



CHAPTER 1

ISDB GROUP ACTIVITIES



This chapter highlights the key achievements of the IsDB Group, which is made up of the Islamic Development Bank (IsDB), the Islamic Development Bank Institute (IsDBI), the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), the Islamic Corporation for the Development of the Private Sector (ICD), and the International Islamic Trade Finance Corporation (ITFC), as well as the Islamic Solidarity Fund for Development (ISFD). While the IsDB is the core development bank, these institutions deliver a variety of financial solutions, trade and investment facilitation, and private sector support to our member countries.

1.1: RECENT ECONOMIC PERFORMANCE

The global economy is grappling with a number of uncertainties, including geopolitical fragmentations, and this has led to a subdued growth rate of 3.3% for 2024, down from 3.5% in 2023, and a projected rate of 2.8% for 2025. Advanced Economies (AEs) witnessed a slight recovery from 1.7% in 2023 to 1.8% in 2024, with a projected slowdown to 1.4% in 2025. Emerging Markets and Developing Economies (EMDEs) also saw a growth slowdown to 4.3% in 2024 from 4.7% in 2023, with a projected further decrease to 3.7% in 2025, indicating heightened global economic challenges.

The economic landscape for IsDB member countries is currently fraught with challenges, primarily driven by high inflation, supply chain disruptions, and declining commodity prices. Growth rates have seen a significant decline, dropping from 5.6% in 2022 to 3.5% in 2023. However, there was a steady 3.5% growth rate in 2024 and an anticipated 3.4% in 2025.

The ongoing conflict in Gaza has exacerbated these economic difficulties, creating a ripple effect across the Middle East and North Africa (MENA) regions. Historical patterns suggest that such regional conflicts can severely impact economic growth, as evidenced by the International Monetary Fund (IMF) revising its growth estimates for 2024 downward multiple times. The human toll of the conflict is staggering, with reports indicating over 46,000 Palestinian fatalities, more than 100,000 injuries, and significant displacement in Lebanon, where over 833,000 people have been forced from their homes.

Regionally, growth trends vary significantly. The Asia, Latin America and Europe (ALAE) and Middle East and North

Africa (MENA) regions are experiencing mixed outcomes, with growth in ALAE slowing from 4.5% in 2023 to 4.3% in 2024. In the MENA region, growth has sharply declined from 5.8% in 2022 to just 1.5% in 2023, with a slight recovery of 1.6% in 2024 and a projected 3.0% in 2025. In contrast, Sub-Saharan Africa (SSA) witnessed an increase in the growth rate from 3.7% in 2023 to 4.2% in 2024.

Inflation remains a pressing issue, with global rates decreasing from 6.6% in 2023 to 5.7%, and 4.3% in 2024 and 2025, respectively. However, IsDB member countries are experiencing significantly higher inflation, decreasing slightly from 16.6% in 2023 to 16.4% in 2024, with a projected decrease to 12.1% in 2025. The ALAE and MENA regions are particularly affected, with the SSA and ALAE facing the highest inflation rate at 19.0% and 18.7%, respectively, in 2024.

Debt levels remain a significant concern, as the average government debt across IsDB member countries saw a slight uptick from 43.6% of GDP in 2022 to 44.1% in 2023. However, this moderated to 43.5% in 2024, with a further projected decrease to 43.2% in 2024. Low-income countries within IsDB faced the highest debt burdens of 83.5% of GDP in 2024, with a projected decrease to 82.1% in 2025.

Unemployment rates across IsDB member countries have shown a slight increase from 5.4% in 2023 to 5.5% in 2024. However, the rates remain disproportionately high among women (6.2%) and youth (11.2%). In 2024, the MENA region has the highest unemployment rate at 10.0%, followed by the ALAE at 5.2%. Addressing these unemployment challenges is crucial for fostering inclusive economic growth and maximising the impact of development projects.

FIGURE 1.1: IsDB GROUP NET APPROVALS

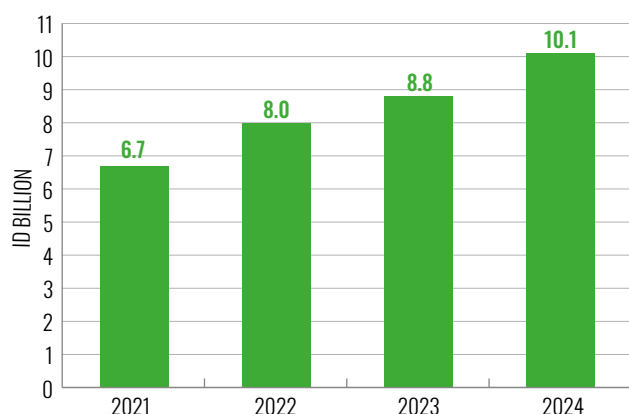


FIGURE 1.2: TRENDS IN SHARE OF ENTITIES IN TOTAL IsDB GROUP NET APPROVALS

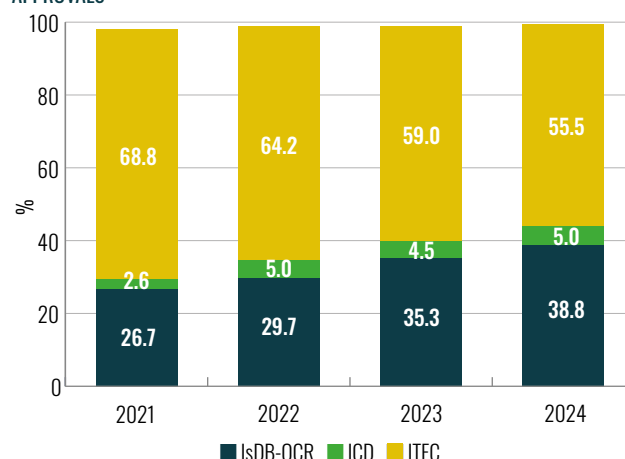


FIGURE 1.3: NET APPROVALS BY ENTITIES & FUNDS

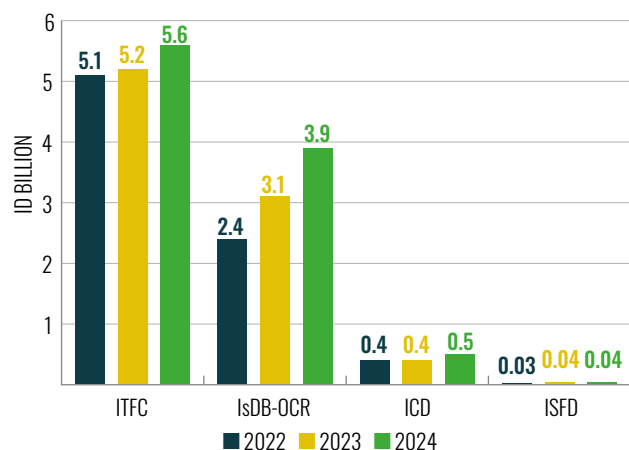
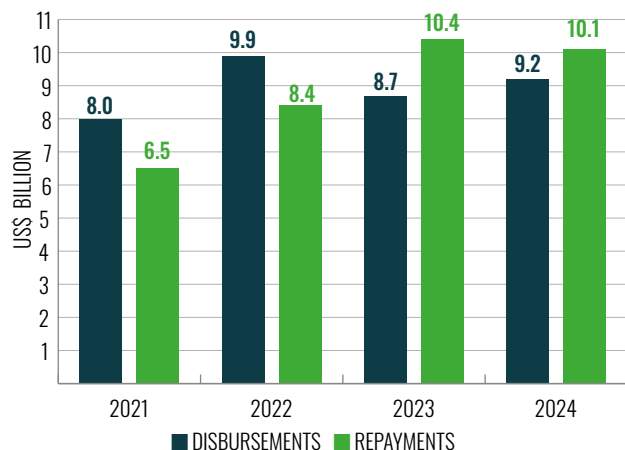


FIGURE 1.4: TRENDS IN IsDB GROUP DISBURSEMENTS AND REPAYMENTS



1.2: OPERATIONAL HIGHLIGHTS

In 2024, the IsDB has shown resilience and dedication, persistently offering crucial financial support to its member countries despite ongoing humanitarian crises and emerging challenges. The cumulative total net approvals of the IsDB Group since inception have reached US\$194.8 billion, marking an increase from US\$181.7 billion in 2023. This growth reflects the Bank's ongoing efforts to support member countries in addressing a variety of pressing issues, including food security, poverty alleviation, and resilience building in the wake of conflicts in Eastern Europe, Asia, Africa, and the Middle East.

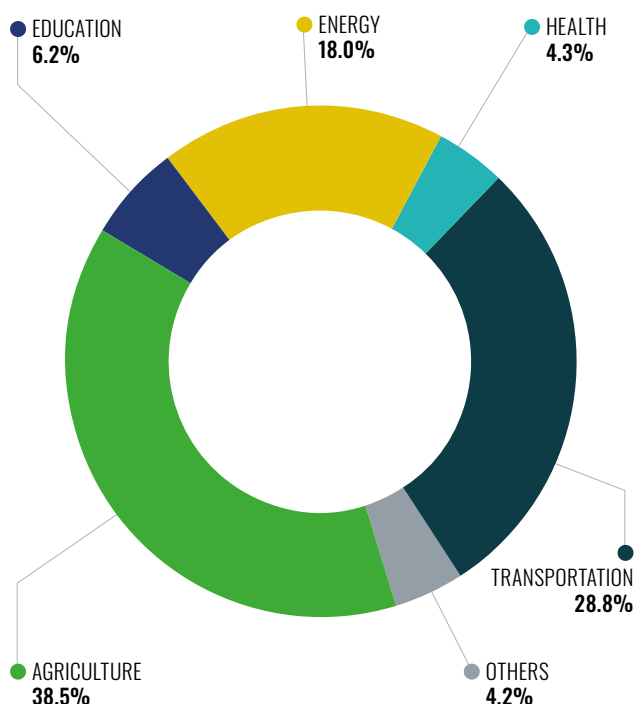
In response to heightened demand, the IsDB Group has significantly scaled up its operations. In 2024, net approvals surged to US\$13.2 billion (ID10.1 billion), a 12.3% increase from the previous year (Figure 1.1).

The breakdown of approvals shows that IsDB-OCR accounted for 38.8%, the Islamic Corporation for the Development of the Private Sector (ICD) contributed 5.0%, and the International Islamic Trade Finance Corporation (ITFC) dominated with 55.5% of the total approvals (Figure 1.2).

The Group's entities continued scaling up their approvals over the past year, in response to an increase in demand from member countries. In 2024, as supply chains returned to normal, ITFC boosted trade financing by US\$7.3 billion (ID5.6 billion) to support energy, food and agriculture. IsDB-OCR net approvals soared to US\$5.1 billion (ID3.9 billion), an increase of over 23%, to support human capital development, poverty reduction, resilience building, and food security. Similarly, ICD increased its net approvals to US\$663.0 million (ID508.4 million) from US\$531.7 million (ID396.3 million) the previous year (Figure 1.3).

The rapid increase in approvals, combined with the need to release some cumulative undisbursed commitments (CUCs), has resulted in disbursement flows not yet exceeding repayment flows. This is anticipated to be a short-term situation, which will be rectified once the higher level of approvals begins to be translated into disbursements. In 2024, disbursements increased to US\$9.2 billion from US\$8.7 billion in 2023, representing 69.5% of the net group approval. Meanwhile, the support for the IsDB Group from its member countries has been overwhelming, with repayments increasing to US\$10.1 billion in 2024 from US\$8.4 billion in 2022 (Figure 1.4).

FIGURE 1.5: SECTORAL DISTRIBUTION OF IsDB-OCR NET APPROVALS 2024



SECTORAL FINANCING TRENDS INDICATE A SIGNIFICANT SHIFT, WITH ENERGY FINANCING RISING TO

18.0%

OF ANNUAL NET APPROVALS, UP FROM 9.4% IN 2023.

The IsDB has prioritised food security through initiatives like the Food Security Response Programme (FSRP), which aims to address immediate needs while fostering sustainable agricultural practices for future generations. The focus on building green, resilient infrastructure in energy and transportation has also been a key aspect of the Bank's development financing strategy.

Sectoral financing trends indicate a significant shift, with energy financing rising to 18.0% of annual net approvals (Figure 1.5), up from 9.4% in 2023. Agriculture remains the dominant sector, accounting for 38.5% of total approvals in 2024, up from 8.0% the previous year, while transportation financing slightly decreased to 28.8% from 29.6% in 2023.

FIGURE 1.6: TRENDS IN ICD NET APPROVALS & DISBURSEMENTS

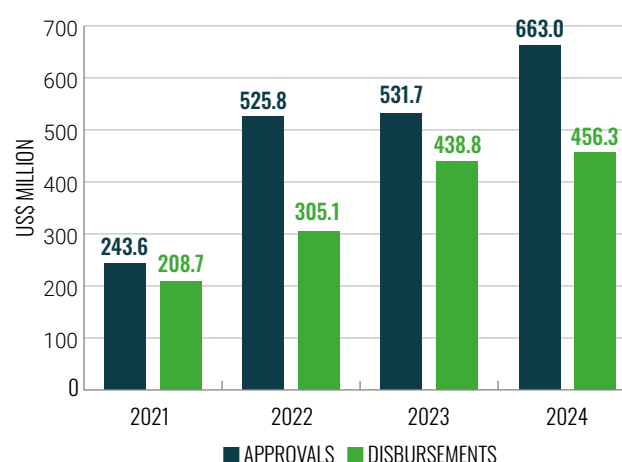
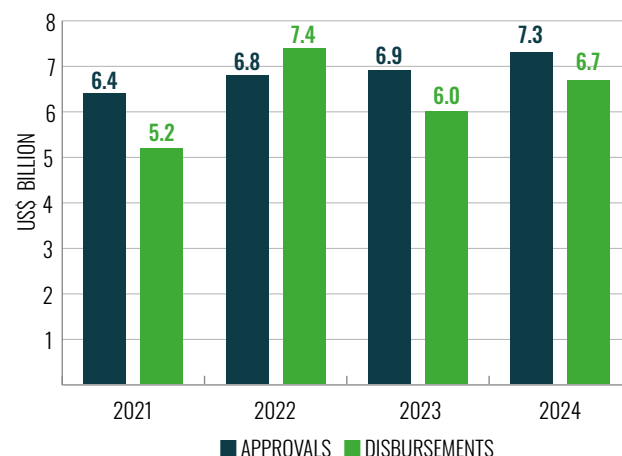


FIGURE 1.7: TRENDS IN ITFC NET APPROVALS & DISBURSEMENTS



ICD APPROVALS

ICD's net approvals increased by 24.7% to reach US\$663.0 million in 2024 from US\$531.7 million in 2023 (Figure 1.6). This reflects the realigned approach to focus ICD's business model on credit financing for private sector development. Development in the financial sector accounts for 49.0% of ICD's financing, followed by industry and mining (20.4%) and transportation (12.0%).

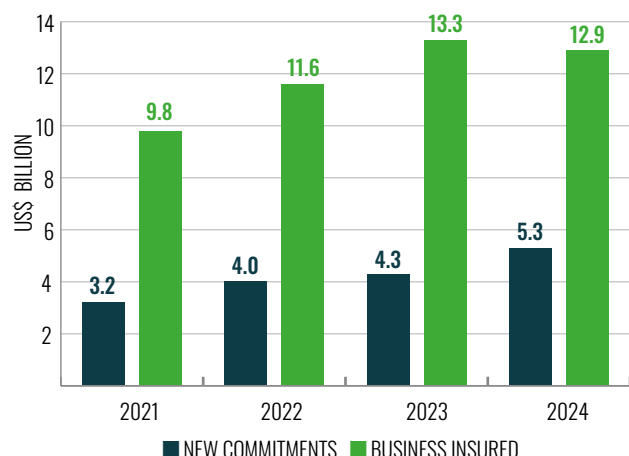
ITFC APPROVALS

As supply chains became increasingly normalised, ITFC increased its support for trade financing, with approvals reaching US\$7.3 billion in 2024, up from US\$6.9 billion in 2023 (Figure 1.7). Disbursement increased 10.5% to reach US\$6.7 billion in 2024, representing 91.2% of net approvals.

ICIEC BUSINESS INSURED:

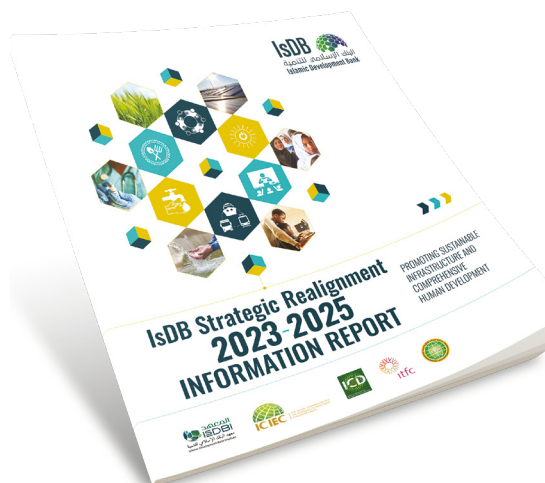
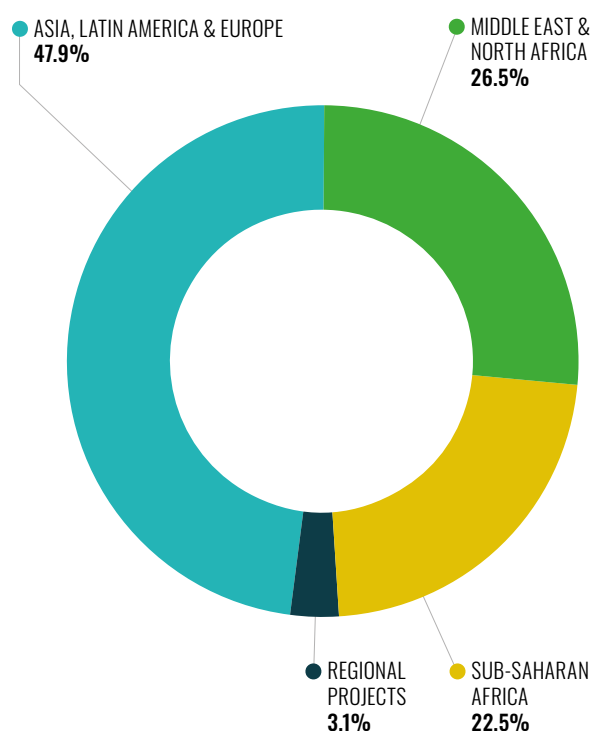
In 2024, ICIEC provided a total of US\$12.9 million business insured (Figure 1.8), the majority of which was involved in short-term trade for various goods and services in almost all ICIEC member countries as well as many non-member countries. ICIEC provides insurance services that positively impact poverty reduction, food security, and climate initiatives.

FIGURE 1.8: TRENDS IN ICIEC BUSINESS INSURED AND NEW COMMITMENTS



Regionally, the allocation of funds has shifted slightly, with Sub-Saharan Africa's share decreasing to 22.5% in 2024, down from 26.8% in 2023 (Figure 1.9) and Asia's share increasing to 47.9% in 2024, up from 41.7% in 2023.

FIGURE 1.9: REGIONAL DISTRIBUTION OF ISDB GROUP NET APPROVALS IN 2024



1.3: IMPLEMENTATION PROGRESS OF THE ISDB GROUP STRATEGY 2025

IsDB has undertaken a significant strategic realignment in response to the evolving development needs of its 57 MCs, particularly in the wake of the COVID-19 pandemic. This initiative was prompted by a request from the Board of Governors (BoG) during the 46th Annual Meetings held in Tashkent, Uzbekistan, in September 2021. Recognising the challenges posed by the pandemic and its impact on the global economy, the Bank reviewed its existing 10-Year Strategy (10YS) adopted in 2014 to better align with the current priorities of its member nations.

The outcome of this review was the endorsement of the Realigned Strategy for the period 2023-2025, titled "IsDB Strategic Realignment (2023-2025): Promoting Comprehensive Human Development and Sustainable Infrastructure", which was approved on June 3, 2022, during the 47th Annual Meetings in Sharm Elsheikh, Egypt. This new strategy aims to enhance the Bank's responsiveness to the pressing development challenges faced by its members.

To ensure effective implementation, the Realigned Strategy has been integrated into a Results-based Management Framework (RBMf), which includes a set of key performance indicators. An annual report detailing the implementation progress of the Realigned Strategy is prepared and submitted to the Board of Governors. As of now, the Bank has successfully met its operational approval targets, surpassing expectations in 2024 and indicating a positive trajectory in its strategic goals.

The implementation of the Realigned Strategy is structured into three distinct phases: (i) Strategic Overhaul and Realignment, (ii) Strategy Implementation Preparation & Readiness, and (iii) Strategy Roll-out. The first two phases have been successfully completed, providing a strong foundation for the ongoing third phase, which centres on the actual implementation of the strategy. With two years since the strategy's endorsement, the Bank is now starting to plan its next strategic direction to ensure it continues to meet the evolving needs of its member countries.

1.4: THE “IN RIYADH AT FIFTY DECLARATION”

IsDB's Golden Jubilee included a significant strategic milestone, with the Governors adopting an official declaration – the “In Riyadh at Fifty Declaration”. The declaration aimed to commemorate the momentous occasion of the Bank's 50th anniversary by appreciating its achievements, reemphasising its principles, reaffirming the commitment of the Governors to the Bank's objectives, and providing guidance to enable the Bank to chart its future. The declaration articulates key enablers related to optimising the IsDB Group's institutional readiness, adequate resourcing, and strategic positioning. Those key enablers are:

- Advancing the structure and governance framework of the Group.
- Increasing concessional financing to meet the growing financial needs of MCs while ensuring the Group's financial sustainability.
- Expanding grants through international partnerships to mobilise additional resources from official donors, private sectors, and third sectors.
- Strengthening the Group's position in the Islamic financial sector.
- Enhancing the Group's position in South-South cooperation.

This historical Declaration will steer the Bank's actions as it embarks on a new long-term strategic planning phase, focused on developing a 10-year strategic framework. Additionally, IsDB is launching a special initiative to create a concessional window for its least developed member countries (LDMCs), in alignment with the second key enabler of the declaration.

This historical Declaration will steer the Bank's actions as it embarks on a new long-term strategic planning phase, focused on developing a 10-year strategic framework.

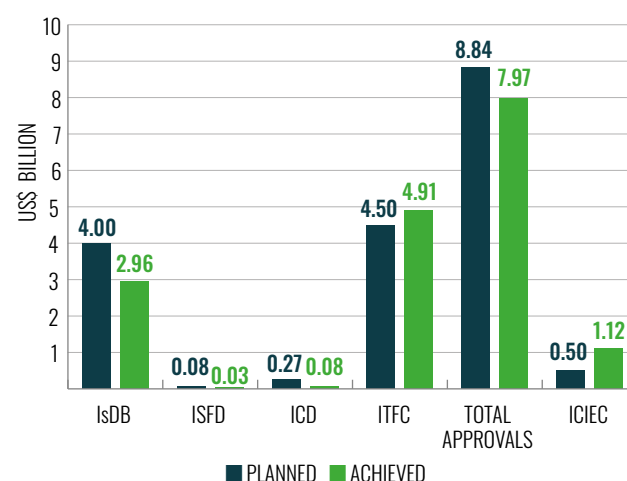
1.5: FOOD SECURITY RESPONSE PROGRAMME

In 2024, the Islamic Development Bank Group continued the operationalisation of the US\$10.54 billion Food Security Response Programme (FSRP) approved in July 2022 to support member countries by complementing their national food security efforts in averting food crises and strengthening their resilience to future food security shocks.

Under the FSRP, the IsDB contribution comprises approvals worth US\$4.0 billion and the fast-tracking of disbursements under existing operations worth US\$1.7 billion. The Group entities are expected to contribute as follows: (i) International Islamic Trade Finance Corporation (ITFC) - US\$4.5 billion; (ii) Islamic Corporation for the Development of the Private Sector (ICD) - US\$269 million, (iii) Islamic Solidarity Fund for Development (ISFD) - US\$75 million and (iv) Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) - US\$500 million of credit and political risk insurance.

The Islamic Development Bank Group has made significant progress under the FSRP. As of 31 December 2024, the group had approved a cumulative amount of US\$7.97 billion worth of projects, with ICD at US\$0.08 billion, ITFC at US\$4.91 billion, ISFD at US\$0.03 billion, and ICIEC at US\$1.12 billion in insurance coverage. Accelerated Disbursement of US\$0.92 billion has been achieved.

FIGURE 1.10: OVERALL STATUS OF FOOD SECURITY RESPONSE PROGRAMME (US\$ BILLION)



1.6: IsDB GROUP ACCOMPLISHMENTS

1.6.1: KEY DEVELOPMENT ACTIVITIES

In 2024, IsDB Ordinary Capital Resources (OCR) approvals reached an impressive US\$5.1 billion, marking a notable increase from US\$4.1 billion in 2023 and US\$3.1 billion in 2022. This growth not only reflects the Bank's commitment to addressing the developmental needs of its member countries but also exceeded the annual target by 12.8%. The approved projects, totalling 45 across 28 member countries, predominantly focus on the agriculture and transportation sectors.

PROJECTED DEVELOPMENTAL OUTCOMES:

AGRICULTURE

APPROXIMATELY

1.7 MILLION

FARMERS TO BENEFIT FROM AGRICULTURAL SERVICES.

EXPECTED INCREASE OF

190,000 TONS

IN CROP PRODUCTION.

DEVELOPMENT OF OVER

145 MILLION M³

OF WATER RESOURCES.



LIVELIHOOD AND ENTERPRISES



NEARLY

80,000

LIVELIHOODS IMPROVED.

OVER

60,000

ENTERPRISES ESTABLISHED OR IMPROVED.

TRANSPORTATION



PROJECTED INCREASE OF

50,000 TONS

PER YEAR IN MARITIME CAPACITY.



3.5 MILLION

PEOPLE TO GAIN IMPROVED ACCESS TO TRANSPORTATION SERVICES.



660 KM

OF RAILWAY TRACKS TO BE CONSTRUCTED, UPGRADED, OR REHABILITATED.



ENERGY

864,000
HOUSEHOLDS CONNECTED
TO ELECTRICITY.

INSTALLATION OF OVER
10,000 MWs
OF RENEWABLE ENERGY GENERATION
CAPACITY.

1,250 km
OF TRANSMISSION AND DISTRIBUTION LINES TO
BE INSTALLED, UPGRADED, OR REHABILITATED.

EMPOWERMENT INITIATIVES

83,000
WOMEN TO BENEFIT FROM
WOMEN'S EMPOWERMENT
INITIATIVES.

18,000
YOUNG PEOPLE TO
BENEFIT FROM YOUTH
EMPOWERMENT INITIATIVES.



EDUCATION AND HEALTHCARE

98,000
STUDENTS TO BENEFIT FROM
EDUCATION PROJECTS.

150,000
PEOPLE TO BENEFIT FROM
OUTPATIENT SERVICES.

16,500
PEOPLE TO RECEIVE IN-
PATIENT SERVICES.

61,000
PEOPLE WERE REACHED
THROUGH PREVENTIVE
HEALTHCARE CAMPAIGNS.



RESILIENCE BUILDING

11.3 MILLION
PEOPLE HAVE ENHANCED
RESILIENCE TO DISASTERS,
CLIMATE CHANGE, AND
EXTERNAL SHOCKS.



1.6.2: REINFORCING PRIVATE SECTOR DEVELOPMENT

As the private sector arm of the IsDB Group, the Islamic Corporation for the Development of the Private Sector (ICD) is committed to fostering private sector development by addressing critical constraints such as access to finance, with a focus on key economic sectors such as SMEs and infrastructure to drive sustainable and inclusive progress.

In 2024, ICD's approvals amounted to US\$663.0 million, achieved through extending financial support to partner institutions and investing in private sector development initiatives. This year's approvals were categorised into line of finance (LOF) (49.02%) and term finance (50.98%), aligning with ICD's strategic and core mandate focus. With this, cumulative project approvals have now reached US\$7.58 billion since inception.

In terms of sectors, 49.02% of new project approvals were earmarked for the finance sector, with other approvals focusing on high-impact non-financial sectors such as industry and mining (20.43%), transportation (12.02%), energy (11.16%), and health and other social services (7.36%).

IN 2024, ICD'S APPROVALS AMOUNTED TO
US\$663.0 MILLION,
ACHIEVED THROUGH EXTENDING FINANCIAL
SUPPORT TO PARTNER INSTITUTIONS
AND INVESTING IN PRIVATE SECTOR
DEVELOPMENT INITIATIVES.



1.6.3: SUPPORTING TRADE FINANCE AND DEVELOPMENT

The International Islamic Trade Finance Corporation (ITFC) continues to support its member countries in addressing their current and emerging needs in critical sectors such as energy, food and agriculture, and the private sector.

In 2024, ITFC achieved yet another record year in trade financing approvals, with over US\$7.3 billion approved across 110 operations. Notably, 38% of these approvals were allocated to Least Developed Countries. The Corporation also successfully disbursed over US\$6.6 billion during the year.

Of the US\$7.3 billion in approvals, US\$4.8 billion was extended to support Intra-OIC trade. As part of its diversification strategy, ITFC approvals for the non-energy sector reached US\$3.0 billion. Additionally, ITFC expanded its support to the private sector, providing financing to 47 financial institutions and corporations, with total approvals amounting to US\$1.09 million. Furthermore, ITFC continued its efforts to diversify its client base, successfully adding 19 new clients in 2024, the majority being private sector clients.

ITFC also led trade development initiatives to strengthen regional economic cooperation, promote inter-regional trade collaboration, and enhance trade capabilities and infrastructure. This advancement was propelled by the Corporation's proactive leadership and solid partnerships in executing regional programmes and technical assistance (TA) projects, benefitting 46 OIC countries across Africa, the Arab world and Central Asia. In 2024, 31 TAs valued at US\$3.7 million were approved, focusing on key sectors such as agriculture, trade, Islamic finance, and energy. These efforts were further bolstered by the successful launch of ITFC's Advisory Services, offering a range of Islamic finance and trade-related services.

IN 2024, ITFC ACHIEVED YET ANOTHER
RECORD YEAR IN TRADE FINANCING
APPROVALS, WITH OVER
US\$7.3 BILLION
APPROVED ACROSS 110 OPERATIONS.



TAIBA FINANCE HAS FACILITATED OVER US\$50.0 MILLION IN FUNDING THROUGH MORE THAN 500 LEASING TRANSACTIONS, SUPPORTING AROUND 450 CLIENTS AND CONTRIBUTING TO THE CREATION OF OVER 5,000 JOBS, WITH

33%

OF THESE POSITIONS ALLOCATED TO WOMEN.



BOX 1: TAIBA FINANCE UNLOCKS DEVELOPMENTAL IMPACT IN UZBEKISTAN

Taiba Finance, formerly known as Taiba Leasing LLC, has emerged as a key player in the Islamic finance sector in Uzbekistan, addressing the historical challenges of equitable access to financial services, particularly for small and medium-sized enterprises (SMEs) and rural communities. The Islamic Corporation for the Development of the Private Sector (ICD) has invested US\$5.1 million in Taiba Finance, demonstrating its commitment to sustainable economic growth and financial inclusion in emerging markets.

Taiba Finance has facilitated over US\$50.0 million in funding through more than 500 leasing transactions, supporting around 450 clients and contributing to the creation of over 5,000 jobs, with 33% of these positions allocated to women. The company has strategically expanded its services beyond urban centres, reaching rural communities where access to conventional financing is limited, thereby providing critical support to farmers and small business owners.

The developmental impact of Taiba Finance is significant, with US\$5.4 million spent on local goods and services, contributing to local industries, and US\$192,000 contributed to government revenues through taxes. The company has also financed healthcare entities that have provided medical attention to 15,000 patients, showcasing its commitment to social welfare. Furthermore, 17.5% of Taiba's portfolio supports the agriculture sector, which is critical to Uzbekistan's GDP, while 15% is directed toward construction, promoting infrastructure development.

Taiba Finance's operations align closely with several Sustainable Development Goals (SDGs), including SDG 1 (No Poverty) by enabling businesses to grow and create jobs, and SDG 5 (Gender Equality) by empowering women entrepreneurs. The company has also initiated the leasing of energy-efficient equipment and electric vehicles, contributing to climate action and sustainable practices. Through its partnership with the Islamic Corporation for the Development of the Private Sector (ICD), Taiba has attracted additional investments into Uzbekistan, enhancing financial and institutional capacity for sustainable development.



BOX 2: CARBON FARMING EMPOWERS NIGERIAN FARMERS AND HELPS TO COMBAT CLIMATE CHANGE

ITFC and OCP Africa have partnered to implement a carbon farming project in Nigeria, where agriculture accounts for 20% of GDP and employs around 38% of the workforce. With farmland covering 77% of the country's total area, agriculture is a significant source of greenhouse gas emissions, while also facing the challenges of extreme weather events. Nigerian farmers, like others across Africa, are on the front lines of these climate impacts.

Carbon farming offers a framework to reward farmers for adopting sustainable practices that promote carbon sequestration in soils and plants, reducing emissions and generating additional income through carbon credit sales. This approach combines regenerative agriculture, climate change mitigation, and the carbon market. By adopting practices like crop rotation, agroforestry, and minimal tilling, farmers can improve productivity while addressing climate challenges.

THE PROJECT WILL FOCUS ON TARGET REGIONS IN NIGER AND NASARAWA STATES, COVERING

5,000 HECTARES.

SELECTED CROPS INCLUDE MAIZE, COWPEA, SORGHUM, WHEAT, CASSAVA, SHEA BUTTER, AND MANGO.

The project will focus on target regions in Niger and Nasarawa states, covering 5,000 hectares. Selected crops include maize, cowpea, sorghum, wheat, cassava, shea butter, and mango.

The project is fostering cooperation among ITFC member countries by strengthening collaboration between Nigeria and Morocco. OCP Africa is building the skills of Nigerian farmers in regenerative agriculture, making capacity building a core element of its interventions. Farmers will be trained in effective soil management practices, such as cover cropping, no-till farming, and minimum tillage, which improve soil health by increasing organic matter content and enhancing soil structure.

1.6.4: PROVIDING INSURANCE FOR CREDIT AND COUNTRY RISKS

The Islamic Corporation for the Insurance of Investments and Export Credit (ICIEC) plays an essential role in enhancing trade and attracting foreign direct investment (FDI) within the Organisation of Islamic Cooperation (OIC) member states. As part of the IsDB Group, ICIEC provides Shari'ah-compliant credit enhancement and political risk insurance, which are essential for fostering economic growth and stability in these regions.

In 2024, ICIEC insured US\$12.9 billion in business, with US\$9.3 billion attributed to short-term trade and US\$3.0 billion to investment projects across vital sectors such as infrastructure, healthcare, and energy.

In response to the global food crisis exacerbated by the COVID-19 pandemic and the Russia-Ukraine conflict, ICIEC has been proactive in supporting food security initiatives. The organisation approved US\$1.12 billion for food-related transactions, significantly surpassing its initial commitment of US\$500 million. This support has positively impacted millions of people in various member states, particularly in Sub-Saharan Africa, the MENA region, and parts of Asia.

ICIEC has also demonstrated a strong commitment to climate action, achieving a target of 13% for climate-related support in 2024. This commitment is reflected in its Climate Change Policy, which aligns with IsDB's broader goals.

Financially, ICIEC has maintained a robust position, with a long-term issuer credit rating of Aa3 from Moody's and AA- from Standard & Poor's in 2024. The corporation reported a 27% decrease in claims payments, indicating effective risk management and prudent underwriting practices, with a low claims' ratio of 2.89%.

1.6.5: THOUGHT LEADERSHIP IN ISLAMIC ECONOMICS AND FINANCE

The Islamic Development Bank Institute (IsDBI) is a knowledge organisation that aims to address economic challenges through innovative solutions within the Islamic economics framework. Below are some key initiatives from 2024.



Islamic Finance Sector Transformation: This programme supports the development of sustainable Islamic finance ecosystems through grant projects. In 2024, IsDBI approved 24 new technical assistance projects valued at US\$4.17 million for seven countries and six partner organisations. IsDBI also completed 10 grants projects worth a cumulative US\$1.0 million.



Flagship Projects: IsDBI flagship projects seek to address the most pressing development challenges facing member countries. The projects include Awqaf Free Zones, to strengthen food and energy security; the Smart Countertrade System, to simplify international trade; and Digital Postal Islamic Financial Services, to boost financial inclusion. These are in the feasibility studies stage.



Capacity Building: IsDBI organised 16 training programmes in 2024 covering topics including capital markets, climate change, liquidity management, Shari'ah governance, digital technologies, and Islamic social finance. About 500 professionals from several countries benefited. Additionally, 930 learners from 130 countries participated in IsDBI's Islamic finance online courses on the edX platform.



Synergising tech with Islamic Finance: IsDBI made significant progress in the implementation of projects that integrate knowledge technologies with Islamic finance. These include the Smart Stabilisation System, aimed at stabilising asset markets by managing supply-demand gaps, for which a working demonstration was developed in 2024. The Islamic Finance Artificial Intelligence Assistant (IFAA), which was launched in 2023, was transitioned into a no-code platform in 2024, enabling rapid development while maintaining flexibility.



Knowledge Creation & Dissemination: In 2024 IsDBI published 10 books and reports, initiated a series of "development traps" reports, signed a strategic partnership with DinarStandard to publish the global Islamic economy reports, and launched the International Journal of Islamic Finance and Sustainable Development jointly with INCEIF University. Leveraging technology advancements, IsDBI launched a cloud reader application that allows users to read e-books on wide screens, complementing the IsDBI e-book reader app for smart devices.



IsDB Prize for Impactful Achievement in Islamic Economics: This prize was awarded to Prof. Mehmet Asutay, a professor of Middle Eastern and Islamic Political Economy & Finance at Durham University, in recognition of his work on Islamic moral economy and the articulation of Islamic finance in support of sustainable development.

1.6.6: PARTNERING FOR POVERTY REDUCTION

In 2024, the Islamic Solidarity Fund for Development (ISFD) made significant achievements in its mission to alleviate poverty and enhance human well-being through a variety of targeted initiatives. With a strategic allocation of US\$52.9 million, ISFD focused on several key areas, including education, economic empowerment, and health.

One of its cornerstone initiatives was the Smart-Ed programme, which received US\$20.0 million to improve educational outcomes in Uzbekistan and the Kyrgyz Republic. This initiative aims to foster inclusive and competency-based learning, thereby empowering a new generation and laying the groundwork for sustainable growth and poverty reduction. ISFD's collaboration with the Islamic Development Bank highlights its commitment to educational reform as a vital component of poverty alleviation.

In addition to education, ISFD launched the Youth and Women MSMEs and Entrepreneurship Support Project in Tunisia, part of the HOPE Finance programme. This pioneering initiative seeks to uplift vulnerable communities by supporting smallholder farmers, cooperatives, and micro, small, and medium enterprises (MSMEs). By focusing on empowering women and youth – key drivers of economic growth – the project aims to create a resilient and inclusive economic landscape.

The School Feeding, Nutrition, and Out-of-School Children Project in Benin is another significant effort aimed at improving access to quality education and overall well-being for children in need. This initiative underscores the ISFD's holistic approach to poverty reduction, addressing both educational and nutritional needs.

ISFD also introduced the Eye Care for Empowering Children in Africa (EYECA) initiative, which aims to reduce the prevalence of Uncorrected Refractive Error by 25% in 13 IsDB member countries by 2030. This initiative builds on the success of previous programmes and highlights the importance of health in the broader context of poverty alleviation.

ISFD's endeavours in 2024 reflect a strong commitment to sustainable development through human capital development and economic empowerment. By strategically allocating resources and partnering with IsDB and other key stakeholders, ISFD continues to play a pivotal role in improving the lives of millions across IsDB member countries, demonstrating that targeted interventions can lead to meaningful change in the fight against poverty.



BOX 3: A COMMUNITY TRANSFORMED BY THE TADAMON PROGRAMME

Situated in the heart of West Java province, Indonesia, the tranquil village of Bunikasih has long struggled to balance human needs with environmental preservation. As stewards of the Cipunagara Watershed, the villagers have traditionally depended on the forest for their livelihoods and prosperity. However, deforestation and climate change now threaten this delicate relationship, jeopardising the future sustainability of the community.

Recognising the urgent need for environmental restoration and community empowerment, Yayasan Inara, a dedicated local NGO, embarked on a transformative initiative. Supported by Tadamon (also known as the "NGOs Empowerment for Poverty Reduction Programme") through a significant grant and extensive training, Yayasan Inara set out to deliver meaningful change.

The project adopted a holistic approach, focusing on sustainable livelihoods and reforestation. Villagers were equipped with the skills to produce palm sugar, a sustainable and profitable alternative to timber extraction, offering a reliable income source. The installation of a micro-hydro power plant further reduced production costs and environmental impact, ensuring the initiative's sustainability.



At the same time, Yayasan Inara launched reforestation efforts, planting native tree species to rehabilitate degraded lands. These efforts not only enhanced biodiversity but also strengthened the watershed's resilience, protecting the community from natural disasters.

Tadamon's training programmes provided additional support by empowering villagers with essential skills in financial management, sustainable agriculture, and disaster preparedness. These initiatives built local capacity, enabling villagers to make informed decisions and adopt practices that positively impact their lives and surroundings.

The project has already brought tangible benefits to the people of Bunikasih. By increasing incomes, improving livelihoods, and providing access to electricity, it has significantly enhanced the quality of life for many villagers.

The strategic partnership between Tadamon and Yayasan Inara has delivered substantial progress by addressing the root causes of environmental degradation and poverty in Bunikasih. This collaboration has not only fostered a healthier environment but also created a pathway to a more prosperous and sustainable future for the villagers.

The project has already brought tangible benefits to the people of Bunikasih. By increasing incomes, improving livelihoods, and providing access to electricity, it has significantly enhanced the quality of life for many villagers.

ABOUT TADAMON (THE NGOS EMPOWERMENT FOR POVERTY REDUCTION PROGRAMME)

The NGOs Empowerment for Poverty Reduction Programme (Tadamon) is a collaborative initiative funded by the Islamic Solidarity Fund for Development (ISFD), managed by the Resilience and Climate Action Department at the Islamic Development Bank (IsDB), and implemented by the United Nations Development Programme (UNDP). The programme aims to identify and map Civil Society Organisations in IsDB member countries, strengthen their capacities, increase the visibility of their projects, facilitate access to alternative financing, and connect them with potential partners and supporters.

1.6.7: CHANNELLING SOUTH-SOUTH DEVELOPMENT SOLUTIONS

The IsDB actively promotes regional integration and capacity development among its member countries and beyond through initiatives such as Reverse Linkage, and through various collaborative projects aimed at addressing shared challenges such as food security, education, and economic empowerment.

REVERSE LINKAGE

In 2024, IsDB continued to play its catalyst role in facilitating the transfer of development solutions among its member countries (MCs) as well as among other countries in the Global South. This is done through a variety of mechanisms and programmes, particularly the Technical Cooperation Programme (TCP) and Reverse Linkage mechanism.

The TCP is a way for IsDB to provide short-term capacity development interventions to foster socio-economic development in its member countries. In 2024, a total of 22 TCP operations amounting to US\$713,000 were approved. These included (i) three study visits amounting to US\$117,500; (ii) 15 knowledge-sharing events amounting to US\$484,500; (iii) one instance of expert recruitment amounting to US\$35,000 and (iv) two on-the-job training sessions amounting to US\$76,000. Priority was given to the least developed MCs as well as to activities related to food security, education, health, Islamic finance and SME deployment.

Under Reverse Linkage, IsDB continued to connect its MCs among themselves and with other countries from the Global South to tackle common development challenges. In 2024, a US\$4.1 million grant was allocated for Reverse Linkage projects. Six Reverse Linkage interventions were mainstreamed in IsDB's ordinary operations. These mainstreamed components benefited Azerbaijan, Cameroon, Jordan, Maldives, Tajikistan and Tunisia in areas such as agriculture, education, water, MSMEs and entrepreneurship as well as rural development.

In 2024, IsDB also approved its first-ever Reverse Linkage project for the benefit of a Muslim community in a non-member country. Under this project, the Fiji Muslim League (FML) in the Republic of Fiji will benefit from the knowledge and expertise of Serunai Commerce from Malaysia to develop a customised digital Halal ecosystem. This will enhance and streamline the administration and oversight of Halal certification and related processes within the Republic of Fiji. The Reverse Linkage project will enable FML to modernise and optimise its Halal certification processes as well as provide employment opportunities for the Muslim community in Fiji.

REGIONAL INTEGRATION

Regional integration has gained significant importance in recent years, influenced by a variety of factors. Economic uncertainties, for instance, have led countries to strengthen cooperation within their regions to build resilience against potential crises. Moreover, advancements in communication technologies have facilitated market integration, while the urgent need to address common challenges like climate change and food security has further driven nations to collaborate.

In 2024, the Bank organised its regional integration operations around three key pillars: Cross-Border Connectivity, Trade Integration, and Investment Promotion. A notable project under the Cross-Border Connectivity pillar is the integration of a regional grant into the "Rehabilitation of the WAEMU CU18 Ghana Border-Benin Border Road Project" in Togo, which aims to construct a cross-border parking facility for heavy vehicles.

To enhance the effectiveness of its regional integration efforts, the Bank launched two significant initiatives: the Central Asia Connectivity (CAC) Initiative and the Sahel Initiative. The CAC initiative has involved conducting three bankability analyses for transport and energy connectivity projects, in partnership with the Asian Infrastructure Investment Bank (AIIB) and the Multilateral Cooperation Centre for Development Finance (MCCDF). Meanwhile, the Sahel Initiative has begun the programme formulation process in collaboration with the UN Special Coordinator for Development in the Sahel and the Arab Bank for Economic Development in Africa (BADEA), focusing on identifying investment and capacity development projects in the region.

In 2024, the Bank organised six regional integration events, including the "Fourth Consultative Forum of the RCOs in the OIC region," held on November 19-20 in Marrakesh, Morocco. This event brought together 22 international organisations and resulted in a joint programme featuring concrete project proposals.

Financially, the Bank allocated US\$1.0 million in 2024 to support regional integration and mobilised US\$3.55 million for new operations during the year. The grant funds were directed towards supporting eight projects that focus on various areas, including trade digitalisation, investment promotion, the development of small and medium-sized enterprises (SMEs), food security, maritime connectivity, regional energy markets, logistics development, entrepreneurship, and transportation planning.

BOX 4: PROVIDING INTENSIVE CARE IN SOMALIA THROUGH REVERSE LINKAGE

The East Africa University Hospital (EAUH) in Bossaso District, Puntland State, Somalia, has long faced the pressing challenge of operating without an Intensive Care Unit (ICU), a critical facility for saving lives. Established in 2010, EAUH is a 50-bed hospital serving approximately 700,000 people in the region. The absence of an ICU in Bossaso District or the wider Bari Region has contributed to high mortality rates for patients requiring intensive care, underscoring the urgent need for enhanced medical infrastructure.

To address this gap, the Islamic Development Bank (IsDB) initiated a Reverse Linkage Project in collaboration with Egypt to improve health services through telemedicine. The project focused on establishing a new ICU at EAUH by leveraging expertise from Ain Shams University Virtual Hospital in Egypt. Co-financed by IsDB and the Indonesian Agency for International Development (Indo AID), implementation began in January 2024.

By November 2024, the ICU was successfully launched following the completion of essential tasks, including the procurement of medical equipment, the installation of an oxygen plant, and the organisation of training programmes for medical staff. Egyptian medical experts played a pivotal role in the project, providing on-the-job training and tele-consultation to Somali medical staff. This support was designed to equip local healthcare providers with the skills and confidence needed to independently manage the ICU.

The establishment of the ICU at EAUH marks a significant milestone in improving healthcare for the 700,000 residents of Bossaso District. It addresses a critical gap in medical services, offering patients in need of intensive care a greatly improved chance of survival and creating a pathway toward better health outcomes for the region.

**THE ESTABLISHMENT OF THE ICU AT
EAUH MARKS A SIGNIFICANT MILESTONE
IN IMPROVING HEALTHCARE FOR THE
700,000
RESIDENTS OF BOSSASO DISTRICT.**



CAPACITY DEVELOPMENT

IsDB places significant emphasis on Capacity Development (CD) as a vital strategy for fostering sustainable socio-economic growth in its member countries. This initiative is closely aligned with the IsDB Realigned Strategy for 2023-2025, which identifies CD as a key cross-cutting area. IsDB's approach to CD encompasses a variety of activities aimed at enhancing the capabilities of individuals, organisations, and the broader enabling environments.

Notable efforts in 2024 included supporting Nigeria's Directorate of Technical Cooperation in Africa (DTCA) to bolster its human and institutional capacities, particularly in South-South Cooperation (SSC) and the IsDB Reverse Linkage mechanism. This collaboration highlights IsDB's commitment to working alongside development partners to achieve shared goals.

Throughout the year, IsDB organised several impactful training workshops and initiatives. In November, a workshop in Algeria focused on economic empowerment, microfinance, and poverty analysis, bringing together Al Salam Bank and 15 partner NGOs. Additionally, a virtual training session on Business Incubators and Economic Empowerment engaged over 100 participants, equipping them with practical strategies to enhance their initiatives.

The Bank also collaborated with the CAREC Institute to conduct a policy dialogue on the role of educational technology in improving education quality across the CAREC region. This dialogue involved education ministries from Uzbekistan, Kazakhstan, Tajikistan, and Pakistan, and aimed to develop a programme that supports the integration of appropriate technology in education.

In recognition of the UN International Day for the Eradication of Poverty, IsDB partnered with SESRIC to host an online workshop focused on utilising South-South and Triangular Cooperation mechanisms to alleviate poverty in the OIC region. Furthermore, an online training session on SSTrC benefitted over 250 participants from 44 countries, primarily in Africa.

The Bank also organised a workshop in collaboration with UNCTAD and ICDT on new approaches to international investment agreements in Africa, and a workshop on Islamic Finance and Economic Empowerment that attracted over 40 participants, including central bankers and policymakers.

In the health sector, IsDB's Alliance to Fight Avoidable Blindness (AFAB) programme made significant strides in capacity development by enhancing eye care services in African member countries. By the end of 2024, the programme had supported 24 general doctors in their specialisation training in ophthalmology, 9 ophthalmologists in subspecialty training, and 95 technicians in becoming senior ophthalmic technicians.

1.6.8: LEVERAGING GLOBAL RESOURCES FOR IMPACTFUL DEVELOPMENTS

IsDB's Partnership, Global Advocacy and Resource Mobilisation Department (PGARM) made significant progress in 2024, focusing on enhancing partnerships and mobilising resources for impactful development initiatives. One of its key achievements was the successful mobilisation of US\$41.0 million in grant funding, with an additional US\$28.0 million anticipated in the pipeline. Noteworthy contributions included US\$15.45 million from the Bill and Melinda Gates Foundation and US\$22.66 million from the Saudi Ministry of Energy, aimed at supporting various initiatives such as the Polio Legacy Challenge and the Clean Cooking Trust Fund. In 2024, financing partners contributed US\$5.454 billion to IsDB-financed projects, enhancing project efficiency through shared financial and administrative responsibilities.

In addition to financial mobilisation, PGARM has been proactive in establishing a robust framework for global advocacy. It launched its first Global Advocacy Framework, which aims to create a unified and strategic approach to advocacy efforts. This initiative has been complemented by the finalisation of multiple Memorandums of Understanding (MoUs) with key partners, including the Asian Infrastructure Investment Bank (AIIB) and the African Development Bank (AfDB). Collaborative efforts were further strengthened through "Deep Dives" organised with various partners, including members of the Arab Coordination Group and the World Bank, fostering cooperation and knowledge exchange.

Financially, PGARM played a crucial role in coordinating IsDB's contributions to significant global initiatives, including the MDBs Viewpoint Note and the G20 Roadmap, which were inaugural deliverables from the MDBs Heads Group to the G20 Forum. The department also published the "SDGs Digest" to commemorate IsDB's 50th anniversary, alongside another publication titled "Life on Land: Pathways to a Sustainable Future," released during COP16 in Riyadh 2024.





BOX 5: IsDB GROUP AND WORLD BANK GROUP — A LONG-STANDING PARTNERSHIP

The partnership between IsDB and the World Bank began in 1976 and was formalised in 2002 through an institutional cooperation MoU, renewed in 2005, 2008, and 2019. The landmark Strategic Partnership Framework (SPF), launched in 2015, aimed to scale up co-financing and was renewed through a new MoU in October 2023.

Although co-financing dipped during 2020–2022, the 2023 MoU revitalised efforts, delivering over

US\$4.0 billion in one year—US\$1.4 billion from IsDB and US\$2.9 billion from WBG—achieving 70% of the US\$6.0 billion target through 2026. Key projects spanned Comoros, Indonesia, Pakistan, Tajikistan, and Türkiye, and a joint MENA Human Development Flagship Report is set for release in 2025.

The 2023 MoU introduced an explicit co-financing target to strengthen collaboration. Within the first year, IsDB and WBG achieved more co-financing than in the previous five years, showcasing the impact of enhanced operational focus.

FIGURE 1.11: IsDB-WORLD BANK CO-FINANCING (US\$ MILLION)

