

CHAPTER 1

ISDB GROUP ACTIVITIES



This chapter highlights the main achievements of the IsDB Group, the umbrella organization under which sits 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). While the IsDB is the main development bank, the other organizations complement its work to deliver a comprehensive range of projects and activities to support sustainable socio-economic development in its member countries.

1.1: RECENT ECONOMIC PERFORMANCE

GROWTH

Economic growth in 2023 was lower globally in 2023 than in 2022. Current expectations are for the global economy to slow down further in 2024. Global growth is estimated to decrease from 3.5% in 2022 to 3% in 2023 and then to 2.9% in 2024. This slowdown is primarily due to geopolitical conflicts and fragmentation. Advanced Economies (AEs) are estimated to experience a significant decline while Emerging Markets and Developing Economies (EMDEs) are projected to maintain solid growth. Islamic Development Bank (IsDB) member countries are also facing challenges such as high inflation, supply chain disruptions, and falling commodity prices. Growth in IsDB member countries is estimated to decrease from 5.6% in 2022 to 3.3% in 2023, before slightly increasing to 3.9% in 2024. In Asia, Latin America, and Europe (ALAE) member countries, growth is estimated to slow from 5.7% in 2022 to 4% in both 2023 and 2024. For IsDB countries in the Middle East and North Africa (MENA), growth is estimated to drop sharply from 6.0% in 2022 to 1.9% in 2023, then rebound to 3.6% in 2024. Fuel-exporting economies in the Middle East and North Africa (MENA) region are estimated to experience a sharp growth slowdown from 6.7% in 2022 to 1.7% in 2023, reflecting both a weaker oil supply and lower prices. Sub-Saharan Africa (SSA) IsDB countries saw growth decrease from 4.0% in 2022 to 3.7% in 2023, followed by an expected increase to 4.3% in 2024.

DEBT SITUATION

The global economic recovery post-COVID-19 remains fragile, with low-income countries facing potential debt deterioration in the context of slower growth and tighter financing conditions. Average government debt in IsDB countries slightly decreased from 43.8% of GDP in 2022 to 43.0% in 2023 and is projected to further reduce to 40.5% in 2024. However, there is significant variation across regions and countries. The IsDB group of low-income countries faced the highest debt burden of 83.1% of GDP in 2023, slightly higher than 81.0% of GDP in 2022, though this is expected to ease down to 78.1% of GDP in

2024. Of the IsDB regions, ALAE member countries had the lowest debt level of 40.8% of GDP in 2023 (down from 41.3% in 2022), followed by MENA member countries (45.3% of GDP, down from 46.4% of GDP in 2022), and SSA member countries (47.4% of GDP, up from 46.8% in 2022).

INFLATION TRENDS

Tight monetary policies in Advanced Economies, along with declining energy prices, are leading to lower inflation rates globally. Global inflation is expected to decrease from 8.7% in 2022 to 6.9% in 2023, and further to 5.8% in 2024. IsDB member countries are experiencing higher inflation, estimated at 17.7% in 2023 and decreasing slightly to 17.0% in 2024, driven by food and energy prices. Inflation in the ALAE region is the highest in 2023 which reached 21.6%, followed by the SSA region, which had an inflation rate of 16.4% and this is expected to ease to 14.3% in 2024. This is expected to ease to 14.3% in 2024. The IsDB group of low-income countries is the hardest hit by food and energy price hikes, as it faces an exceptionally high inflation rate of 42.8% in 2023 before easing slightly to 29.8% in 2024.

UNEMPLOYMENT CHALLENGES

Unemployment challenges are also expected, with the risk of low growth in many countries potentially leading to increased job losses. Many IsDB member countries have recovered unevenly from COVID-19-induced unemployment, with unemployment rates steadily decreasing from 6.9% in 2020 to 5.9% in 2022, and further down to 5.8% in 2023, but higher rates among women and youth at 6.9% and 12.8% in 2023 respectively. Addressing these unemployment issues requires maximizing the impact of development projects for better and inclusive economies.

1.2: OPERATIONAL HIGHLIGHTS

Despite the disruptions in recent years and the emergence of new challenges during 2023, IsDB has remained resolute in providing significant financial resources to member countries to boost recovery and food security, drive resilience and green growth, and build inclusive human capital for a more sustainable future. The total net approvals of the IsDB Group have continued to rise since 2020, with increased resources being made available to member countries to help them address a growing number of challenges. The Group’s cumulative net approvals increased to US\$182.1 billion in 2023 from US\$170.1 billion in 2022.

As the Bank concludes its short-term COVID-19 response program, it has refocused and escalated its operations to address recovery and food security in its member countries, drive resilience and green growth, and develop inclusive human capital for a sustainable future.

In 2023, the Group’s annual net approvals increased by 15.3% to US\$12 billion (ID9 billion) up from US\$10.4 billion (ID7.9 billion) in 2022 (Figure 1.1).

IsDB-OCR’s share of Group net approvals increased markedly from 28.4% in 2022 to 35.7% in 2023, while ITFC’s and ICD’s share of Group net approvals decreased from 5.0% and 65.2% in 2022 to 4.4% and 57.6% respectively in 2023 (Figure 1.2).

In response to an increase in demand from member countries, the Group’s entities continued scaling up their approvals. In 2023, as supply chains gradually returned to normal, ITFC boosted trade financing by US\$6.9 billion (ID5.2 billion) to support energy, agricultural trade, and food security. IsDB net approvals soared to US\$4.3 billion (ID3.2 billion), an increase of 45% compared to the previous year, to support recovery, poverty reduction, resilience building, and food security. Similarly, ICD has maintained a slightly higher net approval of US\$531.7 million (ID396.3 million) compared to US\$525.8 million (ID395.1 million) the previous year (Figure 1.3).

A rapid escalation in approvals is yet to be matched by disbursement flows, and repayments therefore exceeded disbursements in 2023. This is expected to be a temporary adjustment that will disappear as soon as the scaled-up approvals translate into new disbursements.

FIGURE 1.1: ISDB GROUP NET APPROVALS

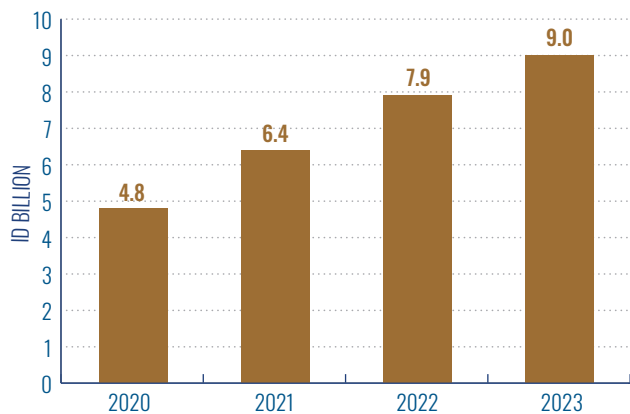


FIGURE 1.2: TRENDS IN SHARE OF ENTITIES IN TOTAL ISDB GROUP NET APPROVALS

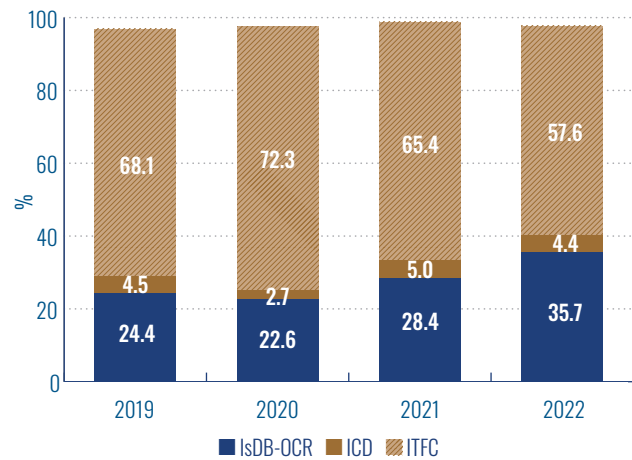


FIGURE 1.3: NET APPROVALS BY ENTITIES & FUNDS

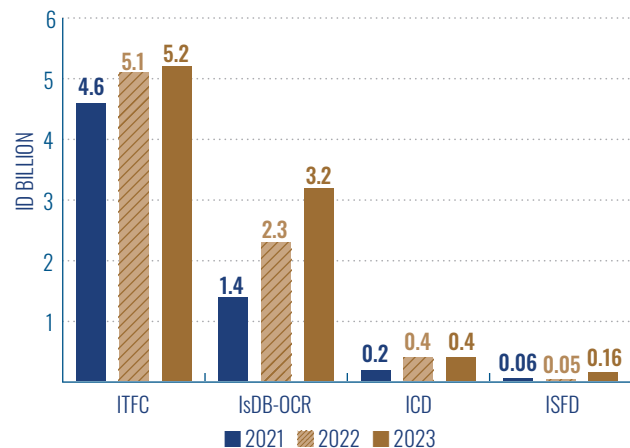
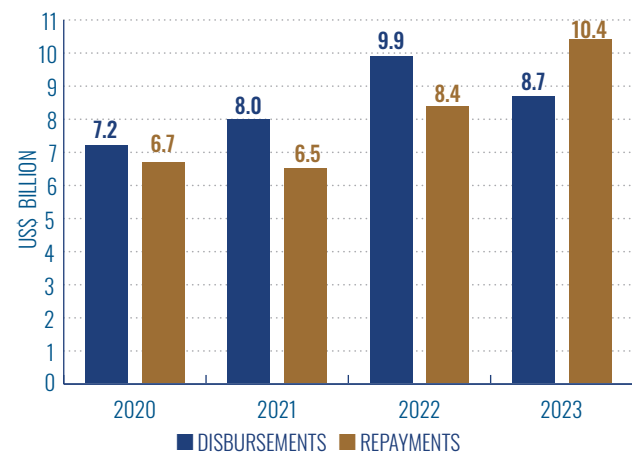


FIGURE 1.4: TRENDS IN ISDB GROUP DISBURSEMENTS AND REPAYMENTS



Disbursements decreased to US\$8.7 billion in 2023 from US\$9.9 billion in 2022, representing 72.5% of the Group net approvals. Though the post-COVID-19 recovery was spread unevenly and incompletely in some countries, the support for the IsDB Group from its member countries has been overwhelming. The level of repayments has continued to increase, reaching US\$10.4 billion in 2023 from US\$8.4 billion in 2022 (Figure 1.4).

As member countries started to emerge from the aftermath of the pandemic, only to confront a food crisis, IsDB has remained vigilant and supportive in helping those member countries face the new challenge. In the past two years, health and agriculture have featured prominently in our operations. Millions of people faced the prospect of hunger in 2022, and this was met with accelerated agricultural financing. This will not only meet immediate needs but will also help to build sustainable food security for future generations. Furthermore, green growth and inclusive human capital development are the two pillars of the Realigned Strategy, and they guide the development financing of the Bank.

As a result, the share of energy financing within IsDB's annual net approvals remains high at 9% in 2023 (Figure 1.5) slightly down from 11.7% in 2022. Transportation financing decreased to 28.5% in 2023 from 40.5% in 2022. Meanwhile, health has retained the dominant share, accounting for 32.8% of total IsDB approvals in 2023, up from 13.3% the previous year.

ICD's net approvals increased by 1.1% to reach US\$531.7 million in 2023, from US\$525.8 million in 2022 (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 77.3% of ICD's financing, followed by industry and mining (13.2%) and energy (4.7%).

As supply chains started to return to some sort of normality, trade financing received increased support from ITFC, with approvals reaching US\$6.9 billion in 2023, up from US\$6.8 billion in 2022 (Figure 1.7). Disbursements changed by -18.2% to reach US\$6 billion in 2023, representing 87.3% of net approvals.

FIGURE 1.5: SECTORAL DISTRIBUTION OF IsDB-OCR NET APPROVALS 2022

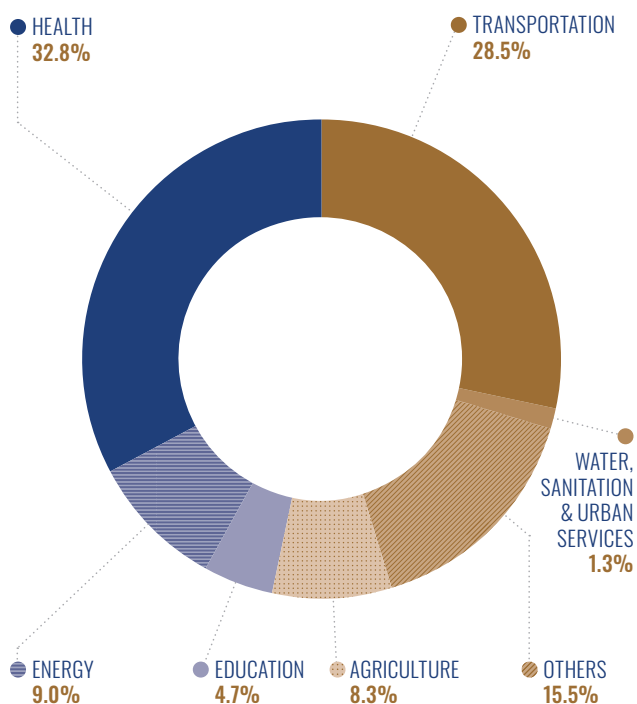
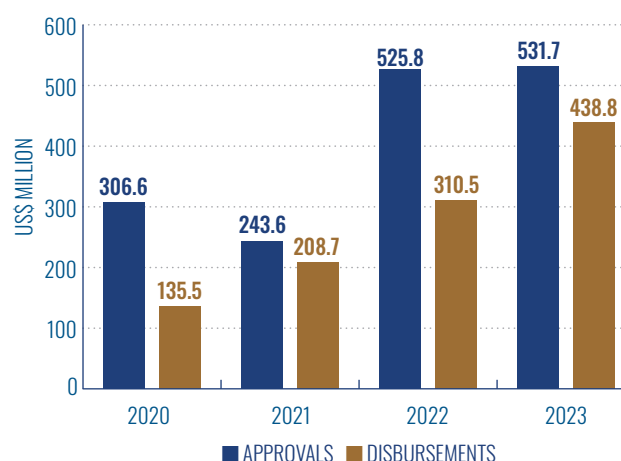


FIGURE 1.6: TRENDS IN ICD NET APPROVALS AND DISBURSEMENTS



As member countries started to emerge from the aftermath of the pandemic, only to confront a food crisis, IsDB has remained vigilant and supportive in helping those member countries face the new challenge.

FIGURE 1.7: TRENDS IN ITFC NET APPROVALS & DISBURSEMENTS

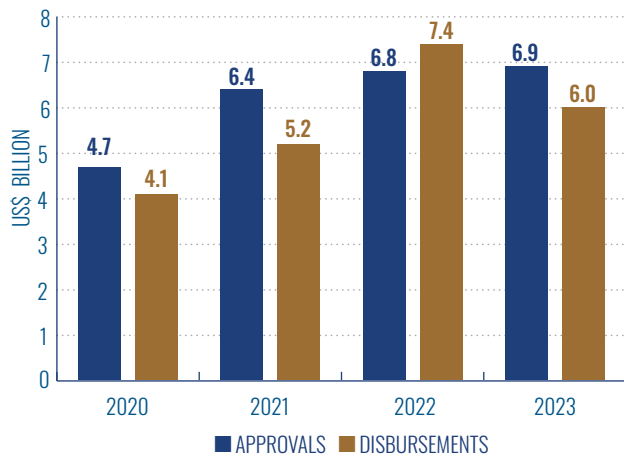


FIGURE 1.8: TRENDS IN ICIEC BUSINESS INSURED AND NEW COMMITMENTS

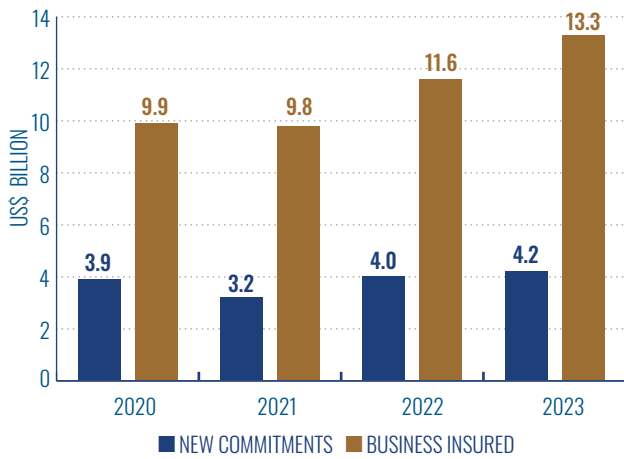
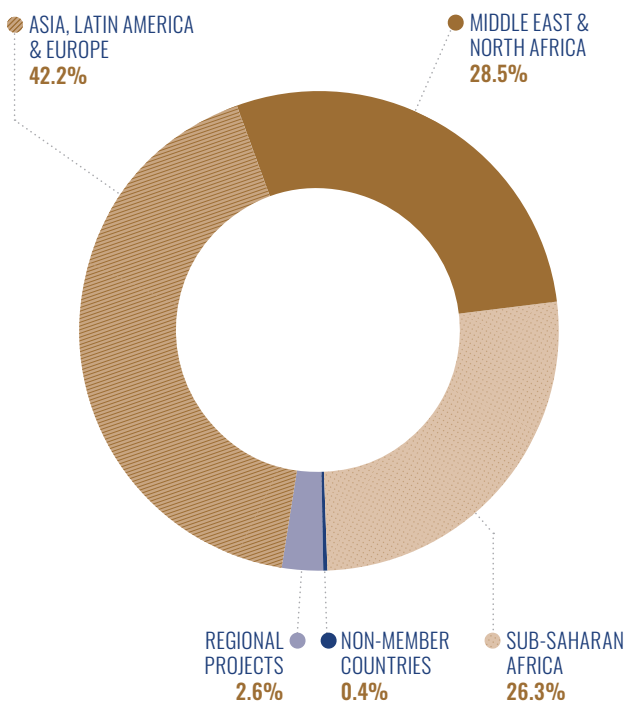


FIGURE 1.9: REGIONAL DISTRIBUTION OF ISDB GROUP NET APPROVALS IN 2023



In 2023, ICIEC provided a total of US\$13.3 billion in business insured, 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 (Figure 1.8). ICIEC provides insurance services that positively impact poverty reduction, food security, and climate initiatives. ICIEC approvals have increased by 4.6% compared to 2022.

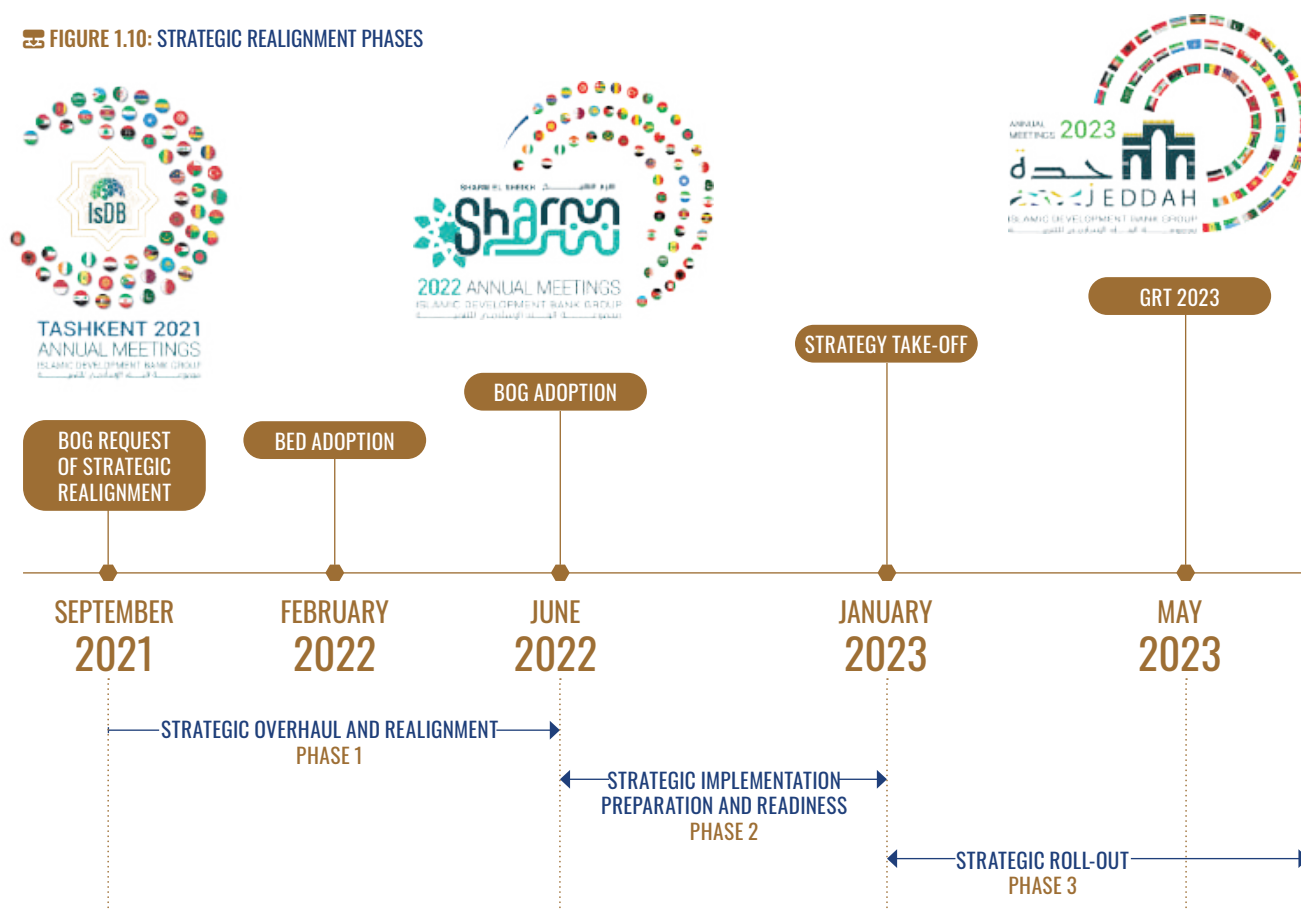
The share of the IsDB Group approvals allocated to Sub-Saharan Africa decreased to 26.3% in 2023 from 31.2% in 2022 (Figure 1.9). Meanwhile, the share allocated to the Asia region increased to 42.2% in 2023 from 37% in 2022.

1.3: IMPLEMENTATION PROGRESS OF ISDB REALIGNED STRATEGY (2023 – 2025): REINVIGORATING THRUST AND TRUST

ISDB’s Governors endorsed a Realigned Strategy for the Bank during its 47th Annual Meeting in Egypt in June 2022. Phase II of the strategic realignment process was conducted in 2022 to ensure institutional readiness in terms of organizational structure, human resources, culture, systems, and processes. Phase III was launched in 2023, and this encompassed the successful roll-out of the Realigned Strategy. Three main areas were tackled to support the roll-out process: internalizing the strategy into the Bank’s programming and project cycles; embedding the strategy in IsDB’s cultural model through improved internal communication; and leveraging the IsDB Group’s value proposition through new financing instruments. The three phases of the strategic realignment are shown in Figure 1.10.

A Results-Based Management Framework (RBMF) was developed to effectively monitor and report on the implementation progress of the Realigned Strategy. The RBMF measures and tracks the Bank’s progress in meeting strategic objectives and priorities in a transparent, quantifiable, and interconnected manner. Regular reporting on the performance of these indicators is published internally and externally on an annual basis in the Bank’s Annual Development Effectiveness Reports (ADER).

FIGURE 1.10: STRATEGIC REALIGNMENT PHASES



The strategic realignment process has reinvigorated the thrust of the Bank’s work, and trust with IsDB’s stakeholders. It has contributed to the revamping of the Member Country Partnership Strategy (MCPS) process, leading to the launch of seven MCPSs in 2022 and the preparation of six more in 2023. Reinvigorated trust was reflected in the Bank’s success in maintaining its AAA rating from major credit rating agencies, and in its successful adoption in May 2023 of a Special Capital Increase from the Republic of Indonesia, significantly raising the country’s share in the Bank’s capital. Reinvigorated trust was also evident in the remarkable progress achieved in revamping communication inside the Bank towards the adoption of a new cultural model.

IsDB continues to maintain dialogues with its member countries and major stakeholders to harness the momentum of the realigned strategy implementation. A Governors Round Table (GRT) was held during the 2023 IsDBG Annual Meetings in Jeddah, where IsDB Governors stressed the importance of leveraging South-South partnerships to fend off crises and urged IsDB to leverage its comparative advantages in South-South Cooperation (SSC) and Islamic finance (IF).

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1.4: FOOD SECURITY RESPONSE PROGRAM

The IsDB Group is continuing to deliver the Food Security Response Program (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. The amount allocated for the program is US\$10.54 billion, plus US\$500 million of credit and political risk insurance.

TABLE 1.1: FINANCING THE FOOD SECURITY RESPONSE PROGRAM

SOURCE OF FINANCE	FINANCING AMOUNT
Approvals	
IsDB (new financing)	US\$4.0 billion
ICD	US\$269 million
ITFC contribution:	US\$4.5 billion
ISFD contribution:	US\$75 million
Accelerated disbursements	
IsDB: Accelerated disbursements	US\$1.7 billion
Total	US\$10.54 billion

The Bank adopted fit-for-purpose and value-for-money procurement procedures for each operation, prioritizing effective procurement and smooth implementation. For specific interventions related to the private sector, IsDB Group entities are allowed to follow their internal procedures, if acceptable to the Bank, and establish commercial practices that can ensure the fast-tracking of procurement processes.

At the end of 2023, the total amount of financing approved for the program stood at US\$4.0 billion, representing 46% of the pledged amount under approval (excluding ICIEC insurance approvals). Out of this amount, US\$906.3 million was approved by IsDB, US\$19.1 million was approved by ISFD, US\$3.0 billion by ITFC, and US\$100 million by ICD. A further US\$788.5 million worth of international trade and foreign investment insurance was approved by ICIEC. In addition, US\$581.9 million worth of accelerated disbursements have been made as part of IsDB financing from 85 active projects relevant to the FSRP.

1.5: EMERGENCY RESPONSE PROGRAM

IsDB provided substantial support to its member countries in 2023 through Emergency Response grants. Türkiye, Syria, Sudan, Libya, and Morocco collectively received US\$7.0 million in rapid financial assistance, demonstrating a dedicated effort to provide aid to member countries impacted by humanitarian crises. The Bank is collaborating closely with international organizations, NGOs, and local partners to maximize the impact of its humanitarian response.

SYRIA

The Bank worked in partnership with the Qatar Red Crescent Society (QRCS) to respond to the earthquake on 6 February 2023 in western Syria which caused 8,476 deaths. A US\$1.5 million project (US\$1 million from the Bank and US\$0.5 million from QRCS) was launched in response. The project registered 71,095 direct beneficiaries (of which 39,102 were women) and 162,000 indirect beneficiaries (of which 89,100 were women). Food baskets were distributed to 2,138 families, and a total of 2,564 families received non-food items. Tents were distributed to 399 families. In addition, 2,250 dialysis kits were distributed, 12 dialysis machines were installed, and eight trauma kits were distributed.

TÜRKIYE

The Bank worked in partnership with Kızılay (the Turkish Red Crescent) to respond to the impact in Türkiye of the 6 February 2023 earthquake, and played a crucial role in delivering aid to the affected communities. Over the course of six months, more than 372,000 food packages containing essential items such as rice, lentils, oil, and sugar were distributed to 128,000 families. In addition, 20,000 other food items were provided, including high-energy biscuits, fortified cereals, and other nutritious foods. In addition, 124,000 family hygiene kits were distributed.

SUDAN

The Bank worked in partnership with the International Committee of the Red Cross (ICRC) in 2023 to respond to the humanitarian crisis that followed the outbreak of violence in Sudan. The proposed relief project amounted to US\$1.5 million, providing life-saving support to approximately 125,000 people affected by the sudden outbreak of conflict in the country. The project included 15,000 food parcels, 20 interagency health kits, 50 first aid kits, and five water tanks with a 15 m³ capacity to support at least 15,000 people in the Khartoum and Darfur regions.



The Bank worked in partnership with Kızılay (the Turkish Red Crescent) to respond to the impact in Türkiye of the 6 February 2023 earthquake, and played a crucial role in delivering aid to the affected communities

LIBYA

The Bank worked in partnership with the International Federation of the Red Cross and Red Crescent Societies (IFRC) to respond to the humanitarian crisis in Eastern Libya following the floods that took place in September 2023. The key objective of the proposed emergency response was to provide immediate assistance to the affected population, with integrated and dignified shelter assistance, quality healthcare and medical services, and access to clean drinking water and sanitary facilities and materials. The emergency response contributed to enhancing the well-being of 100,000 men, women, and children who have been adversely affected by the storm and floods. The total cost of the emergency response package was estimated at US\$1.5 million, out of which IsDB and ISFD contributed US\$1.0 million and US\$0.5 million respectively.

MOROCCO

A devastating earthquake struck Morocco on 8 September 2023, causing widespread destruction in the Atlas Mountains and Marrakech. The earthquake resulted in 2,940 fatalities and 5,500 injuries, with hundreds more people left in a critical condition. The affected provinces included Al Haouz, Ouarzazate, Marrakech, Azilal, Chichaoua, and Taroudant. IsDB is providing grant financing of US\$1.5 million for emergency rehabilitation and the repair of damaged water, sanitation, and hygiene (WASH) infrastructure. The grant contributed to the High Atlas Mountains Development Agency, established by the Moroccan government through the Ministry of Finance.

1.6: ISDB GROUP ACCOMPLISHMENTS

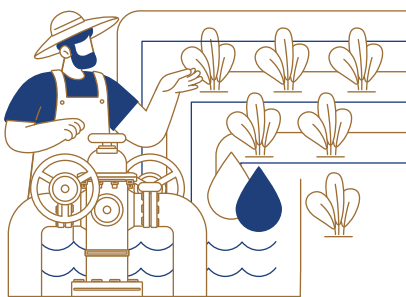
1.6.1: KEY DEVELOPMENT ACTIVITIES

IsDB-OCR approval has continued to increase markedly over the years. In 2023, IsDB-OCR approval rose to US\$4.3 billion from US\$3.0 billion in 2022 and exceeded the annual target by 7.5%. This year's approval covers 65 operations in 27 member countries, with the health and transportation sectors accounting for the largest shares (see Figure 1.5). This reflects the increased response of the IsDB-OCR to the development dynamics prevailing in the member countries. The new approvals are expected to bring promising developmental results to member countries and to Muslim communities around the world. Highlights of anticipated results, once the 2023 approved operations are completed, include:



POLIO VACCINATION FOR
41 MILLION
CHILDREN AGED UNDER 5 IN PAKISTAN.

13
GREEN EMERGENCY HOSPITALS FOR
THE POPULATION AFFECTED BY THE
EARTHQUAKE IN TÜRKIYE.



THE CREATION OF
1,017 HECTARES
OF HYDRO-AGRICULTURAL
DEVELOPMENT, THE PROTECTION OF
200 HECTARES
THROUGH SOIL CONSERVATION, AND
THE CONSTRUCTION OF
27
VILLAGE HYDRAULIC SYSTEMS IN MALI.

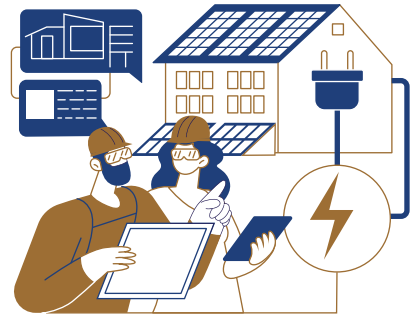
THE CONSTRUCTION AND EQUIPPING
OF
42 CLASSROOMS
IN MOZAMBIQUE.

AN INCREASE OF HIGHER EDUCATION
CAPACITY BY
720 STUDENTS
IN MAURITANIA.

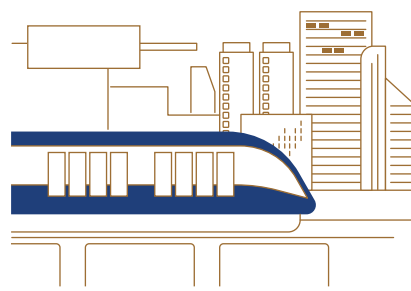


ACCESS TO EQUITABLE AND QUALITY
HIGHER EDUCATION FOR
40,000 STUDENTS
IN CHAD.

THE PROVISION OF ACCESS TO
DRINKING WATER AND SANITATION FOR
885,000 PEOPLE
IN GUINEA.



THE PROVISION OF
1,989
MULTI-STORIED HOUSING
DEVELOPMENTS FOR
70,632
LOWER AND MIDDLE-INCOME PEOPLE
IN BANGLADESH, ALONG WITH
55
CLIMATE-RESILIENT HOUSING
DEVELOPMENTS AND
39
ECO-FRIENDLY HOUSING
DEVELOPMENTS.



660km
OF GREEN CLIMATE-RESILIENT
ELECTRIC EXPRESS RAILWAY IN EGYPT.

117km
OF 2X2 HIGHWAY IN CÔTE D'IVOIRE.

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 growth, and the importance of tackling global issues such as energy access and infrastructure is reflected in its actions. In 2023, ICD's project approvals amounted to US\$531.7 million, achieved through extending financial support to partner institutions and investing in initiatives. This year's approvals were categorized into line of finance (LOF) (77.0%), term finance (22.7%), and equity (1.3%), aligning with ICD's strategic shift toward credit financing. With this, cumulative project approvals have now reached US\$6.9 billion since inception.

Sectorally, 77.3% of new project approvals were earmarked for the finance sector, followed by non-financial sector investments focusing on high-impact sectors such as industry and mining (13.2%), transportation (4.7%), and energy (4.7%).

1.6.3: SUPPORTING TRADE FINANCE AND DEVELOPMENT

A major accomplishment for ITFC in 2023 was its significant trade financing approvals, which were fueled by successful syndications and rising demand among member countries. Trade finance approvals amounted to US\$6.9 billion in total, covering 106 operations, and US\$6.0 billion was disbursed. These approvals encompassed crucial sectors such as energy, agriculture, and the private sector. There was notable progress in diversifying the trade finance portfolio, with approvals outside the oil and gas sector reaching US\$3.2 billion. This accounted for 46% of the total trade finance portfolio, an increase from 42% in 2022. Intra-OIC trade approvals amounted to US\$4.6 billion, representing 66.4% of total approvals.

IN 2023, TOTAL PRIVATE SECTOR APPROVALS INCREASED TO

US\$905 MILLION,
UP FROM US\$757 MILLION IN 2022. THESE FINANCINGS WERE EXTENDED TO 39 PARTNER BANKS AND FINANCIAL INSTITUTIONS (FIS), AND ONE CORPORATE CLIENT.

Financing extended to Least Developed Member Countries (LDMCs) showed growth, reaching US\$3.0 billion (US\$2.5 billion in 2022) accounting for 44.0% of total approvals. In 2023, total private sector approvals increased to US\$905 million, up from US\$757 million in 2022. These financings were extended to 39 partner banks and financial institutions (FIs), and one corporate client. ITFC continued the successful expansion of its LC (Letter of Credit) confirmation business, aimed at facilitating trade between OIC member countries and beyond, building on the achievements of 2022.

Also, ITFC began fast-tracking the IsDB's Food Security Response Program (FSRP) transactions and issued 10 LCs for a total of US\$184 million and disbursed US\$180 million. ITFC's FRSP approvals in 2023 reached US\$3 billion against a target of US\$1.7 billion, with disbursements standing at US\$2.3 billion.

ITFC will continue to meet the specific needs of member countries, for both the public and private sectors, through its Targeted Interventions.





BOX 1: COLLABORATION AND SYNERGY BETWEEN ISDB AND ITFC ON FOOD SECURITY

The IsDB Group's Food Security Response Program (FSRP) is a comprehensive package worth US\$10.54 billion with the primary objective of providing crucial support to IsDB member countries in combating the ongoing food crisis and fortifying their resilience against future food security shocks. The ITFC has committed US\$4.5 billion of that total US\$10.54 billion commitment over 3.5 years (July 2022-December 2025). ITFC has already approved almost US\$3 billion under the FSRP, and this has contributed significantly to the achievement of the Group-level targets.

Joining forces with ITFC enhances the solutions provided under the FSRP. ITFC, with its specialized Integrated Trade Solutions, is well positioned to provide complementary support to IsDB in trade finance-related operations. To ensure seamless implementation of this partnership, the Service Level Agreement (SLA) that was signed between IsDB and ITFC for implementing certain trade finance-related operations under the IsDB Group Strategic Preparedness and Response Program (SPRP) was extended to accommodate the implementation of the FSRP projects.

Through enhanced collaboration and synergy, the IsDB and ITFC are jointly making significant strides in ensuring sustainable and long-term food security for member countries.

The IsDB Emergency Food and Input Supply Project approved for Jordan, with an allocation of US\$200 million, marks the first implementation under the extended SLA. ITFC, as the executing agent for IsDB's emergency food and input supply project approved for Jordan, has played a pivotal role in supporting food security by facilitating wheat and barley imports into the country. To date, ITFC has successfully issued 10 Letters of Credit (LCs) totaling US\$184 million under the IsDB project for Jordan, with almost US\$180 million already disbursed. This translates to a total volume of 560,000 tons of wheat and barley supplied to Jordan.

This collaboration between IsDB and ITFC has proven to be highly effective and efficient in addressing Jordan's food security challenges. Through this enhanced collaboration and synergy, the IsDB and ITFC are jointly making significant strides in ensuring sustainable and long-term food security for member countries.

1.6.4: PROVIDING INSURANCE FOR CREDIT AND COUNTRY RISKS

In 2023, ICIEC supported a total of US\$13.3 billion in business insured, the majority of which (US\$10 billion) was in short-term trade involving various goods and services in almost all the member states of ICIEC as well as many non-member states. Investment projects worth close to US\$3 billion were insured in 2023.

In 2023, ICIEC continued providing support to member states that had been affected negatively by the food crisis. Between the inception of the Food Security Program (FRSP) in July 2022 through to December 2023, ICIEC's approvals for food-related transactions reached US\$788.5 million, exceeding the pledge of US\$500 million that had been committed until 31 December 2025.



BOX 2: BOOSTING AGRICULTURAL DEVELOPMENT IN THE WEST BANK, PALESTINE

On 11 May 2023, ICIEC, in a landmark transaction, issued a US\$7.6 million Risk Sharing of Foreign Investment Policy (RSFIP) in favor of Nakheel Palestine for Agricultural Investment (Nakheel) – the Corporation's first transaction in the Occupied Palestinian Territories. The transaction marks the first partnership between ICIEC and the Multilateral Investment Guarantee Agency of the World Bank Group (MIGA) for a project in the West Bank, Palestine.

MIGA is the administrator for the West Bank and Gaza Investment Trust Fund (WBGTF) on behalf of its sponsors, the Palestinian Authority, and the Government of Japan. This latest transaction covers foreign investments into a flagship Date Farm Project in the West Bank, Palestine.

The guarantees, enabled by the WBGTF, were issued to Palestine Development and Investment Company, Ltd. (PADICO) of Liberia (US\$10.38 million), Siraj Fund 1 (US\$4.05 million), and Siraj Fund Management Company (US\$2.18 million). ICIEC is providing risk participation (akin to reinsurance) for the guarantee that was issued to PADICO.

The Nakheel Project's main objective is to cultivate date palm trees and produce and sell high-quality dates to cover the demand in the local market while also expanding in the international markets. Since 2018, Nakheel has exported around 60% of its production annually to customers in ICIEC member states and in non-member countries.

1.6.5: DRIVING THOUGHT LEADERSHIP IN ISLAMIC ECONOMICS AND FINANCE

The Islamic Development Bank Institute (IsDBI) is a knowledge organization that aims to address economic challenges in member countries and other Muslim communities through innovative solutions within the Islamic economics and finance framework. Key activities include the Islamic Finance Sector Transformation program, which supports the transformation and development of the Islamic Financial Services Industry (IFSI) through the implementation of Islamic finance grant projects. In 2023, the Institute programmed and approved 14 new technical assistance projects in Nigeria, Kyrgyzstan, Morocco, Tunisia, Libya, Mauritania, and with partner international organizations.

The Islamic Finance Country Assessment Framework is an important tool for building the Islamic finance sector in member countries. In 2023, assessments were completed for Uzbekistan and Kazakhstan, and preliminary discussions were held with Nigeria, Morocco, and Türkiye for 2024 assessments. IsDBI provides market insights and practical analyses for addressing the development challenges of member countries through research and the publication of books, reports, and articles on diverse topics in Islamic finance and sustainable development.

Capacity building is another key area of focus for IsDBI. The Institute organized more than 10 Islamic finance capacity-building programs for several member countries in 2023, using traditional and modern technology-based learning methods. Key projects advanced in 2023 included Awqaf Free Zones, the OIC Smart Countertrade System, the Digital Postal Islamic Financial Services Project, the Smart Stabilization System, the Islamic Finance Artificial Intelligence Assistant (IFAA), and the Islamic Finance Pavilion Marketplace (IFPM). These projects aim to synergise the latest technologies with Islamic finance to develop innovative solutions addressing the socio-economic challenges of IsDB MCs.

Furthermore, the Indonesian Finance Ministry's "Cash Waqf Linked Sukuk" (CWLS) has been awarded the IsDB Prize for Impactful Achievement in Islamic Economics for 2023. CWLS is the first large-scale program to finance social projects using non-profit instruments, enhancing the diversity of Islamic capital markets, and promoting integration between commercial and social Islamic finance.

1.6.6: PARTNERING FOR POVERTY REDUCTION

The Global Multidimensional Poverty Index 2023 Report, published by the UNDP and OPHI, shows that approximately 1.1 billion people, accounting for just over 18% of the global population, live in acute multidimensional poverty. Sub-Saharan Africa is home to the highest number of poor people, and 452.1 million people living in IsDB member countries are poor, representing 41% of the global poor.

The Islamic Solidarity Fund for Development (ISFD) plays a crucial role in reducing poverty in IsDB member countries, particularly in the least developed ones. ISFD has committed around US\$1.23 billion in the form of concessional loans and grants, financing impactful projects and programs in vital sectors such as education, health, agriculture, community development, and microfinance.

Since its inception, ISFD has established a robust portfolio of over 20 flagship programs encompassing diverse areas such as bilingual education, vocational literacy, Ebola prevention and control, microfinance support, dry land development, and renewable energy. Recent program launches align with ISFD's vision for 2030, prioritizing initiatives that tackle critical challenges.

In 2023, ISFD demonstrated its unwavering commitment to reducing poverty in the member countries with an amount of US\$213.6 million approved for projects and programs. The largest portion of this funding, US\$150 million, was allocated to the Lives & Livelihoods Fund (LLF), with the aim of propelling the LLF into Phase 2, attracting additional donor support and expanding its impact on vulnerable communities.

ISFD actively supported key development areas in 2023, including economic empowerment and education. With approved loans totaling US\$50.5 million, ISFD has supported projects in Uzbekistan, Morocco, Nigeria, and Tajikistan. This funding includes US\$20 million for the Economic Empowerment Fund of Uzbekistan, US\$10 million for Morocco's project to strengthen vulnerable enterprises, US\$10.5 million for Nigeria's Out-of-School Children Program, and US\$10 million for Tajikistan's project to improve learning environments. Additionally, ISFD has provided US\$13 million in grants to finance 31 projects and two programs in health, NGO empowerment, food security, and scholarships, as well as two emergency response projects for the Sudanese conflict and Libyan floods.

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1.6.7: LEVERAGING AWQAF FOR DEVELOPMENT

IsDB contributed to activating the developmental role of Awqaf through the establishment of the Awqaf Properties Investment Fund (APIF) in 2001.

The Fund, which supports Awqaf properties, designed to generate a return that supports an organization's social mandate, helps its beneficiaries achieve long-term financial sustainability, enabling them to take part in a larger framework of social and economic development.

APIF financing, characterized by its reasonable cost and high impact, has supported 45 real estate projects in 21 countries with a total value of US\$798 million. It has supported a variety of non-profit beneficiaries, ranging from governments to research centers and charitable organizations. These have helped people from a variety of backgrounds and a wide scope of projects, which have helped to increase the standards of public service in each location.

Several impactful projects in Saudi Arabia for example, supported by the APIF, showcase its transformative influence. One example is the construction of a hotel in Al-Madinah Al Munawara, which was completed in June 2023. This hotel is expected to start operations in February 2024 and generate an annual leasing income of US\$2.13 million, supporting the Albayan Foundation's educational initiatives. In addition, APIF supported the purchase of a hotel in Abha for the benefit of the Albir Society in Doga. This hotel began operations in June 2023 as a Best Western Plus, and the anticipated annual income is over US\$1.0 million, helping the Albir Society to provide assistance to needy families. A commercial tower in Makkah AlMukaramah was also completed in January 2023, and started operations in September 2023, generating an annual income of around US\$1.33 million to support the Zamzam Society for Voluntary Health Services.

Another example of the transformative capacity of the APIF is demonstrated in Uganda, where the financing of a mixed-use development complex in Kampala will soon contribute to providing financial sustainability to the Uganda Muslim Education Association (UMEA). Established in 1936 as a Muslim education secretariat, UMEA plays a pivotal role in overseeing more than 2,150 schools across the nation, thereby significantly contributing to the educational landscape of Uganda. This venture is yet another instance of the far-reaching and positive influence of APIF initiatives.

1.6.8: CHANNELING SOUTH-SOUTH DEVELOPMENT SOLUTIONS

REVERSE LINKAGE

In 2023, the IsDB continued to facilitate the transfer of development solutions to member countries and between countries in the global South through mechanisms such as the Technical Cooperation Programme (TCP) and the Reverse Linkage mechanism.

The TCP supports short-term capacity development interventions to foster socio-economic development in member countries. A total of 38 TCP operations were approved in 2023, amounting to US\$0.9 million. Priority was given to least developed member countries, and to interventions in agriculture, education, health, Islamic finance, and technology deployment.

Reverse Linkage connects member countries among themselves and with other countries in the global South to tackle common development challenges. A US\$2.93 million grant was allocated for Reverse Linkage in 2023, which mainstreamed four interventions in IsDB's ordinary operations, benefiting Chad, Djibouti, Mauritania, and Mozambique in areas such as education and rural and urban development.

Reverse Linkage continued to drive synergy and complementarities in other ways within the IsDB Group in 2023. For example, the Bank and ITFC worked together to support Comoros in developing its tourism sector while capitalizing on the knowledge and expertise of Morocco. IsDB also continued to tap into the know-how and expertise of its existing partners. For instance, Tunisia Post – building on its successful implementation of a Reverse Linkage project in Mauritania – made its services available to support Djibouti in developing a platform for mobile-based financial services.

The IsDB also supported telehealth through various instruments for capacity development, such as through the Reverse Linkage project between Somalia and Egypt on "Improving Health Services Through Tele-medicine". This project will enable the East Africa University Hospital in Puntland State, Somalia to establish a new Intensive Care Unit with the support of the Ain Shams University Virtual Hospital, Egypt. Upon completion of the project, critically ill patients in a region of 700,000 people will be able to benefit from an Intensive Care Unit operated effectively by Somalian medical staff in the East Africa University Hospital.

The Bank leveraged South-South cooperation as a way of scaling up its support to member countries in renewable energy through a regional program called the "Renewable Energy Cooperation Program in Africa". This program will be implemented based on regional cooperation and partnership approaches. The Reverse Linkage mechanism will be used to mobilize technical and financial partners.

Furthermore, as part of the Alliance to Fight Avoidable Blindness, the Bank formulated an eyecare program to empower 10 million children in Africa to fight avoidable blindness. The program aims to enhance the education and quality of life of children with visual impairment in 13 beneficiary countries. It will provide more than 320,000 corrective glasses for children, and 20,500 teachers, inspectors, and pedagogical counsellors will be equipped with the skills and tools to carry out preliminary detection of refractive errors in students.

Reverse Linkage connects member countries among themselves and with other countries in the global South to tackle common development challenges.

BOX 3: DRAWING ON YEMEN'S EXPERTISE TO ENHANCE SOMALIA'S PRIVATE SECTOR CAPACITY IN MICROFINANCE

Kaah International Microfinance Services (KIMS) is Somalia's leading privately owned microfinance company serving the entire Somali market. KIMS provides shariah-compliant credit and savings services to low-income but economically active Somalis, particularly to micro, small and medium-sized enterprises owned by women and youth. It has provided US\$32 million in financing to more than 34,000 micro and small enterprise clients. KIMS operates in a challenging business environment, as Somalia has been marred by more than 30 years of conflict. While the demand for microfinance is fast growing and is expected to grow further, KIMS faced significant human and institutional capacity development challenges.

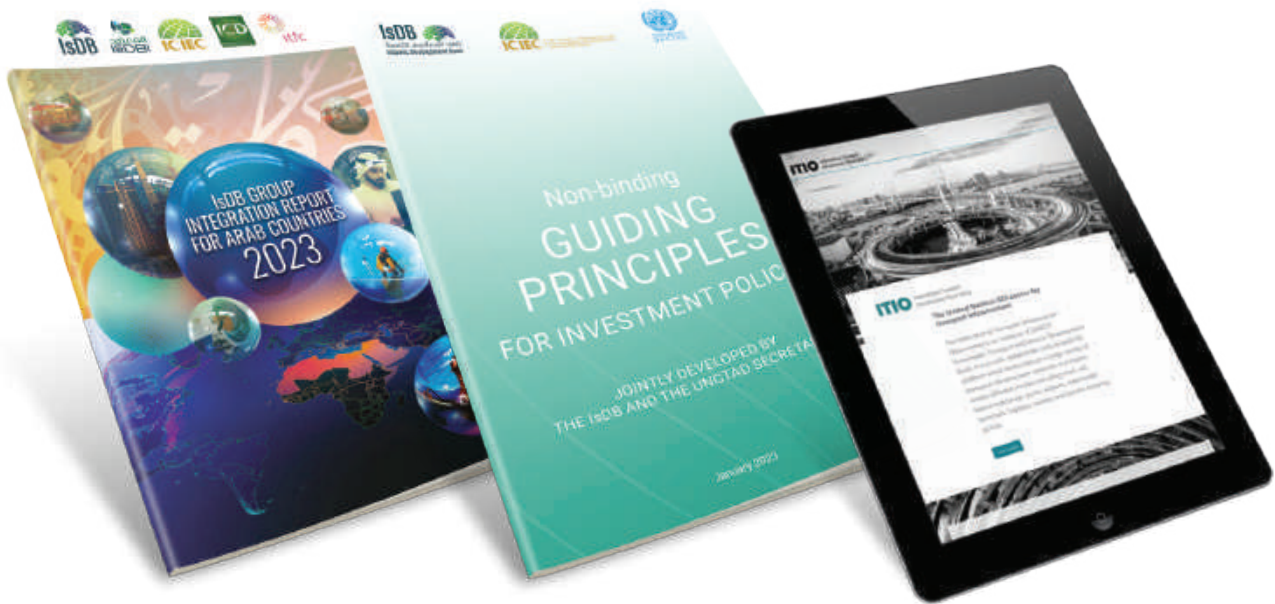
Accordingly, between 2020-2023, the IsDB facilitated a collaboration between KIMS in Somalia and Al Kuraimi Islamic Bank (KIMB) in Yemen. This collaboration, through the Reverse Linkage mechanism, is the first of its kind between two fragile IsDB member countries. It is also unique as two private sector companies

specializing in microfinance agreed to work together with a strong spirit of solidarity. This project is a testament to the significant wealth of knowledge and expertise available in all IsDB member countries, even those going through difficult internal challenges.

The objective of the project was to enhance the institutional and human capacity of KIMS in Somalia by expanding the range and scale of its financial products. At the end of the project, KIMS had established a new business plan, improved its guidelines and enhanced its Management Information System. In addition, more than 30 KIMS staff members developed their capacities in the areas of microfinance, market analysis, risk management, internal audit, information disclosure, client relations and financial reporting.

Based on the successful outcome of the project, in August 2023 the IsDB received a letter from the Minister of Finance, Somalia commending the Bank's efforts to enhance the capacity of KIMS and requesting the consideration of a second phase of the project to transform KIMS into a center of excellence for microfinance in the horn of Africa.





REGIONAL INTEGRATION

In a world of growing economic interconnectedness, regional cooperation and integration offer the IsDB's member countries an efficient pathway to enhance competitiveness and sustain long-term growth. IsDB is committed to addressing the emerging challenges of its member countries, and as part of those efforts it continues to promote regional integration as a tool for enhancing connectivity, boosting trade and investments, and improving livelihoods based on the principles of solidarity and mutual benefits.

During 2023, the Bank intensified its efforts to mainstream regional integration into its operations under the first and second pillars of its Realigned Strategy. The Bank's regional integration operations have also directly contributed to the cross-cutting area of capacity development. The Bank's regional integration operations were clustered under three pillars: (i) Promoting Regional Connectivity, (ii) Promoting Trade and Better Integration within the Global Market, and (iii) Investment Promotion.

To better structure its regional integration operations, the Bank launched two major regional initiatives: the Central Asia Connectivity Initiative, and the Sahel Initiative. The Bank also launched a new analytical report – the IsDB Group Integration Report for Arab Countries – to guide its operations and monitor progress toward more intra-regional trade and investment among Arab Countries. A total of 10 workshops and capacity development events covering various aspects of regional integration were organized by the Bank in collaboration with development partners in 2023.

IsDB is committed to addressing the emerging challenges of its member countries, and as part of those efforts it continues to promote regional integration as a tool for enhancing connectivity, boosting trade and investments, and improving livelihoods based on the principles of solidarity and mutual benefits.

The Bank allocated US\$0.96 million in 2023 to support regional integration and investment promotion in member countries, and implemented 21 operations within member countries in collaboration with regional and international partners. The Bank mobilized US\$2.15 million for its regional integration and investment promotion operations in 2023.



BOX 4: PARTNERING FOR TRANSPORT INFRASTRUCTURE EXPANSION IN MEMBER COUNTRIES

On 9 February 2023, the Islamic Development Bank (IsDB) and the United Nations Economic Commission for Europe (UNECE) launched the International Transport Infrastructure Observatory (ITIO), a web-based Geographic Information System (GIS) platform that hosts data on transport infrastructure networks, including road, rail, inland waterways, ports, airports, intermodal terminals, logistics centers, and border crossing points across Europe, Asia, the Middle East, the Western Mediterranean and North Africa.

ITIO is a joint product of the partnership between IsDB, UNECE, the United Nations Economic and Social Commission for Western Asia (ESCWA), the Economic Cooperation Organization (ECO) and the Centre for Transportation Studies for the Western Mediterranean (CETMO).

The observatory operates as a virtual marketplace for financing transport infrastructure by providing an electronic interface between four user groups: governments, multilateral development banks, regional cooperation organizations, and the wider public. It is an online portal where transportation partners can collaborate in a digital space, view transportation networks, explore maps showing climate change impacts, and plan resilient transportation infrastructure.

Government users can use ITIO to propose new projects, update existing transport networks, and apply for financing. Financial institutions can use ITIO to identify missing transportation links, generate investment opportunities, and evaluate project feasibility, using interactive GIS tools and reliable data.

There are plans to expand the geographical scope of the observatory, turning ITIO into a global tool for cross-border transport planning and investment.

Powered by global partnerships, ITIO supports the achievement of various Sustainable Development Goals, such as Goal 9 on industry, innovation, and infrastructure, Goal 13 on climate action, and Goal 17 on enhanced partnerships for the achievement of global goals.

There are plans to expand the geographical scope of the observatory, turning ITIO into a global tool for cross-border transport planning and investment.

