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
The global economy is facing multiple crises including high inflation, tight monetary conditions, and worsening geopolitical conditions due to the Eastern European conflict pushing food and fuel prices to high levels. Meanwhile, many parts of the world are grappling with the impacts of climate change: intense heat, droughts, floods, bush fires, and other environmental and ecological disasters, all on top of the ongoing impacts of the COVID-19 pandemic. As a result, global growth is forecast to drop to 3.4% in 2022, down from 6.3% in 2021, before decreasing further to 2.8% in 2023. This reflects the weakness of most economies including the world’s three largest – the US, China, and the eurozone – and means one third of the world could be in recession in 2023.

Growth in the economies of IsDB member countries is estimated at 5.5% for 2022, remaining solid at the Post-COVID-19 growth recovery rate of 5.5% in 2021. This is despite the challenging external economic conditions and the spillover effect of the Eastern European crisis. This projection indicates a strong position due to the gains made by the energy exporting member countries who are net gainers from higher energy prices. Growth is projected to decelerate to 3.6% in 2023 on the back of lower energy prices and tighter financial conditions in the major trading partners. However, growth varies considerably amongst member countries. Growth in the IsDB MENA member countries is estimated at 5.9% in 2022, up from 4.4% in 2021, making it the fastest growing IsDB region. It will however soften to 3.3% in 2023, with much of the growth coming from the fuel exporting countries in the region. The Asia, Latin America, and Europe (ALAE) region of the IsDB member countries has the second-highest estimated GDP growth rate of 5.6% in 2022, down from 6.3% in 2021, followed by the Sub-Saharan Africa (SSA) region with a growth estimate of 3.9% compared to 4.2% in 2021, reflecting the effect of growing economic crises and the spillover effect of the Eastern European conflict.

INVESTMENT
Investment is a critical engine of economic growth. It is estimated that globally, there is a gap of investment amounting to US$12 trillion for the period 2023-2040. The largest investment gaps among IsDB member countries constitute 8% of the global investment gap, and they are observed for Türkiye, Egypt, Nigeria, Bangladesh, Pakistan and Saudi Arabia (SESRIC-IsDB Investment Outlook Report, 2022). Though IsDB member countries allocate around 29% of their GDP to investment, their share in global investment is relatively low at 12.2% of global public investment and 12.3% of global private investment in 2019. The investment is highly concentrated in a few member countries, with five (Saudi Arabia, UAE, Indonesia, Türkiye, and Malaysia) accounting for 58.3% of public investment, and three (Indonesia, Türkiye, and Saudi Arabia) accounting for 55.8% of private investment. Also, the foreign direct investment inflows to IsDB member countries decreased from US$129.8 billion in 2013 to US$114.4 billion in 2019, and further down to US$100 billion in 2020, driven by pandemic disruptions and the prevailing investment ecosystems in IsDB member countries, among other factors (SESRIC-IsDB Investment Outlook Report, 2022).

TRADE
In 2022, with global trade already struggling to emerge from unprecedented supply chain disruptions caused by the pandemic, the Eastern European crisis broke out, dampening the prospects of trade recovery. This is particularly the case for energy and food commodities, given the key role of Russia and Ukraine in the global supply of food and energy resources. Many countries, including several IsDB member countries, are exposed directly or indirectly to the risks of food and energy crises. However, most IsDB member countries except those in SSA have recorded improved trade balances, attributed to their being exporters of energy or experiencing post-COVID-19 recovery. SSA member countries, dominated by net food and energy importers, have seen a deteriorating trade balance. The current account balance of IsDB member countries is estimated to increase from a surplus of 1.5% of GDP in 2021 to 3.4% of GDP in 2022 before decreasing to 1.3% in 2023. The widening of surplus in 2022 was boosted by improved external accounts of fuel exporter member countries estimated at 10.7% of GDP in 2022 and 5.4% of GDP in 2023. The MENA member countries are forecast to have a current account surplus of 9.7% of GDP in 2022 and 5.0% in 2023, up from 4.5% in 2021, with a considerable amount coming from the relatively large number of fuel-exporting countries in the region estimated at 13.8% in 2022 and 7.4% in 2023, up from 7.5% in 2021. The current account balance in ALAE member countries are forecast to deteriorate slightly from a surplus of 0.3% of GDP in 2021 to deficits of 0.2% of GDP in 2022 and 0.5% in 2023. However, in SSA member countries, the current account deficit is predicted to slightly widen, reaching 3.9% of GDP in 2022, and 3.3% in 2023.
DEBT
Ongoing interest rate hikes in major advanced economies to fight inflation—a legacy of COVID-19-induced fiscal and monetary expansion—could exacerbate the debt situation in many countries, especially low-income countries. Average gross government debt in member countries expanded from 41.1% of GDP in 2019 to 50.0% of GDP in 2020; it then declined to 48.0% and an estimated 42.8% in 2021 and 2022 respectively on the back of post-COVID-19 economic recovery and high energy export revenues for energy exporters. However, these figures vary widely among IsDB member countries, regions, and countries. The IsDB group of low-income countries faces the highest debt burden of 71.4% of GDP in 2022, after rising sharply from 74.1% of GDP in 2019 to 90.7% in 2020. As a result, several IsDB low-income member countries face severe risk to debt sustainability, with Mozambique, Sudan, and Somalia already in debt distress. Tunisia and Egypt have entered talks with the IMF for emergency loans. Of the IsDB regions, ALAE member countries have the lowest debt level of 41.3% of GDP in 2022 (down from 45.0% in 2021), followed by by MENA (43.9% of GDP, down from 52.9% of GDP in 2021), and SSA member countries (45.4% of GDP, up from 45.0% of GDP in 2021). Similarly, the debt service burden, though still high, has improved for all IsDB regions except SSA. Specifically, the ratio of foreign debt service to export of goods and services is estimated to decline from 14.2% in 2021 to 12.6% in 2022. In the same period, the ratio is estimated to improve in ALAE, MENA and to deteriorate in SSA member countries, from 19.0% to 16.5%; from 10.4% to 8.6%, and from 13.6% to 23.2% respectively.

INFLATION
Following expansive fiscal and monetary policies to resuscitate economies in the wake of the COVID-19 pandemic, inflation has skyrocketed globally and is being further elevated by the spikes in energy and food prices caused by the Eastern European conflict. Global inflation is estimated to nearly double from 4.7% in 2021 to 8.7% in 2022 before subsiding to 7.0% in 2023. It is much worse in the IsDB member countries, estimated at 17.7% in 2022 compared to 10.4% in 2021. It is projected to remain elevated at 16.5% in 2023. Among the IsDB member country regions, inflation is highest in the ALAE region with the rate increasing from 11.5% in 2021 to an estimated 23.9% in 2022 before decreasing slightly to 21.0% in 2023, followed by the SSA region with an inflation rate of 11.1% in 2021, estimated to reach 13.7% in 2022 before easing to 13.5% in 2023. Inflation in the MENA region is also estimated to remain high, but decreasing slightly from 8.1% in 2021 to 7.9% in 2022 before rising to 9.2% in 2023. Rising inflation has a severe consequence on food affordability, a key component of food security. The global food price index has kept rising in both nominal and real terms since 2019, triggered by the COVID-19 pandemic and now fueled by the Eastern European crisis. From 2019 to 2021, the nominal food price index of FAO increased 32.2%, and it is expected to hit a 56.3% increase by the end of 2022.

UNEMPLOYMENT
Employment and decent jobs are key desired outcomes of economic growth and development to preserve and promote human dignity. With growth stalling and recession looming in many countries, job losses could rise further. Millions of jobs were lost during the COVID-19 pandemic, pushing unemployment across member countries to 7.1% in 2020, up from 6.3% in 2019. The unemployment rate further deteriorated to 7.2% in 2021 due to uneven recovery across IsDB member countries. The Eastern European crisis and associated surges in food and energy prices mean the unemployment rate is estimated to remain elevated at 7.1% in 2022 and is worse among women and youth at 8.4% and 15.7% respectively. Of the IsDB regions, MENA had the highest unemployment rate in 2022, estimated at 11%, followed by SSA (6.3%), and ALAE (6.2%). The unemployment rate among women was 22.0%, 6.9%, and 6.1% in MENA, ALAE and SSA respectively, and among youth it was 27.1% (MENA), 15.4% (ALAE), and 11.1% (SSA). These elevated unemployment rates could have unique country-specific factors, but global crises ranging from the pandemic to the Eastern European conflict are significant contributors. Now more than ever, global partnerships are crucial to fend off international crises and build resilient and inclusive economies.

1.2 OPERATIONAL HIGHLIGHTS
Despite the disruptions in recent years and the emergence of new challenges during 2022, IsDB has remained resolute in providing financial assistance to member countries that have been most affected by humanitarian crises, and as they endeavor to sow the seeds for a greener, more sustainable future.

The total net approvals of the IsDB Group have continued to rise since 2020, as increased resources are made available to member countries to help them address a growing number of challenges. The Group’s cumulative net approvals increased to US$170.5 billion in 2022 from US$160.3 billion in 2021.

As the Bank concludes its short-term COVID-19 response program, it has refocused and escalated its operations to address the growing food crises among its member countries, combat enduring poverty and develop resilience in the wake of the Eastern European conflict and other conflicts in Asia, Africa and the Middle East.

In 2022, the Group’s annual net approvals increased by 18.6% to US$10.5 billion (ID$7.9 billion), up from US$8.9 billion (ID$6.3 billion) in 2021. (Figure 1.1).
The shares of IsDB and ICD in the total Group net approval increased from 22.4% and 2.7% in 2021 to 28.9% and 5.4% respectively in 2022, while ITFC’s share stands at 64.8% in 2022 (Figure 1.2).

All organizations within the group witnessed a marked increase in their approvals (Figure 1.3). In response to an increase in demand from member countries, the Group’s organizations continued scaling up their approvals. In 2022, as supply chains gradually returned to normal, ITFC boosted trade financing by US$6.8 billion (ID5.1 billion), to support agricultural trade and food security. IsDB net approvals soared to US$3 billion (ID2.3 billion), an increase of over 53%, to support recovery, poverty reduction, resilience building, and defending against food crises. Similarly, ICD more than doubled its net approval to US$0.57 billion (ID0.4 billion) from US$0.24 billion (ID0.2 billion) the previous year. (Figure 1.3)

We have maintained positive net resource transfer to member countries as more finance is contributed to development than is currently being repaid. The disbursements increased to US$9.9 billion in 2022 from US$8.0 billion in 2021, representing 94.3% of the net group approval. 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 exceeded pre-pandemic levels, reaching US$8.4 billion in 2022 from US$6.5 billion in 2021 and US$6.7 billion in 2020. (Figure 1.4)
As member countries started to emerge from the pandemic, only to confront a food crisis, the 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.

As a result, the share of agriculture financing in the IsDB annual net approval grew markedly to 26.5% in 2022 (Figure 1.5) from 14.7% in 2021. Similarly, health financing increased to 15.2% in 2022, up from 8.7% in 2021. Meanwhile, transport infrastructure development, to provide connectivity and integration within and between member countries, has remained the dominant share, accounting for 39.4% of total IsDB approvals in 2022, up from 34.4% the previous year.
ICD’s net approvals increased by 132.3% to reach US$565.8 million in 2022 from US$243.6 million in 2021 (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 66.8% of ICD’s financing, followed by energy (24.4%) and industry and mining (8.8%).

As supply chains started to return to some sort of normality, trade financing received increased support from ITFC, with approvals reaching US$6.8 billion in 2022, up from US$6.4 billion in 2021 (Figure 1.7). This financing covers 121 operations, with 102% achievement of the annual target. Approvals cover the critical sectors of energy and agriculture, as well as the private sector. The disbursement increased 42.4% to reach US$7.4 billion in 2022, representing 108.8% of net approvals, and 139% of the annual target.

In 2022, ICIEC provided a total of US$11.6 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. ICIEC provides insurance services that positively impact poverty reduction, food security, and climate initiatives. ICIEC approvals are now exceeding pre-pandemic levels by US$700 million (Figure 1.8).

The regional distribution of the IsDB Group approvals has remained largely consistent, tilting slightly towards Sub-Saharan Africa and Asia, Latin America, & Europe regions in 2022 due to the looming food crisis. The share contributed to Sub-Saharan Africa grew to 31.5% in 2022 from 26.7% in 2021 (Figure 1.9). Similarly, the share allocated to the Asia, Latin America, & Europe region rose from 30.7% in 2021 to 36.9% in 2022.

1.3 | KEY INITIATIVES

1.3.1 | STRATEGY 2025

As directed by the Board of Governors (BOG) in September 2021, IsDB underwent a considerable overhaul of its strategic framework. In February 2022, the Bank’s Board of Executive Directors (BED) adopted a Realigned Strategy document and this was officially endorsed by the BOG at the 47th Annual Meeting on 2 June 2022. The Realigned Strategy – ‘IsDB Realignment 2023-2025: Promoting Comprehensive Human Development and Sustainable Infrastructure’ – clarifies the focus areas indicated by the BOG. These are: (i) Boosting recovery; (ii) Tackling poverty and building resilience; and (iii) Driving green economic growth. Accordingly, IsDB’s interventions over the next three years will be driven by two key pillars.

The first pillar is geared toward supporting green, resilient and sustainable infrastructure, by tackling six critical sectors: (i) clean and renewable energy facilities; (ii) sustainable multi-modal transport; (iii) agriculture and rural development; (iv) information and communication technology and digitization; (v) social infrastructure; and (vi) urban development, water and sanitation.

The second pillar promotes inclusive human capital development by focusing on five thematic areas: (i) universal healthcare; (ii) resilient and quality education; (iii) nutrition and food security; (iv) social protection; and (v) MSMEs and job creation.
To support these initiatives, four intersecting facilitators were identified: Islamic finance; climate change; women and youth; and capacity development. Additionally, the strategy's implementation will be driven by four guiding principles: (i) responsiveness to member countries; (ii) drive for results; (iii) strong regional presences; and (iv) enhanced group synergy under the ‘One Group, One Goal’ banner. This approach enables IsDBG entities to collaborate and offer holistic services to member countries. The figure above depicts the framework of the Realigned Strategy (2023-2025).

**BOX 1 | ROLL-OUT OF IsDB REALIGNED STRATEGY (2023-2025)**

In 2023, the IsDB will be rolling out the IsDB Realigned Strategy (2023-2025). To support the roll-out, the strategy division of the Strategy, Budget, and Corporate Performance (SBCP) department has identified three main workstreams to be tackled.

The first workstream is aimed at internalizing the Realigned Strategy into the Bank's programming and project cycles. This will be achieved by (i) updating the revamped MCPS process to ensure its strategic alignment; (ii) further enhancing the Bank’s operations delivery model; and (iii) operationalizing the newly adopted Results-Based Management Framework.

The second workstream to support the strategy roll-out is focused on ‘deep rooting’ the strategy in IsDB’s cultural model. This will require efficient communication and advocacy of the Realigned Strategy to IsDB staff in the HQ and Regional Hubs, as well as reassessing and fully embracing the Bank’s current Cultural Model.

The third workstream is focused on leveraging the IsDB Group’s value proposition by developing new financing instruments to enhance resource mobilization while promoting group synergy.

As part of its efforts to address those workstreams, the strategy team will launch innovative initiatives that will be guided by core coalitions with the relevant business units to steer the work in an efficient and timely manner.
As part of the seamless implementation of the Realigned Strategy, in early 2022, IsDB launched Phase II of the exercise to ensure widespread readiness for changes related to the bank’s organizational structure, human resources, culture, systems and processes. The Bank’s different business units worked collectively to achieve some key initiatives.

For example, the Bank conducted a major institutional realignment by adopting a fine-tuned organizational structure on 1 September 2022. This was complemented by the filling of the managerial and director-level appointments on 24 November 2022. In conjunction, an entire revision of the Bank’s organizational manual, charters of the managerial committees, and business processes were finalized on 31 August 2022, followed by the necessary revision of the Delegation of Authority (DoA) matrixes.

IsDB conducted a major operational realignment to ensure the adoption of the strategy. Remarkable progress was achieved in enhancing the Bank’s operations business delivery model, by empowering staff, particularly Regional Hubs and project technical teams, through the delegation of operational authority.

The Bank has also laid solid foundations for operational efficiency by adopting an Internal Work Program (IWP) for 2023-2025 and developing a Results-Based Management Framework (RBMF), both of which were approved on 10 December 2022.

Going forward, IsDB will leverage expanding partnerships and mobilize additional financing to scale up its own financing to ensure the successful implementation of the Realigned Strategy.
In this regard, following the launch of a Regional Rice Value Chain program in Western and Central Africa, the IsDB is currently developing an ambitious Regional Cassava Value Chain program across seven selected countries (Benin, Burkina Faso, Cameroon, Cote d’Ivoire, Mozambique, Niger and Uganda). This program is looking not only at addressing the climate resilience of this important staple crop’s value chain but also promoting cassava as an adaptation and resilience solution for food security in Africa in the face of recurring droughts and other extreme weather events.

This innovative regional program will have a strategic focus on:

- Low productivity of smallholder farmers;
- Poor links with markets, to strengthen weak or broken value chains;
- Climate change and variability associated with increased incidence of droughts and floods;
- Policies that would incentivize the private sector’s effective engagement, including farmers making significant investments in their farms.

In BOX 2 | IsDB & ACG partners allocate US$34 billion to tackle food and climate crises:

At the behest of the Kingdom of Saudi Arabia, IsDB and the Arab Coordination Group (ACG) announced in June 2022 in Vienna an ACG Food Security Response package worth a minimum of US$10 billion. The package aims to deliver immediate assistance as well as medium- and long-term assistance to recipient countries to provide a comprehensive response to the food crisis and help build resilience over the longer term. IsDB is set to contribute US$10.5 billion to the ACG package, which covers both sovereign and non-sovereign operations and consists of new and repurposed operations.

Furthermore, IsDB and ACG partners earmarked US$24 billion for climate finance through 2030, as announced at the UNFCCC COP27 in November 2022 in Sharm El-Sheikh, Egypt. This landmark ACG commitment will support the acceleration of the energy transition, the increased resilience of food, transport, water and urban systems, and the promotion of energy security in partner countries. The financial commitment comes as part of a joint ACG Call for Climate Action for Equitable Development. IsDB is set to contribute US$13 billion to the ACG climate finance commitment, which will strengthen global partnerships, including South-South and Triangular Cooperation, to provide adaptation and mitigation solutions. In addition to their own resources, IsDB and ACG partners aim to leverage additional financing to de-risk and catalyse private investment through blended finance and guarantees.
1.4 IsDB GROUP ACCOMPLISHMENTS

1.4.1 KEY DEVELOPMENT OPERATIONS

IsDB-OCR approval in 2022 increased markedly to US$3.04 billion from US$2 billion in 2021. This covers 61 operations in 26 member countries, with the transportation and agriculture sectors accounting for the largest shares (Figure 1.5), reflecting the increased response of the IsDB-OCR to alleviate the ongoing food crisis in member countries. The new approvals are expected to bring promising developmental results to member countries and Muslim communities around the world. Highlights of anticipated results, once the 2022 approved operations are completed, include:

- **OVER 11 MILLION FARMERS WILL BENEFIT FROM AGRICULTURAL PROJECTS, WITH OVER 700,000 TONS OF FOOD STORAGE FACILITIES BEING BUILT AND A TOTAL AREA OF 18,000 HECTARES EXPECTED TO BE IRRIGATED.**

- **IN THE HEALTH SECTOR, EACH YEAR OVER EIGHT MILLION PATIENTS WILL BENEFIT FROM NEARLY 800 NEW HEALTH FACILITIES AND HOSPITALS.**
  - The vaccination programs against preventable diseases (such as polio, and COVID-19), financed in 2022, will reach over 200 million people.

- **WATER AND SANITATION PROJECTS ARE EXPECTED TO BRING SAFE DRINKING WATER TO 163,222 HOUSEHOLDS.**
  - Another 60,000 HOUSEHOLDS WILL BENEFIT FROM IMPROVED SANITATION AND SEWAGE SYSTEMS.
  - Projects approved in the education sector are expected to benefit nearly 200,000 students at 466 educational institutions that will be built or upgraded.

- **ENERGY GENERATION PROJECTS WILL BENEFIT OVER FIVE MILLION HOUSEHOLDS BY CONNECTING THEM TO THE ELECTRICITY GRID.**

- **THE TRANSPORT PROJECT WILL BENEFIT OVER TWO MILLION PEOPLE WITH NEARLY 940 KM OF NEWLY-CONSTRUCTED PAVED ROADS.**

- **THE BANK’S INTERVENTIONS WILL BENEFIT POPULATIONS AFFECTED BY DISASTERS AND CONFLICTS, INCLUDING THE PROVISION OF IMPROVED SHELTERS AND HOUSES TO OVER 63,000 PEOPLE.**

- **THE BANK’S NEW OPERATIONS WILL BENEFIT OVER 21,000 SMEs AND PROVIDE MICROFINANCE SERVICES TO ANOTHER 20,000 PEOPLE.**
  - Moreover, these operations will create nearly 130,000 new jobs.

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PARTNERSHIPS TO FEND OFF CRISSES

1.4.2 | REINFORCING PRIVATE SECTOR DEVELOPMENT

Through extending lines of financing to partner financial institutions and investments in various projects that address key global challenges such as energy access and food security, ICD’s project approvals for the year totaled over US$565.83 million, more than double last year’s figure (US$243.60 million). In terms of product breakdown, 2022 project approvals consisted of line of finance (LOF) (61.49% share) and term finance (38.51% share), underpinned by a re-aligned approach to focus ICD’s business model on credit financing. This brings cumulative project approvals since inception to US$7.4 billion.

1.4.3 | SUPPORTING TRADE FINANCE

ITFC achieved record trade finance approvals with figures in 2022 totaling US$6.8 billion spread across 105 operations. Approvals covered the critical sectors of energy and agriculture, as well as the private sector. During the same period, ITFC achieved record disbursements amounting to US$7.38 billion.

In terms of diversification, approvals outside of the oil and gas markets amounted to US$2.8 billion, representing 42% of the total trade finance portfolio. Approvals of intra-OIC trade reached US$4.85 billion (71.3% of approvals), while financing extended to LDCs amounted to US$2.53 billion (37% of approvals).

Total private sector approvals amounted to US$757 million. The financing was extended to 23 partner banks and financial institutions and two corporate clients. Elsewhere, ITFC continued the success achieved in 2021 in expanding the LC Confirmation business, aimed at facilitating trade between OIC member countries and beyond.

In 2022, 18 trade development programs were developed by ITFC and are currently being implemented. These include integrated solutions, targeted interventions and flagship programs (including AATB and the launch of Aftias 2.0).

In 2022, ITFC continued with its COVID-19 response initiative:

- Under R1 (Response), a total of US$604.7 million was approved, of which US$528 million has been disbursed.
- Under R2 (Recovery), US$945 million was approved, of which US$585.3 million has been disbursed.
- ITFC acted as an agent, managing the trade-related aspect of the IsDB COVID-19 Response Program.
- ITFC has reviewed purchase contracts amounting to US$335 million, of which US$324.5 million has been disbursed in 14 member countries.

1.4.4 | PROVIDING INSURANCE FOR CREDIT AND COUNTRY RISKS

At the end of 2022, ICIEC supported a total of US$11.64 billion in business insured, the majority of which was in short-term trade in almost all member states of ICIEC as well as a number of non-member countries. ICIEC provides insurance services that positively impact poverty reduction, food security and climate initiatives.

The ICIEC-ISFD COVID-19 Emergency Response Initiative (ICERI), launched in July 2020 and concluded a year later, completed 13 transactions and approvals totaling US$271 million. These supported trade-related transactions for the benefit of our least developed member countries (LDMCs) including Bangladesh, Egypt, Cameroon, Mauritania, Senegal, Tunisia and Benin. With the support of ICERI, during the pandemic, these countries were able to import critical goods at discounted rates and strengthen their healthcare and food sectors.

In terms of food security, ICIEC joined its IsDB Group sister organizations to establish the Food Security Response Program (FSRP). ICIEC pledged US$500 million until the end of 2025, adding to the total Group package of US$10.5 billion. Utilization of the FSRP reached US$159 million, supporting agriculture modernization projects, the import of agriculture-related equipment and the export and import of fertilizers, sugar and wheat to and from several member states. The beneficiary member countries of this program include Uganda, Uzbekistan, Bangladesh and Senegal.

1.4.5 | THOUGHT LEADERSHIP IN ISLAMIC ECONOMICS AND FINANCE

In 2022, the Islamic Development Bank Institute (IsDBI) produced books, evidence-based reports and knowledge solutions, and organized data to inform and support the Bank's decision-making. The Institute published three books, two issues of Islamic Economic Studies Journals, seven country diagnostic studies, eight topical issues and reports on the food crisis and the impact of the Eastern European crisis on our member countries. The Institute serves the role of the data custodian for the IsDB Group, collecting, systemizing and offering easy access to key data and information. This is disseminated in the form of statistical publications, providing timely and accurate information on IsDB member countries and non-member countries.

The Institute also translates its thought and knowledge into practice by providing training, financial grants and FinTech solutions to develop the capacity of Islamic financial institutions. Besides Massive Open Online Courses (MOOCs), several pieces of training covering Sukuk, Aqaf, product development, and Shari’ah standards were conducted in 2022. IsDB supported several institutions in member countries through grants...
of over US$1.6 million, including a US$280,000 grant to establish an information system for the supervision and regulation of participating banks in Morocco, and a grant of US$270,000 to enable feasibility studies for the Islamic microfinance market in five member countries.

Innovative solutions have been developed, including the Sukuk Enhancement Fund, a product that aims to provide a protection mechanism for Sukuk without additional costs to issuers. IsDBI signed a Memorandum of Understanding with Beyond Limits, a firm specializing in Artificial Intelligence, to explore the transformation of IsDBI’s fintech patents into ready-made solutions.

The Institute also incentivizes knowledge creation globally with an annual prize for Impactful Achievement in Islamic Economics. In 2022, the prizes were awarded to Prof. Habib Ahmed (first prize), Prof. Mansur Masih (second prize) and Prof. Tariqullah Khan (third prize). In addition, the Institute, in partnership with the Saudi-Spanish Center for Islamic Economics and Finance, organized the Islamic Finance Changemakers competition to support social entrepreneurs, innovators and business leaders seeking to create a better society. The latest edition of the competition attracted 90 projects from 25 countries.

1.4.6 PARTNERING FOR POVERTY REDUCTION

After the interruption of the COVID-19 pandemic, the fight against poverty has become increasingly challenging, pushing millions into hardship. Progress has also been dented by rising inflation, a food crisis, and the impacts of climate change.

The Global Multidimensional Poverty Index 2022 Report, issued by the UNDP and the Oxford Poverty and Human Development Initiative (OPHI), indicates that across 111 countries, 1.2 billion people (19.1%) live in acute multifaceted poverty, 498.1 million (40.8%) of whom live in IsDB member countries. Of this number, 406.6 million (83.1%) live in rural areas, 82.5 million live in urban areas and 55% are children. More than half of the world’s poor (289.5 million) live in 17 of the IsDB member countries where food vulnerability is high. They include 281.2 million people who are poor and experiencing malnutrition. Member countries with higher proportions of people who are experiencing deprivation are also among the least food-secure countries in the world. Even in relatively food-secure countries, a sizable number of people are facing malnutrition. This overlap has helped the Bank and its entities to holistically target poverty reduction, an approach adopted by the Islamic Solidarity Fund for Development (ISFD).

ISFD plays an important role in reducing poverty in IsDB member countries, in particular those that are least developed, through the creation of innovative programs that are designed in collaboration with IsDB, donors and main stakeholders. It is focused on comprehensive human development (mainly education and health) and economic empowerment (for the benefit of women, youth and MSMEs). Since its inception, ISFD has provided around US$1.2 billion in the form of concessional loans and grants to finance projects and programs in sectors such as education, health, agriculture and microfinance.

SINCE ITS INCEPTION, ISFD HAS PROVIDED AROUND US$1.2 BILLION IN THE FORM OF CONCESSIONAL LOANS AND GRANTS TO FINANCE PROJECTS AND PROGRAMS IN SECTORS SUCH AS EDUCATION, HEALTH, AGRICULTURE AND MICROFINANCE.
Since its inception in 2005, ISFD has launched more than 20 flagship schemes such as programs for bilingual education, vocational literacy, Ebola prevention and control, microfinance support and dry land. The most recent programs are aligned with its new strategy for 2030 which focuses on education (e.g. the ‘Enrolling and retaining out-of-school children’ program), on job creation and economic empowerment (e.g. the ‘Strengthening the economic resilience of vulnerable enterprises’ program), on health (e.g. the ‘Alliance to Fight Avoidable Blindness’ program), or on community development (e.g. the ‘TADAMON for NGOs empowerment for poverty reduction’ program).

In 2022, US$88.3 million was approved for projects and programs. US$34.3 million went to member countries in the form of concessional loans, while US$4.0 million was provided in the form of grants. This is in addition to the US$50 million capital allocation to establish the Global Islamic Fund for Refugees in partnership with UNHCR. The financing incorporates health, education, agriculture and community development projects. Community development (49%), microfinance (19%) and education (13%) are the top sectors benefiting from ISFD approvals. The rest of the financing was distributed among other sectors including agriculture and health. Over 90% of funding went to countries with disproportionate levels of poverty in accordance with the ISFD Policy on Poverty Reduction, which provides that 80% of ISFD cumulative financing should go to LDMCs and 20% to poverty pockets in non-LDMCs.

**BOX 3 | SAFEGUARDING ACADEMIC AND ECONOMIC POTENTIAL – NOOR’S STORY**

When the COVID-19 pandemic struck, the IsDB launched the Strategic Preparedness and Response Program (SPRP) aimed at supporting member countries in preventing, containing, mitigating, and recovering from the impact of the pandemic.

Under the framework of the SPRP, the Islamic Solidarity Fund for Development (ISFD) in collaboration with the Resilience and Climate Action Department of IsDB developed a new TADAMON CSOs Pandemic Response Accelerator Program. ISFD supports member countries’ efforts to alleviate poverty by focusing on human capital development, economic empowerment, and creating jobs for youth, women, and marginalized groups, including refugees.

The scope of the program included supporting higher education during the pandemic and highlighted the important role of civil society organizations (CSOs) in complementing member country governments to address the impact of the pandemic. Through the SPRP, ISFD not only provided financial support but also restored hope for talented students who could not afford the necessary means to continue their education.

Noor Jomaa was one of them. A talented Syrian student, Noor was recognized for her diligence and academic achievement. In 2012 Noor was admitted to Damascus University. However, when the Syrian conflict broke out Noor and her family were among 600,000 people forced to seek refuge in Jordan.

After a long period of fear and uncertainty, a Jordanian CSO provided Noor with information about the ISFD TADAMON program. Within a few weeks, Noor had received a scholarship from ISFD TADAMON to study Accounting, which was one of the majors she had dreamt of. She got off to a flying start, achieving the highest grade in the whole of Jordan in the comprehensive exam, and securing a place at Luminus Technical University College. She now hopes to complete her BA and Master’s degrees to become a qualified accounting instructor.

**A JORDANIAN CSO PROVIDED NOOR WITH INFORMATION ABOUT THE ISFD TADAMON PROGRAM. WITHIN A FEW WEEKS, NOOR HAD RECEIVED A SCHOLARSHIP FROM ISFD TADAMON TO STUDY ACCOUNTING, WHICH WAS ONE OF THE MAJORS SHE HAD DREAMT OF.**
1.4.7 | LEVERAGING AWQAF FOR DEVELOPMENT

Economic development is the process by which the economic wellbeing and quality of life of a nation, region or community are improved according to targeted goals and objectives. It is affected by many factors including income per capita, public education and social facilities. Awqaf (assets that are donated, bequeathed or purchased to be held in perpetual trust for specific causes that are socially beneficial) has a fundamental role to play in improving a country’s economic development by equipping it with the facilities and skills it needs.

The IsDB therefore established the Awqaf Properties Investment Fund (APIF) in 2001. The fund generates a return that supports an organization’s social mandate, helps its beneficiaries achieve long-term financial sustainability and enables them to take part in a larger framework of social and economic development. APIF’s double mandate of achieving both a sustainable financial return and social impact is fully in line with the Bank’s 10-Year Strategy and the Global 2030 Sustainable Development Goals (SDGs) agenda.

Characterized by its reasonable cost and high impact, APIF has financed 56 real estate projects in 28 countries with a total value of US$1 billion and has supported various 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.

An example of the developmental potential of Awqaf can be seen in APIF’s empowerment of Somalia’s marginalized groups. For instance, it financed the purchase of Towfiq Trust’s SOMAK house in Nairobi, Kenya, and supported the Towfiq Welfare Society (TWS) in Somalia. TWS has contributed to nearly 400,000 people’s education, healthcare, nutrition and sanitation.

For more information, please visit the APIF website at https://www.isdb.org/apif/
1.4.8 | SHARING BEST PRACTICES IN DEVELOPMENT

During 2022, IsDB continued to play the role of catalyst in facilitating the transfer of development solutions among its member countries through many channels including the Technical Cooperation Program (TCP) and Reverse Linkage mechanism.

Through its TCP, IsDB supports short-term capacity development interventions to foster the socio-economic development of member countries.

In 2022, a total of 20 TCP operations amounting to US$ 648,700 were approved. Priority was given to the least developed member countries as well as to activities related to Food Security and Health. These operations included the following:

**THREE ON-THE-JOB TRAINING SESSIONS AMOUNTING TO**

US$ 134,500

**SIX STUDY VISITS AMOUNTING TO**

US$ 194,000

**EIGHT KNOWLEDGE-SHARING EVENTS AMOUNTING TO**

US$ 261,000

**RECRUITMENTS OF THREE EXPERTS AMOUNTING**

US$ 59,200.

Under Reverse Linkage, IsDB connects its member countries to tackle common development challenges. In 2022, a US$1.99 million grant was approved for Reverse Linkage. Three standalone Reverse Linkage projects amounting to US$0.58 million were approved for the benefit of Nigeria, Palestine and Uganda in the areas of agriculture, halal ecosystems and public administration. Five Reverse Linkage interventions amounting to US$1.28 million were mainstreamed in IsDB’s ordinary operations. These mainstreamed components under Reverse Linkage benefited the Kyrgyz Republic, Mauritania, Morocco, Senegal and Tajikistan in areas such as agriculture, aquaculture, and health. In addition, around US$0.13 million was allocated for the matchmaking between eight member countries.

The year 2022 has witnessed a further expansion of the IsDB network of partners under Reverse Linkage. For the first time, IsDB partnered with Chile to share best practices with the Palestine International Cooperation Agency. In its efforts to support vaccine producers in member countries, IsDB supported the Institut Pasteur Dakar in enhancing its capacities as well as achieving self-reliance in vaccine production. This will help the Institute support 13 African member countries and help them fight pandemics and communicable diseases. In addition, IsDB continued to tap into the know-how and expertise of its existing partners. For instance, Serunai – a renowned center of excellence from Malaysia – has availed its services to support Uganda in developing the capacity of its Halal Bureau in the area of certification.

**BOX 5 | IMPROVING FINANCIAL INCLUSION THROUGH REVERSE LINKAGE IN MAURITANIA AND TUNISIA**

Access to information and communication technology (ICT) infrastructure has been improving in Mauritania in recent years. Mobile network coverage has reached 94% of the country, and the total number of subscribers for these networks exceeds the country’s population.

The country’s ICT infrastructure is not yet fully leveraged to deploy user-applications that save Mauritanian’s time and effort and ease business transactions, especially between the scattered cities and villages. As a result, most of the population has no access to financial services such as payment and cash transfer applications. This exacerbates financial exclusion.

The Mauritanian Post Corporation (MauriPost) enjoys the trust of Mauritanian society and has experience in providing traditional financial services through its offices. Meanwhile, the Tunisian Post service has experience in successfully providing digital financial services through mobile networks.

The IsDB therefore initiated the formulation and implementation of a Reverse Linkage project between Mauritania (as the recipient) and Tunisia (as the provider) for ‘Developing a Platform for Mobile-Based Financial Services’.

The project aims to increase access and improve the security and speed of financial services in Mauritania, which will contribute to the Government’s efforts to enhance financial inclusion. This will be achieved through setting up a mobile-based financial services platform based on cloud architecture.

The new platform will automate a number of financial services for Mauritanian citizens such as cash transfer, paying the invoices of public utilities such as water and electricity, settlement of traders’ bills, and paying for mobile phone subscriptions. The platform will be operated by MauriPost following its development by Tunisian Post – the project’s source of expertise and technology.
1.4.9 | harnessing the power of science, technology, and innovation for development

support for vaccine manufacturing

In June 2022, IsDB approved a project for the establishment of a manufacturing unit for COVID-19 vaccines and other routine vaccines for preventable diseases in the Republic of Senegal, under the Strategic Preparation Response Plan for COVID-19 – Restart (SPRP - R3). The project seeks to strengthen the capacities of Senegal and the African continent in terms of preparedness and responses to new pandemics including COVID-19, disease control and immunization coverage. It will help the manufacture and supply of high-quality, affordable vaccines for illnesses such as measles, rubella and influenza. The project is spearheaded by the Economic and Social Infrastructure Department (ESID)/health team and the Dakar Regional Hub, with a total contribution from IsDB OCR of almost US$30 million, a Reverse Linkage grant of US$321,000, a science, technology and information innovation grant of US$107,000, together with a grant of almost US$300,000 from ITFC.

support to rural healthcare facilities with reliable electricity through the awqaf program

On 20 December 2021, through the Awqaf program, IsDB also supported the provision of reliable electricity to rural healthcare facilities through the Multilateral Energy Compact for Health Facility Electrification, a platform managed by Sustainable Energy for All (SEforALL), a UN initiative. This is also supported by the USAID Power Africa Program, in which development partners express their ambitions and coordinate potential partnerships towards energizing health facilities in SSA.

The project has been developed by the ESID and APIF while leveraging UNDP’s ‘Solar for Health’ program. IsDB will offer a waqf-based solution for the supply. IsDB and UNDP have agreed to conduct comprehensive feasibility studies in Cameroon and Senegal to assess health sector needs and resource requirements. They will then recommend the most beneficial financing mechanisms along with the most optimum delivery systems. IsDB committed a grant of US$175,000 and ICD committed US$25,000 (US$200,000 in total) to co-finance the feasibility studies. These will assess how waqf-based solutions can be designed to address the challenge of energy access faced by rural health care facilities in Africa.

This initiative targets both the health sector through supporting the infrastructure of remote health facilities and the energy sector through connecting rural health facilities with renewable energy resources.
STRENGTHENING OF THE STI ECOSYSTEMS IN UZBEKISTAN AND MOZAMBIQUE

In a bid to strengthen and build resilient science, technology and innovation (STI) ecosystems capable of contributing to the SDGs, IsDB in partnership with UNESCO supported the Republics of Uzbekistan and Mozambique to develop, implement and monitor gender-responsive STI policies. This partnership leveraged the application of UNESCO’s Global Observatory of Science, Technology, and Innovation Policy Instruments (GO-SPIN) to collect and analyze information on the STI ecosystems of member countries, identify areas of strategic investment, and facilitate the development of evidence-based STI policies. The national STI Policies of Uzbekistan and Mozambique were finalized and presented to stakeholders at hybrid launch ceremonies held in Mozambique and Uzbekistan, on 11 April 2022 and 19 April 2022, respectively.

BOX 6 | PAKISTAN SUPPORTS THE TRAINING OF COMPUTER ENGINEERS IN THE GAMBIA

The School of Information and Communication Technology (ICT) at the University of The Gambia (UTG) was established in 2005, but its students have so far been admitted only at the undergraduate level as no Masters-level program was available.

To change this, the IsDB – through its Technical Cooperation Program – has supported a project between The Gambia and Pakistan on ‘Establishing a Computer Science Master Program in the University of The Gambia’, which was implemented successfully between March and October 2022.

The IsDB identified the Al-Khwarizmi Institute of Computer Science at the University of Engineering and Technology in Lahore, Pakistan as a potential provider of technical expertise to The Gambia for project. The Al-Khwarizmi Institute was in fact one of the Resource Centers identified through the IsDB Resource Centers mapping exercise of Pakistan in 2021.
This project is strategically important for The Gambia as it will help build a critical mass of competent computer engineers who can contribute to digital transformation at organizational and national levels. The project scope entails developing the curriculum of 10 courses which will constitute the Master’s Program of the University of The Gambia and conducting training in Pakistan for university faculty members and staff of the ICT Department. The curriculum covers advanced topics such as artificial intelligence, machine learning, computer vision and cybersecurity. The University of The Gambia was also assisted in improving the design of its ICT infrastructure.

Following this collaborative project between The Gambia and Pakistan, the University of The Gambia will roll out its first Computer Science Master’s program, which will equip its students with advanced ICT knowledge.

This cooperation between The Gambia and Pakistan is part of IsDB’s efforts to tap into the technical expertise of its member countries to address major developmental challenges in other member countries, giving priority to the Least Developed Member Countries (LDMCs).