ANNUAL DEVELOPMENT EFFECTIVENESS REPORT 2023

Islamic Corporation for the Development of the Private Sector

Member of the Islamic Development Bank Group

Closing the Sustainable Development Goals (SDGs) Gap

APRIL 2024

ENABLING ENTERPRISE, BUILDING PROSPERITY

Acknowledgements

Lead author: Talal Karim Alobayd, Unit Head, Monitoring and Evaluation (M&E), Development Effectiveness Office (DEO)

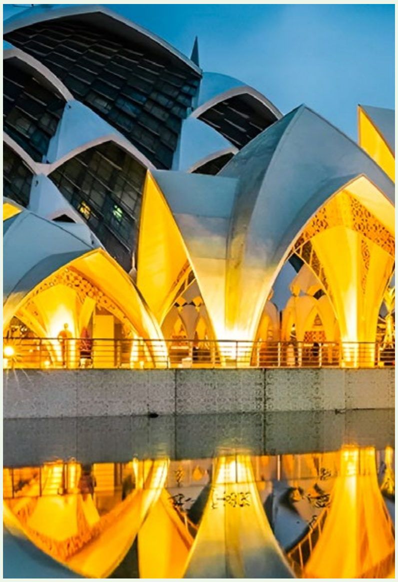
Co-author: Ismael Nicolas Barry, Principal, Development Effectiveness Office (DEO)

ICD Development Effectiveness Office acknowledge and appreciate the assistance of the 2023 ADER Task Force in reviewing and editing this work.

Design by IMPAKT
Pictures provided by ICD internal teams

Inquiries about this report can be sent to:
Development Effectiveness Office (DEO)
Islamic Corporation for the Development of the Private Sector (ICD)
P.O.Box 54069
Jeddah, 21514
Kingdom of Saudi Arabia
T: +966-12-636-1400
E: DEO-ICD@isdb.org
W: https://icd-ps.org

Contents



01

Chapter One: Introduction

02

Chapter Two: Development in Motion

03

Chapter Three: ICD Development Impact

Abbreviations

ADER	Annual Development Effectiveness Report
DEO	Development Effectiveness Office
DFI	Development Financial Institution
HIPSO	Harmonized Indicators for Private Sector Operations
ICD	Islamic Corporation for the Development of the Private Sector
LoF	Lines of Finance
MCs	Member Countries
MDB	Multi-lateral Development Bank
M&E	Monitoring and Evaluation
M/SMEs	Micro / Small and Medium Enterprises
SDGs	Sustainable Development Goals

Closing the **SDGs Gap**

Imran Rahman

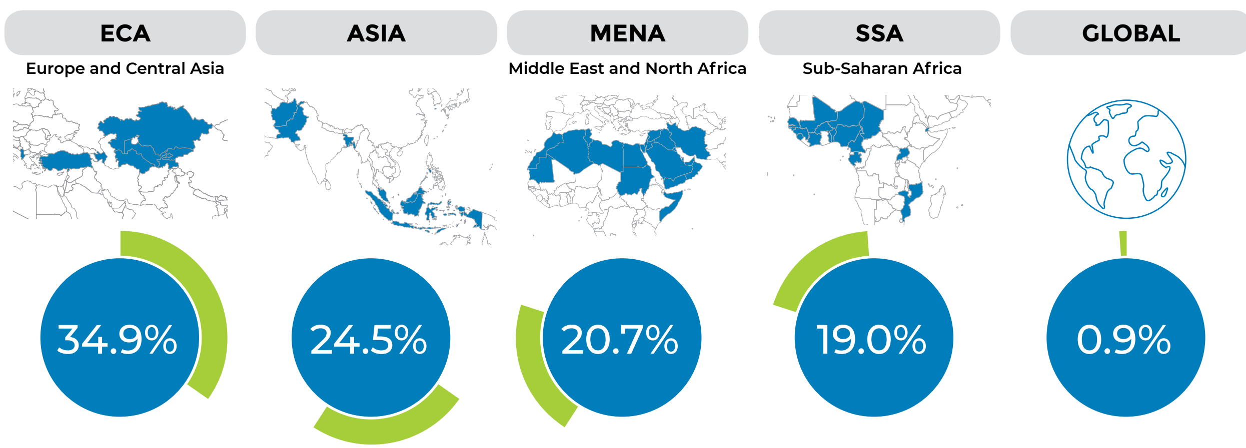
2023 Highlights Closing the SDGs Gap

Approvals and Disbursements

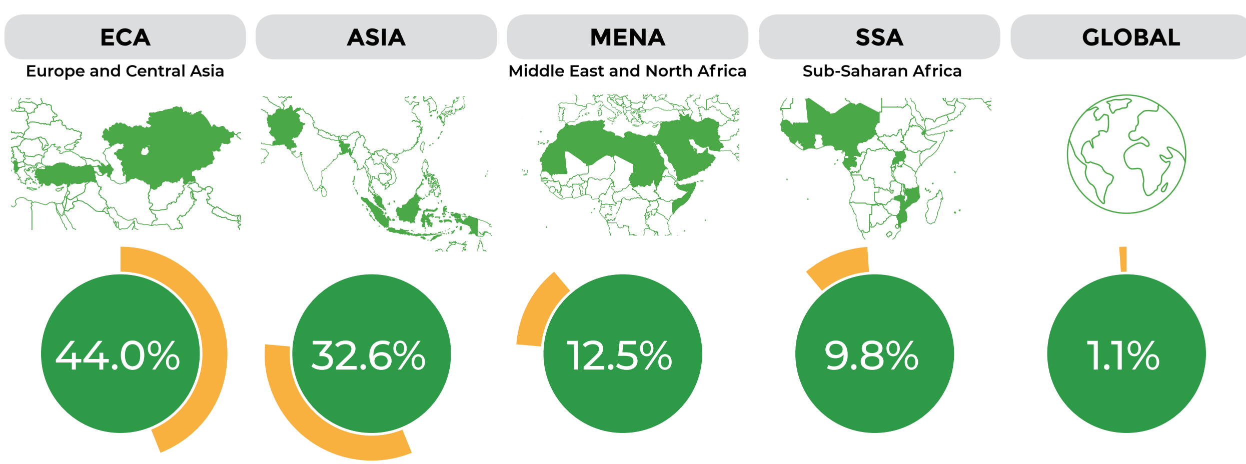
As of YE23, ICD has delivered almost **USD 6.92 billion** in cumulative approvals and more than **USD 4.51 billion** in disbursements since inception for private sector development.

Total approvals for 2023 were **USD 531.7 million** increasing by an impressive CAGR **6.8%** over the 5-year period from 2019-2023, with disbursements for the year totaling **USD 438.8 million**.

Total Approval Amount 2023: By Region



Total Disbursed Amount 2023: By Region



Approvals and Disbursements by Sector (USD mn - %)

Total Approvals 2023

531.7
USD Million

Total Projects 2023

26
Projects

Approvals 2023: by Sector

Finance
411.2 USD Million
21 projects
77.3%

Industry & Mining
70.4 USD Million
3 projects
13.2%

Transportation
25.1 USD Million
1 project
4.7%

Energy
25.0 USD Million
1 project
4.7%

Total Disbursements 2023

438.8
USD Million

Disbursements 2023: by Sector

Finance
378.8 USD Million
86.3%

Industry & Mining
60.0 USD Million
13.7%

2023 Highlights Closing the SDGs Gap

2023 Survey Highlights

75% response rate

Clients who gained access to Islamic finance since ICD intervention

751,340

New Islamic finance clients in 2023

93,092

Number of new clients who are Women

30,402

SMEs supported through ICD financing

2,480

Women led/managed SMEs funded

610

Total amount of funding to SMES

USD 189,534,138

Jobs Sustained

89,226

Women Jobs Sustained

24,403

New Jobs Created

14,700

New Women Jobs Created

2,781

Women in senior management positions

436

Export Sales Generated

USD **466,577,618**

Government Revenues

USD **126,794,690**

Community Development

USD **3,778,423**

Total MWatt Energy Produced

1,207,545,018

Total MW Energy Capacity Financed

3,714

Total Patients Served

2,036,492

Total Students Enrolled

30,473

Total Farmers Reached

6,462

Total Housing Units

1,063

Number of people trained

3,337

2023 Highlights Closing the SDGs Gap

Highlights of Sectoral Results

Line of Finance (LoF)

USD 116.0 million of new funding provided to 81 SMEs; 3,754 jobs created (of which 1,125 were women); **USD133.5 million** of export sales; **USD37.7 million** of government revenue generation; **USD2.9 million** spent in community development; 13,599 patients served in supported health facilities.

Direct Financing

USD 401.7 million locally purchased goods and services; 4,913 new direct hires (of which 636 were women); **USD 123.2 million** of export sales; **USD 55.7 million** of government revenue generation; **USD 264K** spent in community development.

Equity

USD 55.3 million locally purchased goods and services; 999 new direct hires (of which 251 were women); 93,092 new persons gained access to Islamic Finance of which 30,402 were women; 89,062 patients served by health partners; 1,881 SMEs funded; **USD 209.8 million** of export sales; **USD 33.5 million** of government revenue generation; **USD 623K** spent in community development.

IBES Services

USD 7.0 million of new funding provided to 518 new SMEs helping to sustain 5,877 employment opportunities; 28,423 students enrolled in education centers financed by ICD IBES partners; 453 people trained.

Other Notable Results

56%

56% of respondents stated that they will contribute to the SDGs due to the opportunity to align the core business with society's needs.

44%

44% of respondents felt that the main barrier to benchmarking investments against the SDGs was due to lack of data and difficulty to measure.

84%

And finally, 84% of respondents currently only allocate between 0-25% of all investments into SDG themed transactions

Nur Wahid

CEO Foreword

Our 2023 ADER aims to provide transparency into how we are pursuing our mandate of providing financing for private sector in MCs while ensuring that our investments are aligned with the SDGs. The ultimate objective is to encourage cross border investments, stimulate economic development, create jobs, develop Islamic finance, grow exports and promote competition and entrepreneurship.

IN THE NAME OF ALLAH,
THE BENEFICIENT, THE MERCIFUL

On behalf of the ICD, it is my pleasure to present the 2023 Annual Development Effectiveness Report (ADER). This is the tenth (10th) edition of the ADER with the purpose to report on ICD's development results and its efforts at increasing its development impact. The efforts reported are for the period from January 1st, 2023, through December 31, 2023.

Sustaining Employment	Created Additional New Jobs	Generated Government Revenues	Funding To SMEs
89,000 Men & Women	14,700	127 USD million	189 USD million

In 2015, the global community adopted the 2030 Agenda for sustainable development in its three dimensions, environmental, social, and economic. At the core of the 2030 Agenda are 17 universal objectives for sustainable development, the Sustainable Development Goals (SDGs). According to the United Nations, the 2030 SDGs are in grave jeopardy due to multiple, cascading, and intersecting crises, all the while, developing countries are battling record inflation, rising interest rates, and looming debt burdens. Progress towards the SDGs has been painfully slow with an estimated USD5-7 trillion of funding required annually through 2030 to meet the SDGs. In other words, the SDG achievement until the end of 2023 is around 12% only. It is against this backdrop, that the ICD is playing an active role in the private sector of our Member Countries (MCs) to help address these challenges and help contribute to the SDGs.

As we recognize the role of ICD in creating a world that is promising, inclusive, environmentally secure, and full of opportunities, many of our MCs are aligning their strategies with the SDGs. Additionally, I am finding many of our partners are also increasingly interested in directing funds towards investments that are aligned with the SDGs. This has allowed ICD to focus on sustainability in generating long-term value for our stakeholders, including clients, partners, employees, and MCs. This focus is aligned with our vision and guided by our core values and strategic actions as a leading Islamic Multi-lateral Development Bank.

Our 2023 ADER aims to provide transparency into how we are pursuing our mandate of providing financing for private sector in MCs while ensuring that our investments are aligned with the SDGs. The ultimate objective is to encourage cross border investments, stimulate economic development, create jobs, develop Islamic finance, grow exports and promote competition and entrepreneurship.

In 2023, the ICD partner and client network have achieved notable successes. I am delighted to report that, according to our 2023 Annual Development Effectiveness Survey, ICD has contributed to sustaining employment for roughly 89,000 men and women while creating an additional 14,700 new jobs, generated roughly USD 127 million in government revenues, provided well over USD 189 million in funding to SMEs and helped sectors such as energy and industry in its MCs.

With increasing economic and geopolitical uncertainty, it's clear that many of our MCs will continue to face more challenging times ahead. But we have navigated challenging economic periods before and I'm confident that we can do this again.

Eng. Hani Salem Sonbol
Acting Chief Executive Officer
Islamic Corporation for the Development of the Private Sector

Director's Message

This milestone edition of the ADER reflects our dedication to advancing economic progress, driving innovation, and creating meaningful impact in the communities we serve. Through our strategic partnerships, innovative initiatives, and collaborative efforts, we continue to contribute to the development of vibrant and inclusive economies across the Islamic world.

**IN THE NAME OF ALLAH,
THE BENEFICIENT, THE MERCIFUL**

In May 2015, ICD launched its first Annual Development Effectiveness Report (the ADER). That was a few months before the UN announcement of its 2030 Sustainable Development Goals (the SDGs). And here we are 10 years later publishing the 10th edition of this report.

Over the past decades, our commitment to fostering sustainable development and promoting private sector growth in Member Countries has been unwavering.

Reporting, as one of our main commitments, has 2 folds; reporting for accountability which requires consistency and reporting for knowledge sharing and learning which requires creativity; both require data. Reporting for accountability necessitates consistency to ensure that information is reliable, transparent, and can be used to track progress against set goals. Consistent reporting allows stakeholders to hold the organization accountable for its actions and decisions, contributing to trust and transparency in operations.

On the other hand, reporting for knowledge sharing and learning requires creativity to present data in a way that is engaging, informative, and conducive to learning. Creative reporting methods such as data visualization, storytelling, and case studies can help extract meaningful insights from the data, fostering a culture of learning and continuous improvement within the organization.

In both cases, data plays a crucial role as the foundation for reporting. Accurate, timely, and relevant data is essential for both accountability and learning purposes, enabling organizations to make informed decisions, identify areas for improvement, and drive positive change.

In this journey, ICD has actively participated in and partnered with numerous prominent development associations and organizations, aiming to enhance ICD›s reputation as a premier Islamic Multilateral Development Bank. As a few examples: the Harmonized Indicators for Private Sector Operations (HIPSO), the International Development Finance Club (IDFC), and the Impact Principles.

This milestone edition of the ADER reflects our dedication to advancing economic progress, driving innovation, and creating meaningful impact in the communities we serve. Through our strategic partnerships, innovative initiatives, and collaborative efforts, we continue to contribute to the development of vibrant and inclusive economies across the Islamic world.

As we reflect on our journey and accomplishments, we look forward to further strengthening our engagement with stakeholders, amplifying our development impact, and paving the way for a more prosperous future for all. I invite you to explore the insights, achievements, and challenges outlined in this report, and join us in shaping a more sustainable and resilient world.

Thank you for your continued support and commitment to the mission of ICD. **Together, we can build a brighter tomorrow for generations to come**.

Dr. Mohammed Alyami
Director, Development Effectiveness Office (DEO)
Islamic Corporation for the Development of the Private Sector

Executive Summary

> "It is essential to continue combining our thoughts and efforts and coordinate our actions to yield more benefits to our member countries, especially in the context of helping them achieve the SDGs."
>
> **ICD Chairman, H.E. Dr. Muhammad Al Jasser[1]**

The world faces many challenges affecting human and economic development at an unprecedented scale. Progress towards the SDGs faces significant financing shortfalls with an estimated USD 5-7 trillion of funding required annually through 2030 to meet the SDGs. This translates into an annual financing gap of USD 3.6 trillion, USD 2.5 trillion of which is in developing countries.

This is a reality to which various MCs of the ICD are confronted with too. To help close the SDGs financing gap, significant contributions will thus be required from both private and public sectors, including cross-border inflows, synergy among the different stakeholders and alignment with our MCs SDGs aspirations and targets.

Given its core competencies and mandate, ICD is well-placed to support the private sector's pivotal role in achieving the SDGs by providing financial facilities and catalyzing much needed private capital to investments in MCs where public finance on its own is insufficient to address, among others major developmental gaps. This was illustrated this past year with cumulative approvals of USD 531.7 million towards projects supporting the SMEs, Energy, Transportation, and Industry sectors.

Moreover, the latest Annual Development Effectiveness Survey results revealed that ICD's respected clients and partners supported 89,226 jobs, with roughly 14,700 new jobs created in 2023. Moreover, a total of 2,480 SMEs benefited from ICD's financing activities. ICD-supported projects also resulted in export sales and government revenue generation totaling USD 466.6 million and USD 126.8 respectively in MCs, with USD 3.8 million spent on community development.

1 Islamic Development Bank News

Overall, the 2023 survey showed that ICD continues to help its partners in achieving notable successes. The table below provides aggregate results of the survey results based on a 75% response rate.

ICD is well-placed to support the private sector's pivotal role in achieving the SDGs by providing financial facilities and catalyzing much needed private capital to investments in MCs where public finance on its own is insufficient to address, among others major developmental gaps.

ADER Full Highlights	2023
Clients who gained access to Islamic finance since ICD intervention	751,340
New Islamic finance clients	93,092
Number of new clients who are Women	30,402
SMEs supported through ICD financing	2,480
Women led/managed SMEs funded	610
Total amount of funding to SMES	USD189,534,138
Jobs Sustained	89,226
Women Jobs Sustained	24,403
New Jobs Created	14,700
New Women Jobs Created	2,781
Women in senior management positions	436
Export Sales Generated	USD466,577,618
Government Revenues	USD126,794,690
Community Development	USD3,778,423
Total KWhs Energy Produced	1,207,545,018
Total MW Energy Capacity Financed	3,714
Total Patients Served	2,036,492
Total Students Enrolled	30,473
Total Farmers Reached	6,462
Total Housing Units financed	1,063
Number of people trained	3,337


Arfan Sharif

80% of respondents stated that they have a Board approved policy for fair employee treatment. Another encouraging aspect was the continuing alignment of ICD's activities with the achievement of the SDGs. Regarding the SDGs identified as ICD's priority goals, which are SDG7, SDG8 and SDG9, 47% of respondents preferred to target SDG7, 42% opted for SDG8 and 58% claimed that they were or are planning to target SDG9.

Interestingly, when asked *"How likely will your institution consider enhancing its SDGs framework over the short term (1-2 years)?"*, 49% of respondents stated that they are "**Likely**" to consider enhancing their SDGs framework, illustrating the importance of SDG alignment towards the 2030 Sustainability Agenda.

When asked, "What is the main reason your company is contributing to (or is planning to contribute to) the implementation of the Sustainable Development Goals (SDGs)?", 56% responded that there is an opportunity to align their core business with society's needs. And a further 24% believed there is an opportunity to grow revenue or enter new markets by contributing to the SDGs.

Moving Ahead

Prior to the outbreak of the COVID-19 pandemic, economic growth in the OIC countries followed a decelerating trend, from 6.0% in 2010 to 2.7% in 2019, averaging annually at 4.3%. Under the pandemic conditions in 2020, the OIC countries, on average, contracted by 1.6%, but in parallel during the global economic recovery that followed, they grew by 5.5% in 2021 and 5.6% in 2022, the highest rate achieved since 2011.

The economy of ICD MCs is estimated to grow at 3.6% in 2023 and 4.2% in 2024, substantially lower from 5.6% in 2022. This is mainly due to the challenging external economic conditions, especially among the major economic powers, the sluggish recovery from the recent high inflation surge, and the downward trend in oil prices since the second half of 2022.

Several risks surround the economic outlook for 2024. These include:

- The risks of escalation of the Eastern European crisis, the ongoing war on Palestine and other conflicts resulting in political instability in different regions;
- The high global inflation and interest rates;
- The financial instability risks due to the debt sustainability concerns;
- The deepening of geoeconomic fragmentation with more sanctions imposed on countries and restrictions on trade, cross border movements of capital, technology, and workers;
- The depreciation of various domestic currencies;
- The natural disasters affecting economic activities.

It is also worth noting that a relatively share of the ICD's MCs are listed as fragile and conflict-affected thus compounding the above social, economic, and environmental risks.

The ICD and wider IsDB Group can play a role in trying to mitigate such risks and helping build up the resilience of its MCs in how to tackle such issues. The private sector itself can play a vital role in peace building efforts and contribute to stability via the creation of income and jobs thus offering disenfranchised populations an alternative to violence and mass emigration. To achieve this a more deliberate effort must be headed to reach sectors and populations that remain marginalized and on the fringe of the formal economy thereby having limited access to financial capital. The use of innovative IT and digital solutions, building on local networks and partnerships, taking a more 'on the ground' approach, adopting a more long-term approach with a focus on social and environmental returns, adjusting some of the internal policies and offering new adapted financial products - all can help in contributing on this front.

Meanwhile, as part of the IsDB Group, ICD is already keen to play a leading role in the collaboration efforts with MDBs to help fast track solutions that can change the lives of people in MCs. This includes among others:

- Enhancing country-level collaboration to ensure that joint efforts deliver greater impact.
- Strengthening co-financing by harmonizing and standardizing processes and seeking co-financing opportunities for greater speed and reach.
- Catalyzing private sector engagement including through joint innovative mechanisms that strengthen the mobilization of private capital.

To date, ICD remains focused on maintaining financial sustainability and creating a larger development impact to best cater to the needs of its MCs in line with its core mandate. ICD's response to the development requirements of its MCs is contained within the one-year strategic Operations Plan for 2024, its high-level direction and projections for the following two years (2025-2026) and the broader IsDB Strategy for 2025.

This response was guided by both the Chairman and the Acting Chief Executive Officer of ICD. They both pushed for greater synergy between ICD, its sister entities, and the Bank Group as a whole. The ICD 2024 strategic OP was built on the overarching goal: Embarking on Sustainable, Efficient and Inclusive Business Model.

With this overarching goal in sight, the 2024 plan was built on the below three Strategic Pillars, namely:

1. Sustainability: Business and Financial Sustainability,
2. Efficiency: Excellence in Delivery, and
3. Inclusiveness: Stakeholder Value Maximization.

ICD intends to enhance its mandate regarding development impact and financial inclusion to better align with the aspirations and needs of its MCs. ICD aims to cement its developmental footprint by launching new initiatives that can help contribute to the overall socioeconomic status of its MCs. This will require ICD's entire stakeholders to strengthen their combined efforts towards this goal. ICD will also need to design new strategies, products, instruments, and business lines, 'think out of the box' and adopt agile and flexible solutions to be able to not only reach but proactively shape the developmental agenda, together with MCs, due to the increasing volatility of the global context. Building new partnerships as well strengthening existing ones will be critical to leverage local expertise optimally.

By having better quality interventions that both address financial and developmental returns, ICD can help its MCs move forward on the road towards the 2030 Sustainable Development Goals and to close the SDGs gap.

01 Chapter One: Global Dynamic

Nela Lutfiana

1.1 Overview

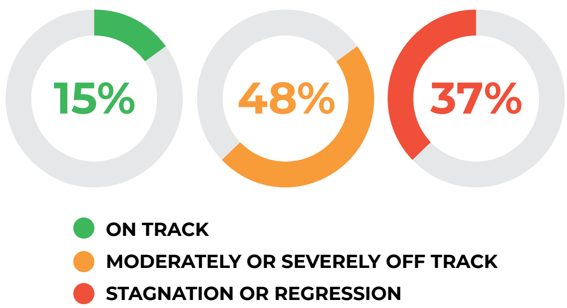
With its significant role in driving inclusive economic growth, private sector progress has been the primary focus of the Islamic Corporation for the Development of the Private Sector (ICD) since its inception in November 1999. ICD's mission is to complement the role played by the Islamic Development Bank (IsDB) through the development and promotion of the private sector as a vehicle for boosting prosperity, with a vision to become a premier Islamic multilateral financial institution for this very purpose.

The 2030 Agenda is a plan of action for People, Planet, and Prosperity. It provides, along with the Sustainable Development Goals (SDGs), a guideline to achieve a better and more sustainable future for all of mankind[1]. Meanwhile, the world faces many challenges affecting human and economic development at an unprecedented scale. Progress towards the SDGs has been slowed with many crises including the most recent Covid-19 pandemic. It is estimated that USD 5-7 trillion of funding is required annually through 2030 in order to meet the SDGs. This translates into an annual financing gap of USD 3.6 trillion, USD 2.5 trillion of which is in developing countries.

While the decline in SDG progress is universal, poorer countries are being disproportionately affected by the consequences, largely due to a lack of representation on the global stage, the UN warns. The number of people in extreme poverty is rising for the first time in a generation and is on track to reach 575 million by 2030. Likewise, Secretary-General António Guterres made headlines at the 78th UN General Assembly held in September 2023, by opening the SDG Summit with a concerning tone claiming only 15% of the targets were on track to be met by 2030.

As constant upheaval becomes the norm, decades of investment in socio-economic development are slowly being chipped away, therefore, a much scaled up global effort is thus required to eradicate poverty, accelerate inclusive socioeconomic development, and tackle transboundary challenges[2].

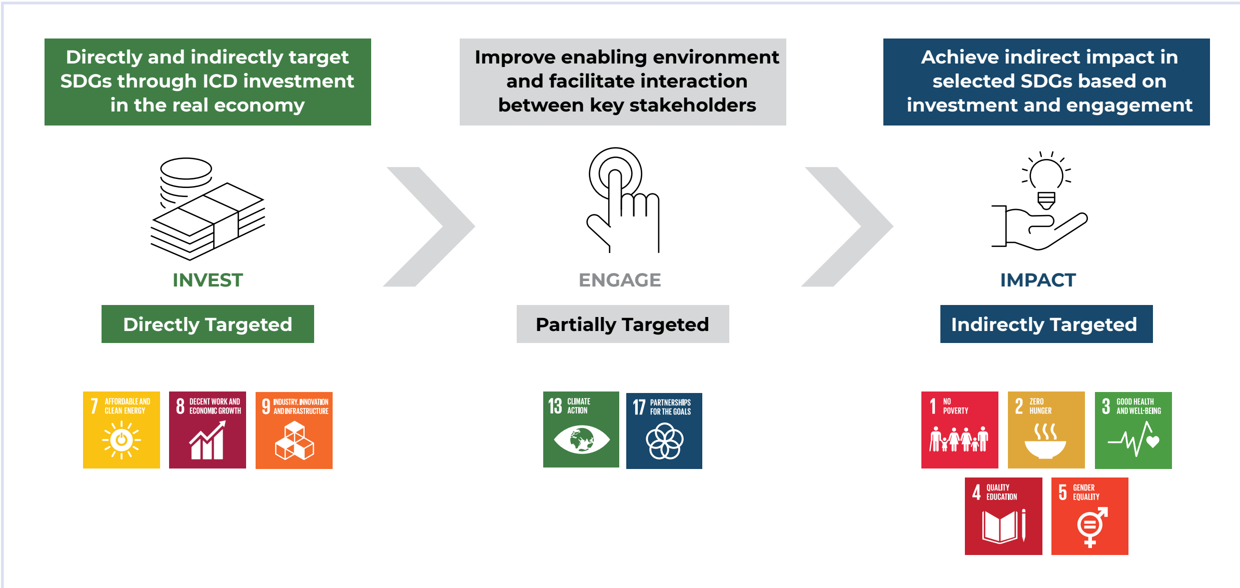
A Concerning Picture of SDG Progress at the Midpoint



Source: SDG Progress Chart 2023

The ICD management recognizes the importance of the 2030 Agenda and has ensured that ICD operations and interventions are purposeful and help contribute to the SDGs, thereby securing a better future for the societies of its Member Countries (MCs). That was insured by incorporating the relevant SDGs within ICD's strategic objectives and mandates. ICD advocates the use of sustainable development in providing for the needs of today all the while ensuring tomorrows' generational needs are protected. Given its core competencies and mandate, ICD is well-placed to support the private sector's pivotal role in achieving the SDGs by providing technical assistance and catalyzing much needed private capital to

1 UN Department of Economic and Social Affairs
2 Isdb.org, Strengthening our collaboration for greater impact – October 2023



investments in MCs where public finance on its own is inadequate to address major development gaps. This was illustrated this past year with cumulative approvals of USD 531.7mn towards projects supporting the SMEs, Energy, Transportation, and Industry sectors.

Emphasizing the importance of coordinated efforts to achieve SDGs, ICD Chairman and IsDB President, Dr. Muhammad Al Jasser stated: “It is essential to continue combining our thoughts and efforts and coordinate our actions to yield more benefits to our member countries, especially in the context of helping them achieve the SDGs.[3]”

Ten (10) SDGs are well aligned with ICD’s current strategy: SDG 1 (no poverty), SDG 2 (zero hunger), SDG 3 (good health and well-being), SDG 4 (quality education), SDG 5 (gender equality), SDG 7 (affordable and clean energy), SDG 8 (decent work and economic growth), SDG 9 (industry, innovation, and infrastructure), SDG 13 (climate action) and SDG 17 (partnerships for goals).

This chapter outlines the overall global context and offers updates of ICD’s plans with respect to the steady contribution towards its MCs’ socio-economic development. ICD’s 2024 Operations Plan (OP) will continue to concentrate its activities on its core competency areas of committing to inclusive human capital development and building sustainable infrastructure consistent with the IsDB’s Strategy 2025, and its own ten-year strategy.

It is essential to continue combining our thoughts and efforts and coordinate our actions to yield more benefits to our member countries, especially in the context of helping them achieve the SDGs.

Dr. Muhammad Al Jasser

3 UN Department of Economic and Social Affairs

1.2 Global Business Context

Global growth is set to slow further this year, amid the lagged and ongoing effects of tight monetary policy, restrictive financial conditions, and feeble global trade and investment. Downside risks to the outlook include an escalation of the recent conflict in the Middle East and associated commodity market disruptions, financial stress amid elevated debt and high borrowing costs, persistent inflation, weaker than expected activity in China, trade fragmentation, and climate-related disasters. At the global level, cooperation needs to be strengthened to provide debt relief, facilitate trade integration, tackle climate change, and alleviate food insecurity.[4]

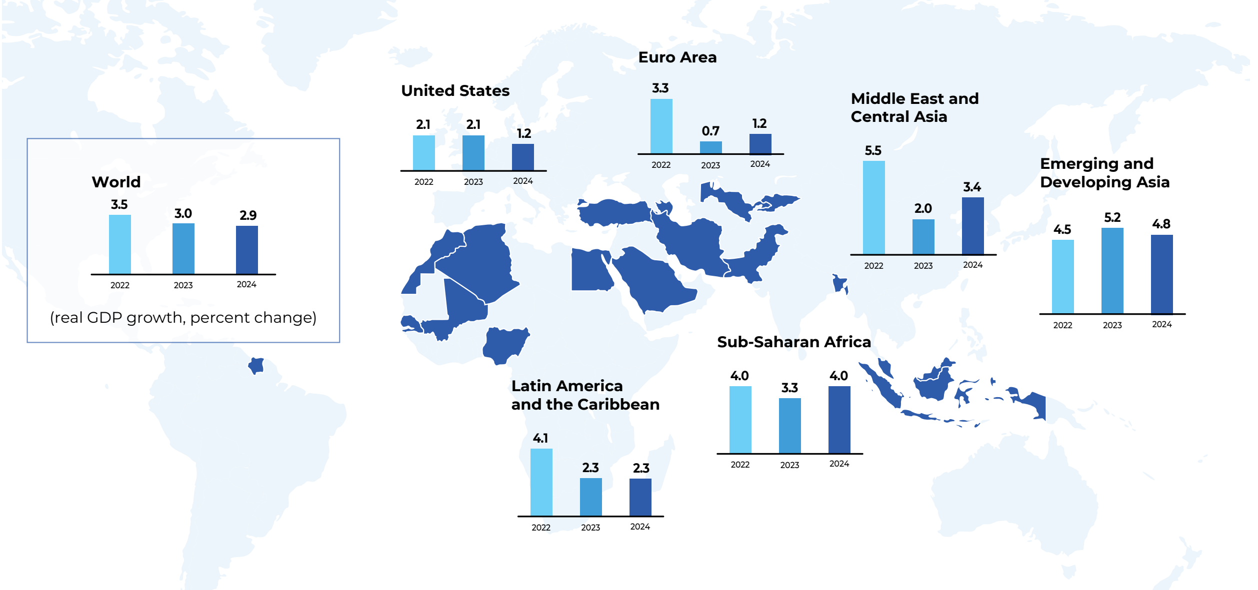
The forecasts in Global Economic Prospects 2024, imply that most economies, advanced as well as developing, are set to grow more slowly in 2024 and 2025 than they did in the decade before COVID-19. Global growth is expected to slow for a third year in a row, to 2.4%, before ticking up to 2.7% in 2025. Those rates, however, would still be far below the 3.1% average of the 2010s. Per-capita investment growth in 2023 and 2024 is expected to average just 3.7%, barely half the average of the previous two decades. Without corrective action, global growth will remain well below potential for the remainder of the 2020s.

4 World Bank, January 2024 "Global Economic Prospects"

WORLD ECONOMIC OUTLOOK OCTOBER 2023

GROWTH PROJECTIONS BY REGION

(PERCENT CHANGE)



Source: : IMF, World Economic Outlook, October 2023.

a. Global Debt

On specific area of concern is that of global public debt. Global public debt levels remain high, at 92% of gross domestic product (GDP) at the end of 2022, despite falling from the record levels seen during the COVID-19 pandemic, when they touched 100% of GDP at the end of 2020. Multiple crises in recent years have worsened the problem, pushing countries to the brink. And that simply means some of the poorest countries in the world are servicing their debts, instead of providing for their people. Many low-income developing countries are today either already in or near debt distress.

Ghana and Sri Lanka defaulted on their external debt in 2022, two years after Zambia did. Pakistan and Egypt are on the verge of a default. On June 30, 2023, Pakistan secured a tentative USD 3bn funding deal with the International Monetary Fund (IMF), promising it potential, short-term relief.

This extortionate debt which hangs over the heads of many MCs is forcing them to make difficult choices to pay that debt back. Indonesia, for example, is paying back loans equivalent to more than 40% of its gross domestic product (GDP), a key factor leading it to cut down rainforests to make way for money-making palm oil plantations. And an external debt equivalent to 101% of GDP is why Mozambique has been trying to expand its coal and gas production in recent years.

The weight of debt drags down development. Excessive public debt crowds out private sector investment and lowers economic growth. Higher debt requires higher taxes to service the debt, which reduces investment and growth. Another important (and final) point if concern heading into 2024 is the cost-of-living crisis which has affected many countries and disproportionately, those countries listed as less developed. Global headline consumer price inflation declined substantially in 2023. Moderating energy and food price inflation, along with slowing consumer demand for goods and the recovery of global supply chains, exerted significant downward pressure on goods inflation. Nonetheless, inflation remains above targets in most advanced economies and in about half of inflation-targeting EMDEs. In 2024-25, global inflation is expected to decline further, underpinned by the projected weakness in global demand growth and slightly lower commodity prices.

b. Status of ICD Member Countries (MCs)

Prior to the outbreak of the COVID-19 pandemic, economic growth in the OIC countries followed a decelerating trend, from 6.0% in 2010 to 2.7% in 2019, averaging annually at 4.3%. Under the pandemic conditions in 2020, the OIC countries, on average, contracted by 1.6%, but in parallel with the global economic recovery, they grew by 5.5% in 2021 and 5.6% in 2022, the highest rate achieved since 2011.

The economy of ICD MCs is estimated to grow at 3.6% in 2023 and 4.2% in 2024, substantially lower from 5.6% in 2022. This is mainly due to the challenging external economic conditions, especially among the major economic powers, the sluggish recovery from the recent high inflation surge, and the downward trend in oil prices since the second half of 2022.[5]

Several risks surround the economic outlook for 2024. These include the risks of escalation of the Eastern European crisis and other conflicts resulting in political instability in different regions; the high global inflation and interest rates; the financial instability risks due to the debt sustainability concerns; the deepening of geoeconomic fragmentation with more sanctions imposed on countries and restrictions on trade, cross border movements of capital, technology, and workers; the depreciation of various domestic currencies; and the natural disasters affecting economic activities.


Ratul Hasan Joy

5 IsDB Group Update on Economic and Financial Outlook – August 2023

Table: Real GDP Growth Rates in Select Member Countries (%)

Region/Country	2021	2022	2023e	2024f	2025f
EAP - East Asia Pacific	**7.5**	**3.4**	**5.1**	**4.5**	**4.4**
Indonesia	3.7	5.3	5.0	4.9	4.9
Malaysia	3.3	8.7	3.9	4.3	4.2
ECA - Europe and Central Asia	**7.1**	**1.2**	**2.7**	**2.4**	**2.7**
Turkiye	11.4	5.5	4.2	3.1	3.9
Azerbaijan	5.6	4.6	1.5	2.4	2.5
Kyrgyz Republic	5.5	6.3	3.5	4.0	4.0
Uzbekistan	7.4	5.7	5.5	5.5	5.5
MENA - Middle East and North Africa	**3.8**	**5.8**	**1.9**	**3.5**	**3.5**
Saudi Arabia	3.9	8.7	-0.5	4.1	4.2
Iran	4.7	3.8	4.2	3.7	3.2
Egypt	3.3	6.6	3.8	3.5	3.9
Algeria	3.4	3.2	2.5	2.6	2.6
Morocco	8.0	1.3	2.8	3.1	3.3
SAR - South Asia Region	**8.3**	**5.9**	**5.7**	**5.6**	**5.9**
Pakistan	5.8	6.2	-0.2	1.7	2.4
Bangladesh	6.9	7.1	6.0	5.6	5.8
SSA - Sub-Saharan Africa	**4.4**	**3.7**	**2.9**	**3.8**	**3.7**
Nigeria	3.6	3.3	2.9	3.3	3.7
Senegal	6.5	4.2	4.1	8.8	9.3
Mali	3.1	3.7	4.0	4.0	5.0

Source: World Bank. 2024. Global Economic Prospects, January 2024

Inflation has been on a downward trend in ICD MCs since 2022, and projections show that it will continue to decline in the upcoming two-year period 2024-2025. The inflation rate in ICD MCs peaked at 17.7% in 2022, dwarfing its 2021 inflation rate of 10.4%. However, it is projected to slightly slow down to 16.5% in 2023 and 12.3% in 2024. Among the ICD MCs groups, inflation is highest among the non- least developed member countries (non-LDMCs), rising from 9.3% in 2021 to 17.9% in 2022, and it is projected to decline to 17% and 12.6% in 2023 and 2024, respectively. In addition, estimates show that IsDB MCs which are non-fuel exporters face notably higher forecasted inflation rates of 18.5% in 2023 and 13.8% in 2024 compared to those which are fuel exporters whose projected inflation rates are 13.2% and 9.7% in 2023 and 2024, respectively.[6]

6 IsDB Group Update on Economic and Financial Outlook – August 2023

In a transforming global landscape shaped by geopolitical conflicts, geoeconomic fragmentation, climate change, and natural disasters, ICD MCs face heightened development challenges. Furthermore, the impact of the crises on MCs has been uneven, characterized by varying levels of resilience. On the one hand, large commodity exporters that maintained solid fiscal and external buffers while undertaking structural reforms have been able to withstand the shocks and preserve macroeconomic stability with favorable growth prospects. Likewise, more diversified economies and those with a sound monetary and fiscal policy framework have shown significant resilience. Overall, well-performing economies include Gulf Cooperation Council (GCC) countries, economies such as Indonesia, Bangladesh, Albania, Guyana, and a handful of West African Monetary Union members, including Benin, Togo, Senegal, and Côte d'Ivoire.

On the other hand, countries highly exposed to global trade and finance with weak policy buffers have been hit hard by multiple crises and have shown subdued recovery performance. These include LDMCs such as Mozambique, Sierra Leone, the Kyrgyz Republic, Maldives, and non-LDMCs like Suriname and Tunisia. Severe macroeconomic imbalances are also observed among MCs facing fragility and conflicts, such as Afghanistan, Lebanon, Palestine, Somalia, Sudan, and Yemen.

1.3 ICD's Strategic Response

ICD's response to the development requirements of its MCs is contained within the one-year strategic OP for 2024 as well as high-level direction and projections for the following two years (2025-2026) and is part of and consistent with the broader IsDB Strategy 2025 exercise.

This response was guided by both the Chairman and the Acting Chief Executive Officer of ICD. They both pushed for greater synergy between ICD and its sister entities and the Bank Group as a whole. The ICD 2024 strategic OP was built on the overarching goal: Embarking on Sustainable, Efficient and Inclusive Business Model.

With this overarching goal, the 2024 plan has been built on the below three Strategic Pillars, namely:

Sustainability: Business and Financial Sustainability

Efficiency: Excellence in Delivery, and

Inclusiveness: Stakeholder Value Maximization.

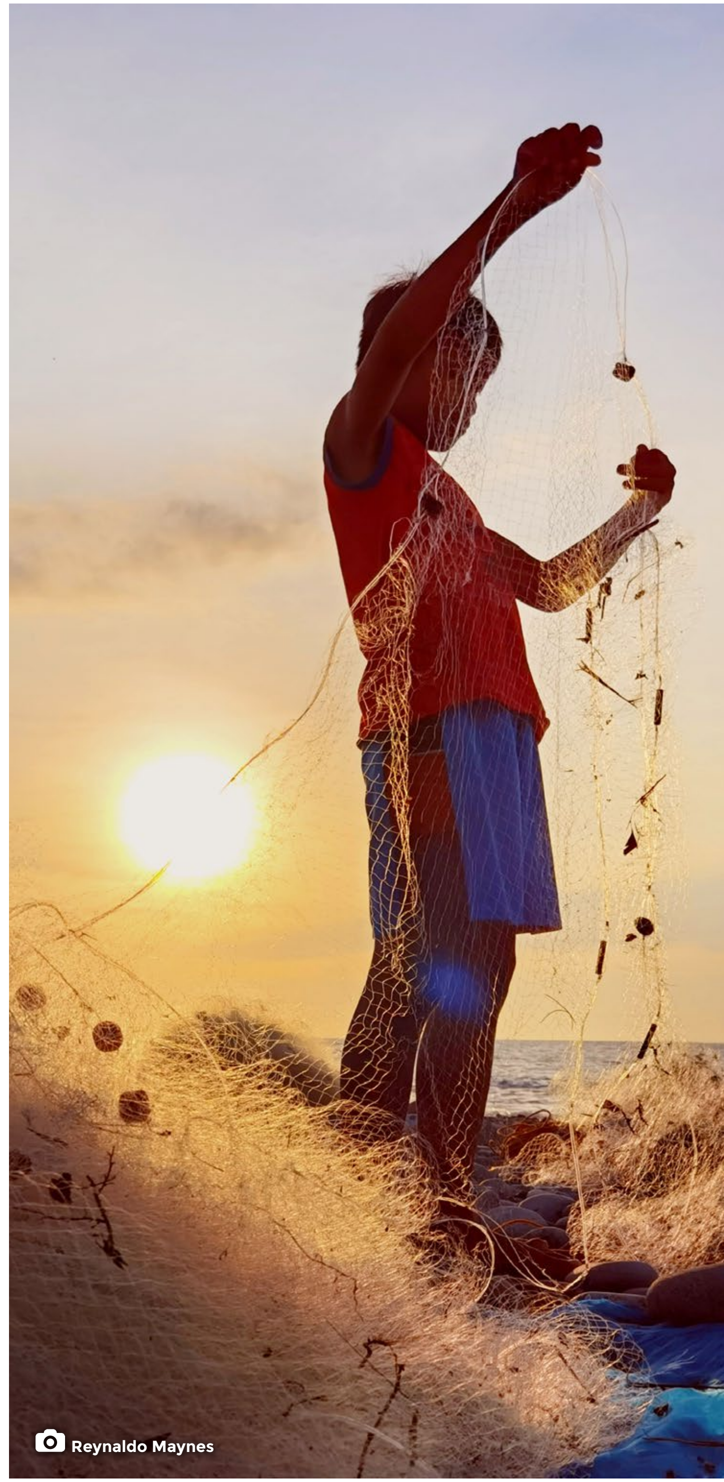
a. MCs and their SDGs

The SDGs were adopted by all United Nations (UN) Member States, including 55 ICD MCs, in 2015 under the 2030 Agenda for Sustainable Development. There are 17 interlinked goals encompassing 5 sustainable development pillars intended to "transform the world" and help countries collectively "achieve a better and more sustainable future for all. The five (5) pillars are People, Plant, Prosperity, Peace, and Partnership.

According to the Islamic Development Bank Institute (IsDBI) report, "*Reaching the SDGs: Progress of IsDB MCs – 2023 5th Edition*", IsDB MCs still have a long way to go if they are to reach the SDG targets by 2030. Moreover, per the 2023 Sustainable Development Report, countries were ranked by their overall score. The overall score measures the total progress towards achieving all 17 SDGs. The score can be interpreted as a percentage of SDG achievement. A score of 100 indicates that all SDGs have been achieved. ICD MCs' overall SDG Index score stands at an average

Overall SDG Achievement of ICD MCs (%) per Goal

Source: Islamic Development Bank Institute – "Reaching the SDGs: Progress of IsDB MCs"– 2023 5th Edition. Please note that the list of ICD Member Countries is the same as that of the IsDB minus the inclusion of Guyana.



of 62.2, compared to the world average score of 66.7, suggesting that ICD MCs are just over 60% towards achieving the 17 SDGs and have much needed efforts and required resources to enhance their SDGs contribution. Other key findings from the IsDBI report are as follows:

- Whilst progress has been made, major challenges remain. Although progress has been made in certain areas such as Goal 13 (Climate Action) and Goal 12 (Responsible Consumption and Production), challenges persist in other goals, notably Goal 9 (Industry, Innovation, and Infrastructure) and Goal 5 (Gender Equality).
- In achieving SDG targets, there is wide variation among MCs ranging from 45% (for Chad) to 74% (for Kyrgyz Republic). Furthermore, the priorities and challenges related to SDGs vary from country to country, underscoring the need for a tailored, country-focused approach in assisting MCs with their SDG initiatives.
- Despite existing disparities, there are some commonalities among MCs. The most striking is that, in 25 MCs (out of 54 MCs), Goal 9 (Industry, Innovation and Infrastructure) is an urgent priority that needs to be addressed. In fact, there are only thirteen countries in which this goal is not considered as one of the three priority goals. Challenges faced by MCs are at different levels. For instance, among those 25 MCs with Goal 9 (Industry, Innovation and Infrastructure) as the first priority, the achievement of three MCs (Somalia, Chad, and Afghanistan) on this goal is lower than 10%.

Using five classifications of the achievement of SDGs (Very Unsatisfactory, Unsatisfactory, Fair, Satisfactory and Very Satisfactory), overall MCs achievement by Goals is as follows:

- Two SDG scores are dark green (Figure 4), indicating very satisfactory achievement, which are SDG 13 (Climate Action) and SDG 12 (Responsible Consumption and Production);
- There are no SDG score of either unsatisfactory or very unsatisfactory;
- Nine out of 17 SDGs are in the category of fair performance with an achievement ranging from 40% to 60%;
- Of the remaining SDGs, six SDGs, namely SDG 1 (No Poverty), SDG 4 (Quality Education), SDG 8 (Decent Work and Economic Growth), SDG 10 (Reduced Inequality), SDG 14 (Life Below Water), and SDG 15 (Life on Land) fall into category satisfactory.

Performance of ICD MCs and the SDGs

Sustainable Development Goals	Performance
12 Responsible Consumption and Production; 13 Climate Action	Very Satisfactory (80% and above)
1 No Poverty; 4 Quality Education; 8 Decent Work and Economic Growth; 10 Reduced Inequalities; 14 Life Below Water; 15 Life on Land	Satisfactory (60% up to 80%)
2 Zero Hunger; 3 Good Health and Well-Being; 5 Gender Equality; 6 Clean Water and Sanitation; 7 Affordable and Clean Energy; 9 Industry, Innovation and Infrastructure; 11 Sustainable Cities and Communities; 16 Peace, Justice and Strong Institutions; 17 Partnerships for the Goals	Fair (40% up to 60%)
None	Unsatisfactory (20% up to 40%)
None	Very Unsatisfactory (less than 20%)

Source: Islamic Development Bank Institute – "Reaching the SDGs: Progress of IsDB MCs"– 2023 | 5th Edition

As previously noted, there is wide variation on achievements across the 17 SDGs. The lowest achievement (indicating the biggest challenge) is on Goal 9 (Industry, Innovation, and Infrastructure) with only 42.3% achievement. This goal underpins the key drivers of economic growth and development; thus, it is a cause for major concern for MCs and their development partners. ICD may direct its resources to improving sectors related to Industry, Innovation, and Infrastructure. There are intersections between the SDGs, which means that by improving progress towards SDG 9, ICD will also contribute towards the achievement of other SDGs which MCs are still struggling to address.

According to the Sustainable Development Report (SDR) 2023, it shows that based on the current pace of progress since 2015, none of the goals will be achieved by 2030, and on average, less than 20% of the SDG targets are on track to be achieved. While from 2015 – 2019, the world was making some modest progress on the SDGs, since the outbreak of the COVID-19 pandemic and simultaneous global crises and setbacks, progress has stalled and is one full point below the projected level based on pre-pandemic trends.

Most of the low-income and lower-middle income countries, home to more than the half of humanity, face major challenges in achieving most of the SDGs by 2030. Many of them lack an adequately high SDG commitment, and almost all lack access to the necessary financial means to implement the SDGs. Deep, chronic, and crippling under-investment in virtually all low-income countries (LICs) and lower middle-income countries (LMICs). In 2022, investment per person in the LICs averaged a meagre USD175 per person, compared with USD11,535 per person in the high-income countries (HICs). In fact, investment as a share of GDP was lower in the LICs (20.9%) than in all other income categories. The poor are consequently languishing in poverty.[7]

7 Sustainable Development Report – SDR 2023

Furthermore, the report highlights that there is a risk that the gap in SDG outcomes between HICs and LICs will be larger in 2030 (29 points) than it was in 2015 (28 points), underscoring the danger of losing a decade of progress towards convergence globally. Additionally, LICs tend to have lower SDG Index scores. This is partly due to the nature of the SDGs, which focus largely on ending extreme poverty and providing access for all to basic services and infrastructure (SDGs 1–9). Likewise, poorer countries tend to lack adequate infrastructure and mechanisms to manage the key environmental challenges addressed by SDGs 12–15.

b. Opportunities and Challenges for the ICD to Achieve Financial Growth

ICD has identified opportunities through its 2024 Operations Plan (OP). The ICD 2024 OP outlines the ICD realigned targets, key assumptions, and strategic initiatives required to achieve enhanced financial performance in 2024 and embark on steady performance growth. The OP is greatly informed and guided by the strategic priorities and guidance provided by the Board of Directors of ICD, prevailing external environment that ICD operates in, and key development priorities and needs of ICD MCs that provide opportunities for engagement to address the challenges ahead.

The ICD 2024 strategic OP was built on the overarching goal: *Embarking on Sustainable, Efficient and Inclusive Business Model*. With this overarching goal, the 2024 OP has been built on the below three Strategic Pillars, namely:

Sustainability: Business and Financial Sustainability

Efficiency: Excellence in Delivery, and

Inclusiveness: Stakeholder Value Maximizaation.

To achieve its plan, ICD identified Key Strategic Initiatives, under each Pillar listed above, which are essentials to ensure business and financial sustainability, efficiency, and inclusiveness in 2024, and grow net profit in the mid-term, and successfully progress towards ICD's 10-year strategic ambitions.

Those strategic initiatives are carefully identified based on the four principles: *significance, relevance, coherence*, and *achievability*. The principle of *Significance* was used to prioritize all strategic objectives to achieve the overarching goal. The principle of *Relevance* was extended to the choice of initiatives that are more relevant to execute the plan. The principle of *Coherence* refers to the initiatives that are well coordinated, integrated, and interlinked. Finally, the principle of *a* was applied to concentrate on those strategic objectives that are achievable during the period of 2024.

ICD identified Key Strategic Initiatives, under each Pillar listed above, which are essentials to ensure business and financial sustainability, efficiency, and inclusiveness in 2024, and grow net profit in the mid-term, and successfully progress towards ICD's 10-year strategic ambitions.

ICD can play an important role in promoting the private sector, boosting recovery, driving green economic growth, and contributing to inclusive human capital development. ICD will:

- Maximize its contribution to improve the enabling factors and conditions that help MCs to achieve their development goals and SDG targets.
- Directly target SDGs 7, 8 and 9 through line of financing (LOF) (access to financing for SMEs) and term financing (green and infrastructure development) while partially supporting SDGs 13 and 17 and indirectly contributing to SDGs 1, 2, 3, 4 and 5;
- Mainstreaming result-based management and focusing on the developmental impact, and,
- Make its internal operations more effective and efficient through empowering and knowledge building of its employees.

ICD expects to support 173 thousand jobs, provide access to finance to 10 thousand SMEs, and enable access to Islamic Finance to 315k persons in its MCs during 2024-26 (See Table)

ICD's Development Impact targets (2024-2026)

Targets	2024	2025	2026	Total
Jobs Supported	45,249	56,411	71,644	**173,304**
Reach to SMEs	2,450	3,575	4,025	**10,050**
Access to Islamic Finance	82,271	102,565	130,263	**315,098**


Mohammad Al amin

Improving access to market information should be a priority in capacity building, as some countries lack important data on market dynamics in strategic industries where they have competitive advantages that can encourage investment and allow identification of investment opportunities and the nature of risks and profits in those industries.

During 2024, ICD will allocate the highest share of its core mandate operations to LOF to achieve its approval and disbursement targets. Term finance, on the other hand, is a key instrument used to propel ICD's efforts in addressing infrastructure and other key thematic requirements of its MCs including food security and energy. ICD's aim is to focus on agribusiness, infrastructure, energy, and manufacturing sectors with the objective of maximizing development impact and financial returns.

Meanwhile, as part of the IsDB Group, ICD is keen to play a leading role in the collaboration efforts with MDBs to help fast track solutions that can change the lives of people in MCs. This includes among others:

- Enhancing country-level collaboration to ensure that joint efforts deliver greater impact.
- Strengthening co-financing by harmonizing and standardizing processes and seeking co-financing opportunities for greater speed and reach.
- Catalyzing private sector engagement including through joint innovative mechanisms that strengthen the mobilization of private capital.

Yet challenges abound and for MCs to meet their SDG commitments, they must attract funding and private capital. This requires a radical shift toward a social, economic, and environmental investment approach that considers any social or economic problem an issue with financial adequacy, identifies the cost of development obstacles, such as unemployment and management incompetence, and highlights the financial gains resulting from addressing this problem as an investment opportunity for the private sector.

Another major challenge is the dire need to build individual and institutional capacities in MCs. Improving access to market information should be a priority in

capacity building, as some countries lack important data on market dynamics in strategic industries where they have competitive advantages that can encourage investment and allow identification of investment opportunities and the nature of risks and profits in those industries. Another challenge is the low level of participation in the development of national plans by relevant public and private institutions.

All the above is further compounded by the fact that poverty, economic risk, and uncertainty are all believed to be linked to global problems, such as for example, conflict and migration.

Development finance can play a central role in addressing such issues by, for example, catalyzing growth in fragile countries but insufficient incentives hinder investments with potential for peace building. A shift is thus needed from DFIs, their shareholders, private sector entities and the governments and civil society groups of fragile countries to improve investment outcomes for fragile states.

DFIs such as the ICD, the IsDB Group and other peers can play a leading role on this front by assuming a first-mover role there where traditional markets failure and investors refuse to allocate resources. Using a multi-faceted approach in which patient and/or catalytic capital is provided on concessional terms and long-term basis in combination with substantial technical assistance to build the local business enabling environment and capacity, can help overcome such obstacles. For MCs to progress towards the SDGs, they must foster an environment that encourages participation, and the ICD can help support these efforts using some of the mentioned solutions.

c. ICD Strategic Initiatives

To enhance and facilitate its development effectiveness, ICD will implement a set of strategic initiatives during 2024.

- **Disbursement-focused operational growth:** Increasing disbursements is a direct action to amplify ICD's impact on the ground. By disbursing funds timely and efficiently, the ICD aims to address the developmental needs of MCs effectively. This initiative also serves well in strengthening the financial sustainability of ICD.

- **Core mandate focus and alignment by ramping-up core investments:** ICD will continue scaling and replicating its impactful solutions and offerings. Ramping up core investments emphasizes a strategic intensification of efforts within the primary function of ICD. This initiative involves a constant increase in investments aligned with the Corporation's primary mission, ensuring a more targeted and impactful approach to economic development of MCs.

- **Revamping co-financing (including syndications), co-investments and resource mobilization:** ICD aims at increasing the volume of co-financing and co-investments with other IsDB Group entities, development partners, MDBs/DFIs/SWFs/IFIs and Financial Institutions across strategic sectors in line with ICD's strategic orientations.

- **Embarking on Credit Rating Improvement:** Working with credit rating agencies closely will help to improve their understanding of ICD's work and risks, which is integral to unlocking capital and pricing. Enhancing ICD's credit rating is critical for bolstering financial sustainability, improving creditworthiness, and strengthening the corporation's position and development impact in a wider range of MCs.

- **Process Automation and Better Digitalization:** In 2024, ICD will continue to embrace process automation and digitalization with a focus on core business activities. By incorporating advanced technologies, ICD aims to enhance operational efficiency, improve monitoring and reporting, reduce turnaround times, and stay abreast of industry's best practices.

- **Focused Development Impact:** ICD will ensure that the development impact remains at the core of its activities and goes hand in hand with the financial sustainability targets of the plan for 2024 and beyond. For this, ICD will introduce measurable development impact tools (i.e., project scoring based on development impact and SDG contribution), develop new ESG policy and instill a development impact culture across all functions and departments. In addition, ICD will involve its Monitoring and Evaluation teams in the due diligence missions for a better quality of data at entry.

To date, ICD remains focused on maintaining financial sustainability and creating a larger development impact to best cater to the needs of its MCs in line with its core mandate and shall even seek to enhance it by launching of new initiatives. This will require all of ICD's stakeholders to strengthen their combined efforts towards this goal. By having better quality interventions that both address financial and developmental returns, ICD can help its MCs move forward on the road towards the 2030 Sustainable Development Goals.


Muhammad Kashif Khan

02 Chapter Two: Development in Motion

Aminul Islam

2.1 Overview

Progress toward the SDGs was already falling, and now with new emerging vulnerabilities and inequalities it has been further delayed. Securing enough resources remains a major challenge, with developing countries facing a growing financing gap estimated at USD 4.2 trillion per year. Capital and wealth, mostly private, do not or cannot reach the geographies and people that need it the most. This is despite the fact that the world has theoretically never been as rich as it is today. Achieving the Agenda 2030 demands policy shifts and a major realignment investment decision by countries, companies, and individuals.[8]

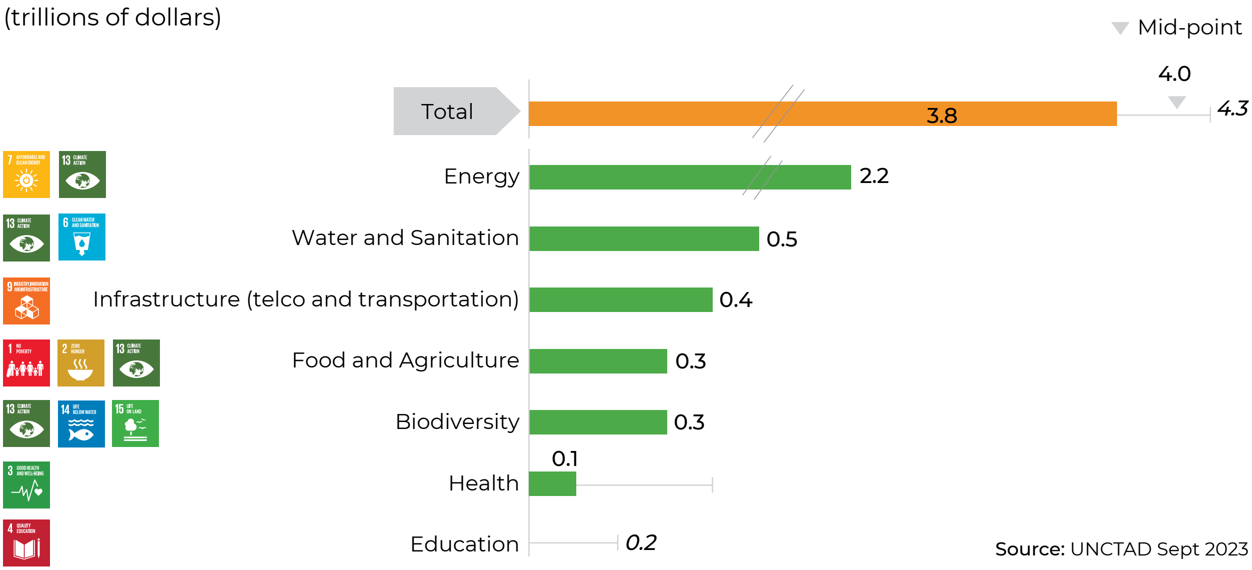
UNCTAD's review at the midpoint of the 2030 agenda shows that the annual SDG investment gap in developing countries is now about USD 4 trillion. If the SDG investment needs of 2030 are to be met, some USD30 trillion of additional investment must be found over the next eight years. More than half of the gap, or USD2.2 trillion, relates to the energy transition alone. The current investment gap is 60% higher than the gap of USD2.5 trillion estimated by UNCTAD in 2014 on the eve of the adoption of the SDGs. The increase is the result of shortfalls in the years since 2015, combined with the effects of multiple global challenges, including the pandemic and the food, fuel and finance crises.[9]

The main two factors adding to the SDG financing gap are:

1- *Underinvestment*: Given the investment needed to achieve the SDGS, the pace of growth of SDG investment has been below the 2014 ambitions, with the COVID-19 pandemic playing a major role in slowing down progress.

2- *Additional Needs:* SDG investment needs have increased as a result of exogenous shocks, particularly, the COVID-19 pandemic, food, fuel, finance and overall higher cost of living crises. These economic shocks have hit developing countries and LDCs disproportionately.

Estimated annual investment gap in key SDG sectors, capital expenditure, developing countries
(trillions of dollars)



Source: UNCTAD Sept 2023

8 Joint SDG Fund
9 United Nations Conference on Trade and Development (UNCTAD) – SDG Investment Trends Monitor Issue 4 – September 2023

While all SDG sectors are crucial in promoting sustainable development, the Energy sector seems to require the most investment as it makes up more than half of the total investment gap with a need of roughly USD2.2 trillion per year. This gap refers entirely to investments in "clean" energy, including renewables, energy efficiency and all other transition related technologies and sources, addressing not only SDG 7 (affordable and clean energy) but also SDG 13 (climate action). Water and Sanitation is the second most sector in need of investment, requiring roughly a half of a trillion dollars per year to help address SDG 6 (clean water and sanitation).[10]

With the sustainable financing gap growing and some developing countries struggling with stagnate or declining revenues, removing bottlenecks to financing for sustainable development is of critical importance. Moreover, the rise in sustainable financing raises and reflects several challenges. To deliver the SDG impact required to reach countries most in need, frameworks and standards must operate at the global level and particularly in countries at greatest risk of SDG setbacks.

While all SDG sectors are crucial in promoting sustainable development, the Energy sector seems to require the most investment as it makes up more than half of the total investment gap with a need of roughly USD2.2 trillion per year.

Nur Nadzifah

10 United Nations Conference on Trade and Development (UNCTAD) – SDG Investment Trends Monitor Issue 4 – September 2023

2.2 Promoting Development Effectiveness

a. General Purpose

The purpose of the Development Effectiveness Office (DEO) is to detail ICD's development effectiveness approach, its strategic orientation, its need to measure development results, harmonize reporting, share knowledge with other MDBs and foster sustainable finance as a main theme of ICD's mandate. The DEO shall promote corporate responsibility, accountability, and the exchange of best practices in the context of development effectiveness.

To ensure a dynamic and enabling economic environment, it is important for the ICD, through the DEO, to promote economic governance by addressing the finance, technology, results monitoring and investment patterns that have an impact on the development effectiveness prospects of its MCs. Hence, the general purpose of the DEO is to improve the development impact of ICD's interventions via:

i. the maximization of ICD's contribution to enhance the factors and conditions that enable MCs to achieve their development goals; and

ii. the fostering of sustainable finance mechanisms, programs, initiatives, and overall theme through collaborations with both internal and external stakeholders.

b. Development Initiatives in 2023

ICD co-hosted the Harmonized Indicators for the Private Sector Operations (HIPSO) Annual Meeting in London with the EBRD

The broad range of structures, mandates and shareholders of Development Finance Institutions (DFIs) working with the private sector means that there are many different systems used to track development results. The shared clients of these DFIs therefore often endure an unintended burden deriving from the DFIs' different reporting requirements, including similar indicators (with different definitions) meant to capture the same data.

Efforts to mitigate this burden began in 2008, with a first set of 28 indicators agreed upon in the form of an MoU, signed in October 2013. It mandates that (i) if a DFI tracks development results, it will use the harmonized definitions and units of measurement; and (ii) if it has a result tracking system in place that already features indicators that are the same as the harmonized ones, it will replace them accordingly. There is no obligation, however, to start tracking and using the harmonized indicators if a DFI does not wish to track the development outcomes they capture.

In October 2015, the MoU was amended to include the harmonized definitions of an additional 11 indicators, making a total of 38 indicators. These standard metrics with their definitions and units of measurement are widely used by DFIs and other development partners. The HIPSO indicators are also in alignment with the SDGs. ICD joined the efforts of HIPSO in October 2018. There are currently 28 DFIs in the HIPSO.

As of today, HIPSO's menu of metrics has increased from 38 to 162 fit-for-purpose sector and thematic indicators, to match the ever-growing need of our DFI members and partners. Work is underway to revamp and enhance indicators for health, education, agribusiness, job quality, digital technologies, and biodiversity.

Biplob Chandra Shil

In 2021, the technical HIPSO Work Streams helped draft the Joint Impact Indicators (JII), which is a minimum set of core metrics on key cross cutting themes (job, gender and climate), for use by signatories to the Impact Principles and the wider impact investing community. The JII represents a major step forward for harmonized impact measurement and reporting. Offering an important opportunity for widespread adoption and use of effective impact metrics, the JII aims to help reduce reporting burden on investees and increase availability of comparable impact data to inform decision-making. Furthermore, the dialogue emphasized the critical need for more convergence in standards and approaches, in a fast-evolving results management landscape.

To further strengthen the collaboration and dialogue with private sector partners, during its 2021 Annual Meeting, HIPSO hosted the CFO Coalition for the SDGs, to exchange knowledge around impact management frameworks, indicators, and approaches. The rich discussions highlighted the enhanced role for HIPSO as a leading platform for impact management for private sector players. In 2022, the CFO Coalition for the SDGs joined HIPSO as an Observer to the Whole Group and work is underway with the Coalition to leverage the HIPSO indicators to inform the selection of Key Performance Indicators for leading global corporates.

Going forward, HIPSO has a key role to play in ensuring mainstreaming of best practices on metrics for monitoring development impact are made widely available to non-DFI partners. Beyond the metrics, HIPSO continues to nurture a culture of sharing knowledge and learning amongst its partners including on impact management systems, theories of change, reporting templates, data collection processes and more. There is also a crucial need for a platform for in-depth technical discussions among practitioners on cutting-edge evaluation methods and techniques used to assess private sector operations. This would include sharing knowledge and experiences in applying a variety of rigorous methodologies to assess projects since early stages (ex-ante), as well as to gather evidence and manage results throughout implementation to promote learning and accountability.

It is against this backdrop, that the European Bank for Reconstruction and Development (EBRD) and Islamic Corporation for the Development of the Private Sector (ICD) co-hosted the 2023 Harmonized Indicators for Private Sector Operations (HIPSO)

Annual Meeting at the EBRD headquarters in London on March 13th-15th, 2023. The theme was *"Leveraging HIPSO to strengthen impact management".*

During this meeting, HIPSO members reconnected in-person after the COVID pandemic to provide updates on members' institutional and strategic thinking as well as recent developments with regards to impact management; report on the efforts made to strengthen the depth and coverage of the HIPSO metrics from the works streams on indicators; and understand the extent to which the new HIPSO metrics have been implemented by member institutions, in order to enhance common reporting and learning.

Additionally, members shared knowledge around recent DFIs approaches to strengthen impact management approaches, measurement of outcomes and market creation, as well as external results communication; compared notes and learned from traditional and cutting-edge methodologies used for evaluation studies.

Outcomes of the HIPSO 2023 Annual Meeting included:

- Common understanding of the newly developed and enhanced indicators.
- Better understanding and assessment of the extent to which new metrics are being used in DFIs' impact frameworks.
- Highlighted how HIPSO is being leveraged for impact investing and how it can further be used to influence standard setting in the impact investing space.
- Shared knowledge on traditional and innovative approaches to results measurement and impact evaluation for private sector operations.
- Strengthened partnership and cooperation amongst HIPSO members and private sector partners.

Introduction of the Project Assessment Grading System (PAGS)

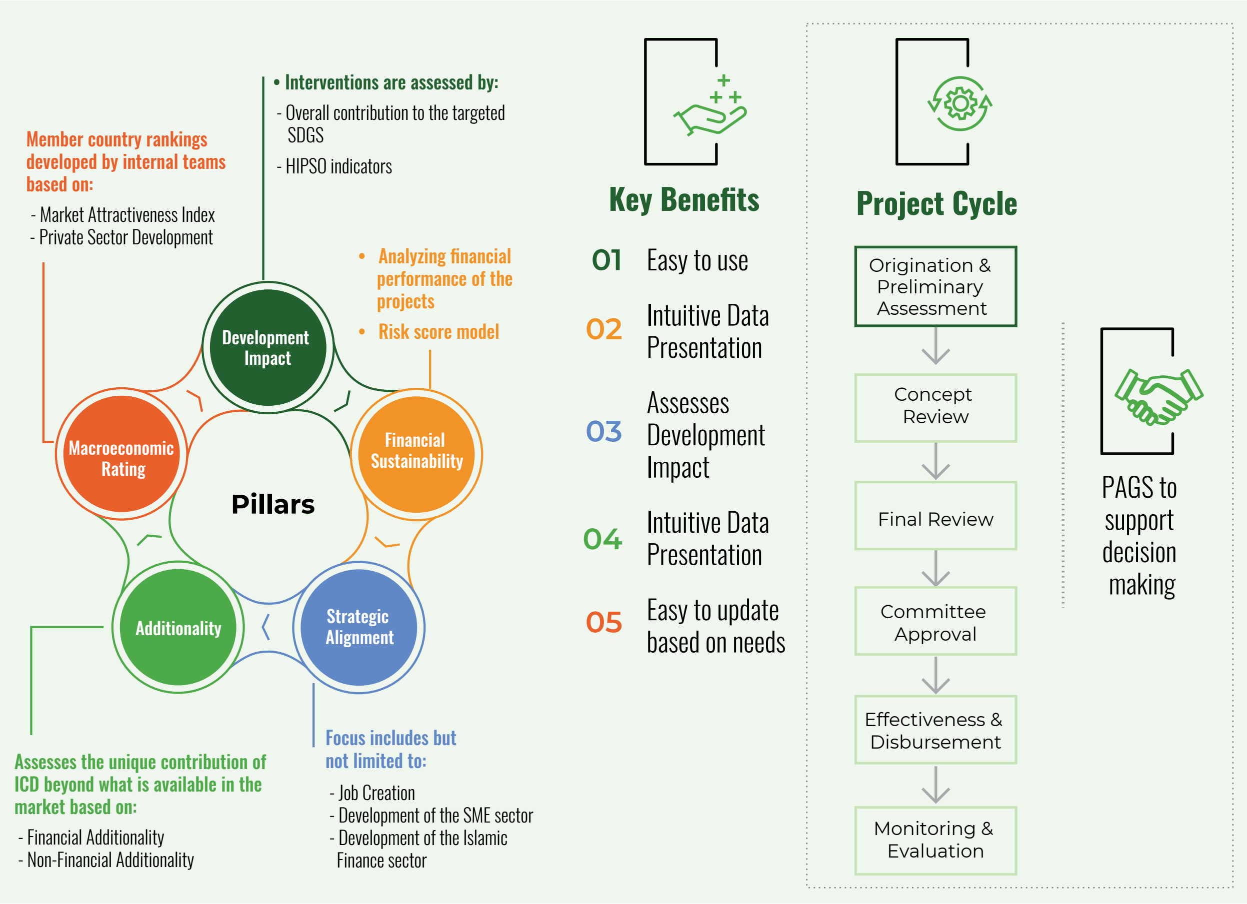
PAGS is a robust in-house customized tool which will help guide ICD to assess its interventions not only from a risk perspective, but also from a development perspective. The M&E team of ICD has developed PAGS to assess its potential proposals in terms of development effectiveness which is a requirement for ICD to distribute its resources in a most sustainable and efficient manner.

The objectives of PAGS include:

- Estimate the development impact of interventions submitted for approval;
- Identify interventions that maximize ICD's Development Impact at appraisal;
- Provide evidence for effectiveness and accountability;
- Assign ratings/scoring of expected performance based on how well the intervention aims to contribute to ICD's goals;
- Promote and support clients/partners engagement towards impact alongside with financial return.

PAGS will also help ICD determine:

- The strategic alignment with a focus on the fragility of the ICD Member Countries and the project's alignment with beneficiary country's priorities;
- The additionality to assess the unique contribution of ICD beyond what is available in the market;
- The project outcomes using the DFIs' Harmonized Indicators for Private Sector Operations (HIPSO);
- The SDGs contribution to identify a direct proven contribution of the project to at least one SDG indicator.



2.3 Closing the SDGs Gap: One-on-One with Dr. Mahmoud Mohieldin

Mahmoud Mohieldin is an economist with more than 30 years of experience in international finance and development. He is the UN Climate Change High-Level Champion for Egypt, an Executive Director at the International Monetary Fund, and has been the United Nations Special Envoy on Financing the 2030 Sustainable Development Agenda since February 2020. Previously, he was the Minister of Investment of Egypt 2004-2010, and most recently, served as the World Bank Group Senior Vice President for the 2030 Development Agenda, United Nations Relations, and Partnerships.

“Mahmoud Mohieldin is an economist with more than 30 years of experience in international finance and development. He is the UN Climate Change High-Level Champion for Egypt, an Executive Director at the International Monetary Fund, and has been the United Nations Special Envoy on Financing the 2030 Sustainable Development Agenda since February 2020. Previously, he was the Minister of Investment of Egypt 2004-2010, and most recently, served as the World Bank Group Senior Vice President for the 2030 Development Agenda, United Nations Relations, and Partnerships.

Q1. What is Sustainable Development, and how it is linked to the international development spectrum?

Sustainable development, in its form and objectives today is an outcome of an evolution of ideas on addressing the main challenges facing humanity in aspects related to economic development, social dimensions of development and overall human development, and, more recently, environmental, climate, and biodiversity issues.

We started with the Millennium Development Goals (MDGs), which were initiated to celebrate the turn of the millennium with specific goals and targets that could enhance policymaking, better mobilize resources and means of implementation, and provide an opportunity for adequate reporting and hence accountability. The MDGs started in 2000 and ended in 2015, comprised of eight goals with limited number of targets focusing on areas related to poverty, education, health, gender.

Before the end of MDGs in 2015, the United Nations after the Rio+20 meetings that took place in Rio de Janeiro, Brazil in 2012, started a process to formulate a new agenda that led to what is known as the 2030 Sustainable Development Agenda. In 2015 during an international summit, a gathering of world leaders and heads of State and Government met in New York in September 2015, and blessed the updated Sustainable Development Goals (SDGs), as we know them today.

The SDGs cover areas related to ending extreme poverty, dealing with the challenges of nutrition, hunger, health, education, gender, water, energy, jobs and growth aspects related to industrialization and inclusivity, and ways of achieving industrialization by making matters related to equality within borders and across borders a priority with some attention given to localization matters related to sustainable consumption and production, and aspects of importance related to biodiversity, climate change and, of course, governance and partnerships. A total of 17 goals, 169 targets and more than 230 indicators were designed to be monitored.

Q2. Why are the SDGs important?

The “5 Ps” summarize why the SDGs are important. It’s about the People, the Planet, it’s about achieving Peace and Prosperity, and of course it’s through Partnerships and this is coming from the United

Viewing human resources as contributors to growth and development, then the utilization of such an important resource—which would basically be brainpower, manpower, and womanpower—as contributors to development and progress would be essential. If there are no opportunities for jobs or for contribution in employment, then this could be an opportunity lost for prosperity of the world.

Nations (UN). As the UN's main mandate is peace and security and failure to achieve development had been very much responsible for fragility, for conflicts, for forced migration and refugees, for internal and external increase of violence. So even if the UN, through its membership, take it from its very first and very narrow definition of its mandate to be only peace and security, the SDGs are important to ensuring sustaining peace and security.

The SDGs are essentially prerequisites for minimizing the possibility of conflict around the world. But definitely they serve the other purpose. It's basically about human dignity. What human dignity could there be for people suffering from extreme poverty, who cannot live a dignified life without food, water, and shelter?

If you take it again, from the narrow definition of economic progress, viewing human resources as contributors to growth and development, then the utilization of such an important resource—which would basically be brainpower, manpower, and womanpower—as contributors to development and progress would be essential. If there are no opportunities for jobs or for contribution in employment, then this could be an opportunity lost for prosperity of the world.

And I would really take it from that kind of integrated approach that what's good for the people is, at the same time, with good design of policies and adequate institutions, should be good for the planet. And there is no need really to create unnecessary tradeoffs between what's good for the planet and what's good for the people. And we see today, adequately so, that climate action is development action, and the finance that is required to preserve nature and biodiversity is at the same time bringing opportunities for a decent life and decent opportunities for jobs.

So, it's important each one of these goals in their own right, but in their aggregate, they help pave the road for a more peaceful world than what we are in today.

Q3. What are the challenges related to achieving the SDGs?

Recent reports are acknowledging that we are midway since 2015 towards 2030, and these reports have been telling us the following: only 12% of the targets that we managed to measure are on track, and more than 50% of targets are slightly or significantly behind, deviating from the target. Unfortunately, more than 30% of the targets are worse than where we were back in 2015. This includes important goals and targets related to ending extreme poverty. So why is that?

It's basically about, I would say, three things.

1. First, it's the means of implementation: finance, technology, trade facilitation and adequate data effectiveness of institutions under governance.

2. Second, the world has been subjected to a variety of shocks, from COVID to humanitarian disasters.

3. And the third, which I think is a determining factor, is leadership. We have seen that political leadership in many countries around the world are not taking these matters seriously in terms of priorities.

So that's why we are not really seeing the kind of performance that we should be at when these goals were designed in 2015. At that time, the world was full of aspirations and optimism, unlike where we are today. However, we shouldn't really be giving up hope of getting matters back on track. I would say hope is essential but hope alone is a dangerous thing if it is not really empowered by adequate effort towards implementing what we should be implementing, it would then just be a collection of wishful thinking, and it would end up in disaster. People will be even more angry and desperate, but there is an opportunity still.

As a follow up question, what would you fix first as an enabler in order to fix the rest?

You and I are from the Global South and in the history of development and progress, I would say it starts definitely with political choice and political leadership. We have seen a great number of examples of state builders of which the greatest in the history of humanity was our Blessed Prophet (peace be upon him). He established ethics and accountability as pillars of the state.

We have seen that states flourish and develop not just with the material elements of development but also with a strong emphasis on science, culture, and all of what we really need to see of the operationalization of a dignified human being. And it's not just about resources because, again, what kind of resources were there in the Arabian Peninsula?

I can give you examples of good and bad leadership. An example of good leadership was Lee Kuan Yew in Singapore. His country was not even seen as being fit enough to be part of the Malaysian Federation, but they did a fantastic job by investing in human capital, health.

ebashis Mondal

It's essentially the human person with ideas, determination, and a willingness to do well and do good that made the transformation, I would say, from the last century. I can give you examples of good and bad leadership. An example of good leadership was Lee Kuan Yew in Singapore. His country was not even seen as being fit enough to be part of the Malaysian Federation, but they did a fantastic job by investing in human capital, health, and education, and they have been progressing since the 1960s. Malaysia itself didn't do bad by making investments in human capital and taking methods related to good management of resources.

With governance as a priority, I would say as well that in the Western Hemisphere during the time of Queen Victoria of the UK there was this kind of transformation. The US had its Founding Fathers who were very well known for sticking to the Constitution, political freedoms, and all of that. So, that is my answer: we must start with human beings.

Q4. What can ICD Member Countries do to help progress towards the SDGs?

Well, with the work that we have been doing during the last couple of years, particularly in trying to identify the gaps, we know that in order to achieve the SDGs, we need USD5 trillion per annum, and what is required is a lot of heavy lifting by countries. But it starts with domestic resource mobilization.

We need the investments from the private sector externally to be quadrupled. We also need the contributions from multilateral development banks, including those from the ICD and IsDB at large, to be increased by a factor of three, and we also need to double the finance coming from bilateral sources. Public finance cannot do it alone, and the best way forward is through public-private partnerships. As far as the ICD is concerned, it can really be doing more through leveraging the private sector, providing technical assistance, providing knowledge sharing and doing more collaborative work at regional levels and local level.

I've seen the ICD and IsDB in action and admired the working model, especially in countries with low income and those suffering from fragility or vulnerability to different shocks, but more needs to be done.

There are many ways we can mobilize philanthropies. The investments that could be mobilized through trust funds and from Zakat sources, in addition to traditional or conventional sources of finance, and to leverage them by the private sector in doing more by scaling up, with possible replication, and with better knowledge sharing.

Q5. What are the challenges in strengthening SDG focused collaboration and how can they be addressed?

There are issues related to data systems, which are essentially an element of success or failure for the SDGs and the multilateral efforts behind them. We need better data systems and better information. In order to support the country that we are working with, we cannot continue shooting in the dark.

We also need means of implementation, when it comes to enhancing the governance of public finance, helping countries to prioritize their spending,


Nur Wahid

encouraging the de-risking of private sector finance, and mobilizing more domestic finance from both the private sector and the external sector. Partnerships can be critical here as a success factor.

Issues related to institutional capacity development and the continuation of direction are significant because you cannot start a project today and then be told no, we change our mind, or there is a new minister who doesn't like this particular project. This kind of approach is very costly. So, it's not just about having the project finance available; if there are changes in the plans with this "on-and-off" approach to implementation, this would increase costs and delay projects, and as we know, time is money. This is where Technical Assistance (TA) can play a critical role, especially in leveraging additional resources from the market. We need to have proper governance structures in place with clear policies and direction.

And I'm not talking even about mishaps, irregularities, corruption and but that of course, would add to the challenges. What I like to see is basically getting that kind of systemic approach in dealing with projects as well, to enhance their impact. But in terms of hurdles, data aspects to finance matches to governance and definitely to efficiency of capacity development when it comes to implementation. So, we don't just go and throw money; we need to have good partners in the field, especially at the localized level.

Q6. What recommendations do you have for ICD to help address and close the SDGs gap?

I think the group that ICD is part of has rich knowledge from 50 years of practice in development finance. So here is this kind of tacit knowledge that needs to be retrieved and mobilized. Finance matters the most, but within an adequate system of governance in order to protect projects from the risks of disruption. An important aspect is the adequate reporting of what's happening in the field so that we may scale them up. Being familiar with many of the very impactful projects of the Islamic Development Bank group, including its private sector arm, the ICD, I recommend that it actually should unleash the power of network and partnerships. It has fantastic relations with the multilateral development finance system and bilateral financial institutions. By harnessing this partnership potential, it could help the private sector, especially the medium sized enterprises and could help in closing the SDGs gap.

I think the group that ICD is part of has rich knowledge from 50 years of practice in development finance. So here is this kind of tacit knowledge that needs to be retrieved and mobilized. Finance matters the most, but within an adequate system of governance in order to protect projects from the risks of disruption.

Haitham Ayyad

Q7. Is the private sector dimension important to the success of the global Agenda and if yes then what is its role?

Yes, the private sector is important to the global agenda for sustainable development. It's not just about closing the funding gaps, the private sector comes with risk-taking, agility, and dynamism. The private sector has the capacity to deal with shocks in a nimble and agile way, whereas the public sector is more bureaucratic and slower. Public finance offers larger size financing and longer tenures for essential mega-projects that may not really be subject to fast changes in technology and trends.

Regarding risk taking and being the bridges of knowledge, you bring a company with sophisticated technology based in China or the US or Colombia, and then you invite them to do work in Somalia or in Egypt or Morocco. They don't just contribute funding; they also bring management expertise, a trade network, and the ability to deal with problems fast. So here this is the kind of network risk management and competitiveness aspects that the private sector enjoys.

Q8. With everything happening in the world can we remain optimistic?

Indeed, yes. First, we need to be optimistic because this is the main realistic thing to do as human beings who have handled their ability to make changes. And actually, given that many of the problems that are around us are primarily human made, or because of the lack of human ability to deal with them, from dealing with issues related to pandemics, towards to financial shocks, we need to enhance our ability in dealing with them.

Take for example climate change. This is very much human-made because of our consumption and production patterns. The Creator has created us with the ability to do good. So, we would need to address our overall patterns. That is why I'm optimistic.

Q9. Any final thoughts?

I am very proud in having dealt with the Islamic Development Bank Group. Since the start of my work back in 1995, and actually even before that as a student and a junior scholar working in different aspects of development and Islamic finance. I have consistently cited your good work and benefited from the vast knowledge of its scholars. And then when I started to work in government as an advisor and then as a Minister, I had many opportunities to work with the Group. I had the pleasure of working with Dr. Ahmed Mohammed Ali, Dr. Bandar Hajar, the formidable current president H.E. Dr. Al-Jasser, and of course Eng. Hani Sonbol. the Acting CEO of ICD. And so, from every person within the institution, from the most junior colleague whom you just recruited to the leadership of the President and the senior management, I congratulate you for the 50 years of remarkable work. Insha'Allah, the next 50 years will be even better, with continued determination, good leadership, and further resources being invested in the institution.

03 Chapter Three: ICD Development Impact

Biplob Chandra Shil

3.1 Portfolio and Investment Analysis of ICD's Activities in 2023

Currently, ICD's authorized capital stands at USD4.0 billion, of which USD2.0 billion is available for shareholder subscription. Its shareholders consist of the Islamic Development Bank (IsDB), five public financial institutions and 55 Member Countries (MCs) which include developing and least developed economies (LDCs) spanning across the Middle East and North Africa (MENA), Sub-Saharan Africa (SSA), Europe & Central Asia (ECA), South Asia Region (SAR), East Asia & Pacific (EAP) and Latin American & Caribbean (LAC) regions. ICD is currently rated A2, A+, and A- by Moody's, Fitch, and S&P Global Ratings, respectively.

Since its inception in 1999, ICD has delivered almost USD6.92 billion in cumulative approvals and more than USD4.51 billion in disbursements for private sector development. ICD projects have supported a wide array of industries including Finance, Infrastructure, Agriculture, Transportation, Manufacturing, and Energy in 50 MCs.

Operationally in 2023, ICD approved USD531.7 million worth of projects with disbursements for the year totaling USD438.8 million. This is in line with ICD's commitment of funding meaningful projects and businesses in various economic sectors such as Finance, Industry and Mining, Energy, and Transportation.

a. Activity Since Inception:

Approvals:

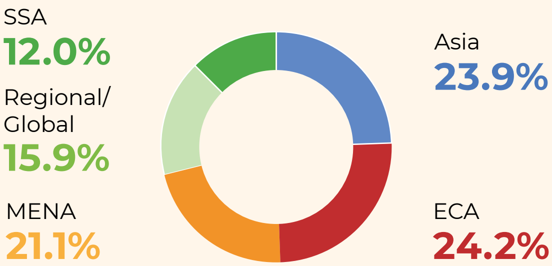
As of YE23, ICD has delivered almost USD6.92 billion in cumulative approvals and more than USD4.51 billion in disbursements since inception for private sector development. Our approvals as of YE2023 include Line of Finance (LoF) projects valued at USD3.57 billion, Term Finance projects valued at USD1.90 billion, Equity projects valued at USD922.6 million, and Funds valued at USD532.85 million. To date, 79.0% of approvals have been allocated to credit financing (Term Finance plus Line of Finance), followed by 13.3% in Equity participation (institutional equity and corporate equity) and the remaining 7.7% in Funds.

Regionally, the Europe and Central Asia (ECA) region accounts for 24.2% of gross approvals, followed by Middle East and North Africa (MENA) with 23.9%, and then the Sub-Saharan Africa (SSA) region with 21.1%, and the Asia region with 15.9%. The share of regional/global projects covering several countries across different regions represents 14.9% of gross approvals.

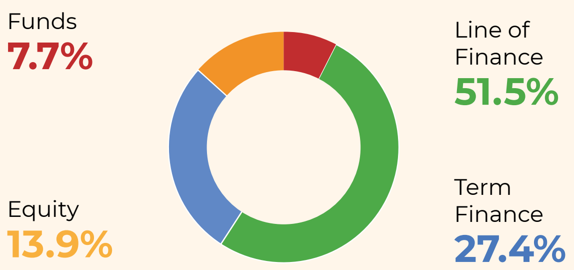
Meanwhile, by sector, the largest share of approvals was allocated to the Finance sector (excluding funds), representing 60.1%, or USD4.16 billion. The Industry and Mining sector takes up the second largest share at 14.1% with a gross approved amount of USD973.0 million. This is followed by Funds with 7.7%, and Real Estate, Energy, Health and Other Social Services,

Since its inception in 1999, ICD has delivered almost USD6.92 billion in cumulative approvals and more than USD4.51 billion in disbursements for private sector development. ICD projects have supported a wide array of industries including Finance, Infrastructure, Agriculture, Transportation, Manufacturing, and Energy in 50 MCs.

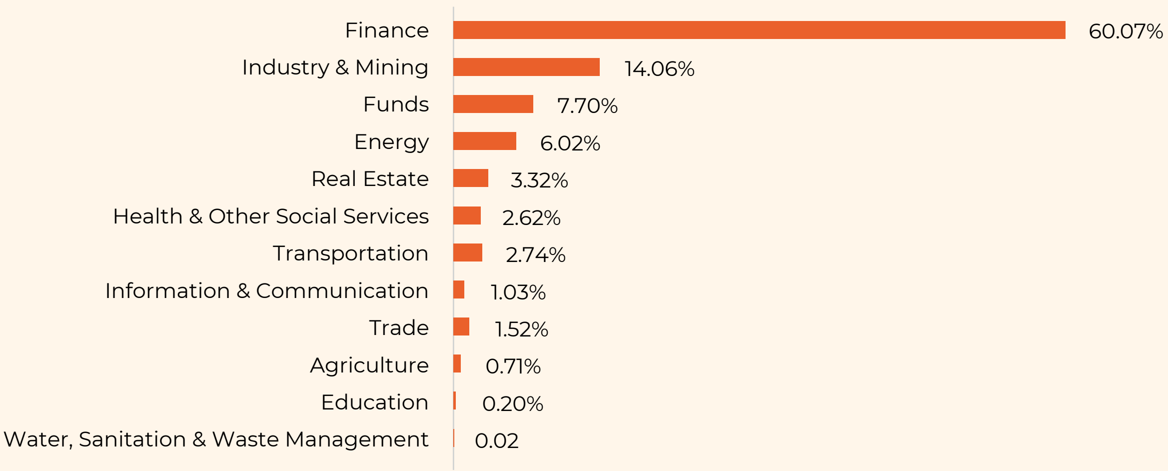
Total Approvals Since Inception: By Region



Total Approvals Since Inception: By Product



Total Approvals Since Inception: By Sector



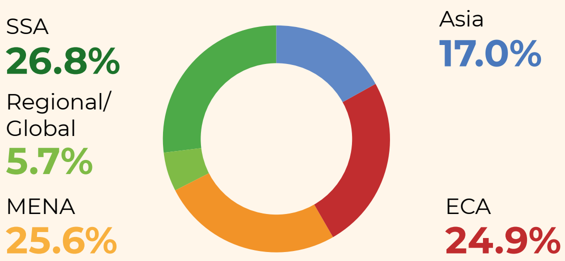
Transportation, Information and Communication, and Trade, accounting for 17.3% of gross approvals. The remaining USD63.8 million, representing 1.0% of cumulative approvals, is allocated to three economic sectors: Agriculture, Education, and Water, Sanitation, and Waste Management.

Disbursements:

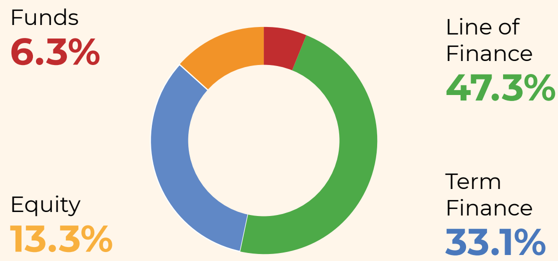
With its significant role in driving inclusive and dynamic growth, private sector development has been the primary focus of ICD since inception and our disbursements reflect this. ICD disbursements as of YE2023 include Line of Finance (LoF) projects valued at USD2.13 billion, Term Finance projects valued at USD1.49 billion, Equity projects valued at USD599.68 million and Funds projects valued at USD283.8 million. To date, 80.4% of disbursements have been allocated to credit financing (term finance plus line of finance), followed by 13.3% in Equity participation (institutional equity and corporate equity) and the remaining 6.3% in Funds.

Regionally, the Sub-Saharan Africa (SSA) with 26.8% has the largest share of disbursements, then it is the Middle East and North Africa (MENA) region with 25.6% of total disbursements, followed by Europe and Central Asia (ECA) with 24.9%, and the Asia region with 17.0%. The share of regional/global projects covering several countries across different regions represents 5.7% of gross approvals.

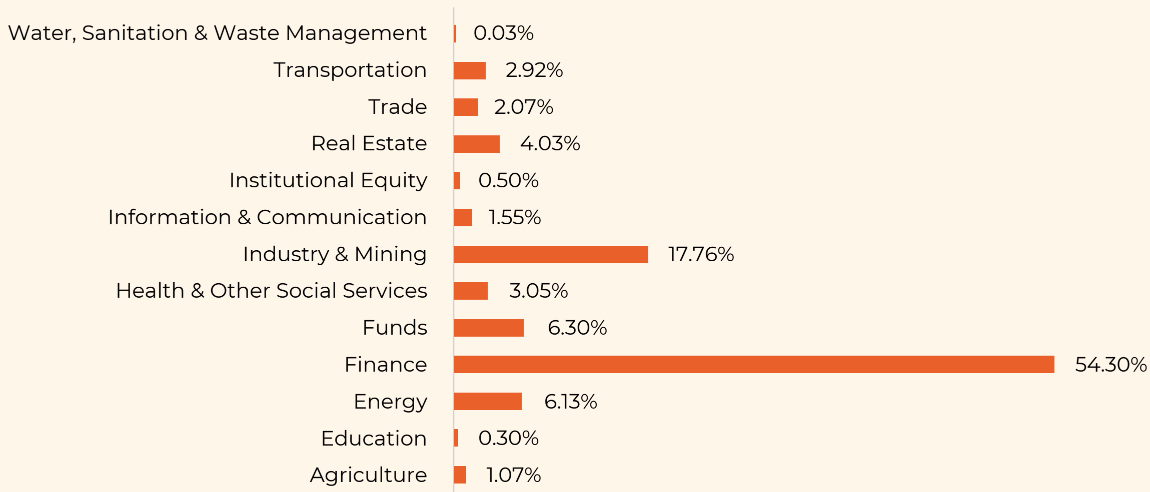
Total Disbursements Since Inception: By Region



Total Disbursements Since Inception: By Product



Total Disbursements Since Inception: By Sector



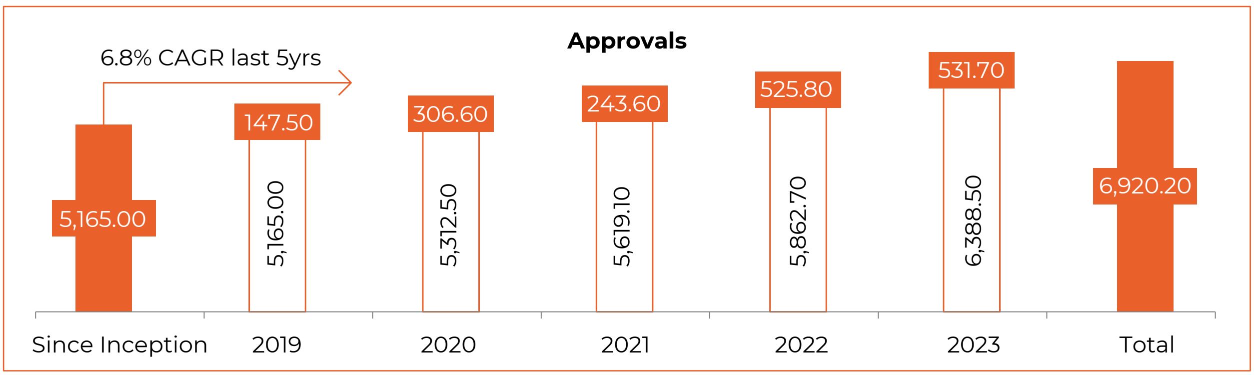
Meanwhile, by sector, the largest share of disbursements was invested in the Finance sector (excluding funds), representing 54.3%, or USD2.45 billion. The Industry and Mining sector takes up the second largest share at 17.8% with a total disbursed amount of USD800.4 million. This is followed by Funds with 6.3%, and Real Estate, Energy, Health and Other Social Services, Transportation, Information and Communication, and Trade, accounting for 19.8% of gross approvals. The remaining USD63.1 million, representing 1.4% of cumulative disbursements, was invested in three economic sectors including: Agriculture, Education, and Water, Sanitation, and Waste Management.

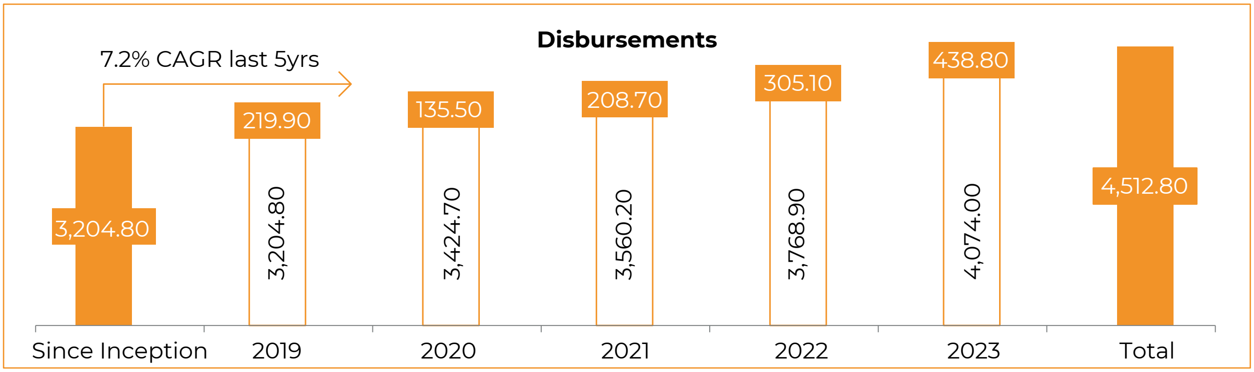
b. Activity in 2023:

Total approvals for 2023 were USD531.7 million increasing by an impressive CAGR 6.8% over the 5-year period from 2019-2023. The emphasis remained on private sector development particularly the SMEs sector, as it is the main engine of growth in many of ICD MCs. Meanwhile, disbursements reached USD438.8 million, growing by roughly CAGR 7.2% over the 5-year period from 2019-2023, reflecting the need for economic activity to revitalize growth and opportunities in ICD MCs.

Approvals, Disbursements (USD mn)

Year	Approvals	Disbursements
Since Inception (Total)	**6,920.2**	**4,512.8**
2019	147.5	219.9
2020	306.6	135.5
2021	243.6	208.7
2022	525.8	305.1
2023	531.7	438.8
CAGR (%)	6.8%	7.2%

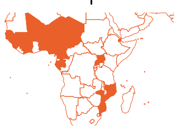




The approvals were mainly in ECA with roughly USD185.3 million or 34.9% of all approvals, followed by Asia at USD130.4 million 24.5%, the MENA region was allocated USD110.1 million, roughly 20.7%, the SSA region received USD100.8 million or 19.0% and regional projects were allocated USD5 million or 0.9% of all approvals in 2023.

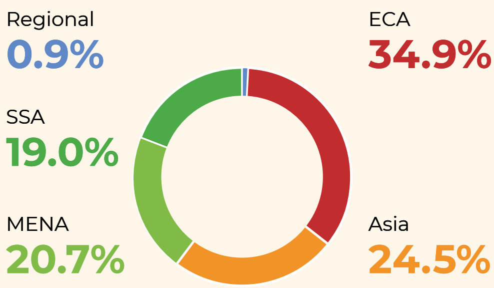
Regarding disbursements, the ECA region received the most amount at about USD192.9 million roughly 44.0% of all disbursed amounts in 2023. The SSA region came in second with about USD143.1 million or 32.6%, followed by the MENA region at USD55.0 million or 12.5%, the Asia region received about USD42.9 million or 9.8% and regional projects were allocated USD4.9 million, or about 1.1% of all disbursed amounts in 2023.

Detailed 2023 Approvals and Disbursements by Region/Country (USD mn - %)

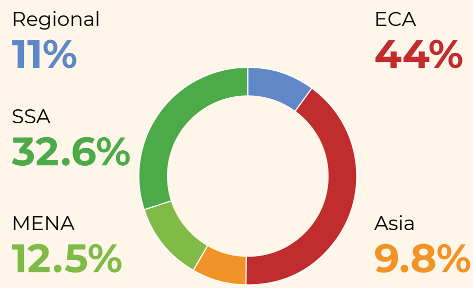


Region/Country	Approvals	%	Disbursements	%
Sub-Saharan Africa (SSA)	**100.8**	**19.0%**	**143.1**	**32.6%**
Togo	43.0	8.1%	-	-
Benin	30.0	5.6%	-	-
Côte d’Ivoire	16.0	3.0%	32.2	7.3%
Guinea	11.8	2.2%	10.0	2.3%
SSA Regional	-	-	50.0	11.4%
Senegal	-	-	19.3	4.4%
Mali	-	-	10.9	2.5%
Cameroon	-	-	10.7	2.4%
Nigeria	-	-	10.0	2.3%
Europe & Central Asia (ECA)	**185.3**	**34.9%**	**192.9**	**44.0%**
Uzbekistan	65.3	12.3%	119.4	27.2%
Turkmenistan	10.0	1.9%	-	-
Turkiye	95.0	17.9%	60.0	13.7%
Azerbaijan	15.0	2.8%	9.0	2.1%
Kazakhstan	-	-	4.5	1.0%
Asia	**130.4**	**24.5%**	**42.9**	**9.8%**
Bangladesh	130.4	24.5%	36.3	8.3%
Indonesia	-	-	6.6	1.5%
Middle East and North Africa (MENA)	**110.1**	**20.7%**	**55.0**	**12.5%**
Egypt	85.0	16.0%	55.0	12.5%
Saudi Arabia	25.1	4.7%	-	-
Global/Regional	**5.0**	**0.9%**	**4.9**	**1.1%**
Total	**531.7**	**100%**	**438.8**	**100%**

Total Approvals 2023: By Region



Total Disbursements 2023: By Region

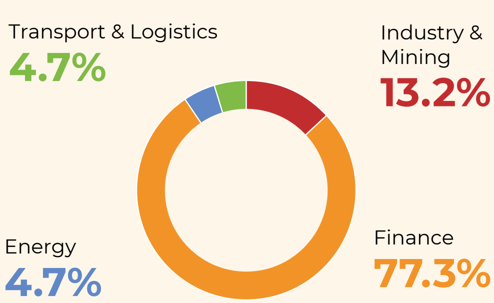


As in previous years, in 2023, ICD's sectoral approval and disbursement portfolios were dominated by the Finance sector which accounted for about 77.3% of total approvals and 86.3% of total disbursements. Other new sectoral project approvals were in Industry and Mining at about 13.2%, and in Energy with 4.7% as well as in Transportation with a similar 4.7% of total approvals in 2023. The Finance sector had the greatest number of projects with a total of 21 projects from the total twenty-six (26) projects approved in 2023. There were three (3) new projects approved in the Industry and Mining sector and one (1) in both the Energy sector and the Transportation sector.

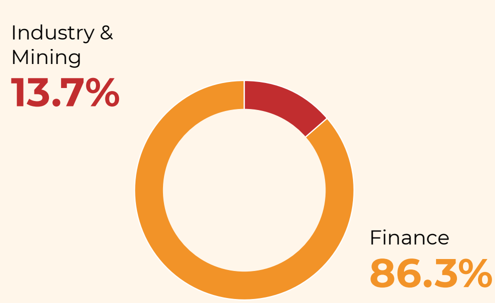
Approvals and Disbursements by Sector (USD mn - %)

Sector	Approvals	%	# Projects	Disbursements	%
Finance	411.2	77.3%	21	378.8	86.3%
Industry and Mining	70.4	13.2%	3	60.0	13.7%
Transportation	25.1	4.7%	1	-	-
Energy	25.0	4.7%	1	-	-
Total	**531.7**	**100%**	**26**	**438.8**	**100%**

Approvals 2023: By Sector

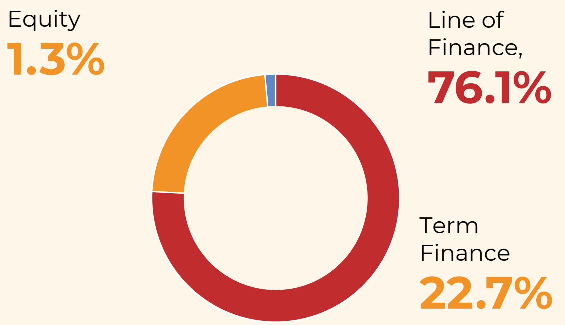


Disbursements 2023: By Sector

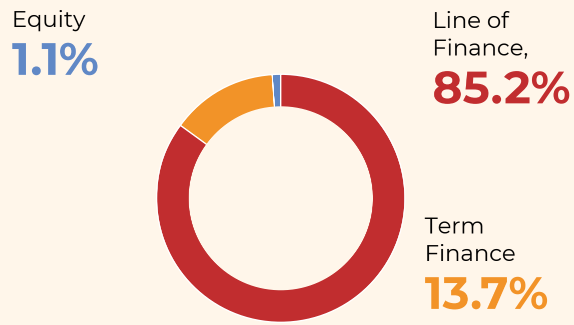


The go-to product approved by the ICD in 2023 was again the Line o Finance (LoF) product with over 76.1% of total approvals in 2023. Term Finance had about 22.7% of total approvals and Equity at 1.3%. Regarding which product line was used for ICD disbursements, again the LoF had about 85.2% of all total disbursements followed by Term Finance with about 13.7% and Equity at about 1.1% of total disbursements in 2023.

Approvals 2023: By Product



Approvals 2023: By Product



3.2 Annual Development Effectiveness Survey Results

Emphasizing the importance of coordinated efforts to achieve SDGs, ICD Chairman and IsDB President, Dr. Muhammad Al Jasser stated: "It is essential to continue combining our thoughts and efforts and coordinate our actions to yield more benefits to our member countries, especially in the context of helping them achieve the SDGs."[11]

ICD continues to be guided by the 2030 Agenda for Sustainable Development, which frames its sustainability ambitions across the well-defined 17 SDGs. While the pandemic threatened to derail significant progress that has been made in this area, ICD remained steadfast in its pledge to contribute to the sustainable development agenda and continuously work with partners to improve lives in the communities where ICD has a presence.

11 Islamic Development Bank News – July 2023

a. Aggregate Survey Findings

Positively, the latest Annual Development Effectiveness Survey results revealed that ICD's respected clients and partners supported 89,226 jobs, with roughly 14,700 new jobs created in 2023. Moreover, a total of 2,480 SMEs benefited from ICD's financing activities. ICD-supported projects also resulted in export sales and government revenue generation totaling USD466.6 million and USD126.8 respectively in MCs, with USD3.8 million spent on community development.

Overall, the 2023 survey showed that ICD continues to help its partners in achieving notable successes. The table below provides aggregate results of the survey results based on 75% response rate. Thus, it does not represent the aggregate magnitude of ICD's impact which would be much greater. Nevertheless, it suggests that ICD continued to contribute substantially to promoting Islamic financing practices, create employment as well as helping its partners to sustain their operations and opportunities in decidedly adverse circumstances. The focus on SMEs highlights ICD's commitment to poverty reduction.

ADER Full Highlights	2023
Clients who gained access to Islamic finance since ICD intervention	751,340
New Islamic finance clients	93,092
Number of new clients who are Women	30,402
SMEs supported through ICD financing	2,480
Women led/managed SMEs funded	610
Total amount of funding to SMES	USD189,534,138
Jobs Sustained	89,226
Women Jobs Sustained	24,403
New Jobs Created	14,700
New Women Jobs Created	2,781
Women in senior management positions	436
Export Sales Generated	USD466,577,618
Government Revenues	USD126,794,690
Community Development	USD3,778,423
Total KWhs Energy Produced	1,207,545,018
Total MW Energy Capacity Financed	3,714
Total Patients Served	2,036,492
Total Students Enrolled	30,473
Total Farmers Reached	6,462
Total Housing Units	1,063
Number of people trained	3,337

80% of respondents stated that they have a Board approved policy for fair employee treatment. This is a constructive indication to the importance of having a just and positive work environment among ICD partners and clients.

Do you have a Board approved policy to compensate employees fairly and equitably?	**Yes**	**80%**
	No	7%
	Not this time 1-2 years	11%
	Not this time 3-5 years	2%

Overall, 31% of respondents stated that they are at the "**Basic of alignment with SDGs**", meaning that their alignment with projects/transactions linked to SDG Goals are in the early stages. While 27% stated that they are at the **"Beginning"** of their SDG narrative through the use of SDGs in their corporate literature and/or operation over the past year.

Which stage would you classify your institution in terms of alignment with SDGs?	No Alignment	20%
	Beginning	27%
	Basic	**31%**
	Alignment	16%
	Advanced	7%

Regarding, tracking their overall Green House Gases (GHG) emissions, close to 36% stated that they currently do not track these emissions, with 29% claiming that they will consider doing so within the short term (1-2 years). What is promising, is that 27% stated that they are indeed tracking their GHG emissions.

Do you track Green House Gas (GHG) emissions or any other carbons resulting from your business activity?	Yes	27%
	No	**36%**
	No (1-2 yrs)	29%
	No (3-5 yrs)	9%

Moreover, when asked "What *approach to Environmental, Social and Governance (ESG) are you taking?*", 42% of the respondents stated that they had Environmental, Social and Governance (ESG) policies in place. Of those that did not have a policy in place, 27% were considering it in the short term (1-2 years) and 16% in the mid-term (3-5 years).

What approach to Environmental, Social and Governance (ESG) are you taking?	**We currently have an ESG policy**	**42%**
	We do not have an ESG policy but use a CSR policy	16%
	We do sustainability themed investing and/or have a negative/exclusion screening	0%
	No (1-2 yrs)	27%
	No (3-5 yrs)	16%


Abdul Hamid

b. Closing the SDGs Gap

When asked, “What is the main reason your company is contributing to (or is planning to contribute to) the implementation of the Sustainable Development Goals (SDGs)?”, 56% responded that there is an opportunity to align their core business with society’s needs. And a further 24% believed there is an opportunity to grow revenue or enter new markets by contributing to the SDGs.

What is the main reason your company is contributing to (or is planning to contribute to) the implementation of the Sustainable Development Goals (SDGs)?	**Opportunity to align core business activities with society’s needs**	**56%**
	Opportunity to grow revenue / enter new markets	24%
	Opportunity for collaborations and partnerships	7%
	Pressure from external stakeholders / competition	2%
	Importance of SDGs to national agenda	11%

Most of the partners, or roughly 44% felt that the main barrier to benchmarking investments against the SDGs was due to the difficulty to measure or lack of data. Moreover, 22% saw that benchmarking against the SDGs was complex with increasing standards and regulations.

What are the main barriers to benchmark investments against SDGs?	SDGs are not relevant to our financing/ investment decisions	7%
	Cost and financial return implications to our bottom line	13%
	It is difficult to measure / lack of data	**44%**
	Lack of knowledge about the topic	13%
	Complex frameworks, increasing standards and regulation	22%

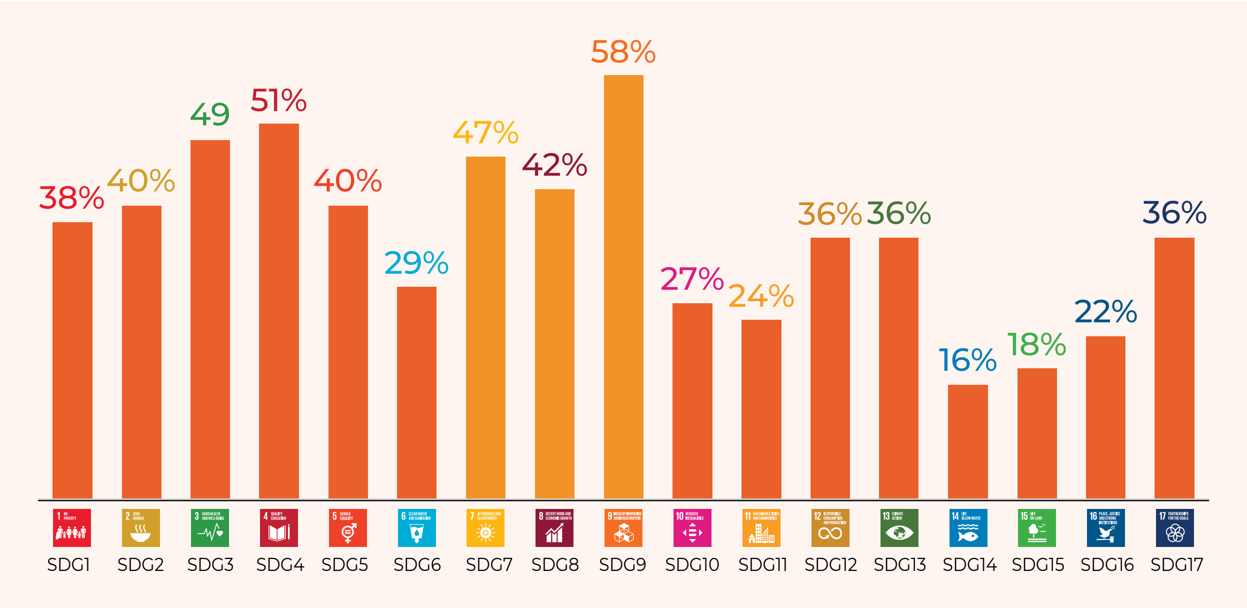
Interestingly, 51% of respondents claimed that their customers were “Neutral” when it came how they perceived their efforts towards supporting the SDGs. This could signal that most ordinary customers of our clients are unaware of the SDGs.

Do your customers think your business is doing enough to support the SDGs?	Yes	29%
	Yes, most likely	18%
	Neutral	**51%**
	No, not likely	0%
	No	2%

On the other hand, 84% of our partners claimed that the share of annual SDGS or ESG related investments was between 0-25% on average of the last three-year period. This leaves much room for improvement to help close the SDGs gap.

What share of your total annual investments and commercial transactions the past three years (on average) were allocated to an SDG or ESG related theme?	**0-25%**	**84%**
	26-50%	9%
	51-75%	2%
	76-100%	4%

One encouraging aspect was the continuing alignment of ICD's activities with the achievement of the SDGs. Regarding the SDGs identified as ICD's priority goals, which are SDG7, SDG8 and SDG9, 47% of respondents preferred to target SDG7, 42% opted for SDG8 and 58% claimed that they were or are planning to target SDG9.



And lastly, when asked *"How likely will your institution consider enhancing its SDGs framework over the short term* (1-2 years)?", 49% of respondents stated that they are "**Likely**" to consider enhancing their SDGs framework, illustrating the importance of SDG alignment towards the 2030 Sustainability Agenda.

How likely will your institution consider enhancing its SDGs framework over the short term (1-2 years)?	Highly likely	31%
	Likely	**49%**
	Neutral	13%
	Not likely	2%
	Highly unlikely	4%

c. Contributions in 2023: By Business Lines

Line of Finance (LOF)

As in the past, ICD's portfolio was dominated by the LOFs in 2023. LOFs remain particularly relevant for economies with limited access to Islamic and/or affordable financing. Notable results (based on reports from responding ICD clients financed through an LOF) in 2023 were:

Employment

- 997 new full-time employees (of which 235 were women) in the funded SMEs by our LOF clients;
- 2,757 (890 women) new direct hires by the ICD partners;
- 313 women in senior leadership positions;
- 93% have an approved policy to fairly compensate its employees.

Financial Output

- 81 SMEs funded directly
- 21 women led/managed SMEs funded through Islamic finance facilities
- USD116.0 million of new funding to SMEs
- USD93.7 million of goods and services purchased locally
- USD133.5 million of export sales
- USD37.7 million raised in government revenues
- USD2.9 million spent in community development

A total of 1,934 individuals were offered training

Health: 13,599 patients served

Education: 100 total students enrolled

Agriculture: 1,048 farmers supported

Housing: 20 new housing units either mortgaged or financed

SDG Alignment: 57% at the beginning of or in basic alignment with the SDGs

Debashis Mondal

Direct Financing

ICD has prioritized high value-added sectors where its contribution can achieve the objectives of achieving a developmental impact in the member countries, promoting Islamic finance and at the same time creating conditions for ICD to become self-sustainable. Below are the results reported by the ICD partners receiving direct financing and they were:

Employment

- 4,913 new direct hires of which 636 were new women employment opportunities
- 21 opportunities for women to hold senior management positions
- 75% have an approved policy to fairly compensate its employees

Financial Output

- USD401.7 million of goods and services purchased locally
- USD123.2 million of export sales
- USD55.7 million accrued in government revenues
- USD264 thousand spent in community development

SDG Alignment: 50% at the beginning of or in basic alignment with the SDGs

Energy: roughly 1.2 billion of Kilo Watt Hours produced by the responding partners from 3,698 of Mega Watt financed by ICD

Iftekhar Rahman Anas

Equity

Provision of equity financing is one of ICD's key strategies to promote Islamic financing practices. It also promotes SME growth as a "funder of funds" by providing financing to SMEs through a domestic financial intermediary. ICD maximizes the development potential of its contribution by encouraging the creation of new jobs and transferring knowledge and technologies. ICD's equity investment projects provide capital to set up or strengthen NBFIs, such as Ijara (leasing), mortgage and other financial entities. Development results in 2023 reported by responding clients in this sector included:

Employment

- 999 new direct hires of which 251 were women positions
- 102 opportunities for women for senior lead positions
- 71% have an approved policy to fairly compensate its employees

Financial Output

- 1,881 SMEs funded directly
- USD55.3 million of goods and services purchased locally
- USD209.8 million of export sales
- USD33.5 million of government revenue generation
- USD623 thousand spent in community development

Financial Inclusion: 93,092 gained access to Islamic Finance of which 30,402 were women

SDG Alignment: 65% at the beginning of or in basic alignment with the SDGs

Health: 89,062 patients served

Housing: 1,043 new housing units either mortgaged or financed

Education: 1,950 total students enrolled

A total of 936 individuals were offered training

Industry and Business Environmental Support (IBES) Advisory Services

IBES Advisory Services play a key role in the implementation of ICD's two strategic pillars: fostering an enabling private sector environment and resource mobilization. The Corporation aims at providing advice to the governments of its MCs and private sector entities to help them improve their development potential and raise capital. Development results in 2023 reported by the responding IBES clients include:

Employment

- 5,877 sustained employment opportunities by our IBES partners
- 28,423 total students enrolled in education centers financed by ICD IBES partners
- 453 people trained

Financial Output

- 518 SMEs funded in 2023
- USD 7.0 million of new funding provided to SMEs

3.3 Success Stories

Success Story 1 — **Rangpur Metal Industries Limited (RMIL)**

Rangpur Metal Industries Limited (RMIL), is a major subsidiary of PRAN-RFL Group. RMIL has its Cable and Bicycle Factories located in Habiganj Industrial Park (HIP), roughly 140km northeast of the capital Dhaka. RMIL began operations in 2014 and is now one of the market leaders in Bangladeshi electrical and data cable, bicycle, metal and wooden furniture, kitchen sinks and gas stove markets.

RMIL is a successful repeat client of ICD with several facilities extended to RMIL, totaling USD50mn, with the last facility amounting to USD20mn. The overall development outcome of this last facility was rated ***"Mostly Successful***" with the following results:

5,443
jobs sustained during the year; 712 Female jobs; eight are in senior management positions;

2,474
new hires during the year with 12 positions allocated to women;

USD8,966,050
in government revenues paid;

USD20,233,520
export sales;

USD32,236,206
Amount of goods and services purchased locally.

The SDGs targeted by this project include:

The export business started in 2015. The bikes are made in a factory that is globally compliant with world standard high tech mechanical testing lab for components. That's why they are very popular locally and globally, with international quality, quick delivery, and competitive pricing to partners such as Sports Direct, Toys R Us, Argos, S'COOL Bike, Decathlon and Tandem Group Cycle. Additionally, continued production expansion and growth helps to create local employment, tackle poverty and uplift those left behind. RMIL's factories in HIP are a testament to how industry can help revitalize an area by creating jobs, building schools and medical clinics, training individuals, and empowering the disenchanted members of society to participate in the economic cycle of the country.

Success Story 2

Ace Alliance Power Limited (AAPL)

Ace Alliance Power Limited (AAPL) is a 149 megawatts (MW) power plant venture of Summit Power Limited (SPL) and Summit Corporation Limited (SCL). The project site is located approximately 40 km north of Dhaka on the eastern bank of the River Turag.

ICD provided AAPL with a term finance facility of USD25mn. The overall development outcome of the was rated ***"Successful***" with the following results:

The addition of roughly
149 MW
of energy capacity, resulting in roughly 809,133,000 of Kilowatt hours generated;

93
jobs sustained during the year; 64 of those with permanent positions paying an annual salary over BDT 36,000 or more;

USD3,234,758
Amount of goods and services purchased locally;

USD27,753
Community Development Contribution through Corporate Social Responsibility (CSR).

The rationale for ICD involvement centered around:

- Alignment with ICD's strategy and with the country's development initiatives;
- Assist in alleviating Bangladesh's power shortage, which cramps the country's economic growth and efforts to reduce poverty;
- AAPL has helped create employment opportunities; with locals given priority in employment and training.

The SDGs targeted by this project include:

1 NO POVERTY; 7 AFFORDABLE AND CLEAN ENERGY; 8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 17 PARTNERSHIPS FOR THE GOALS


SUMMIT


Financed by and Mortgaged to:
Infrastructure Development Company Limited (IDCOL)
Islamic Corporation for the Development of the Private Sector (ICD)
and The OPEC Fund for International Development (OFID)

Success Story 3

Abul Khair Strip Processing Limited (AKSPL)

Abul Khair Steel Processing Limited (AKSPL), is the largest multi-diversified steel manufacturing company in Bangladesh. It started its journey in 1993 by providing complete solutions to its customers in the field of structural steel. Now it is the industry leader in the construction steel industry of the country. AKSPL is a member of Abul Khair Group (AKG). The Group is the largest industrial conglomerates in Bangladesh with business spanning across Steel, Cement, Fast Moving Consumer Goods (FMCG), Ceramics, and Ready Mix. It is the market leader in the steel and cement industry of Bangladesh.

ICD provided AKSPL with a term finance facility of Euro 22.5mn. The overall development outcome of the was rated ***"Successful"*** with the following results:

1,476
jobs sustained during the year; 117 Female jobs;

USD38,700,000
Amount of goods and services purchased locally;

246
new hires with 54 positions allocated to women;

USD1,000,000
Community Development Contribution through Corporate Social Responsibility (CSR).

AKSPL integrated resource and environmental considerations which allow a steady reduction in the energy and resource consumption, by increasing the efficiency of resource use, reducing waste, encouraging resource recovery and recycling. AKSPL holds ISO 9001:2008 as a part of continuous improvement and innovation.

The SDGs targeted by this project include:

The rationale for ICD involvement centered around:

- This plant would be a source of manufacturing for the raw materials needed for finished products, thereby reducing the import cost for end user producers – whose costs of production are fully dependent on imported direct and indirect materials;
- The increased production capacity will look to fulfil local demand of Corrugated Iron (CI) sheet as well as ultimately cater for the export market in the South Asian market;
- Alignment with ICD's strategy and with the country's development initiatives;
- The plant will also be the cornerstone of AKG's steel business going forward as it ramps up production capacity. This will increase production efficiency and allow for better quality control with reduction in cost of wastage;
- The new line will substitute the existing technology with enhanced protection abilities;
- AKSPL has helped create employment opportunities with locals given priority in employment and training.
- Galvalume is more rust and corrosion resistant and offer better durability;

3.4 The Way Forward

Progress toward the SDGs was already falling, and now with new vulnerabilities and inequalities it has been further delayed. Securing enough resources remains a major challenge, with developing countries facing a growing financing gap estimated at USD 4.2 trillion per year. Capital and wealth, mostly private, do not or cannot reach the geographies and people that need it the most. This is despite the fact that the world has theoretically never been as rich as it is today. Achieving the Agenda 2030 demands policy shifts and a major realignment investment decision by countries, companies, and individuals.[12]

Several risks surround the economic outlook for 2024. These include the risks of escalation of the Eastern European crisis and other conflicts resulting in political instability in different regions; the high global inflation and interest rates; the financial instability risks due to the debt sustainability concerns; the deepening of geoeconomic fragmentation with more sanctions imposed on countries and restrictions on trade, cross border movements of capital, technology, and workers; the depreciation of various domestic currencies; and the natural disasters affecting economic activities.

ICD can play an important role in promoting the private sector, closing the SDGS gap, driving green economic growth, and contributing to inclusive human capital development. ICD will:

- Maximize its contribution to improve the enabling factors and conditions that help MCs to achieve their development goals and SDG targets.
- Directly target SDGs 8 ,7 and 9 through line of financing (LOF) (access to financing for SMEs) and term financing (green and infrastructure development) while partially supporting SDGs 13 and 17 and indirectly contributing to SDGs 4 ,3 ,2 ,1 and 5;

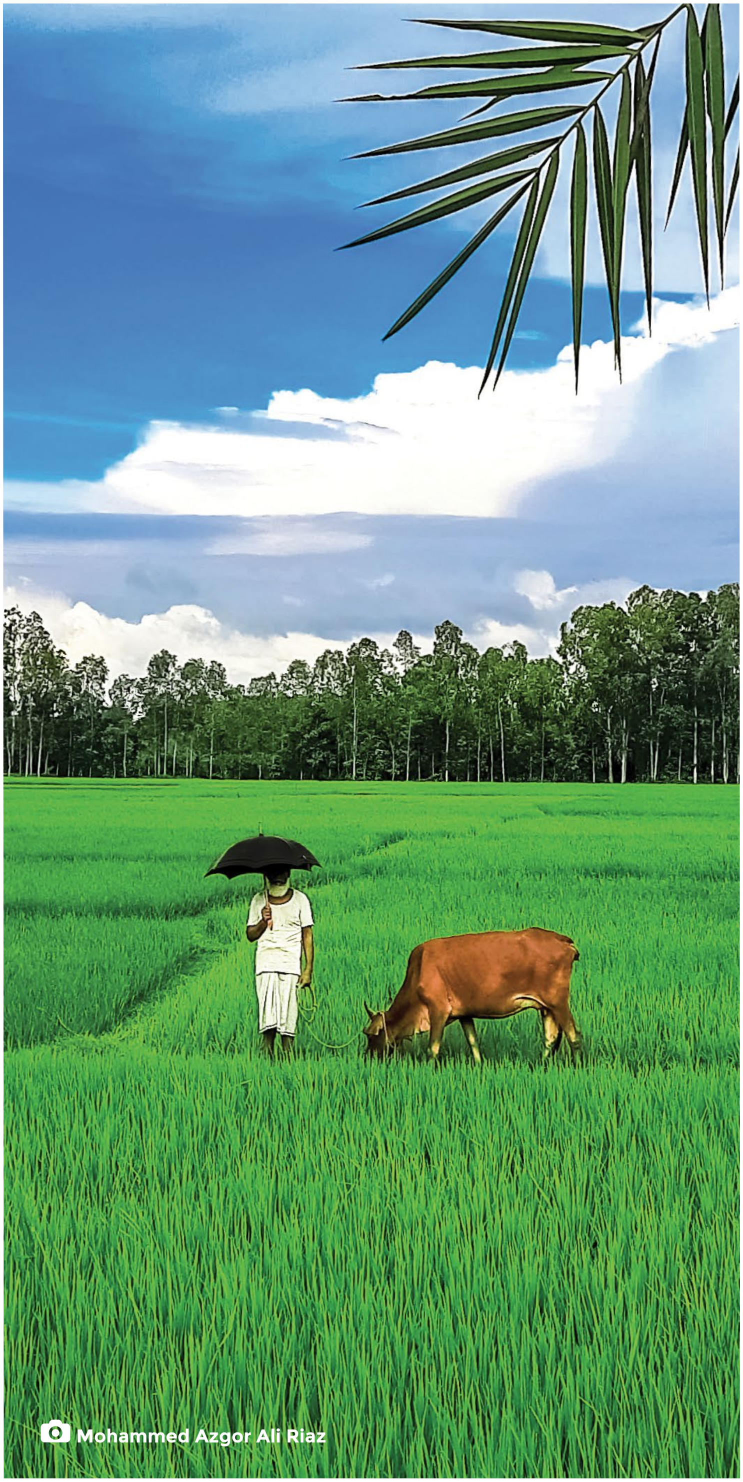
12 Joint SDG Fund

- Mainstreaming result-based management and focusing on the developmental impact, and,
- Make its internal operations more effective and efficient through empowering and knowledge building of its employees.

To enhance and facilitate its development effectiveness, and help address shortfalls in SDGs financing, ICD will implement a set of strategic initiatives during 2024.

- Disbursement-focused operational growth
- Core mandate focus and alignment by ramping-up core investments
- Revamping co-financing (including syndications), co-investments and resource mobilization
- Embarking on Credit Rating Improvement
- Process Automation and Better Digitalization
- Focused Development Impact

To date, ICD remains focused on maintaining financial sustainability and creating a larger development impact to best cater to the needs of its MCs in line with its core mandate. ICD intends to enhance its mandate regarding development impact and financial inclusion to better align with the aspirations and needs of its MCs. ICD aims to cement its developmental footprint by launching new initiatives that can help contribute to the overall socioeconomic status of its MCs. This will require ICD's entire stakeholders to strengthen their combined efforts towards this goal. By having better quality interventions that both address financial and developmental returns, ICD can help its MCs move forward on the road towards the 2030 Sustainable Development Goals and to close the SDGs gap.



Partners & Clients

AZERBAIJAN

CASPIAN International Investment Company

TURKIYE

YDA sağlık

MALI

Albatros energy

CORIS BANK INTERNATIONAL

ALBANIA

Albania Leasing

TOGO

CEDEAO ECOWAS

TUNISIA

بنك الوفاق
WIFAK BANK

COTE D'IVOIRE

NSIA BANQUE

MOROCCO

الأخضر بنك
AL AKHDAR BANK

BURKINA FASO

Fidelis

LA MAISON DE L'ENTREPRISE DU BURKINA FASO

PALESTINE

شركة الإجارة الفلسطينية
PALESTINE IJARA COMPANY

NIGERIA

Jaiz Bank

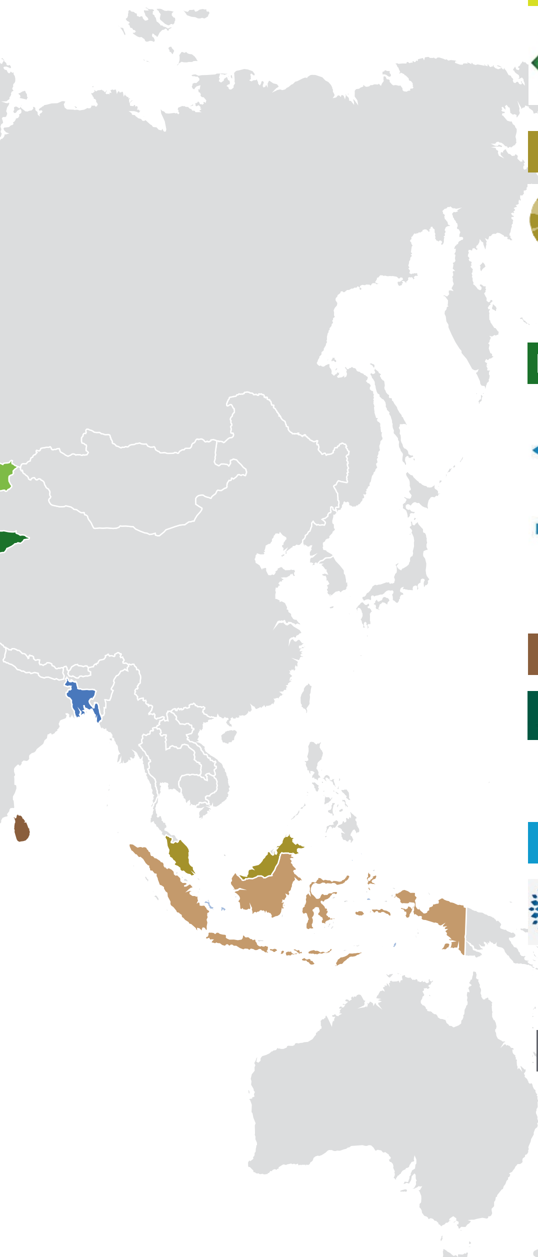
BANK OF INDUSTRY
...transforming Nigeria's industrial sector

EGYPT

شركة إنماء للتمويل
ENMAA FINANCE COMPANY

SUDAN

BYBLOS BANK



TAJIKISTAN

ASR LEASING

MALAYSIA

INTERNATIONAL ISLAMIC LIQUIDITY MANAGEMENT CORPORATION

KYRGYZSTAN

IJARA COMPANY KYRGYZSTAN

SRI LANKA

Amãna Bank

BAHRAIN

إبدار كابيتال Ibdar Capital

TURKMENISTAN

The State Bank for Foreign Economic Affairs of Turkmenistan

KUWAIT

ALAFCO

UZBEKISTAN

ALOQABANK

TURON BANK

InfinBANK

UzbekLeasing International AO

ASIA ALLIANCE BANK

TAIBA LEASING

IPAK YO'LI MOBILE

AGRO BANK

TRASTBANK

ORIENT FINANS BANK

Biznesni Rivojlantirish Banki

BANGLADESH

SUMMIT POWER LIMITED

AKS

FENI LANKA POWER LIMITED

RFL আর এফ এল

PAKISTAN

MASTER WIND ENERGY LTD.

NASDA GREEN ENERGY

Power Cement

alBaraka

KAZKAHSTAN

KIC leasing Kazakhstan Ijara Company

ZAMAN-BANK JOINT STOCK COMPANY

MALDIVES

Maldives Islamic Bank

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

Member of the Islamic Development Bank Group

P.O. Box 54069 Jeddah 21514 Kingdom of Saudi Arabia
Tel (966 12) 636 1400, 644 1644

FAX (966 12) 644 4427 EMAIL icd@isdb.org WEBSITE www.icd-ps.org

THE ICD INVESTMENT GUIDELINES

WATCH ICD VIDEOS TO KNOW MORE @ICD_PS

icd_ps