing country, motivated by both financial and developmental returns. This alignment of interests strengthens the legitimacy<sup>10</sup> and acceptability of the instrument, reducing political sensitivities that might otherwise arise with foreign ownership.

Equally important are the mechanisms that build trust and facilitate participation. Outreach through trusted intermediaries such as embassies, diaspora associations, faith-based organizations, and alumni networks, can expand awareness and credibility. Linking subscriptions to existing remittance channels and community banks, alongside diaspora friendly Know Your Customer (KYC) processes and simplified tax guidance, can further ease participation<sup>11</sup>. Oversight by respected Shariah boards, whose compliance mechanisms ensure transparency and guarantee that funds are directed to the projects, promised, is critical for sustaining investor confidence.

Beyond instrument design, multilateral development banks (MDBs) such as ISDB can play a pivotal role in supporting member countries mobilize diaspora resources and channel them into transformative development projects. Innovative instruments like diaspora sukuk are gaining momentum as countries<sup>12</sup> seek sustainable ways to finance growth while advancing the SDGs. More than just financial products, diaspora sukuk serve as bridges connecting global citizens to the development needs of their home countries, turning solidarity into capital for progress. For ISDB member countries, they provide a stable and durable pool of Shariah-compliant resources to finance critical infrastructure projects and social services. With sound governance, effective risk management, and strong investor outreach, diaspora sukuk can move from promising innovation to a cornerstone of sustainable finance, channeling diaspora commitment into investments that build resilience, expand opportunity, and promote inclusive prosperity.

1. Diaspora sukuk are Shariah-compliant investment instruments tailored to mobilize savings from citizens living abroad. Like conventional sukuk, they are asset-based rather than debt-based, with returns generated from underlying projects (e.g., infrastructure, energy, or social services). Their distinctive feature lies in targeting diaspora communities, who often accept modest yields in exchange for transparent, impact-driven investments that support their home country's development

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# Needed: A Systems Approach to Development Finance



**Olav Kjørven**  
Senior Advisor to the United Nations Joint SDG Fund

Ten years ago I was present at the UN General Assembly Hall when the then-UN Secretary General Ban ki-Moon gave the Sustainable Development Goals (SDGs) into existence, thunderously cheered on by the UN's entire membership. It was a proud and hopeful moment, not least for those of us who had invested years of effort to reach that historic milestone. I still believe the SDGs are the best shared roadmap humanity has ever had, but the hard fact of the matter is that we are far off track and losing the race to achieve them. The challenges are particularly dire in the poorest and most vulnerable countries and regions.

There are many reasons why we are off track. I will highlight just one of them here, because I think it is very significant and often overlooked: The ways in which we finance development remain fragmented and siloed. While we intuitively grasp that the greatest development challenges we face are systemic and interlinked in nature, the ways in which we finance development are stubbornly fragmented, with investment channeled to myriads of projects split across siloed sectors and issues. This directly undermines our ability to tackle our challenges, and it drastically drives the costs of action up. While it is true that accelerating progress towards achieving the SDGs requires a major financial lift, it is also true that a more systemic approach would put that price tag more within reach of available public and private finance. And more importantly, a systemic approach, rather than isolated propositions, can reveal far more clearly to investors a broadened picture of potential future returns on investment.

Food and agriculture, or better put, our food systems, are a good case in point: We know what needs to change, what we need to invest in to achieve robust food and nutrition security for all while contributing to improved climate stability and also staying within other planetary boundaries: It comes down to five great systemic shifts: (1) transitioning from extractive to nature-positive and climate resilient production practices in agriculture and fisheries; (2) reducing the share of crop lands used to grow food for animals and, particularly in more affluent societies, transitioning to more plant-rich diets; (3) ensuring that people everywhere can access affordable, healthy and nutritious food; (4) protecting and improving the livelihoods of farmers and other food producers and workers; and (5) sharply reduce food loss and waste.

While the pathways to sustainable food security will look quite different from country to country, it is my argument that success depends on making visible, today, the future financial, economic, and social returns that can be made through these five systemic shifts, and making equally visible the key levers of change within and around the food system that can help unlock those returns. That will motivate interest and action in both the financial

and policy realms. One can then mobilize both political will and public and private capital towards the most systemically impactful and return-generating areas of investment. But, this requires a systems and collaborative mindset that is all too often lacking. Here, development finance institutions could play a decisive role.

We need to create new models for systems-focused collaboration to tackle our greatest development challenges. One such model has been advocated by the Good Food Finance Network in the form of a Co-investment Platform for food systems transformation. Others are working on new systems-focused financing models that, based on existing legal, technological and organizational innovations and solutions that are already well-ingrained into mainstream financial practices, aim to unlock the vast and almost untapped global sources of institutional equity capital for sustainable development. These are developments that fill me with hope: Catching up and getting back on track to achieve the SDGs by 2030 will be hard. But the race to a better future for humanity is a longer one, and it is in our collective power to make the changes today that can allow us to radically speed up and scale up.



# ICF in Brief

## ICF: Concessional Finance for a Resilient Future\*

### What is ICF?

- ▷ **At a Glance:** ICF is a **replenishable Special Fund** established by the Islamic Development Bank (IsDB) to provide **highly concessional financing** exclusively to **IsDB's 27 Least Developed Member Countries (LDMCs)**.
- ▷ **Core Purpose:** Deliver Shariah-compliant, highly concessional financing to combat poverty, build resilience, and address debt distress in IsDB's LDMCs without worsening debt burdens.
- ▷ **Guiding Principle:** Rooted in Islamic finance values of equity, solidarity, and intergenerational justice; aligns with IsDB's 10-Year Strategic Framework (2026–2035) and Sustainable Development Goals.

### Why ICF Now?

- ▷ **Debt pressures, climate challenges, fragility and conflict** threaten development gains in LDMCs.
- ▷ **Limited access** to affordable finance in LDMCs.
- ▷ ICF is a **strategic response** to the IsDB Group's **10-Year Strategy (2026–2035)** and the **"In Riyadh at Fifty" Declaration**.

### What are ICF Objectives?

- ▷ Increase concessional financing to **15% of IsDB's annual approvals**.
- ▷ Channel **significant concessional resources** directly to LDMCs.
- ▷ Ensure **predictable, agile, and debt-sensitive** support.
- ▷ Foster **resilience, inclusive growth, and human dignity** in LDMCs.

### What is ICF Impact Focus?

Where the concessional financing goes:

-  **Health**
-  **Education**
-  **Food Security**
-  **Climate Resilience**
-  **Social Infrastructure**

### How ICF Works?

#### 1. Eligibility & Beneficiaries

**Target Group:** Exclusively for IsDB's 27 LDMCs (based on low income per capita, high debt burdens, fragility/conflict exposure).

#### 2. Allocation Criteria:

Data-driven, multi-level screening

##### 1. Level 1: Country needs assessment

- ▷ Income per capita
- ▷ Debt sustainability
- ▷ Fragility/conflict exposure
- ▷ Alignment with national & IsDB strategies

##### 2. Level 2: Strategic fit with other IsDB tools.

##### 3. Level 3: Project scoring for impact, readiness, and efficiency.

#### 3. Affordable & Concessional Financing Instruments

- ▷ Qard Hassan: Markup-free loans with long repayment terms.
- ▷ Installment Sale/Leasing: Ultra-low markup rates.
- ▷ Targeted Grants: Capped at 5% of annual commitments for fragile contexts/disasters.

### Governance & Oversight

#### ▷ Three-tier governance:

1. Board of Governors: High-level strategic direction.

2. Board of Executive Directors: Approvals and policy oversight.
3. Dedicated Board of Trustees: Focused on concessional efficiency and accountability.

#### ▷ Operational Integration:

Fully embedded in IsDB's project cycle (programming, appraisal, implementation, monitoring) for agility and efficiency.

ICF will seek systemic improvements for faster deployment and implementation – key for donor confidence.

#### ▷ Safeguard Measures:

Real-time learning, beneficiary feedback, and enhanced tools for procurement, disbursement, and compliance.

### ICF in Numbers

- ▷ **27** least developed member countries targeted.
- ▷ **15%** of IsDB's annual approvals dedicated for concessional financing.
- ▷ **More than USD 3 bn** of available assets repurposed
- ▷ **20%** of IsDB's annual net income anchors the Fund.
- ▷ **5-year** replenishment cycle for predictability and sustainability.

### ICF: A Fund for the Future

ICF is more than finance. It is a commitment to:

- ▷ **Equity** over charity
- ▷ **Resilience** over risk
- ▷ **Partnership** over stagnation

\*Prepared by the ICF Team:  
Mr. Salah Jelassi, Mr. Karim Air Chabane and  
Mr. Nageeb Hassan



ICF Corporate Video



ICF Corporate Brochure

