ANNUAL DEVELOPMENT EFFECTIVENESS REPORT 2020

A SPECIAL REPORT ON THE IFIs RESPONSES TO THE COVID-19 PANDEMIC

MAY 2021
ENABLING ENTERPRISE, BUILDING PROSPERITY
This is the Seventh Annual Development Effectiveness Report (ADER) of the Islamic Corporation for the Development of the Private Sector (ICD).

The report consists of five chapters:

• Chapter 1 Introduction: The strategic context
• Chapter 2 Innovations in ICD’s development effectiveness framework
• Chapter 3 ICD in action
• Chapter 4 A Special Report on the IFIs Response to the COVID Pandemic
• Chapter 5 The Post-COVID Developing World: Implications for International Development Financing

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## Abbreviations

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<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ACG</td>
<td>Arab Coordination Group</td>
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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<td>AfDB</td>
<td>African Development Bank</td>
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<td>CSO</td>
<td>Civil Society Organizations</td>
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<td>DFI</td>
<td>Development Financial Institution</td>
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<td>FCCA</td>
<td>Framework Cooperation and Co-financing Agreement</td>
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<td>FinLit</td>
<td>Financial Literacy</td>
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<td>FinTech</td>
<td>Financial Technologies</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>IBES</td>
<td>Industry and Business Environmental Support (Advisory Services)</td>
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<td>ICD</td>
<td>Islamic Corporation for the Development of the Private Sector</td>
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<td>ICIEC</td>
<td>Islamic Corporation for the Insurance of Investment and Export Credit</td>
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<td>IDB</td>
<td>Inter-American Development Bank</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<td>IFIs</td>
<td>International Financial Institutions</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IRTI</td>
<td>Islamic Research and Training Institute</td>
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<td>IsDB</td>
<td>Islamic Development Bank</td>
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<td>ISD</td>
<td>Islamic Solidarity Fund for Development</td>
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<td>ITFC</td>
<td>International Islamic Trade Finance Corporation</td>
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<td>LIC</td>
<td>Low-Income Country</td>
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<td>LMIC</td>
<td>Low Middle-Income Country</td>
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<td>LoF</td>
<td>Line of Finance</td>
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<td>MC(s)</td>
<td>Member Country (ies)</td>
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<td>MDB</td>
<td>Multilateral Development Bank</td>
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<td>MENA</td>
<td>Middle East and North Africa</td>
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<td>MIC</td>
<td>Middle-Income Country</td>
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<td>MSME</td>
<td>Micro, Small and Medium Enterprises</td>
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<td>NBFI</td>
<td>Non-Banking Financial Institutions</td>
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<tr>
<td>OBIC</td>
<td>OIC Business Intelligence Center</td>
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<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>OIC</td>
<td>Organization of the Islamic Conference</td>
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<td>P5P</td>
<td>Five-Year Program</td>
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<td>SDGs</td>
<td>Sustainable Development Goals</td>
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<td>SME</td>
<td>Small and Medium Sized Enterprises</td>
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<td>SMEFF</td>
<td>SME Finance Forum</td>
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<td>S&amp;P</td>
<td>Standard and Poor</td>
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<tr>
<td>SPRF</td>
<td>Strategic Preparedness and Response Facility</td>
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<td>SPRP</td>
<td>Strategic Preparedness and Response Programme</td>
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<td>UAE</td>
<td>United Arab Emirates</td>
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<td>UN</td>
<td>United Nations</td>
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<td>WHO</td>
<td>World Health Organization</td>
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2020 Highlights
Working in a World in Crisis

Approvals

Approvals increased to USD 306.6 million (compared to USD 147.5 million in 2019).

Sectors

Finance  87.6%
Industry & Mining  9.8%
Energy  2.6%

Regions

Global projects  65.2%
ASIA  15.7%
ECA  14.7%
SSA  4.4%

Cumulative approvals have reached USD 6.84 billion since inception.
Disbursements

Disbursements fell to USD 135.5 million (compared to USD 219.9 million in 2019) reflecting the reduction in activities caused by the COVID-19 pandemic.
2020 Development Effectiveness Survey Results

Aggregate Survey Results

New clients who gained access to Islamic Finance
400,124

People opening new Islamic Finance accounts in 2020
110,878

Number of new clients who are Women
42,409

New MSMEs supported
41,066

Total amount of funding to MSMES in 2020
$582,048,229

Jobs Sustained (of which women)
76,783 (23,741)

New Jobs Created (of which women)
15,132 (5092)

Women in senior management positions
721

Export sales generated
$407,470,310
Survey response rate 82%

Aggregate Survey Results

Government revenues generated
$116,494,860

Community Development (grants, scholarships etc.)
$32,976,412

Total Energy Created
1,479 MW

Total Patients Served
1,428,459

Total Students Enrolled
7,060

Total Farmers Reached
11,765

Total Housing Units
12,030

Number of people trained in 2020
401
Impacts of the COVID-19 Pandemic

24% claimed that the COVID-19 pandemic “severely affected” their performance indicating a drop of greater than 15% in profits.

At the same time, 29% stated that through 2021-2022, there should be “no effect” on their financial performance, while 4% believed that their financial statements will be “severely affected” in that same period.

56% stated that their respective institution did not initiate a “hiring freeze,” while 19% claimed that they did initiate a “hiring freeze.”
Highlights of Sectoral Results

Line of Finance (LoF)
Direct financing provided to
**33,104 MSMEs; 41,200** patients served by ICD LoF clients.

Direct Financing
Generated about **USD 92 million** in incremental export sales; More than a million patients served by organizations receiving direct ICD funding.

Bank Equity
About **1,862** direct jobs sustained of which **477** were women; about **USD 141 million** goods and services purchased locally.

Non-Banking Financial Institutions
**9317** persons gained access to Islamic Finance; **339,060** medical patients served by ICD NBFI Equity partners.

Advisory Services
**347** new MSMEs funded creating **2801** new full-time employees; About **2,900** students enrolled in education centers financed by Industry and Business Environmental Support (IBES) Advisory Services

Collaboration with International Financial Institutions (IFIs)
**14,778** new Islamic Finance Accounts; with **529** MSMEs funded in 2020.
Other Notable Results

Basic alignment with SDGs among 70 responding institutions varied between 60 percent for directly funded projects to 29 percent for partnerships with Non-Banking Financial Institutions.

The majority of the survey respondents (85 percent) had approved policies to fairly compensate its employees.

Strategic consultations and partnerships with many DFIs and MDBs and the Arab Coordination group to address and mitigate the negative impacts of the COVID-19 pandemic.

Several new partnership agreements and MOUs with MC organizations and MDBS including Malaysia Ex-Im bank, CDC Group, UK and the AfDB.

Creation of new networking and learning initiatives like the Bridge and the FinLit platforms.
**Project Examples**

The Business Resilience Program for Value-Adding Enterprises (BRAVE), Women, Nigeria - ICD contributions will help the Nigerian Bank of Industry (BOI) to increase business opportunities for women entrepreneurs by providing them with investment and capacity-building support.

Establishment of Islamic Financing Windows, Uzbekistan - ICD support has resulted in the launching of new Islamic windows in eight banks by the end of 2020.

Supporting the SMEs through strengthening the Bank of Senegal (BIS), Senegal – So far more than a thousand MSMEs have been financed (206 in 2020).

Scatac Solar Power Project, Egypt – ICD’s contribution of **USD 25 million** will help fund six components of this **USD 4 billion** project helping to generate 1.8 GW of solar electricity to power one million homes.

Access to Shariah Compliant Financial Leasing the Arab Leasing Company (TALC), Sudan – ICD as holder of **20%** of TALC’s equity, helps the Company offer Islamic financing to the private sector in Sudan, especially the SMEs. In 2020, TALC helped **120** companies gain access to Islamic finance, funded 20 new MSMEs with **USD 15 million** including **50** farmers.
MESSAGE FROM THE CEO

“IN THE NAME OF ALLAH, THE BENEFICENT, THE MERCIFUL”

ICD is pleased to present its 2020 Annual Development Effectiveness Report (ADER). The ADER reports on ICD’s development results and its efforts at increasing its development effectiveness.
The most consequential global event in 2020 was the COVID-19 pandemic with its devastating health and economic impacts. The pandemic has rolled back decades of international development progress reverting millions of people back to extreme poverty and increasing the vulnerability of millions of others. ICD Member Countries (MCs) reflected these global trends. The downside risks of this pandemic continue due to renewed outbreaks caused by more infectious variants and impediments to vaccine distribution.

The ICD joined the rest of the IsDB Group in helping its MCs adapt to and mitigate the impact of this cataclysmic event. In 2020, ICD contributed USD 250 million to the IsDB Group’s USD 2.3 billion COVID Strategic Preparedness and Response Program (SPRP). The funds were used to create Lines of Finance (LoF) to address immediate needs of small and medium size enterprises (SMEs), providing term and Infrastructure financing directly for healthcare, energy and agri-businesses and equity investment and collaboration to support companies ICD had already invested in and the financial sectors in MCs.

All this was done keeping in mind the major goals of our three-year plan - creating scalable impacts with a focus on social inclusion and achieving financial sustainability. ICD’s latest Development Effective Policy, adopted in September 2020, identifies several prerequisites required to achieve these objectives including increases in approval volumes, enhanced sukuk advisory services, more flexible credit policies, and sufficient equity injections.

I am pleased to report that, despite the adverse circumstances, ICD’s total approvals rose from USD 147.5 million in 2019 to USD 306.6 million in 2020. Our disbursements slowed down to USD 135.5 million reflecting the restricted economic conditions in our MCs. The Corporation built the Bridge and the FinLit platforms to enhance its partnerships and introduced performance incentives such as the Finnovation awards.

I am also happy to report that, according to our 2020 Annual Development Effectiveness Survey, ICD managed to achieve impressive results in sustaining and creating employment especially in SMEs, promoting Islamic finance, contributing to the financial well-being of its partners, and improvements in sectors such as health, agriculture, and digital transformation. The alignment of ICD’s partners with the SDGs appears to be increasing. Based on the 2020 Annual Development Effectiveness Survey with a 82% response rate, ICD provided more than a half-a-billion dollars in funding to its partners. Thereby resulting in the support of about 40,000 MSMEs, and provided access to Islamic finance to about 400,000 new clients. Our responding partners served about 1.5 million patients and created 1479 MW of energy. ICD has also engaged in a number of innovative partnerships to help its MCs deal with COVID-19, contributed to the achievement of the SDGs and to update and strengthened its partnership arrangements.

Looking ahead, many of our MCs especially in Sub-Saharan Africa, will continue to experience health and economic difficulties despite the availability of vaccines. The post-COVID-19 recovery will be unequal not only among countries but also within them. It will be difficult for our less able members to grow without assistance. ICD stands ready to assist and is well positioned to contribute.

I am thankful to ICD’s Chairman of the Board and the Board itself for the direction we have received from them not only in dealing with the COVID-19 pandemic but also for the achievement of overall development effectiveness and efficiency. I would like to take this opportunity to also thank the ICD staff for their dedication and hard work. The support of our partners and clients has been invaluable in helping ICD reach its objectives.

I pray to Allah the Almighty to guide and help us in our efforts to contribute to the well-being and prosperity of the people in our MCs. Amin.

Ayman Amin Sejiny
Chief Executive Officer
Islamic Corporation for the Development of the Private Sector
It is said that people are the ultimate resource of economic development and that is why ICD puts peoples lives in the heart of its vision. In continuing its commitment towards its Member Countries (MCs) and partners, ICD will continue on its mandated path placed by its shareholders since its inception by exerting guided effort as a dedicated private sector development institution which provides a wide range of products and services to “Enable Enterprise” and “Build Prosperity”.

It is also said that difficult times would come with chances to do better. Next year is critical that we all indeed do better. As the whole world is still facing the unprecedented challenges due to COVID-19, it will be essential that it too explores new ways of doing business. For the ICD, the so called “new normal” must include the ability to address the needs of our MCs that can yield greater developmental impact and help to achieve inclusive growth among its populations. ICD is monitoring very closely the impact of COVID-19 on its MCs, its existing partners, and its overall coverage network including potential clients, which stemmed in ICD Board’s decision to approve an emergency package to support its clients and serve its mandate to help ease somewhat the burden caused by COVID-19.

COVID-19 was also a trigger to think of a more vigorous and stronger world against similar catastrophes. As a result, this pandemic sped up the transformation towards the increased use of the latest technologies, e-learning and e-training platforms, virtual business activities, flexible workplace environments, and better overall international synergies and cooperation. As a leading Multi-Lateral Development Finance Institution, ICD recognized early on the advantages of these trends and encouraged by its Management to initiate and apply these trends to ensure the safety of its staff, its partners and its stakeholders while limiting disruption to its business activities, in light of the challenges imposed by COVID-19.

It is with a great pleasure to invite the readers to navigate through the seventh edition of the Annual Development Effectiveness Report (ADER) where they can learn more about ICD’s strategic and operational philosophy (Chapter 1); its development effectiveness framework (Chapter 2); 2020 actions and results (Chapter 3); the impact of COVID-19 and the means of responses by the IFIs (Chapter 4); and finally, the potential role of IFIs moving forward.

On a final note, I would like to express my sincere appreciation to all our partners and clients who took the time to share their response and feedback to the 2020 annual development effectiveness survey and to the photographers of most of this report’s photos. We look forward to deepening our relationships with our MCs, partners and stakeholders to help carry the ICD mantle into the future, as the premier Islamic Development Finance Institution serving the private sector through its ups and downs.

Mohammed Alyami
Director
Development Effectiveness Department
The COVID-19 Pandemic: A World in Crisis

The spread of the COVID-19 pandemic and its impact on all human activities dominated the global scenario in 2020. In particular, the devastating health and economic impacts of the COVID-19 pandemic have rolled back years of international development progress. According to the World Health Organization (WHO), as of 21 April 2021, there were about 144.24 million cases and more than 3 million deaths globally due to COVID-19. The logistical challenges of providing universal access to now available vaccines in order to generate “herd immunity” and the emergence of more variants of virus mean that it will take a number of years before the world returns to some semblance of normalcy.

The World Bank expects global economic output to expand to 4 percent in 2021, but still 5 percent below its pre-pandemic trend. Aggregate growth in the Emerging Markets and Developing Economies (EMDE) growth is expected to average 4.6 percent in 2021-22 due mainly to a robust Chinese rebound. Despite the recovery, aggregate EMDE output in 2022 is expected to remain about 6 percent below its pre-pandemic projection. The total number of people expected to be living in extreme poverty is estimated to rise to 750 million by 2021 and vulnerability to poverty will rise.

ICD Member Countries (MCs) reflected the global trends albeit at a lesser trajectory. Nevertheless, the downside risks remain high due to vulnerability to renewed outbreaks caused by more infectious variants, logistical impediments to vaccine distribution, and elevated debt levels caused by the need to support citizens during the 2020 economic lockdown. Most MCs experienced declining growth rates during 2020 and will experience weak recoveries during 2021-22, except for those in South and South-East Asia. However, MCs in the Middle East and North Africa region as well as Sub-Saharan Africa will be the weakest growth nodes due to weaker oil prices and disruptions in their participation in the global supply chains.

ICD’s Response

ICD has responded to the crisis by developing and implementing its own COVID-19 business plan for 2021-23. It has adopted an upside (relatively positive) scenario as its baseline in formulating its strategic plans. While its major concentration remains on increasing its development effectiveness, ICD has also committed to achieve break-even performance during this period. Several key initiatives are envisaged including strengthening partnerships with MCs’ financial institutions (specially to provide support to the micro, small, and medium enterprises (MSMEs), and collaborating with other multilateral development banks (MDBs) particularly in infrastructure, energy, and project financing in addition to optimizing its risk infrastructure.
Improving ICD’s Development Effectiveness

ICD’s latest Development Effective Policy (adopted in September 2020) is designed to achieve the major goals of its three-year plan - creating scalable impacts with a focus on social inclusion and achieving financial sustainability. It identified five elements as critical to reaching its desired development outcomes – economic benefits, environmental and social considerations, private sector development, augmentation of Islamic finance practices and financial success of its projects and programs. It has identified several prerequisites required to achieve these objectives including increases in approval volumes, enhanced sukuk advisory services, more flexible credit policies, and sufficient equity injections.

While, cost optimization, informed risk infrastructures and flagship investment deals are critical internal factors, the Corporation also identified strengthened institutional relationships especially in its MCs and leveraged MDB syndications as critical external factors to its success. The network enhancing activities intended to achieve this purpose included the creation of:

The Bridge Platform, a dedicated digital platform to serve the needs of MCs’ financial institutions and their clients that uses ICD’s worldwide network of 100+ institutions. The objective of the Bridge platform is to improve connectivity, knowledge sharing and investment interactions between financial institutions. All these objectives are part of ICD’s 3 years strategy and the IsDB Group President’s Five-Year Program (P5P).

The Financial Literacy (FinLit) Platform to raise awareness among the women and the youth about the importance of financial education and to motivate these groups to make smart financial decisions through developing healthy financial habits. ICD organised a FinLit bootcamp and Hackathon in October 2020. The FinLit Bootcamp aims to equip its participants with skills to enhance their purchasing power and wisely manage their money in a manner that contributes to mitigating the negative effects resulting from the covid-19 pandemic. The Hackathon worked on finding practical solutions to doing financial planning and reports including providing encouragement to save. More such events are planned for 2021 and beyond.

The ICD Finnovation Award 2020 to recognize and encourage financial institutions to explore the use of technology and innovation in providing sustainable solutions to current financial market challenges, including those posed by COVID-19.

ICD in Action

In 2020, ICD approved an USD 250 million emergency funding package as part of the IsDB Group’s Strategic Preparedness and Response Program (SPRP) to offset the impact of the COVID-19 pandemic. This urgent financing package were to be allocated to activities such as,

1. Creation of Lines of Finance (LoF) to address immediate needs of MSMEs using ICD’s own resources and those of its more than 110 financial institution partners in the Bridge Platform.
2. Term Financing/Infrastructure financing directly for healthcare, energy, and agri-businesses.
3. Equity Investment and collaboration to support companies ICD has already invested in.

The slowdown in economic activities in its MCs had an impact on ICD’s performance in 2020. Although approvals went up (to USD 306 million), disbursements slowed (to USD 135.5 million). Global initiatives (an umbrella approval for either a region or at a country level not specific to one institution or project) accounted for the majority (65.2 percent) of the approvals. Regionally, Asia and Europe and Central Asia (ECA) accounted for most of the approvals, while disbursements were the highest in Sub-Saharan Africa (54.2 percent). Financing projects, particularly Lines of Finance (LoF), received most approvals and disbursements (83.2 percent and 62.5 percent respectively).

The 2020 annual Development Effectiveness Survey achieved a response rate of 82 percent in 2020 compared to 70 percent in 2019. It indicated that despite the slowdown of the global economy and in the MCs, ICD managed to achieve relatively impressive results in sustaining and creating employment especially in MSMEs, promoting Islamic finance, contributing to the financial well-being of its partners, and in sectors such as health, agriculture and digital transformation. The alignment of ICD’s partners with the SDGs also appears to be increasing.
### 2020 Survey Highlights

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
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ICD has also engaged in innovative partnerships to help its MCs deal with COVID-19, contribute to the achievement of the SDGs and to update and strengthen its partnership arrangements.

**The IFIs Responses to the COVID-19 Pandemic**

The international responses to the pandemic were fragmented. The wealthier countries particularly in the North took isolationist postures closing borders and concentrating on saving their own citizen’s lives rather than participating in a global coordinated response. Although, the IFIs committed massive resources to help countries adapt to and mitigate the impacts, most of the actions were individual institutional responses rather than collaborative efforts as was evident in the case of the Ebola or the SARS pandemics. In addition, an assessment of actual disbursements showed that the magnitude and the pace of actual disbursements were much slower than the commitments. In October 2020, a deliberate effort was made to promote synergy and co-operation in a meeting hosed by the IsDB and the AfDB and attended by 12 MDBs. One noteworthy action was the G20 decision, Riyadh summit, to implement the World Bank – IMF proposed Debt Service...
Suspension Initiative (DSSI) which freed resources for the less able countries to deal with the pandemic.

The IsDB Group, including ICD, committed USD2.3 billion to this effort and undertook numerous virtual consultations to create a cooperative environment among the MDBs, the DFIs as well as within its MCs. ICD utilised its contribution of USD 250 million to address immediate needs of the MSMEs in its MCs and financing for the healthcare sector. Its efforts helped the MCs adapt to and deal with the rapidly evolving health and economic scenarios. Group wide interventions included the establishment of a rapid response center in Rohingya refugee camp in Bangladesh, upgrading of national hospitals in Indonesia, and improving clinical services, and imaging and diagnostic capacities in ten district hospitals in Sierra Leone.

**The Post-COVID-19 Developing World: Implications for International Development Financing**

Despite the availability of vaccines, much of the world, particularly the poorer parts of it, will remain mired in the poverty increasing experiences of 2020 with its multidimensional domino effects. The post-COVID-19 recovery will be unequal not only among countries but also within them. It will be difficult for the less-able countries to grow without assistance.

Given the expected stagnancy in bilateral aid due to fiscal pressure within the donor countries from domestic constituencies, and the debt overhang, IFIs will likely have to play a major role in assisting less able countries to recover from the impact of the pandemic.

ICD has identified job creation, inclusive growth, and promotion of Islamic Financing as major elements of its strategic plan. These issues are also important to ICD’s contribution to achieving the SDGs. ICD and the Bank Group could take leading rules in setting the groundwork for appropriate management of Zakat, promoting social sukuk and impact investment and Waqf endowments as well as the provisioning of trade finance. The nature of jobs and the delivery of financing will witness significant changes emphasizing the role of innovative thinking and leading-edge financial technologies. ICD is well positioned to lead such changes in its MCs and within its network of DFIs through its Bridge and FinLit platforms.
1.1 Overview

This chapter outlines the strategic and operational directions of the Islamic Corporation for the Development of the Private Sector (ICD) in helping its Member Countries (MCs) deal with an unprecedented, uncertain, and risky global context.
1.2 The COVID-19 Pandemic: A World in Crisis

2020 was dominated by the advent and spread of the COVID-19 virus and its impact on all human activities. The devastating health and economic impacts of the COVID-19 pandemic have rolled back years of international development progress. Historically unprecedented in its reach, scope and magnitude, the COVID-19 pandemic has created global shockwaves whose impact will be felt across many generations.

1.2.1 The Global Impact of the COVID-19 Pandemic

According to the World Health Organization (WHO), as of 21 April 2021, there were about 144.24 million coronavirus cases in the world and more than 3 million deaths due to COVID-19. Cases and deaths are present all over the world including Africa (4,496,397 cases; 119,086 deaths); Asia (35,118,933 ; 478,364); the Americas (61,271,331 ; 1,480,666); Europe (43,293,857; 986,096 ); and Oceania (61,764 ;1176). While several vaccines have now been created to combat the virus, the logistical difficulties in the providing universal access to them to generate “herd immunity” and the emergence of several more infectious variants of the virus mean that it will take many years before the world returns to some semblance of normalcy along the same lines as at the end of 2019.

This means that the tremendously adverse economic shocks generated by the virtual stoppage of economic activities caused by the “COVID-19 lockdowns” will continue to reverberate through the global economic system over the foreseeable future. The World Bank Global Economic Prospects of January 2021 forecasts that, “Following the devastating health and economic crisis caused by COVID-19, the global economy appears to be emerging from one of its deepest recessions and beginning a subdued recovery” and that “policymakers face formidable challenges—in public health, debt management, budget policies, central banking and structural reforms—as they try to ensure that this still-fragile global recovery gains traction and sets a foundation for robust growth and development in the longer run.” The World Bank expects global economic output to expand to 4 percent in 2021 (slowing down to 3.8 percent in 2022) (as a result of gradual improvement in confidence and consumptions supported by mass vaccination programs), but still 5 percent below its post-pandemic trend.

Aggregate growth in the Emerging Markets and Developing Economies (EMDE) growth is expected to average of 4.6 percent in 2021-22. However, the improvement largely reflects a robust Chinese rebound. The recovery across the rest of the EMDEs is anticipated to be more muted, averaging 3.5 percent in 2021-22, as the pandemic’s lingering effects continue to weigh on consumption and investment. Despite the recovery, aggregate EMDE output in 2022 is expected to remain about 6 percent below its pre-pandemic projection.

The fiscal and monetary stimulus’ provided by governments to offset the impacts of the pandemic have triggered historic government deficits – the US federal budget deficit is projected to reach a record US$3.3 trillion- a whopping 16 percent of the US GDP according to the Congressional Budget Office (CBO); the UK budget deficit could increase to 394 billion pounds or more than 15 percent of annual economic output; Germany posted a deficit of 158 billion euro or 4.8 percent of GDP in 2020. Among EMDEs, total debt had already risen by about 7 percent of GDP each year prior to the COVID-19 crisis. In 2020, government debt alone is expected to rise by 9 percent of GDP, while corporate indebtedness is also likely to sharply increase.
The social and economic impacts of COVID-19 will weigh heavily on low-and middle-income countries. These struggles will be magnified without adequate resources to tackle the overlap of growing poverty with climate change, conflict, crises of governance and uneven relationships within the global economy. Most Southern nations may have to fend for themselves for the foreseeable future and many of them will lose much of the hard-earned economic and social gains achieved in the last decades. The impact will not be limited to governments only as private businesses face closures and shutdowns as well.

The Extraordinary G-20 Leaders’ Summit held in Riyadh, Saudi Arabia in March 2020, acknowledged that the “COVID-19 pandemic is a powerful reminder of our interconnectedness and vulnerabilities. The virus respects no borders. Combatting this pandemic calls for a transparent, robust, coordinated, large-scale and science-based global response in the spirit of solidarity. We are strongly committed to presenting a united front against this common threat.” They signalled their willingness to take all necessary health measures and seek to ensure adequate financing to contain the pandemic and protect people, especially the most vulnerable including,

- Safeguarding the global economy: The G-20 countries were injecting over USD 5 trillion into the global economy, as part of targeted fiscal policy, economic measures, and guarantee schemes to counteract the social, economic, and financial impacts of the Pandemic.

- Addressing international trade disruptions: The Leaders committed to ensure the flow of vital medical supplies, critical agricultural products, and other goods and services across borders, and work to resolve disruptions to the global supply chains, to support the health and well-being of all people. Targeted efforts were to be directed to providing emergency measures aimed at protecting health. The Summit also reiterated the commitment to “a free, fair, non-discriminatory, transparent, predictable and stable trade and investment environment”.

- Enhancing global cooperation: The G-20 countries promised to work closely with the front-line international organizations, notably the WHO, IMF, World Bank Group, and multilateral and regional development banks to strengthen the global financial safety nets. They called upon these organizations to further step-up coordination of their actions, including with the private sector, to support emerging and developing countries facing the health, economic, and social shocks of COVID-19, particularly developing and least developed countries, and notably in Africa and small island states, where health systems and economies may be less able to cope with the challenge.

### 1.2.2 Impact on Global Poverty

Two decades of progress in the reduction of extreme poverty, the elimination of which is the first SDG (SDG1), have been lost and now reversed by a combination of the impact of the COVID-19 pandemic, the growing climate emergency and increasing debt. Global poverty had seen a spectacular decline since the 1960s – when about 80 percent of the world’s population lived in extreme poverty. By 2019, that number has been reduced to lower than 10 percent - in the two decades since 1999, the number of people living in extreme poverty globally had fallen by more than 1 billion people.
This success will be reversed in a major way by the COVID-19 pandemic. The World Bank January 2021 forecast expects the number of newly impoverished people (living below the poverty line of US$ 1.90 a day) this year to rise from between 88 and 115 million to the new range of between 119 and 124 million. The total number of people expected to be living in extreme poverty is estimated to rise to 750 million by 2021 (Figure 1.1). There has also been a worrying rise in numbers of people living on less than $3.20 between June last year (175 million) and January 2021 (228 million). One telling indicator is the target escape rate out of poverty needed to achieve SDG1 - the target rate as of 21 April 2021 was 2.4 people/second. The actual rate was 0.8/second.

**Figure 1.1: Rising Global Poverty**

![Graph showing rising global poverty](image)

**Source:** Lakner et al (2020) (updated), PovcalNet, Global Economic Prospects.

**Note:** Extreme poverty is measured as the number of people living on less than $1.90 per day. 2017 is the last year with official global poverty estimates. Regions are categorized using PovcalNet definition.
The COVID-19 pandemic has illustrated how fragile the progress made so far has been, and how large an effort will be required to rebuild especially faced with the additional existing challenges like climate change.

There are also serious ripple effects,

- The number of children out of school will increase beyond the 1 billion already out of school. This will include a disproportionate number of girls.
- There will be increased impoverishment in the middle-income countries as economies collapse and global supply chains take time to recuperate.
- There is likely to be a disproportionate impact on the informal sector - the major employment generator in many countries.

It is highly likely that some poverty impacts will not be transitory but permanent. The Brookings Institution suggests that while some poverty “will be offset as economies start to recover in 2021…… the longer-term scenario suggests that half of the rise in poverty could be permanent. By 2030, the poverty numbers could still be higher than the baseline by 60 million people.”

### 1.2.3 Global Development Challenges

The immediate global challenges will be limiting the spread of the virus, providing relief for vulnerable populations, and overcoming vaccine access and distribution problems. As the crisis subsides, policymakers will need to balance the risks from large and growing debt loads with those from slowing the economy through premature fiscal tightening. To confront the adverse legacies of the pandemic, it will be critical to foster resilience by safeguarding health and education, prioritizing investments in digital technologies and green infrastructure, improving governance, and enhancing debt transparency.

Global cooperation will be key in addressing many of these challenges. International trade and foreign direct investment have gone down dramatically in 2020. A resumption of trade and investment will be key to the recovery of the developing world as they play important roles as engines of growth. The international development finance institutions like the Islamic Development Bank Group will play critical roles particularly in Low-Income Countries (LICs) as well as in Middle-Income Countries (MICs) especially those which have been particularly affected by the economic slowdown caused by the COVID-19 crisis.
1.3 Impact on ICD’s Member Countries

1.3.1 Health Impact

Table 1.1 reports on the health impact of COVID-19 in Africa and Asia as of 21 April 2021. In Africa, the three MCs reporting the most cases are – Morocco (507,338), Tunisia (291,833) and Egypt (218,041). The three African MCs reporting most deaths are – Egypt (12,820), Tunisia (9993), and Morocco (8969). In Asia, the three MCs reporting most cases are Turkey (4,446,591), Iran (2,311,813), and Indonesia (1,620,559) and the three MCs reporting most deaths are Iran (67,913), Indonesia (44,007), and Turkey (36,975).

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Cases</th>
<th>Total Deaths</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>4,496,397</td>
<td>119,086</td>
</tr>
<tr>
<td>Asia</td>
<td>35,118,933</td>
<td>478,364</td>
</tr>
</tbody>
</table>


1.3.2 Economic Impact

Table 1.2 illustrates the magnitude of the adverse economic impact in some of the IsDB and ICD’s MCs. The 2020 virtual lockdown has resulted in a significant decline in economic activities in all regions.

Optimistic projections based on widespread vaccination and a weakening of the epidemic like conditions suggest the regions are expected to grow anemically in 2021. However, the pace of the recovery will vary considerably, with greater weakness in countries that have larger outbreaks or exposure to global spillovers via tourism and industrial commodity exports.

The downside risks remain high due to vulnerability to renewed outbreaks including the adverse impact of more infectious variants and logistical impediments to vaccine distribution, and financial stress mainly caused by elevated debt levels. The pandemic may have also caused structural economic shifts such as a slowdown of global integration, changes in work patterns and permanent loss of a significant number of small and medium sized enterprises (SMEs) that will attenuate growth and incomes over the longer term. In a downside scenario of a more severe and prolonged pandemic leading to a deterioration in economic structures, the lowest growth rates among would be in the Middle East and North Africa (MENA), and Sub-Saharan Africa (SSA), reflecting these regions’ reliance on exports of oil and industrial commodities, the prices of which would be reduced by weak global demand. The East Asia and Pacific region are expected to show notable strength in 2021 due to a solid rebound in China. The ICD’s MC governments have provided support
Table 1.2: Real GDP Growth Rates (percent) in Illustrative Member Countries

<table>
<thead>
<tr>
<th>Region/Country</th>
<th>2019</th>
<th>2020e</th>
<th>2021f</th>
<th>2022f</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>2.3</td>
<td>-4.3</td>
<td>4.0</td>
<td>3.8</td>
</tr>
<tr>
<td>EMDEs excluding China</td>
<td>2.3</td>
<td>-5.0</td>
<td>3.4</td>
<td>3.6</td>
</tr>
<tr>
<td>East Asia &amp; Pacific</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Asia &amp; Pacific</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>· Indonesia</td>
<td>5.8</td>
<td>-0.9</td>
<td>7.4</td>
<td>5.2</td>
</tr>
<tr>
<td>· Malaysia</td>
<td>4.3</td>
<td>5.8</td>
<td>5.7</td>
<td>4.8</td>
</tr>
<tr>
<td>Europe, Central Asia</td>
<td>2.3</td>
<td>-2.9</td>
<td>3.3</td>
<td>3.9</td>
</tr>
<tr>
<td>· Turkey</td>
<td>0.9</td>
<td>0.5</td>
<td>4.5</td>
<td>5.0</td>
</tr>
<tr>
<td>· Azerbaijan</td>
<td>2.2</td>
<td>-6.7</td>
<td>5.1</td>
<td>4.4</td>
</tr>
<tr>
<td>· Kyrgyz Republic</td>
<td>4.5</td>
<td>-8.0</td>
<td>3.6</td>
<td>4.5</td>
</tr>
<tr>
<td>· Uzbekistan</td>
<td>5.6</td>
<td>5.8</td>
<td>6.7</td>
<td>4.8</td>
</tr>
<tr>
<td>MENA</td>
<td>0.1</td>
<td>-5.0</td>
<td>2.1</td>
<td>3.1</td>
</tr>
<tr>
<td>· Saudi Arabia</td>
<td>0.3</td>
<td>-5.4</td>
<td>2.0</td>
<td>2.2</td>
</tr>
<tr>
<td>· Iran</td>
<td>-6.8</td>
<td>-3.7</td>
<td>1.5</td>
<td>1.7</td>
</tr>
<tr>
<td>· Egypt</td>
<td>5.6</td>
<td>3.6</td>
<td>2.7</td>
<td>5.8</td>
</tr>
<tr>
<td>· Algeria</td>
<td>0.8</td>
<td>-6.5</td>
<td>3.8</td>
<td>2.1</td>
</tr>
<tr>
<td>· Morocco</td>
<td>2.5</td>
<td>-6.3</td>
<td>4.0</td>
<td>3.7</td>
</tr>
<tr>
<td>South Asia</td>
<td>4.4</td>
<td>-6.7</td>
<td>3.3</td>
<td>3.8</td>
</tr>
<tr>
<td>· Pakistan</td>
<td>1.9</td>
<td>-1.5</td>
<td>0.5</td>
<td>2.0</td>
</tr>
<tr>
<td>· Bangladesh</td>
<td>8.2</td>
<td>2.0</td>
<td>1.6</td>
<td>3.4</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>2.4</td>
<td>-3.7</td>
<td>2.7</td>
<td>3.3</td>
</tr>
<tr>
<td>· Nigeria</td>
<td>2.2</td>
<td>-4.1</td>
<td>1.1</td>
<td>1.8</td>
</tr>
<tr>
<td>· Senegal</td>
<td>5.3</td>
<td>-0.7</td>
<td>3.5</td>
<td>5.6</td>
</tr>
<tr>
<td>· Mali</td>
<td>5.0</td>
<td>-2.0</td>
<td>2.5</td>
<td>5.2</td>
</tr>
</tbody>
</table>

e = estimated; f= forecast  (Source: World Bank, Global Economic Prospects, January 2021)
Regional Perspectives: Recent Developments and Outlook

**East Asia and Pacific.** The growth rebound in this region in 2021 will be mainly due to China. The rest of the region is only expected to return to a level around 7.5 percent below pre-pandemic projections in 2022, with significant cross-country differences. Key downside risks to the outlook include heightened elevated debt levels, persistent policy uncertainty and subdued investment amid lingering trade tensions.

**Europe and Central Asia.** The pandemic is expected to erase at least five years of per capita income gains in about a fifth of the region’s economies. The pace of recovery in 2021 is projected to be slower than originally anticipated. Growth is projected to accelerate in 2022 as the effects of the pandemic gradually wane and the recovery in trade and investment gathers momentum. Economies with strong trade or financial linkages to the Euro area and those heavily dependent on services and tourism have been hardest hit. The outlook remains highly uncertain, however, and growth could be weaker than expected if external financing conditions tighten, or if geopolitical tensions escalate.

**Middle East and North Africa.** GDP in the region is estimated to have contracted 5 percent in 2020, as countries struggled with significant disruptions from COVID-19 and a sharp fall in oil demand. This contraction adds to already slowing growth in the region and compounds pre-pandemic per capita income losses. Growth is expected to improve modestly in 2021 if the pandemic can be brought under control and lockdown restrictions are eased and global oil demand rises. The pandemic is expected to leave lasting adverse economic effects on the region, which will likely dampen potential growth going forward. Disruptions related to geopolitical tensions and political instability, renewed downward pressure on oil prices, and additional balance of payments stress are key downside risks to the outlook.

**South Asia.** Regional economic activity is estimated to have contracted by 6.7 percent in 2020, led by a deep recession in India. Although, the region is projected to grow beyond 2021, the level of activity is forecast to be about 16 percent below pre-pandemic projections, the largest gap of all EMDE regions. The downside risks are large and can include possible financial distress related to an abrupt tightening of financing conditions or widespread corporate bankruptcies, extreme weather and climate change, weaker-than-expected recoveries in key partner economies, and a worsening of policy- and security-related uncertainty.

**Sub-Saharan Africa.** Activity in the region is estimated to have shrunk by 3.7 percent last year, setting living standards in many countries back by a decade. Growth in 2021 is forecast to be essentially zero in per capita terms. COVID-19 is likely to adversely impact growth in SSA for an extended period, as the rollout of vaccines in the region is expected to lag that of other countries. Millions of people in the region could be pushed into extreme poverty in 2020 and 2021. Risks to the regional outlook are tilted to the downside and include weaker-than-expected recoveries in key trading partners, logistical hurdles that further impede vaccine distribution, and reduced productivity that weakens potential growth and income over the longer term.

Source: World Bank, Global Economic Prospects, January 2021

to their citizens to reduce the economic impact of the crisis. In mid-March 2020, a number of central banks announced targeted COVID-19 support measures that have so far included payment reprieves for affected borrowers, a reduction in fees, liquidity support, capital requirement reductions, and reserve requirement reductions. While these measures have alleviated difficulties caused by the pandemic, they have raised the debt of these governments and will affect future growth paths.

Finally, in 2019, 14 of ICD’s MCs were LICs, 18 were Low Middle-Income Countries (LMICs), 14 were upper MICs and 6 were High-Income Countries. It is not possible at this time to provide an estimate of how many or which ICD’s MCs have retained their 2019 status because of unavailability of data. However, it is safe to say that many countries would likely have retrogressed given the depth and the magnitude of the impact of the COVID-19 pandemic.
1.4 ICD’s Strategic Response

1.4.1 The Strategic Planning Exercise

In August 2020, ICD announced its three-year business plan for 2021-2023. The plan was based on a strategic planning exercise consisting of a review of its 2020 and previous 2021-2023 business plans in order to factor in the impact of the ongoing COVID-19 pandemic. The purpose was to align the plans more closely with ICD’s year-to-date performance and the changed contexts in its MCs. The specific objectives were to:

- Assess relevant market trends and benchmarks.
- Revise current ICD’s 2020 business plan and financial model according to year-to-date performance and COVID-19 market environments.
- Identify key business plan requirements and additional strategic initiatives required to sustained and profitable performance under the new circumstances.

The planning process considered ICD’s recent performance, its upgraded 10-Year Strategy, the IsDB Group 10-Year Strategy, and the IsDB Group President’s 5-Year Program (P5P).

1.4.2 The 2021-2023 Business Plan

ICD’s three-year business plan is based on an “upside scenario”. The key assumptions include:

- A resolution of the COVID-19 crisis following a “U-shaped” curve marked by a prolonged recessionary period followed by a period of gradual economic growth.
- ICD’s ability to maintain planned liquidity ratio and capital adequacy ratios; and,

ICD plans to:

- Grow its core Line of Finance (LoF) portfolio from USD 450m in 2018 to USD 1,409m in 2023. It is targeting USD 2,210m in approvals with disbursements of USD 1,810m between 2020 and 2023.
- Grow its Term Finance portfolio from USD 349m in 2019 to USD 858m in 2023 with total approvals amounting to USD 1,282m and total disbursements amounting to USD 882m between 2020 and 2023.

Stable credit rating for ICD over the three-year time horizon.
• Continue to accelerate the exit of its non-performing direct investments from USD 157m in 2019 to USD 74m in 2023.
• Limit new approvals and disbursements in corporate equity.
• Grow its Institutional Equity portfolio from USD 219m in 2019 to USD 317m in 2023, while reducing share of equity investments in total core investments from 17 percent in 2019 to 12 percent in 2023. Total planned approvals are expected to be USD 194m between 2020 to 2023.
• Further scale up its Advisory business as a key enabler of private sector development in the MCs as a key strategic priority with special emphasis on Sukuk Issuance in specific focus sectors (i.e., infrastructure, agribusiness) and in countries in early stage of development of Sukuk market.

1.4.3 Strategic Initiatives under the Proposed Business Plan

ICD will undertake a series of key Strategic Initiatives in order to achieve its 2020-2023 business plan and to ensure its long-term financial sustainability. These initiatives include:

• Sourcing larger transactions by strengthening and standardizing partnerships with MC financial institutions.
• Strengthening participations in deals organized by other MDBs, especially in the infrastructure, energy, and project finance areas to generate more financing volume at relatively low risks.
• Leveraging strategic initiatives such as investments in workout entities for non-performing assets to realize flagship deals.
• Aligning general, administrative and staff costs to revenue structure.
• Optimizing risk infrastructure by building models, tools, and infrastructure to more effectively and accurately capture exposures, and RWA requirements to reduce capital requirements; and,
• Accelerating non-core equity divestment including divestment of non-core equity.

It is expected that all strategic initiatives will be implemented early enough to show positive results by 2021.
CASE STUDY

Uzbekistan

Establishment of Islamic Financing Windows

Uzbekistan is located in the heart of the Central Asia and is the most populous middle-income country in the region with around 35 million people, of which 95% are Muslims. It has a highly literate (99.99 percent) population.

However, there has been very little progress in spreading Islamic financing practices in Uzbekistan. It does not yet have a fully-fledged Shariah banks. For example, first takaful (Islamic insurance) Company – Uzaro - started its business only in 2019 and the first E-Murabaha platform, the first ever fintech project in the whole Central Asia started very recently. Two companies - Taiba Leasing and Al Mulk Capital Leasing - have been providing the Shariah-based rental products to private sector.

In recent years, some of the member entities of the IsDB, in particular, ICD, ITFC and the Islamic Research and Training Institute (IRTI), have engaged in Uzbekistan providing more than USD 2 billion of Shariah-compliant financing to promote the country’s development. On 5 March 2019 Uzbekistan’s President signed a decree on “Measures to further expand and deepen the partnership with the Islamic Development Bank Group and the funds

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of the Arab Coordination Group”. He indicated that “It is time to create a legal framework for the introduction of Islamic financial services in our country. Experts from the Islamic Development Bank and other international financial institutions will be involved in implementing a relevant project”.

To date, ICD has approved USD 440 million for different projects in Uzbekistan to support development of small and medium-scale enterprises (SME) channelled through 18 financial institutions. This was important as the private sector generates 81% of the employment in Uzbekistan.

More than 260 SMEs were financed, and more than 5,000 new jobs were created.

ICD’s Advisory Team has been providing assistance to 8 commercial banks - Kapitalbank, Trustbank, Asia Alliance Bank, Agrobank, Qishloq Qurilish Bank, Ipak Yuli bank, Xalq Bank and Turonbank - in launching Islamic Windows. It is expected that all of the Banks will have Islamic Windows before the end of 2021.
2.1 Overview

In 2020, ICD’s three-year business plan laid out strategies and actions required to return the Corporation to a sustainable and developmentally effective post-COVID19 operational framework. It took into account the adverse global and developmental impacts of the COVID-19 pandemic, ICD’s business performance in 2020 and the possibility of an economic rebound starting in 2021 based on wide availability of vaccines and a gradual resumption of global commerce. The innovations undertaken to improve development effectiveness reflected ICD’s relative optimism about the reduction of the incidence of the COVID-19 pandemic and consisted of increases in the intensity of its global networks and interactions with MCs.
2.2 Improvements in Development Effectiveness in 2020

In September 2020, ICD adopted its latest Development Effectiveness Policy to achieve the major goals of its three-year plan – creating scalable impacts with a focus on social inclusion and achieving financial sustainability. It identified five elements in its MCs as critical to reaching its desired development outcomes – economic benefits, environmental and social considerations, private sector development, augmentation of Islamic Finance practices and financial success of its projects and programs. It has identified several prerequisites required to achieve these objectives including increases in approval volumes, enhanced sukuk advisory services, more flexible credit policies and sufficient capital equity injections.

The Development Effectiveness Department at ICD will support the implementation of the three-year plan and work to facilitate,

- Accountability by supporting ICD’s business units to integrate, measure and report developmental results;
- Learning by identifying best practices using evidence gathered from Monitoring and Evaluation (M&E) activities;
- Innovation by introducing innovative and knowledge-based practices in particular for the benefit of the SMEs;
- Collaborations on best practices in measuring results including harmonization and benchmarking.

ICD has strong institutional and governance mechanisms to ensure compliance, transparency and integrity in all its activities. These aspects are ensured by strict risk management regulations and assistance, an internal audit function and a legal unit providing accurate and timely legal services.

While, cost optimization, informed risk infrastructures and flagship investment deals are critical internal factors, the Corporation also identified strengthened financial institutional relationships especially in its MCs and leveraged MDB syndications as external factors critical to its success.

2.2.1 The Bridge Platform: Creating a Network of Financial Institutions

The onset of the COVID-19 pandemic has forced financial institutions to increase their digitalization efforts to meet new demands like remote banking and to cope with the requirements of “lockdowns” necessitated by dramatic increases in “no hands” based transactions. Many of the established financial institutions in the MCs were inadequately prepared to provide such services to their clients and among themselves.

ICD has created a dedicated digital platform called the “Bridge Platform” to serve the needs of MC financial institutions and their clients that includes its worldwide network of 100+ institutions. ICD’s objective was to strengthen its network of financial institutions through this Platform to improve connectivity, knowledge sharing and investment interactions between financial institutions.

The Bridge Platform has proven to be an ideal venue for responding to the COVID-19 pandemic.
The Platform is a part of ICD’s 3 years strategy and the IsDB Group President’s Five-Year Program (P5P). It aims to introduce and/or deploy state-of-art financial technologies (Fintech) in the MCs to accelerate knowledge sharing including market assessments and improving specific transactions in order to boost national economic development and strengthen the capacity of private sector to support financing of SMEs. Fintechs are generally used by financial institutions to improve and automate the delivery of its services in order to help companies, business owners and consumers better manage their financial operations and processes. The Platform facilitates information sharing among member financial institutions, enhance market and business intelligence analysis, provide access to Fintech resources and cloud services, reduce financial transaction costs for member financial institutions and upgrade advisory services that ICD offers to its partners across the Islamic developmental network through productive applications of fintech (Figure 2.1).

The aim of the Bridge Platform is to allow ICD, as a member of the ISDB group, to play a more competitive and responsive role to meet the Fintech needs of its MCs. It will use digital technologies to connect financial Institutions.

<table>
<thead>
<tr>
<th>Awareness:</th>
<th>The Platform will serve as an integrated communication channel for all ICD MCs increasing the visibility of the ISDB group.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Linkages:</td>
<td>The Platform will help to build partnerships in MCs by helping its financial Institutions to access technological and innovative instruments.</td>
</tr>
<tr>
<td>Competency:</td>
<td>The data sharing will allow financial institutions to get real time information and knowledge in order to explore business opportunities and negotiate agreements.</td>
</tr>
<tr>
<td>Funding:</td>
<td>The Platform will help financial institutions to expand financing to other member countries by enabling access and facilitating communication.</td>
</tr>
<tr>
<td>Delivery:</td>
<td>Digitizing communications, information-sharing, crowd-sourcing and transactions will allow speedy project implementation.</td>
</tr>
<tr>
<td>Reinforcement:</td>
<td>The platform will reinforce adoption of financial practices to achieve sustainable development in the MCs.</td>
</tr>
</tbody>
</table>

**Figure 2.1: The Bridge Platform**

2.2.2 Smart Financial Transactions – the Financial Literacy (FinLit) Platform

The importance of financial inclusion as a major development issue is recognized in seven of the seventeen Sustainable Development Goals (SDGs). ICD is developing a smart financial transactions Platform to:

- raise awareness among the women and the youth about the importance of financial education;
- motivate these individuals to make smart financial decisions through developing healthy financial habits including setting financial goals, engaging in financial planning, preparing monthly budgets, plans for saving and financing, diversifying investments, overcoming debts, and avoiding falling prey to the trap of fraud, financial fraud or financial crimes.

To achieve these goals, ICD is organizing financial education events and competitions. The first event was held in the first week of October 2020 in Saudi Arabia. The results of these events were to be part of the IsDB report to the G20 in relation to the goal of “financial inclusion”, as well as the indicators of the Kingdom of Saudi Arabia Vision 2030 related to raising the general level of financial education and saving rates among adults.
According to Mr. Ayman Sejiny, the CEO of ICD, “This program will contribute to raising financial awareness, especially in the area of financial planning. It will also improve purchasing habits, the pattern of continuous savings, as well as making sound financial decisions, which will help develop the economy and contribute to the prosperity of individuals’ lives.”

ICD’s FinLit Platform

A major requirement for financial inclusion is financial literacy and capability. FinLit contributes directly and indirectly to achieving SDG1 (No Poverty), SDG4 (Quality Education), SDG5 (Gender Equality), SDG8 (Decent Work and Economic Growth), SDG9 (Industry, Innovation, and Infrastructure), SDG 11 (Sustainable Cities and Communities), and SDG17 (Partnerships for the Goals).

ICD has developed a FinLit Platform to promote access to financial services in underserved financial markets in MCs. The training and awareness tools and services will include building awareness about bank account ownership, making payments, savings, financing, and managing risks. The FinLit platform will be collaborating with leading MC financial institutions, educational institutions, training institutions, corporations, governments, development institutions, non-profit organizations, investors, and service providers to deliver financial literacy education and access to diverse financing solutions.

The target groups for the FinLit platform and the financial education events in general are emerging enterprises and entrepreneurs, families especially the heads of the families, housewives and young men and women from ages 18 to 26. The platform offers access to a variety of financial courses and interactive application tools. The courses can be either regular or immersive with possible rewards for outstanding trainees. It will run education programs and short training courses to improve individuals’ financial decisions and provide application tools to practice and experiment the real life. The interactive applications could include simulation tools, savings and emergency fund tools, crowdfunding labs, bootcamps, hackathons, gaming options, mobile applications, finance chatbots, educational games, money clubs in Universities, and financial planning tools.

Financial Literacy (FinLit) Bootcamp & Hackathon in 2020

The FinLit Bootcamp aims to equip its participants with skills to enhance their purchasing power and wisely manage their money in a manner that contributes
to mitigating the negative effects resulting from the COVID-19 pandemic. The Hackathon works on finding practical solutions to doing financial planning and reports including providing encouragement to save.

The Innovation and Knowledge Management (IKM) Unit of ICD organized the first series of its FinLit Bootcamp and Hackathon in October 2020, the events hosted live webinars, workshops, training sessions and interactive activities. Participants were trained on several subjects related to money and smart money management. The major results of these events included:

- A FinLit Survey completed by 375 respondents.
- 8 FinLit Topics added to the FinLit video-library.
- 445 new individuals included in the targeted beneficiaries’ group.
- Agreements with 2 Universities to sponsor the event.
- 10 FinLit solutions submitted by the targeted beneficiaries with the winning solution identified to have great potential as a lucrative startup.
- Interest expressed by a number of entities in establishing partnerships with the FinLit Platform.
- Offers from Trainers/Instructors to offer the training courses pro bono.
- Offers from 16 organizations to support the FinLit Events.

The second and third FinLit Bootcamps and Hackathons are planned for the second and fourth quarter of 2021.
2.2.3 Finnovation Award 2020

In 2020, ICD launched the “ICD Finnovation Award 2020”, to recognize, showcase and encourage financial institutions to explore the use of technology and innovation in providing sustainable solutions to current financial market challenges, including those posed by COVID-19. The pandemic has created unprecedented economic disturbance for individuals, households, businesses, and institutions globally. Dealing with these challenges will require “out of the box” thinking and finding innovative solutions on part of the financial institutions in MCs.

The “Finnovation” is an online platform (www.InnovativeFIs.net) which ICD utilizes to list and highlight successful innovations practiced by Financial Institutions (FIs) and FinTech startups all over the world. ICD has invited all financial institutions in ICD’s MCs to submit their proven innovation(s) in one of the following services and mechanisms:

- **Financial products and services.**
- **Marketing strategies that helped reach new beneficiaries.**
- **Innovations that improved the deployment of Islamic Financial Principles.**
- **Financial Technologies (FinTech) that attracted more Beneficiaries.**
- **Internal policies and procedures that improved “Financial Inclusion”.**
- **Internal operational process that made operations more efficient and towards better net income.**

For the 2020 Award, ICD received 15 innovations from organizations like JSCB «Qishloq Qurilish Bank» of Uzbekistan; Maldives Islamic Bank PLC; Green Delta Capital Limited of Bangladesh; OJSC «Alif Bank” of Tajikistan; Wifak International Bank of Tunisia; and Bidaya Home Finance of Saudi Arabia.

ICD will continue organizing the annual Finnovation Award to encourage innovations that positively contribute to the whole financial industry in ICD’s MCs. It is hoped that other financial institutions will treat these innovations as best practices and utilize them to keep pace with emerging and evolving financial industry trends and provide their clients with the best possible service.

Muhammad Sadman Alam
3.1 Overview

2020 was an exceptional year by any historical standard. The world is facing its worst public health and economic crisis in a century. The extremely adverse health consequences of the COVID-19 virus led to a lockdown of the global economy for most of the year. The result was a drastic slowdown in economic activities. This slowdown had an obvious impact on ICD’s operational performance.
The 2020 annual Development Effectiveness Survey achieved a higher response rate of 82 percent compared to 70 percent in 2019. The survey indicates that despite the slowdown of the global economy and in the MCs, ICD managed to achieve relatively impressive results in sustaining and creating employment especially in MSMEs, promoting Islamic finance, contributing to the financial well-being of its partners, and in sectors such as health, agriculture, and digital transformation. The alignment of ICD’s partners with the SDGs also appears to be increasing.

ICD has also participated in a number of innovative partnerships to help its MCs deal with COVID-19, contribute to the achievement of the SDGs and to update and strengthened its partnership arrangements.

### 3.2 Portfolio and Investment Analysis of ICD’s activities in 2020

In 2020, ICD allocated USD 250 million urgent relief package to help its MCs deal with the impact of COVID-19. This urgent financing package is designed to be allocated to activities such as:

- Creation of Lines of Finance (LoF) to address immediate needs of MSMEs using ICD’s own resources and those of its more than 110 financial institution partners in the Bridge (Connect) platform.
- Term Financing /Infrastructure financing directly for healthcare, energy and agri-businesses.
- Equity Investment and collaboration to support companies ICD has already invested in.

**This financial package was designed to:**

- accommodate the rescheduling requirements of some of ICD’s long-term partners
- introduce new products and platforms for addressing specific requirements of the MCs.
- adapt fast track processes to quickly respond to MC requirements.

#### Approvals and Disbursements in 2020

Approvals went up in 2020 as ICD started implementing its business strategy (Table 3.1). However, disbursements slowed down to $135.5 million because of the slowdown in economic activities and lockdowns in MCs.

**Table 3.1 Approvals, Disbursements (USD millions)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Approval</th>
<th>Disbursement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Since Inception (total)</td>
<td>6840.05</td>
<td>3550.02</td>
</tr>
<tr>
<td>2019</td>
<td>147.5</td>
<td>219.9</td>
</tr>
<tr>
<td>2020</td>
<td>306.6</td>
<td>135.5</td>
</tr>
</tbody>
</table>
Global (multi-country and multi-institution) approvals accounted for the majority (65.2 percent) of the approvals followed by projects in Asia (15.7 percent) and Europe and Central Asia (14.7 percent) (Table 3.2). Disbursements were the highest in Sub-Saharan Africa (54.0 percent) followed by Asia (23.1 percent). This pattern was generally consistent with the development statuses of these regions.

**Table 3.2 Detailed 2020 Approvals and Disbursements by Region/Country (USD millions)**

<table>
<thead>
<tr>
<th>Region/Country</th>
<th>Approvals</th>
<th>Disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sub-Saharan Africa (SSA) Total</strong></td>
<td>13.6</td>
<td>73.1</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td></td>
<td>22.2</td>
</tr>
<tr>
<td>Ivory Coast</td>
<td></td>
<td>41.4</td>
</tr>
<tr>
<td>Senegal</td>
<td>13.6</td>
<td></td>
</tr>
<tr>
<td><strong>Asia Total</strong></td>
<td>48.0</td>
<td>31.3</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>10.0</td>
<td>12.5</td>
</tr>
<tr>
<td>Pakistan</td>
<td>8.0</td>
<td>18.8</td>
</tr>
<tr>
<td>Indonesia</td>
<td>20.0</td>
<td></td>
</tr>
<tr>
<td>Maldives</td>
<td>10.0</td>
<td></td>
</tr>
<tr>
<td><strong>Europe and Central Asia (ECA) Total</strong></td>
<td>45.0</td>
<td>21.3</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>25.0</td>
<td>1.3</td>
</tr>
<tr>
<td>Turkey</td>
<td>20.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td></td>
<td>10.0</td>
</tr>
<tr>
<td><strong>Middle East and North Africa (MENA) Total</strong></td>
<td>9.8</td>
<td></td>
</tr>
<tr>
<td>Egypt</td>
<td>3.9</td>
<td></td>
</tr>
<tr>
<td>Jordan</td>
<td>5.9</td>
<td></td>
</tr>
<tr>
<td><strong>Global Approvals</strong></td>
<td>200.0</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>306.6</td>
<td>136.1</td>
</tr>
</tbody>
</table>
As in previous years, in 2020, ICD’s sectoral approval and disbursement portfolios were dominated by the finance sector which accounted for about 87.6 percent of total approvals and 62.3 percent of the total disbursements (Table 3.3). Other new project approvals and disbursements were in energy and industry and mining sectors. The financial sector was mainly focused on SME development. The main beneficiaries of the USD 250 million COVID-19 stimulus package were also SMEs and the private sector in affected MCs, in a bid to extend support, shore up demand, and protect people’s livelihoods.

**Table 3.3 2020 Approvals and Disbursements by Sector (USD millions)**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Approvals</th>
<th>Disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>8.0</td>
<td>41.1</td>
</tr>
<tr>
<td>Finance</td>
<td>268.6</td>
<td>84.4</td>
</tr>
<tr>
<td>Industry and Mining</td>
<td>30.0</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>306.6</strong></td>
<td><strong>135.5</strong></td>
</tr>
</tbody>
</table>

Within the finance portfolio, the dominant approval mechanism was the Line of Finance (LoF) (Figure 3.1).

**Figure 3.1 Approvals by Product: 2020**

The main beneficiaries of the USD 250 million COVID-19 stimulus package were also SMEs and the private sector in affected MCs, in a bid to extend support, shore up demand, and protect people’s livelihoods.
3.3 2020 Development Results

The 2020 ICD Annual Development Effectiveness Survey continued to gather evidence on the contribution of ICD’s partners in addressing the SDGs as well as their specific development results. These surveys are helping ICD to build up a comprehensive set of evidence-based data about its development impact.

The 2020 survey covered ICD’s operations in Banking Equity, Non-Banking Equity, Ijara (Leasing), Corporate Equity, Line of Finance (LoF), Direct Finance, Funds and Advisory Services. The response rate was 82%, an improvement from the 70% rate in 2019. This survey included COVID-19 related questions.

3.3.1 Aggregate Survey Findings

Overall, the 2020 survey showed that, despite the prevalence of the pandemic, ICD helped its partners achieve some notable successes. Table 3.4 provides the aggregate results from the responses to the survey. However, 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 poverty reduction was further substantiated by the emphasis placed on MSMEs. One encouraging aspect was that more respondents than in previous years were aligned with the SDGs.
Table 3.4 Aggregate Survey Findings (2020 ADER Highlights)

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government revenues generated</td>
<td>$116,494,860</td>
</tr>
<tr>
<td>Community Development (grants, scholarships etc.)</td>
<td>$32,976,412</td>
</tr>
<tr>
<td>Total energy created</td>
<td>1,479 MW</td>
</tr>
<tr>
<td>Total Patients Served</td>
<td>1,428,459</td>
</tr>
<tr>
<td>Total Students Enrolled</td>
<td>7,060</td>
</tr>
<tr>
<td>Total Farmers Reached</td>
<td>11,765</td>
</tr>
<tr>
<td>Total Housing Units</td>
<td>12,030</td>
</tr>
<tr>
<td>Number of people trained in 2020</td>
<td>401</td>
</tr>
<tr>
<td>New clients who gained access to Islamic finance</td>
<td>400,124</td>
</tr>
<tr>
<td>People opening new Islamic finance accounts in 2020</td>
<td>110,878</td>
</tr>
<tr>
<td>Number of new clients who are Women</td>
<td>42,409</td>
</tr>
<tr>
<td>New MSMEs supported</td>
<td>41,066</td>
</tr>
<tr>
<td>Total amount of funding to MSMEs in 2020</td>
<td>$582,048,229</td>
</tr>
<tr>
<td>Jobs Sustained (of which women)</td>
<td>76,783 (23,741)</td>
</tr>
<tr>
<td>New Jobs Created (of which women)</td>
<td>15,132 (5092)</td>
</tr>
<tr>
<td>Women in senior management positions</td>
<td>721</td>
</tr>
<tr>
<td>Export sales generated</td>
<td>$407,470,310</td>
</tr>
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<td>721</td>
</tr>
<tr>
<td>Export sales generated</td>
<td>$407,470,310</td>
</tr>
</tbody>
</table>

In terms of the impact of COVID-19 on their operations in 2020,

- **Regarding internal functions,**
  
  - 36% stated that Information Technology (IT) was “not effected”, while 8% stated that IT was “extremely effected”
  
  - 26% stated that Human Resources (HR) was “not effected”, while 14% claimed that HR was “extremely effected”
  
  - 19% responded that Finance was “not affected”, while 11% claimed it was “extremely affected”
  
  - 14% thought that enterprise Strategy was “not effected”, while another 14% thought it was “extremely affected”
  
  - 40% claimed that internal control governance processes were “not effected”, while 3% claimed it was “extremely effected”

- **In terms of employment,**
  
  - 56% stated that their respective institution did not initiate a “hiring freeze, while 19% claimed that they did initiate a “hiring freeze”
  
  - 67% claimed that COVID-19 will not affect their short-term (2021-2022) hiring plans

- **In terms of financial performance,**
  
  - 24% claimed that the COVID-19 pandemic “severely affected” their performance indicating a drop of greater than 15% of their financial statements.
  
  - At the same time, 29% stated that through 2021-2022, there should be “no effect” on their financial performance, while 4% believed that their financial statements will be “severely affected” in that same period.
3.3.2 Contributions by ICD’s Business Lines

Financial Sector Operations

Line of Finance (LoF)

ICD’s portfolio has always been dominated by Lines of Finance (LoF), and 2020 was no exception. LoFs are particularly relevant for economies with limited access to Islamic and/or affordable financing. Notable results achieved by the responding ICD’s clients financed through an LoF in 2020 were:

- **Employment**
  - 5,793 new full-time employees in the funded MSMEs of which 1,561 were women
  - 20,457 jobs sustained in 2020 of which 8,221 were held by women
  - 2,533 new direct hires by the ICD partner network in 2020 of which 937 were women
  - 550 women in senior leadership positions
  - 96% of the respondents have an approved policy to fairly compensate its employees

- **Financial Output**
  - Direct financing provided to 33,104 MSMEs
  - 112 women led/managed MSMEs funded with Islamic finance facilities
  - USD 218.2 million of new funding provided to MSMEs
  - USD 350.8 millions of goods and services purchased locally
  - USD 110.3 million was the amount of export sales of LoF clients
  - USD 47.1 million in government revenues
  - USD 27.5 million spent in community development

- **Health**: A total of 41,200 patients were served by ICD LoF clients
- **Education**: 1,300 total students enrolled in education centers financed by LoF clients
- **Agriculture**: 2,327 farmers supported by LoF clients
- **Housing**: 3,231 new housing units either mortgaged or financed by LoF clients
- **Digital Transformation**: 63% of the responding organizations were at stage 1 of digital transformation, meaning they have introduced or developed a new digital channel, such as internet banking or a mobile application
- **SDG Alignment**: 54% were at the beginning of or in basic alignment with the SDG

Direct Financing

ICD has adopted a three-pronged direct financing approach: (i) focusing on its core business activities, with priority given to the financing of projects and resource mobilization, (ii) building its internal capacity, and (iii)
establishing a presence in the international development financing market. ICD has prioritized sectors with high value added and where its contribution can achieve the dual objectives of, achieving a developmental impact in the MCs and at the same time generating revenue for itself.

Direct financing partners, responding to the Survey, reported that in 2020:

- **Employment**
  - 10,895 jobs were sustained of which 3,695 were positions held by women
  - There were 1,033 new direct hires by the ICD partner network of which 516 were women
  - 43 opportunities were created for women to hold senior management positions
  - 93% of the responding clients have an approved policy to fairly compensate its employees

- **Financial Output**
  - USD 188.8 millions of goods and services were purchased locally
  - USD 91.6 millions was generated by export sale
  - USD 23.9 million were accrued in government revenues
  - USD 4.2 million spent in community development

- **Health**: A total of 1,035,569 patients were served
- **Digital Transformation**: 27% of the responding clients are at the first stage, while a further 47% have reached stage 2 meaning that have adapted some technological infrastructure such as cloud computing or automation.
- **SDG Alignment**: 60% of the responding clients were at the beginning of or in basic alignment with the SDGs
Egyptian demand for solar energy is increasing due to its sharp population growth and a shortage of non-renewable energy. The Egyptian government has set a goal for 20 percent of the nation’s electricity to come from renewable sources by 2022, and 42 percent by 2035. This ambitious goal is potentially realizable given that the country has a high solar exposure. In some areas the country receives over 4,000 hours of sunshine per year, which is among the highest periods registered in the world.
The Government of Egypt has established a partnership with Scatec Solar of Norway to generate 1.8 GW of solar electricity to power one million homes in the Benban Solar Park. Upon completion, this will be the biggest solar installation in the world. The total cost of this effort was estimated at USD 4 billion. The project will contribute to SDG 7 (Affordable Clean Energy).

ICD is participating in six components of the Egypt-Scatec solar power generation effort. These components have a total cost of USD 470 million and is expected to produce 300 MW of electricity. ICD’s contribution of USD 25 million is equally distributed among the six components - Aswan PV Power (SEA), Daraw Solar Power (SAE), Zafarana Solar Power (SAE), Upper Egypt Solar Power (SAE), Kom Ombu for Renewable Energy (SAE), and Red Sea Solar Power (SAE). Other financiers in these six projects are EBRD, FMO, IsDB, and Green CF. The project is backed by sovereign guarantee from the Government of Egypt.

The power production effectively began in 2019 and is to be sold through a 20-year Power Purchase Agreement (PPA) with the National Electric Power Company (NEPC), Government of Egypt. Bifacial solar modules were used which produce energy from both sides of the solar panel, increasing the total clean energy generation. In 2020,

- 47 jobs were sustained of which 4 were held by women;
- USD 14.9 million worth of goods and services were purchased locally;
- USD 562,770 was spent in community development.

**Employment**

- 6542 full-time employees of which 871 were women
- 1862 jobs were sustained in 2020 including 477 for women
- 48 new employees in the funded MSMEs including 33 women

**Financial Output**

- 77 total opportunities for women in senior lead positions
- USD 141.4 millions of goods and services purchased locally
- USD 132.3 million was the amount of export sales of Banking Equity partners
- USD 16.7 million in government revenues

- **Health**: 8,880 patients served by ICD Banking Equity partners
- **Digital Transformation**: 63% of the responding clients are at the first stage of the digital transformation, with an additional 13% reaching stage 2
- **SDG Alignment**: 63% of the responding clients are at the beginning or basic alignment with the SDGs

**Bank Equity**

Provision of equity finance is one of ICD’s key strategies to promote Islamic financing practices. Provision of equity finance allows MC financial institutions to promote 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. Development results in 2020 reported by the responding clients in this sector included:

- **Employment**
  - 6542 full-time employees of which 871 were women
  - 1862 jobs were sustained in 2020 including 477 for women
  - 48 new employees in the funded MSMEs including 33 women

- **Financial Output**
  - 77 total opportunities for women in senior lead positions
  - USD 141.4 millions of goods and services purchased locally
  - USD 132.3 million was the amount of export sales of Banking Equity partners
  - USD 16.7 million in government revenues

- **Health**: 8,880 patients served by ICD Banking Equity partners
- **Digital Transformation**: 63% of the responding clients are at the first stage of the digital transformation, with an additional 13% reaching stage 2
- **SDG Alignment**: 63% of the responding clients are at the beginning or basic alignment with the SDGs
Non-Banking Financial Institutions (NBFI)

ICD’s equity investment projects provide capital to set up or strengthen NBFIIs, such as Ijara (Leasing), Mortgage and other financial entities. The development results in 2020 reported by the respondents in this sector are:

- **Employment**
  - 12,284 full-time employees in the funded MSMEs of which 3,185 were women
  - 2,512 new full-time employees in the funded MSMEs of which 735 were new women hires.
  - 325 jobs sustained in 2020; of which 116 were held by women
  - 69 new direct hires by the ICD partner network in 2020 of which 28 were women
  - 15 total opportunities for women in senior lead positions
  - 79% of the respondents have an approved policy to fairly compensate its employees.

- **Financial Output**
  - 9,317 gained access to Islamic Finance
  - 676 people opened new Islamic Finance Accounts, of which 31 were women
  - 216 MSMEs funded
  - 18 women led/managed MSMEs funded with Islamic finance facilities
  - USD 52.7 million of new funding amount provided to MSMEs
  - USD 279.7 millions of goods and services purchased locally
  - USD 6.3 millions of export sales of NBFI Equity partners
  - USD 12.7 million accrued in government revenues
  - USD 638,349 spent in community development

- **Health**: 339,060 patients served by ICD NBFI Equity partners

- **Digital Transformation**: 21% of the respondents are at the first stage, with an additional 29% reaching stage 2.

- **SDG Alignment**: 29% of the responding clients are at the beginning of or in basic alignment with the SDGs

ICD’s equity investment projects provide capital to set up or strengthen NBFIIs, such as Ijara (Leasing), Mortgage and other financial entities.
CASE STUDY

Sudan

Access to Shariah Compliant Financial Leasing through the Arab Leasing Company (TALC)

The Arab Leasing Company (TALC) was founded and launched late 2009 as a joint stock company with a total paid-up capital of USD 30 million to become the second leasing company in Sudan. Headquartered in Khartoum, Sudan, TALC is licensed under the Central Bank of Sudan. The company offers Sharia’a compliant financial leasing, with a main objective of assisting and improving the access to finance for the private sector in Sudan, especially SMEs, creating sustainable development impact, and achieving optimal financial returns.
Besides ICD which holds 20% of TALC, other shareholders include The Arab Investment Co. (TAIC), Libyan Foreign Bank (LFB), Al Jazeera Sudanese-Jordan Bank (Sudan), the OPEC Fund for International Development (OFID), Financial Investment Bank (Sudan) and Tagger Finance Company (Oman).

TALC started operation on the 1st of September 2009. However, it was not before the fourth quarter of 2010 where it booked its first leasing deal, whereby by the end of 2010 the leasing portfolio amounted to SDG 2.3 million. Since then, the portfolio has been growing steadily. As of 31/12/2020, the portfolio amounted to SDG 1.17 billion. During these years the company has financed more than 882 clients, out of which 283 corporate clients, and 599 SMEs and individuals.

The company has financed many sectors over the years, including but not limited to the construction sector, industrial, agricultural, health care, educational, transport, gas & oil and most importantly the mining sector in addition to other services sector. Annually the company has allocated about 15 to 20% of its portfolio to be directed to support sectors that the government needs to develop based on its annual plan.

**TALC Development Results 2020**

- 120 gained access to Islamic Finance;
- Number of MSMEs funded in 2020 reached 20;
- 3 women led/managed MSMEs funded with Islamic finance facilities;
- 100 jobs sustained in 2020; of which 34 were women positions;
- USD 600,000 in government revenues;
- USD 40,000 spent in community development;
- A total of 50 farmers were financed;
- 3,377 full-time employees in the funded MSMEs; of which 1,338 were women
- 2,801 new full-time employees in the funded MSMEs of which 1,174 were women
- 94 jobs sustained
- 2,898 total students enrolled in education centers financed by ICD IBES partners
- 401 people trained

**Industry and Business Environmental Support (IBES) Advisory Services**

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 world-class advice for MCs and private sector entities to help them improve their development potential and raise capital. IBES is one of four ICD advisory services. Development results in 2020 reported by the responding IBES clients include:

**Employment**

- Number of MSMEs funded in 2020 reached 347
- New funding amount provided to MSMEs was USD 5.51 million
- **Agriculture:** 4,516 farmers supported by IBES partners

**International Financial Institution partners**

ICD works with a number of international financial institutions on collaborative initiatives to achieve its development objectives. Results achieved from these collaborations as reported by responding partners include,
• **Employment**
  
  981 jobs sustained in 2020 of which 383 were held by women
  
  130 new direct hires by the ICD partner network of which 51 were women
  
  36 total opportunities for women in senior lead positions
  
  83% of the respondents have an approved policy to fairly compensate its employees.

• **Islamic finance**
  
  35,954 persons gaining access to Islamic Finance
  
  14,778 people new Islamic Finance Accounts

• **Other Financial Outputs**
  
  529 MSMEs funded
  
  132 women led/managed MSMEs funded with Islamic finance facilities
  
  USD 39.4 million of new funding provided to MSMEs
  
  USD 4.2 millions of goods and services purchased locally
  
  USD 66.9 millions of export revenues

• **Digital Transformation**: 50% of the responding clients are at the first stage, with an additional 50% reaching stage 2

• **SDG Alignment**: 50% of the respondents at the beginning of or in basic alignment with the SDGs.

**Corporate Equity (CE) Partners**

The ICD has invested in direct equity in a number of enterprises in its MCs. The results reported for 2020 by ICD CE partners in the Survey include:

• **Employment**
  
  563 jobs sustained in 2020; of which 17 were held by women
  
  44 new direct hires by the ICD partner network in 2020; of which 5 were women

• **Financial Outputs**
  
  USD 29.4 millions of goods and services purchased locally
  
  USD 16.1 million accrued in government revenues
  
  USD 275,934 spent in community development

• **Health**: 3,750 patients were served by responding ICD’s CE partners
3.4 ICD’s Partnership Initiatives in 2020 to Deal with the Pandemic and to Achieve the SDGs

Consistent with its three-year business strategy of enhancing its networks with financial institutions in MCs and with other MDBs, ICD has been actively interacting with other Development Finance Institutions (DFIs) throughout the COVID-19 pandemic to simultaneously address the crisis and achieve the Sustainable Development Goals (SDGs) by reinforcing cooperation, sharing best practices, and building capacities to facilitate access to finance. The Corporation has shared information and coordinated efforts to streamline its credit approval processes to facilitate the deployment of finance to private sector clients. During 2020, ICD capitalized on its established network of partnerships including those with MDBs, DFIs, Sovereign Wealth Funds, Financial Institutions, Central Banks, and Technical Advisors to establish strategic partnerships and specific collaborations for the development of the private sector and the achievement of the SDGs.

ICD has also been working very closely with sister entities within the IsDB Group, namely the ITFC and the ICIEC, to foster greater intra-group partnerships and cooperation. For example, there was an increased volume of co-financing activity with the ITFC in 2020.

The COVID-19 Response

ICD has undertaken strategic consultations on the operational impact of the COVID-19 Pandemic and opportunities for enhanced cooperation with many DFIs / MDBs including the CDC Group, UK; IFC; Proparco, Agence Française de Développement; IDB Invest, Inter-American Development Bank; and the OPEC Fund for International Development.

It has increased cooperation with the Arab Coordination Group (ACG) comprising of ten (10) Arab Development Financial Institutions (Abu Dhabi Fund for Development, Arab Bank for Economic Development in Africa, Arab Fund for Economic and Social Development, Arab Gulf Development Programme, Arab Monetary Fund, Islamic Development Bank Group, Kuwait Fund for Arab Economic Development, OPEC Fund for International Development, Qatar Fund for Development, and Saudi Fund for Development). The ACG Institutions agreed to pledge US$ 10 billion for a coordinated initiative to address and mitigate the negative impacts of the COVID-19 Pandemic on developing countries.

During the semi-annual DFI Roundtable meetings, ICD committed to a collaborative course of action in response to the crisis to leverage the different DFIs’ comparative advantages including geographic reach. The aim is to work together to mobilize billions of dollars of funding to help the private sector deliver critical healthcare supplies, ensure MSMEs have access to capital, and strengthen global supply chains which sustain millions of workers in developing countries.

ICD is actively involved in IsDB Group Working Group on Partnerships Coordination and Resource Mobilization with MDBs, International Organizations and G20 as part of the IsDB Group Strategic Preparedness and Response Facility to mitigate the negative health and socio-economic impact of the COVID-19 Pandemic.
SDGs and Climate Change

ICD participated in the Finance in Common Summit (FiCS) (9-12 November 2020), signing the joint declaration of all Public Development Banks (PDBs) in the world to design a financial system where PDBs would have the ability to reorient and leverage financial flows to support climate change and the SDGs.

ICD is also a member of the International Development Finance Club (IDFC). The CEO of the ICD, Mr. Ayman Sejiny is the Vice-Chairman of the IDFC. The IDFC members work together to implement the Sustainable Development Goals as a platform and cooperate on Climate Finance. The IDFC has 26 members, and it represents over USD 4 trillion in combined assets. ICD chairs two (2) specialized working groups on Blended Finance and on SDG Taxonomy.

Strengthening Partnerships

ICD Initiated and signed new partnership agreements and Memorandum of Understandings (MoUs) with the following partners:

- The Halal Development Corporation, Malaysia for Technical Advisory Services (signed).
- Société Générale Côte d’Ivoire Pipeline sharing and co-financing in Africa (signed).
- CDC Group, UK Lines of Finance for Africa and Asia (under review).
- US EXIM Bank Parallel financing and pipeline sharing (under review).
- Malaysia Exim Bank Parallel financing and pipeline sharing (under review).

Signing the Coalition Statement for a sustainable and inclusive recovery of the private sector ICD is now part of a coalition in partnership with the African Development Bank, the West-African Development Bank, FinDev Canada, the U.S. Development Finance Corporation, and the Association of European Development Financial Institutions (on behalf of all of its member institutions: BIO (Belgium), BMI (Belgium), CDC (UK), Cofides (Spain), DEG (Germany), Finnfund (Finland), FMO (The Netherlands), IFU (Denmark), Norfund (Norway), OeEB (Austria), Proparco (France), Siferm (Switzerland), Simest/CDP (Italy), Sofid (Portugal), Swedfund (Sweden).


In addition, ICD hosted the IsDB Group and the Asian Development Bank (ADB) during the Joint Retreat on Private Sector Operations - as part of the existing Framework Cooperation and Co-financing Agreement (FCCA). ICD organized and hosted the joint virtual annual retreat on Private Sector Operations. Discussions focused on strengthening collaboration and increasing co-financing activities.

Financing

ICD has joined the SME Finance Forum (SMEFF) global membership network in 2020. The SMEFF brings together a global network that includes more than 200 banks, non-bank financial institutions, Fintech, development banks from around the world to support SMEs through knowledge exchange, policy change, and impactful partnerships. The ICD is also a member of the recently launched SME Finance Virtual Marketplace which promotes partnership with leading fintech, financial institutions, and investors.

ICD has been an active member of the Africa Investment Forum (AIF) platform throughout 2020 and has actively engaged with project sponsors for co-financing deals originated by the AIF deal development platform. A USD 25 million deal was approved for a parallel co-financing transaction for a bank in Nigeria during 2020 as part of ICD’s ongoing partnership with the AfDB.

Finally, ICD is leading the investment pillar under the Arab Africa Trade Bridges Programme (AATB). The AATB Programme is a regional trade promotion program to address some of the challenges faced in promoting trade and investment between the two regions including infrastructure financing, advisory services and technical assistance.
CASE STUDY

Nigeria

Strengthening Partnerships for Sustainable Development – Co-financing the First City Merchant Bank (FCMB) in cooperation with the African Development Bank

Generating jobs and inclusive growth are critical to the achievement of the SDGs and require that business enterprises have access to adequate financial resources to grow. This in turn requires that ICD MC financial institutions have the capacity to provide this financing.
In 2020, ICD, in partnership with the African Development Bank (AfDB), approved funding to the First City Merchant Bank (FCMB) through its LoF facility in order for FCMB to provide financial support to the private sector, including SMEs in Nigeria through Islamic financing mechanisms. This project is a result of a strategic partnership between ICD and the AfDB to increase the volume of co-financing. ICD will be providing USD 25 million over five years and the AfDB USD 50 million in a parallel syndication deal.

The FCMB employs over 3100 full-time staff and has over 2.7 million customers in 248 branches and cash centres distributed across every state of Nigeria. The Bank is one of the top ten financiers in Nigeria and has focused on growing its retail business through various initiatives including investing heavily in digitalization. FCMB's business activities and operations are designed to ensure that they finance responsibly, promote financial inclusion, encourage diversity, adhere to health and safety standards, and reduce negative impact on the environment, while continuing to grow a profitable and sustainable business.

ICD's partnership with the FCMB will significantly extend its reach in Nigeria and contributes to the achievement of its priorities including the achievement of the SDGs and increasing access to funds for SMEs and women. The LoF will provide funding for Shariah-compliant projects attracting foreign investors from Islamic countries in the Middle East and South East Asia. ICD support can also facilitate improvements in the regulatory frameworks for Islamic Finance.
4.1 Overview

The impacts of the COVID-19 virus dominated the world in 2020. Not only were the health consequences momentous with hundreds of millions of people affected, but the economic lockdown that it precipitated caused the worst recession that the world has ever known. The international response to the pandemic was fragmented. The northern wealthier countries took an isolationist posture closing borders and concentrating on saving their own citizen’s lives rather than participating in a global coordinated response. The IFIs committed massive resources to help countries adapt to and mitigate the impacts, but most of the actions were individual institutional responses rather than collaborative efforts as was evident in the case of the Ebola or the SARS pandemics.
The IsDB Group including ICD contributed billions of dollars to this effort and undertook numerous virtual consultations to create a cooperative environment among the MDBs, the DFIs as well as within its MCs and Group entities. Its efforts helped the MCs adapt to and deal with the rapidly evolving health and economic scenarios. Just as the COVID-19 pandemic demonstrated the potential adverse consequences for an increasingly globalized world, a unifying global response led by IFIs could provide a counterargument for its benefits.

4.2 Impact of the COVID-19 pandemic and the international community

The magnitude of the health, economic and developmental impact of the COVID-19 pandemic caught the world unawares. Nobody was prepared for the grave mortal danger it posed and the speed at which it spread across the globe. As of April 21, 2021, there were 144.24 million globally known cases with total deaths of more than 3 million. The highest number of daily cases reported was on April 15, 2021 with 845,213 cases. The highest number of daily deaths reported was on January 20, 2021 with 17,365 mortalities.

ICD’s MCs were not immune to the pandemic. Interestingly, the reported intensity and magnitudes were much lower in Asia and Africa than in the northern countries like the US and in Europe (Table 4.1). However, it is not clear whether the numbers for Asia and Africa were under-reported given the lack of adequate reporting infrastructure. Even within these two continents, the incidence of reported cases and deaths suggests that the northern and more urban countries were more affected than their southern and relatively warmer neighbours.

<table>
<thead>
<tr>
<th>Region/Country</th>
<th>Total Case</th>
<th>New Cases, 21 April 2021</th>
<th>Total Deaths</th>
<th>Daily Deaths, 21 April 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>35,118,933</td>
<td>468,382</td>
<td>478,364</td>
<td>3807</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>732,060</td>
<td>4280</td>
<td>10,683</td>
<td>95</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1,620,559</td>
<td>5720</td>
<td>44,007</td>
<td>230</td>
</tr>
<tr>
<td>Iran</td>
<td>2,311,813</td>
<td>24,886</td>
<td>67913</td>
<td>388</td>
</tr>
<tr>
<td>Turkey</td>
<td>4,446,591</td>
<td>61,967</td>
<td>36,975</td>
<td>362</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>294,296</td>
<td>2696</td>
<td>3459</td>
<td>23</td>
</tr>
</tbody>
</table>
4.1(b). Africa and sample ICD Member Countries

<table>
<thead>
<tr>
<th>Region/Country</th>
<th>Total Case</th>
<th>New Cases, April 21, 2021</th>
<th>Total Deaths</th>
<th>Daily Deaths, April 21, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>4,496,397</td>
<td>7,184</td>
<td>119,086</td>
<td>167</td>
</tr>
<tr>
<td>Egypt</td>
<td>218,041</td>
<td>-</td>
<td>12,280</td>
<td>-</td>
</tr>
<tr>
<td>Mali</td>
<td>13,246</td>
<td></td>
<td>454</td>
<td></td>
</tr>
<tr>
<td>Morocco</td>
<td>507,338</td>
<td>669</td>
<td>8969</td>
<td>10</td>
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<tr>
<td>Mozambique</td>
<td>69,437</td>
<td>128</td>
<td>805</td>
<td>3</td>
</tr>
<tr>
<td>Senegal</td>
<td>39,910</td>
<td>74</td>
<td>1096</td>
<td>1</td>
</tr>
<tr>
<td>Tunisia</td>
<td>291,833</td>
<td>2603</td>
<td>9993</td>
<td>75</td>
</tr>
</tbody>
</table>


The first reaction of the nations around the world was one of self-preservation led by actions from China, the US and the European countries. Borders shut down, international travel ground to a halt with disastrous impacts for the transportation industries. Trade and investment slowed precipitously as nations, particularly in the North, concentrated their efforts on saving the lives of their own citizens. While the latter was an admirable as well as daunting task by itself, it left the less able nations in the South to fend for themselves.

In the case of previous pandemics (Ebola, SARS, AIDS), the tendency for the international community was to coalesce around organizations like the World Health Organization (WHO) or specialized agencies like the UNAIDS to mount an internationally coordinated effort to create adaptation and mitigation strategies including those beneficial to the less able countries. These efforts included the nation states, their surrogates like the IFIs, Civil Society Organizations (CSOs) as well as the philanthropies. Such efforts were not apparent in the COVID-19 case. This lack of coordinated efforts in the latter case left the less able nations especially in Sub-Saharan Africa to their own devices in terms of how to deal with the health and economic consequences of the pandemic especially in the early stages of the pandemic.

The efforts to develop vaccination to combat the COVID-19 virus was left to the private sector buttressed by various wealthy governments who provided financing to reserve and assure supplies of the vaccinations for themselves as and when they were developed. Once again this left the less able nations at a disadvantage in accessing vaccines in addition to dealing with the economic devastation resulting in massive employment loss and increasing poverty.
4.3 Responses by International Financial Institutions (IFIs)

The response of the IFIs and other multilateral institutions was in phases. The first phase, generally lasting until about April 2020, consisted of analysis and the identification of funds and funding processes to deal with this unprecedented crisis. The second phase starting around May 2020 was the implementation phase. While a number of consultations were held across like-minded institutions the instances of actual collaboration were not plentiful. In October 2020, a deliberate effort was made to promote synergy and co-operation in a meeting hosed by the IsDB and the AfDB (Box 4.1). One noteworthy action was the World Bank- IMF sponsored Debt Service Suspension Initiative (DSSI) (Box 4.2) which freed resources for the less able countries to deal with the pandemic.

**Box 4.1: Cementing IFIs Collaboration Efforts**

At an extraordinary virtual meeting in October 2020 chaired by H.E. Hajjar Bandar, President of the Islamic Development Bank Group, to discuss the impact of their responses to the pandemic and the worsening debt situation, the MDBs agreed that sustaining their joint efforts would protect livelihoods, especially among vulnerable populations, preserve macroeconomic stability and promote a stronger private sector role after COVID-19. They discussed how to achieve maximum impact from their efforts, and the debt sustainability of beneficiary countries.

The meeting was attended by the heads of 12 MDBs - the Islamic Development Bank (IsDB), Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB), Council of Europe Development Bank (CEB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank (IADB), International Finance Corporation (IFC), International Monetary Fund (IMF), the New Development Bank (NDB), World Bank Group and the African Development Bank.

According to H.E. Bandar Hajjar, “In the face of this unprecedented crisis, we have shown our responsibility and unity. The total package has already started disbursing and is bearing fruits”. H.E. Hajjar added that, “This forum is where partnerships make a difference. We need to join forces to support our MCs better.”

The joint effort of the MDBs has seen a COVID-19 response envelope of about USD230 billion. In addition, the IMF has provided financing to 81 of its MCs totaling over USD100 billion since mid-March 2020, with further room for its MCs to tap into its USD1 trillion lending capacity through program arrangements.

The President of the African Development Bank Group, Akinwumi Adesina, said collaboration among development partners has become more vital than ever to help economies recover from the pandemic and attract private financing to rebuild infrastructure - “The challenge is huge, and the collective resolve must be strong as MDBs ... It’s time for us to change the paradigm to get the private sector, with incentives, to do a lot of private-public partnerships.”
Box 4.2: The Debt Service Suspension Initiative (DSSI)

The DSSI is a temporary suspension of debt payments until the end of 2020 for the world’s 76 poorest countries (those eligible for IDA assistance) plus Angola in view of the economic distress caused by the pandemic. The Institute of International Finance (IIF), a group that represents about 450 banks, hedge funds, and other global financial funds, concurrently announced that private creditors will join the debt relief effort on a voluntary basis. The DSSI potentially frees up more than USD20 billion for these countries to spend on improving their health systems and fighting the pandemic, including USD12 billion in payments to official creditors (governments) and USD8 billion in payments to private creditors. Repayment schedules are to be net present value neutral, meaning that no debt is actually written off, but rather rescheduled to be paid later. Since it took effect on May 1, 2020, the initiative has delivered more than $5 billion in relief to more than 40 eligible countries.

The DSSI has been formally supported during the Saudi Presidency, G20. The Leaders Declaration at the end of the Riyadh G-20 summit declared that, “We are committed to implementing the Debt Service Suspension Initiative (DSSI) including its extension through June 2021, allowing DSSI-eligible countries to suspend official bilateral debt service payments.”

The discussion in this section concentrates on IFIs other than IsDB and ICD. They are discussed in sections 4.4 and 4.5 respectively.
CASE STUDY

Senegal

Strengthening the Islamic Bank of Senegal to provide the Support to MSMEs

The challenges brought about by COVID-19 in Senegal were great. The GDP contracted with the growth rate, forecast at 6.8% in 2020 going into negative territory. Enhancing competitiveness and job creation through improving digital and physical connectivity at the national and regional levels, increasing efficiency of labor markets, lowering energy costs, promoting the service economy, and boosting the productivity and competitiveness of agriculture and related value chains will be critical to the Senegal’s post COVID-19 recovery process. Increasing jobs will demand paying particular attention to the MSMEs and the informal sector – the major employment generators in the economy. This will require provision of funds to these enterprises in order to help them survive and grow. However, the banking industry – a principal source of funding – has faced numerous challenges including liquidity shortages, increased operating and financing risks, and lowered efficiency.

In 2020, ICD approved a direct investment of about USD 14 million in the Islamic Bank of Senegal (BIS) to support the bank’s capital increase, as part of its emergency response to COVID-19 Package. The BIS provides modern and competitive banking services to businesses and economic agencies in Senegal in accordance with precepts of Islamic finance. ICD has supported the BIS in various ways including equity investment, line of finance and advisory services since its first investment in the BIS in 2009.
ICD’s contributions have helped BIS weather the slowdown in the economy in 2020.

206 MSMEs were financed for a total value of USD 22 million. As of 31 December 2020, BIS has provided financing to a total of 1,163 MSMEs.

BIS’s portfolio grew 22% by year-end 2020 as compared to the previous year, reaching USD711 million while the bank’s deposits grew by 13%.

BIS hired 29 new employees during 2020 bringing the total number of full-time employees to 237. The total number of female employees is 107, 30% of whom hold managerial positions.

Finally, BIS has contributed in 2020 around USD 77.5 thousand through its corporate social responsibility (CSR) program.

4.3.1 Initial Response of the IFIs
International Monetary Fund

The COVID-19 pandemic led to an unprecedented increase in demand for IMF financial assistance. As of May 2020, more than 100 of the IMF’s 189 MCs had requested additional IMF programs related to COVID-19; on average the IMF had approved 18 programs a year up to this point. In recognition of the severity of the crisis, the IMF stated that it stood ready to deploy the entirety of its current lending capacity—approximately USD1 trillion—in response to the pandemic and resulting economic crises. It also worked on increasing its flexibility in responding to the crisis. For example, the IMF Executive Board adopted proposals to accelerate Board consideration of member financing requests for emergency financing and doubled (to about USD100 billion) access to IMF emergency assistance. By May 2020, the IMF had already approved several COVID-related programs, including for Bolivia, Chad, the Democratic Republic of Congo (DRC), Kyrgyz Republic, Nigeria, Niger, Rwanda, Madagascar, Mozambique, Pakistan, and Togo, among others.
World Bank Group

The World Bank Group has made up to USD160 billion available through June 2021 to respond to the COVID-19 pandemic, more than double the amount it committed in FY2019. The USD160 billion commitment will include:

- USD50 billion in net transfers to IDA eligible low-income countries
- USD8 billion in financial support provided through IFC, for private companies and their employees hurt by the economic downturn caused by the spread of COVID-19; and,
- A new USD6.5 billion facility to support private sector investors and lenders in tackling the COVID-19 pandemic, administered by Multilateral Investment Guarantee Agency (MIGA)

The first group of projects using the dedicated COVID-19 Fast Track Facility worth USD 1.9 billion was rolled out in 25 countries. By May, the Bank had reached 100 developing countries. Another USD 12 billion was approved in October 2020 for the purchase and distribution of COVID-19 vaccines, tests, and treatments. Examples of projects approved to date include USD47 million for the DRC to support containment strategies, train medical staff, and provide equipment for diagnostic testing to ensure rapid case detection, USD11.3 million for Tajikistan to expand intensive care capacity; and USD1 billion for India to support screening, contract tracing, and laboratory diagnostics, procure personal protective equipment, and set up new isolation wards, among other projects.

On April 17, 2020, the World Bank announced its plans to establish the Health Emergency Preparedness and Response Multi-Donor Fund (HEPRF) - a new multi-donor trust fund to help countries prepare for disease outbreaks. The new fund was to complement and augment the previously announced USD160 billion. Japan was the first country to pledge to the new trust fund, which aimed to spur critical health security investments in the context of the current pandemic as well as in the future. The fund was to provide incentives to IDA-eligible countries to increase investments in health emergency preparedness and enable low-income countries to respond to major disease outbreaks quickly and effectively at an early stage.

World Bank Pandemic Bonds

In 2017, the World Bank had created “pandemic bonds” in order to provide financial assistance to developing countries early in an outbreak and prevent a pandemic from taking hold. The Bank had sold bonds totaling USD320 million, with interest payments to investors funded by funds from donor nations like Japan, Australia, and Germany. The use of the bonds would be triggered by several criteria including outbreak size, growth rate, and spread across borders. Nevertheless, the pandemic bonds, set to mature in July 2020, were triggered on April 17, 2020 to provide USD195.84 million to the Bank’s Pandemic Emergency Financing Facility (PEFF) to address COVID-19.

Other Multilateral Development Banks (MDBs)

The other MDBs also launched robust responses to the crisis, including reprogramming existing projects, establishing and funding with existing resources lending facilities dedicated to the COVID-19 response, and streamlining approval procedures. They have committed roughly USD80 billion to respond to COVID-19 over 2020-21.

African Development Bank (AfDB): On March 27, 2020, the AfDB raised USD3 billion from the Fight COVID-19 Social Bond, the largest dollar-denominated social bond ever launched in international capital markets. Proceeds from the bond, with a three-year maturity, will help alleviate the impact of the pandemic on African livelihoods and economies. On April 8, 2020, the Bank announced a COVID-19 Response Facility that will provide up
to USD10 billion to African governments and the private sector to tackle the disease and mitigate suffering that results from the economic downturn and job losses. It also provided USD2 million in emergency assistance to the World Health Organisation (WHO) to bolster the capacity of MCs on infection prevention, testing and case management.

**Asian Development Bank (ADB)** – In April 2020, the ADB tripled the size of its initial response to the COVID-19 pandemic to USD20 billion and adopted measures to streamline its operations for quicker and more flexible delivery of assistance. The USD20 billion package included about USD2.5 billion in concessional and grant resources to be deployed quickly for providing medical and personal protective equipment and supplies from expanded procurement sources. A COVID-19 Pandemic Response Option under ADB’s Countercyclical Support Facility was set up with funding of up to USD13 billion to help governments of developing MCs implement effective countercyclical expenditure programs to mitigate impacts of the COVID-19 pandemic, with a particular focus on the poor and the vulnerable. About USD2 billion from the USD20 billion package was made available for the private sector including loans and guarantees to financial institutions to rejuvenate trade and supply chains. Enhanced microfinance loan and guarantee support and a facility to help liquidity-starved small and medium-sized enterprises, including those run by female entrepreneurs, was to be implemented alongside direct financing of companies responding to, or impacted by, COVID-19. As of August 2020, ADB had committed USD9.3 billion to support its developing MCs and the private sector to address the impact of the COVID-19 pandemic. In addition, development partners had committed an additional USD4.6 billion in co-financing.

It is clear that, based on approvals and commitments, the MDBs are mobilizing unprecedented levels of financial resources to support countries responding to the health and economic consequences of the COVID-19 pandemic. Whether this is going to sufficient remains to be seen. The World Food Program warns that people suffering from acute hunger could double by the end of 2020 unless an appropriate international response is coordinated. At the same time, regaining the development dividends of the last two or three decades are at risk. Employment, international trade and capital movements continue their downward spiral across the developing world especially as resumption of global supply chains remain at risk and wealthier nations continue to drawbacks on globalization processes.

### 4.3.2 Financing Progress

According to the Centre for Strategic and International Studies (CSIS), as of mid-September 2020,

1. **The IFIs have approved USD182.8 billion in COVID-19 related support since January 27, 2020** of which the IMF’s contribution is USD87.7 billion and the MDBs is USD93.8 billion. Regional Financing Arrangements have provided USD1.3 billion.

2. **The IFIs have disbursed USD124.2 billion.** The IMF has disbursed around 43 percent of its approved funding, or USD37.9 billion. MDBs have disbursed USD84.9 billion, or 91 percent of the total amount approved.

3. **However, the pace of new financing approvals has slowed.** In August 2020, the IFIs collectively approved USD7.9 billion in new funding, a sharp drop from the USD29 billion approved in July and USD37.6 billion approved in June. Through the first two weeks of September, there was only USD2.5 billion in new support.

4. **Low-income countries have received less financial support in absolute dollar terms and relative to their populations but higher support relative to the size of their economies.** IFIs have collectively approved and disbursed USD9 billion for 26 low-income countries, accounting for 4.9 percent of total approved funding and 7.2 percent of total disbursed funding.

5. **Regionally, the Americas remain the largest recipient of IFIs approvals, while Africa and Asia/Oceania have received the most disbursements.** IFIs have approved USD70.2 billion in funding for the Americas but disbursed only USD22.3 billion. Africa and Asia/Oceania have received USD39.4 billion and USD33.7 billion in disbursements, respectively.
4.4 IsDB Group’s Response

The IsDB Group is committed to supporting its MCs with necessary resources to battle the pandemic. It recognized very early on that to combat the spread of the virus, it will have to be ready to accommodate the MCs’ priorities beyond the health sector. As early as March 2020, the IsDB Group set up a special ‘Strategic Preparedness and Response Facility’ (SPRF) of USD730 million to mitigate the negative health and socio-economic impact of the COVID-19 pandemic. The SPRF funding targets interventions that focuses on emergency preparedness and response to curb and contain the spread of the COVID-19, minimize socio-economic impact of the pandemic especially on the poor, and to build resilience of the MCs in responding to outbreaks and pandemics. The facility supports strengthening of health systems, funding of national epidemic preparedness and response plans, community awareness and education, disease surveillance, data collection and analysis, sustained provision of essential social services, provision of social safety nets, and support private sector activity. As part of the undertaking,

- **ICD** supports the private sector in responding to the crisis and to minimize its impact on SMEs to sustain economic development.

- **ITFC** provides trade financing support in the form of short-term rapid response initiatives that would enable the MCs to purchase emergency COVID preparedness related medical equipment and supplies and medium-term support to enable MCs and SMEs to recover from the impact of the crises.

- **ICIEC** provides credit and political risk insurance to sustain imports of strategic commodities, investment protection, and to minimize volatility.

The IsDB Group will also invest in research and development and provide technical assistance support for development of innovative solutions for preventing and containing the pandemic under its Science, Technology and Innovation Program. In addition, the Bank will use its Reverse Linkage program facility to share lessons, best practices and technical expertise from other MCs in addressing the response and management of the COVID-19.

The initial SPRF allocation was further increased in April 2020 when H.E. Bandar Hajjar announced that, “The IsDB Group has launched a US$2.3 billion aid package for MCs and Muslim communities in non-member countries. This includes
three tracks: addressing the pandemic, recovering from it, and resuming normal life, with aid covering the immediate short, medium, and long terms”. The USD 2.3 billion established the IsDB Group Strategic Preparedness and Response Program (SPRP) for the COVID-19 pandemic focusing on the health aspect. The contributors to this program included – IsDB (USD 1,520 million), ITFC (USD 300 million), ICD (USD 250 million), ICIEC (USD 150 million), ISFD (USD 50 million), the King Abdullah bin Abdulaziz Fund for Charitable Action (KAAP) (USD 8.5 million), and the Science, Technology and Innovation Transform Fund (USD 1 million). The SPRP is consistent with the IsDB Strategy and with its President’s five-year programme (P5P) in setting the meeting of MCs expectations as a top priority.

4.4.1 Support provided to MCs

Due to the impact of Covid-19 on the most vulnerable populations, IsDB Group has initiated programs to support the economic empowerment initiatives by combining its resources. A comprehensive IsDBG-wide plan aims to help the most vulnerable and the MSMEs to recover quickly from the adverse impact of the Covid-19 pandemic. In line with the IsDB, the Group entities including ICD, ITFC and ICIEC, have initiated response to the pandemic and this includes support to the private sector via financing, trade facilitation and providing insurance.

As an immediate response to the Covid-19 pandemic, the IsDB Group has committed up to USD 2.3 billion funding package to be extended to its Member Countries (MCs) in support of country efforts to fight against the pandemic and to address the adverse effects on their economies.

The IsDB Group’s response to the Covid-19 crisis to help the affected MCs includes accelerating the operational disbursement for earlier approved projects. This could somehow reduce the economic impact on the affected MCs by way of liquidity injection to their economies as a result of their limitation to raise the required cash-flow to fund the stimulus packages at favorable rate or not being able to raise fund at all, especially the non-rated MCs.

Below is the latest overview of approved funding.

Table 4.2: Islamic Development Bank COVID-19 Funding Overview (as of March 23, 2021)

<table>
<thead>
<tr>
<th>Country</th>
<th>Program</th>
<th>Project Value in USD million</th>
</tr>
</thead>
<tbody>
<tr>
<td>BENIN</td>
<td>Emergency Support to the Preparedness and Response Plan against COVID-19, Phase I</td>
<td>20.0</td>
</tr>
<tr>
<td>BURKINA FASO</td>
<td>Emergency Support to COVID-19 Response Plan Project, Burkina Faso, Phase 2</td>
<td>6.0</td>
</tr>
<tr>
<td>CAMEROON</td>
<td>Support to COVID-19 response for essential reproductive health activities</td>
<td>1.5</td>
</tr>
<tr>
<td></td>
<td>The COVID-19 Emergency Support Response Plan</td>
<td>27.4</td>
</tr>
<tr>
<td>CHAD</td>
<td>The COVID 19 Emergency Support and Response Plan Project</td>
<td>20.0</td>
</tr>
<tr>
<td>COTE D’IVOIRE</td>
<td>Emergency Support to the COVID-19 Response Plan Project</td>
<td>46.2</td>
</tr>
<tr>
<td>DJIBOUTI</td>
<td>Strengthening of The Economic Resilience of Vulnerable Enterprises Project Under The COVID-19 Response Plan</td>
<td>7.4</td>
</tr>
<tr>
<td>GUINEA</td>
<td>Emergency Support to the COVID-19 Pandemic Preparedness and Response Plan</td>
<td>20.0</td>
</tr>
<tr>
<td>Country</td>
<td>Project Description</td>
<td>Amount</td>
</tr>
<tr>
<td>------------------</td>
<td>--------------------------------------------------------------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>GUINEA BISSAU</td>
<td>The COVID-19 Emergency Response Project (COVID-ERP)</td>
<td>15.0</td>
</tr>
<tr>
<td>KYRGYZ</td>
<td>Emergency Support for Building COVID-19 pandemic preparedness and response capacity</td>
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</tr>
<tr>
<td>MALDIVES</td>
<td>Emergency Support to the National Plan for Preparedness and Response to COVID-19</td>
<td>0.6</td>
</tr>
<tr>
<td>MALI</td>
<td>Emergency Support to the National Plan for Preparedness and Response to COVID-19</td>
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</tr>
<tr>
<td>MAURITANIA</td>
<td>Acquisition and deployment of medical equipment to fight against COVID-19. Support to the National COVID-19 Preparedness and Response Plan Project (NPRP)</td>
<td>0.9</td>
</tr>
<tr>
<td>MOROCCO</td>
<td>IsDB Support to the Government of Morocco Emergency Response to COVID-19 Pandemic Project</td>
<td>68.3</td>
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<tr>
<td>MOZAMBIQUE</td>
<td>Emergency Support to COVID-19 Preparedness and Response Project</td>
<td>28.0</td>
</tr>
<tr>
<td>PALESTINE</td>
<td>Strengthening the Economic Resilience of the Vulnerable Enterprises Project under the IsDB SPRP for COVID-19</td>
<td>24.0</td>
</tr>
<tr>
<td>SENEGAL</td>
<td>Emergency Support to the Institute Pasteur in Dakar (IPD) for Laboratory Diagnosis of COVID-19 Project in Senegal Emergency Support to the COVID-19 Pandemic Response Plan Emergency Food Security Assistance under the COVID-19 Response Plan</td>
<td>5.5</td>
</tr>
<tr>
<td>SIERRA LEONE</td>
<td>Strengthening COVID-19 Response and Essential Health Services Project</td>
<td>10.0</td>
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<tr>
<td>SUDAN</td>
<td>Emergency Support for the COVID-19 Preparedness and Response Plan</td>
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<tr>
<td>TAJIKISTAN</td>
<td>Emergency Support for Building COVID-19 pandemic preparedness and response capacity</td>
<td>9.4</td>
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<tr>
<td>TUNISIA</td>
<td>Emergency Support Package for Tunisia to fight the COVID-19 Pandemic. Use of savings on Mornaguia Turbine Power Plant Project for the purchase of Natural Gas</td>
<td>50.0</td>
</tr>
<tr>
<td>UGANDA</td>
<td>Emergency Support to COVID-19 Preparedness and Response Project</td>
<td>13.8</td>
</tr>
<tr>
<td>UZBEKISTAN</td>
<td>Equipping of the 10,000 beds Medical Facility of COVID-19 Patients in Tashkent Emergency Support for the national COVID-19 Preparedness and Response Plan</td>
<td>17.2</td>
</tr>
</tbody>
</table>

The projects concentrate on providing immediate emergency health sector support and also the adaptation of the economic systems to the pandemic shocks.

4.4.2 Partnership and Collaboration

The Bank strongly believes that effective coordination and interaction at global, national, and local levels are extremely important to effectively address the impact of the pandemic. IsDB will work closely with the MCs, the MDBs and DFIs to effectively coordinate and mobilize resources to support the affected MCs.

Partner Countries

The SPRP was the result of close consultation with the MCs through a series of virtual meetings between the IsDB President and IsDB Governors. These meetings were designed to identify each MC’s immediate needs and assessing the challenges posed by COVID-19 especially in health and economic sectors. According to the IsDB President, “the program adopts a holistic view guided by ‘The 3Rs’ (Respond, Restore, and Restart) approach that correspondingly covers the short, medium-and-long-term, and aims to accommodate priorities beyond the immediate emergency response to the health sector, thus ultimately putting MCs back on the economic recovery track”.

International Organizations

H.E. Dr. Bandar Hajjar hosted a number of virtual meeting with the heads of Multilateral Development Banks (MDBs) and the International Monetary Fund (IMF) starting as early as May 2020. In the first meeting, the Heads of MDBs agreed to continue exchanging views on post-COVID-19 anticipated paradigm shifts and future directions. Dr. Bandar further outlined the role of MDBs in supporting the beneficiary countries to build a Climate Resilient and Green Low Carbon future, even during their recovery from the pandemic.

In July 2020, a new cooperation mechanism was established between the United Nations Office for Project Services (UNOPS) and IsDB to support IsDB MCs efforts to combat COVID-19 through emergency procurement services of medical supplies and equipment. UNOPS was the first United Nations organization to be included in IsDB’s COVID-19 Global Coordination Platform for the provision of health procurement services. The platform aims to ensure greater efficiency, transparency, and better governance in COVID-19 response efforts.

Arab Coordination Group

At the invitation of H.E. Dr. Bandar Hajjar, the Heads of Arab Coordination Group (ACG) institutions met virtually on 18 May 2020 to discuss a coordinated initiative to address and mitigate the negative impacts of COVID-19 on MCs. The meeting resulted in the allocation of US$ 10 billion to developing countries to support their efforts to recover from the recession caused by the Corona pandemic and its repercussions.

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4.5 ICD Commitments and Actions

4.5.1 Commitment

As part of the SPRP, ICD provided US$ 250 Million of emergency funding mainly in the form of medium to long-term financing instruments to help existing and new clients in the financial, agri-food, energy and other affected sectors. ICD is aiding the private healthcare industry of affected MCs to meet surging need for services, equipment, and medicines. ICD works closely with 100+ local and regional financial institutions in its Bridge (Connect) platform to provide necessary support so they can continue to finance SMEs in the affected sectors.

ICD has called for strong global coordination and collaboration for immediate response, as well as medium to long term interventions. It has pledged to work hand in hand with all partners to overcome this pandemic. Effective coordination and interaction among the MCs will also be extremely important to effectively address the pandemic and its aftermath.

4.5.2 Actions

As part of the IsDB Group, ICD has been a part of many of the implementation actions described in section 4.4. It has taken the following specific business actions to allocate its portion of the SPRP,

- Employ its LoF to address immediate needs of MSMEs using ICD resources and those of 110+ financial institutions in the Bridge Platform
- Provide term and infrastructure financing directly for healthcare, energy and agri-business sectors
- Enhance equity investments
- Collaborate to support companies where ICD has investments and the overall financial sector in the MCs.

In its action, ICD is responsive to client needs such as accommodating the rescheduling requirements of some of its long-term clients. When and where necessary, it will introduce new products and platforms to the needs of the MCs including fast track processes.

4.5.3 Partnerships

ICD believes that partnerships and multilateral cooperation are essential in order to anticipate and respond adequately to current and future global development challenges. Throughout the COVID-19 pandemic, ICD has shared information and coordinated its efforts to streamline credit approval processes.

Within the IsDB Group, IsDB and ICD have agreed to partner in the implementation of IsDB Group’s R2 COVID-19 Support Package, which will assist IsDB Group MCs to restore their economies and recover from the negative impacts resulting from the ongoing COVID-19 pandemic. This Agency Agreement is a realization of the IsDB President’s vision to improve intra-group collaboration and create room for cooperation with other MDBs and IFIs. The ICD CEO, Mr. Sejiny commented, “We consider this initiative an important milestone in intra-group collaboration and expansion of our partnership
with MCs, MDBs, IFIs and a wider community of private sector businesses as the backbone of sustainable growth. The successful implementation of this Agency Agreement will help us introduce many other initiatives on the same platform”.

Under the Agency Agreement, ICD is offering its expertise in implementation of the R2 “Restore Program” COVID-19 Support through LoF transactions. The Corporation will further strengthen its relationship with governments of MCs opening avenues for future development cooperation opportunities and policy dialogues for the promotion of Islamic Finance/Banking and supporting private sector development and job creation. Moreover, where possible, ICD will mobilize additional resources from the market by leveraging its networks and syndication skills.

Mr. Ayman Sejiny also held virtual conversations with ICD’s major partners in a number MCs (Figure 4.1) as well as with other IFIs including...

Figure 4.1: ICD Relationship Management During Covid-19

ICD RELATIONSHIP MANAGEMENT DURING COVID-19

ICD CEO took Proactive steps in communicating with our partners to hear directly from them the effect of Covid-19

Turkey
- InterCity
  - Business slowed down.
  - Company positioned to continue once curfew lifted.
  - ICD will enhance relationship.

West Africa
- Shelter Afrique
  - Bank received request to defer payment.
  - Bank managed to paydown ICD LOF from $40 mn to $10 mn outstanding.
  - Bank requesting from ICD $70 mn 10 year LOF.

Burkina Faso
- Coris Bank
  - Central Bank offered measure that may cause liquidity and income shortfalls to Bank.
  - ICD to ensure current facility is disbursed smoothly.

Turkey
- Albaraka Turk
  - Bank has FX risk but manageable.
  - ICD to roll over and re-price 5 years LOF $40 mn.

West Africa
- ECOWAS Bank
  - Bank received request from its client to defer payments.
  - IADB to extend another LOF upwards to $100 mn.

Uzbekistan
- Asia Alliance Bank
  - Central Bank recommended to change no penalties during Covid-19.
  - ICD is looking to offer new line to AAB.

Egypt
- Enmas Finance
  - Covid-19 poses liquidity challenges.
  - Company has applied to ICD for $5 mn LOF.

Morocco
- Al Akhdar Bank
  - Bank is performing well despite Covid-19 challenges.
  - Bank requesting from ICD possibility of $10 mn.

Tunisia
- Wifak Bank
  - Facing liquidity challenges as postponement of payments was offered to client.
  - Requesting ICD to extend a LOF.

Senegal
- Bank Islamic
  - Impacted liquidity.
  - Requesting ICD to waive conditions of LOF and disburse remaining €35 mn = 41.6 mn.

Cameroon
- Afriland First Bank
  - Impacted sector such as tourism and transport (18% of Bank Portfolio).
  - Many requests to defer payments.
  - Requests longer tenure LOF from ICD.

Mali
- BCI Mali
  - Central Bank instructed local bank to offer free electronic services to client, this income reduced.
  - Bank requesting from ICD to renew existing LOF.

Mauritania
- Maldives Bank
  - Tourism hard hit as roughly 70% of economy.
  - Central Bank instructed banks to offer 6 month moratorium on payments.
**Member Countries**

ICD is targeting finance, agriculture and health as its sectors of emphasis and, in particular, those organizations that are engaged in fighting the pandemic like the health centres. For example, in Africa, its preferred intermediaries will be the banking institutions typically in North and West Africa in order to assist the SMEs. ICD feels that the interests of the banks and ICD are aligned given that ICD often has majority shareholdings in these institutions. In addition, these banks have in-depth knowledge of their clients in the MCs. In addition to loans and financing options, capital increases in the Banks will be undertaken if necessary. ICD has 42 financial institutions in its African portfolio including Banque Sahelo-Saharienne pour l’Investissement et le Commerce (BSIC), Tamweel Africa Holding, Afriland, Cameroon and Al-Akhdar Bank in Morocco. Box 4.3 provides an example of one collaboration between a MC banking institution and ICD.

**Box 4.3: Line of Financing Agreement (under the COVID-19 LoF Support Facility) between ICD and Coris Bank International - Burkina Faso**

ICD and Coris Bank International – Burkina Faso (the Bank or CBI – Burkina Faso), a member of the Coris Bank Group, have entered into an agreement to finance private sector enterprises in Burkina Faso, affected by the COVID-19 pandemic. This facility is part of ICD’s USD 250 Million Support Package to assist MCs recovering from COVID-19 Pandemic.

The funding arrangement is a LoF agreement for EUR 15 million under the Commodity Murabaha Financing Structure dedicated to the Islamic Window of the Bank. Coris Bank Group is an existing client of ICD and this LoF facility is the third one provided by ICD to the Group. The LoF facility will be utilized to support economic activities of eligible private sector businesses that have been affected by the COVID-19 outbreak. Mr. Diakarya Ouattara, the CEO of Coris International Bank has “Thanked ICD for extending this facility in these difficult times where banks need liquidity to support their affected clients, especially SMEs.”

**International Organizations**

ICD has undertaken strategic consultations on the operational impact of the COVID-19 pandemic and opportunities for enhanced cooperation with many DFIs and MDBs including the CDC Group, UK; IFC; Proparco, Agence Française de Développement; IDB Invest, Inter-American Development Bank; and the OPEC Fund for International Development.

ICD is actively involved in IsDB Group Working Group on Partnerships Coordination and Resource Mobilization with MDBs, International Organizations and G20 as part of the IsDB Group Strategic Preparedness and Response Facility to mitigate the negative health and socio-economic impact of the COVID-19 pandemic.

During the semi-annual DFI Roundtable meetings, ICD committed to a collaborative course of action in response to the crisis to leverage the different DFIs’ comparative advantages including geographic reach. The aim is to work together to mobilize funding to help the private sector deliver critical healthcare supplies, ensure micro, small, and medium businesses have access to capital, and strengthen global supply chains which sustain millions of workers in developing countries.
4.6 What Lies Ahead? The Importance of International Coordination in Dealing with Pandemics

The COVID-19 pandemic has created tremendous economic shockwaves which will continue to reverberate over the foreseeable future. The contractions in global GDP in 2020 was the deepest global recession in decades, despite extraordinary efforts of governments to counter the downturn with fiscal and monetary policy support. These downturns reversed years of development progress causing tens of millions of people to fall back into extreme poverty. Another important feature is the alarming rise in debts of virtually all countries as they fought to keep their citizens alive and prevent their economies being plunged into a deep and persistent trough. The fiscal and monetary stimulus to offset the impacts of the pandemic have triggered historic government deficits.

This means that the availability of official international development financing will reduce significantly in the future. The first reason is the immediate deficit financing requirements of both Northern and Southern nations. The longer-term impact when the pandemic is over, will occur as the governments will need to start paying back their debts. Most Southern nations will have to fend for themselves for the foreseeable future. Innovative financing approaches like blended financing will be required to offset the expected shortfall. The wealthy nations as well as the IFIs can help the cause by lending their credibility and risk-worthiness to the fundraising effort.

A secondary impact may be more hegemonical. Historically, responses to global disasters have been led by the US and its Northern allies. In contrast, even though the virus originated in China, it has stepped into the leadership void to provide material assistance and share information about the pandemic and China’s experience battling the disease. This represents a further corroboration of the accelerated attenuation of the unipolar US led global order and a signal of the emerging multi-polar world. In contrast to the sovereign nations, the IFIs have tried to coalesce and mount a coordinated effort to confront the
COVID-19 pandemic. The IsDB Group leadership have been at the forefront of some of these efforts hosting and leading virtual discussions of the leaders of the MDBs and engaging in collaborative efforts.

Globally coordinated efforts will be essential if we are to deal with pandemic and its aftereffects at a supranational level. Actions will be needed in,

- **Adaptation** – dealing with the impact of the health pandemic and the ensuing economic meltdown. This will include efforts to,

  - among other things, deal with the ongoing repercussions of the health issues like provision of emergency care, hospital preparedness, protection of frontline health workers and public health communications including the need to put on a mask and self-distancing over the foreseeable future.

  - reinvigorate the global supply and value chains and ensuring that the developing regions of the world become integral parts of these chains and derive benefit from them. This will require reimagining the way we work and the distribution of the work among the people and nations. Innovations in technology and their promotion will play a crucial part in the post COVID-19 world.

- **Mitigation** – The global distribution of the COVID-19 vaccines will be fundamental in ensuring that the world will get back to a “new normal”. The role of the IFIs will be important in ensuring that the less able nations can have access to the vaccines. The only way societies will develop herd immunity is to make sure that a significant proportion of the global population are vaccinated against the virus. The need for continuous health and other technological innovations to create safe habitation and workplace will be central to mitigation efforts.

The IsDB Group including ICD will need to continue to deepen its collaboration with partners by exchanging information and pipelines to drive further co-financing and co-investment as well as market development activities that will be essential to speed up the recovery. It would also be prudent for it to continue to invest in science and technology to advance the adaptation and mitigation processes to combat COVID-19.
5.1 Overview

The availability of vaccinations from a variety of sources has injected much needed hope in the generation of eventual global herd immunity to the COVID-19 virus and its variants. However, much of the world, particularly the poorer parts of it, will remain mired in the poverty increasing experiences of 2020 with its multidimensional domino effects. Given the expected stagnancy in bilateral aid, IFIs will have to play a major role in providing assistance to the less able countries in helping them recover from the impact of the pandemic.
ICD has identified job creation, inclusive growth and promotion of Islamic financing as major elements of its strategic plan. These issues are also important in terms of ICD’s contribution to achieving the SDGs. The nature of jobs and the delivery of Islamic financing will witness significant changes emphasizing the role of innovative thinking and leading-edge financial technologies. ICD is well positioned to lead these changes in its MCs and within its network of DFIs. Appropriate management of Zakat, provision of shariah-compliant financing, sukuk and Waqf-endowment offer opportunities for ICD and the Bank group in general to enhance the presence of Islamic finance in the MCs.

5.2 Unequal Recovery in the Post COVID-19 Era

The COVID-19 pandemic has reversed many of the development gains from the last decades. Most low and middle-income economies have experienced a reduction in per capital incomes that has thrown many millions back into poverty (Chapter 1). The World Bank estimates suggest that there may be an additional 250 million people in extreme poverty by 2030 and that it will take 10 years for extreme poverty to reduce to the pre-COVID-19 crisis levels; 60 percent of people pushed into extreme poverty by COVID-19 will be in South Asia followed by Sub-Saharan Africa. In terms of those vulnerable to extreme poverty (currently living between USD 1.90 – 3.20 a day), two-thirds of the people in South Asia currently within these income levels risk falling back into extreme poverty.
The availability of vaccines and more efficient infection control mechanisms will likely spark a weak global recovery in 2021. However, this recovery will be unevenly distributed depending on access to vaccinations and other medical interventions, and structural characteristics of countries. The less able nations will lag behind and may retrogress further if the international community does not come to their assistance. In particular, Africa is in recession for the first time in 25 years. The South Asian countries having progressed to middle-income status’ may be better able to deal with the aftermath of the pandemic. World Bank estimates suggest that growth in Sub-Saharan Africa will be a meagre 2 percent in 2021, not enough to offset the 3.7 percent decline in 2020; in South Asia growth will rebound to 7.2 percent in 2021 outpacing the 5 percent decline in 2020 thanks mainly to India and success in keeping the COVID-19 caseload under control and swift rollout of vaccines. Nevertheless, all countries will struggle to regain jobs lost during 2020 and offset the worsening inequality. For example, for a quarter of Sub-Saharan African economies, living standards will be set back by a decade. COVID-19 will adversely affect some countries that were in the process of graduating from low-income to middle-income status. This risk is particularly severe for small islands and developing states largely dependent on revenues from tourism. The overwhelming majority of the “new poor” created by COVID-19 will be in MICs. International development agencies are now facing a dilemma between the short-term response to the crisis in MICs and long-term challenges in LICs and fragile states.

The unequal nature of the recovery process will be further exacerbated by the massive increases in public debt in 2020 in virtually all countries – IMF expects that two-thirds of the low-income countries mostly situated in Sub-Saharan Africa will be in debt distress by 2020. The debt overhang will not only create disparities among nations with some not having access to recovery but also within countries exposing informal and low-paid workers to a much higher degree of health and financial risk.

### 5.3 Consequences for International Financing for Development

In general, developing countries have four major financing sources – private investment and finance, domestic public finance and investment, remittances, and officially supported international resources from country donors and IFIs. OECD estimates suggest that COVID-19 impacts led to an estimated 45 percent decline in direct foreign investment in developing countries impacting not only the multinational enterprises but also millions of SME suppliers worldwide. Reversing this trend will require immediate and continuous efforts to promote trade and investment including supporting the SMEs. The domestic financing availability will be contingent on how the countries deal with the debt overhang. Remittances are projected to have declined by 20 percent in 2020 as a result of the measures undertaken to contain the spread of COVID-19.
Availability of Officially supported International Development Financing

Official development assistance provided around one-tenth of external finance flows towards developing countries in 2019. The traditional donor countries in North America and Europe will face severe constraints in increasing or even maintaining their bilateral aid budgets given heightened domestic needs for post-COVID-19 recovery and general antipathy to globalization. Wealthier northern nations around the world have reacted to the pandemic by retreating into isolationism. This trend is likely to continue in the foreseeable future. For example, in January 2021, the UK government announced that its aid budget would be reduced to 0.5 percent of GDP from the previous 0.7 percent. Coming on top of the reductions already made in 2020, this represents a cumulative cut of around £5 billion or one-third of the UK aid compared to 2019. The intentions of the Arab donors and countries like China and India are not apparent at this time, but it will not be surprising if they also adopt austerity measures in aid expenditures relative to meet their domestic priorities. Analysis by Development Initiatives in 2021 based on data from the International Aid Transparency Initiative (IATI) reveals that total bilateral aid commitments fell by 19 percent in 2020 compared to 2019.

In contrast to the countries, the IFIs have so far tried to coalesce and mount a coordinated effort to confront the COVID-19 pandemic. The IsDB Group leadership has been at the forefront of some of these efforts leading discussions of the leaders of the MDBs and engaging in collaborative efforts. In contrast to the bilateral donors, aid from the IFIs grew significantly in 2020 (Chapter 4). This trend will likely extend in 2021 and beyond. For example, the IMF stands ready to deploy its entire current lending capacity of USD 1 trillion; the World Bank group has indicated that it is willing to deploy as much as USD 160 billion. The other MDBs have committed USD 80 billion over 2020-2021. Given the trends in the other major financing sources, it is likely that the IFIs including its DFIs will have to bear the major responsibility for providing external development funding to the less able countries over the foreseeable future.

The COVID-19 crisis has reinforced the need for a more flexible and faster approach to funding suggesting the need for pooled budge support type mechanisms rather than earmarking assistance to specific projects. Use of the latter processes have led to large discrepancies between commitments and disbursements. In July 2020, the World Bank’s disbursement rate was on pace to reach only 50 percent of the announced goal. Reports also suggest that in October 2020, the European bilateral and multilateral donors had disbursed only half of its COVID-19 response commitments.
5.4 Creating Jobs and Inclusive Growth – Build Back Better

Regaining lost jobs and reducing poverty will be fundamental to the economic recovery of the developing world. The UN estimates that COVID-19 could cause the equivalent of 400 million job losses in the second quarter of 2020. During the pandemic, 1 billion workers in the informal sector risked losing their livelihoods. The OECD estimates are similar - economic fall-out from the COVID-19 pandemic could reduce employment by up to 400 million full-time jobs, and negatively impact 1.6 billion informal workers. This unprecedented global job crisis requires large-scale and globally coordinated actions with strong financial support especially if we are to work towards the SDG8 of promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

The fundamental driving force to achieving these goals will be the private sector and specially the rebound of the MSMEs. However, these enterprises will need considerable help in the form of capital, technology and capacity building reestablishing themselves.

2020 has exposed many of the vulnerabilities and weaknesses of existing work patterns and institutional nature of the enterprises. They include income polarization, worker vulnerability, more part-time or task-based work, and the need for workers to adapt to occupational transitions. The pandemic has accelerated digital technological innovations such as robotics, remote working and learning, telemedicine and distance-education and e-commerce. Other structural changes may also accelerate including regionalization of supply chains and the need, creation and use of cross-border data flows. The pandemic highlighted the need for renewed considerations for health (including mental health) and safety. These trends have triggered reconsideration of several beliefs ranging from attitudes about efficiency versus resilience, the future of a globalization-based capitalist economic system and the organization of economic activity and living. It is likely that many companies will relocate some of their production. What will remain critical is the need for collective action to rebuild economies that deliver inclusive economic growth, prosperity, and safety for all.

ICD, as the principal private-sector promotion entity of the IsDB has a special role to play in its MCs. It is the major Bank Group arm to achieve SDG8 (particularly target 8.10: strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all). ICD fosters sustainable economic growth by financing private sector investments, mobilizing capital in the international financial markets, and providing advisory services to business and governments. A major selection criterion for ICD’s projects is their ability to create jobs. It pays particular attention to the creation and nurturing of MSMEs mainly by on-financing through financial institutions.

ICD’s response to the COVID-19 crisis has so far addressed the immediate adaptation and mitigation needs of its MCs. It has participated in the provision of emergency supports and to shore up its long-standing
private sector partners. In a post COVID-19 world, the short-term policy options (based on suggestions by the OECD) could be to,

- Support jobs especially for enterprises and people in vulnerable situations in the MSME sector
- Provide targeted job and income support for workers in the informal economy
- Support firms and workers linked to global supply chains
- Ensuring equal access to finance and economic opportunities, and skills development

All this could be done through ICD’s existing mechanisms such as LoF, direct equity participation, enhancing the capacity of the MC’s commercial financial institutions and advisory services.

ICD could also use its access through the Bridge Platform to create a like-minded body of DFIs to:

- Mobilize resources to extend income protection schemes for workers in vulnerable situations to prevent the extreme adverse impacts on workers during the COVID-19 pandemic;
- Address supply chain disruptions through targeted international support;
- Introduce and implement digital workplace innovations in its MCs.

Ensuring equal opportunities for women in financing strategies at all levels.
CASE STUDY

Nigeria

The Business Resilience for Added Value Enterprises (BRAVE) Women Program

About 70% of the women who own Small and Medium-sized Enterprises (SMEs) in the developing world cannot get the financing they need. They are either shut out of financial institutions, or can only get high-interest, short-term loans, resulting in a $1.5 trillion credit deficit for women entrepreneurs in emerging markets. In addition, women also often lack access to technologies, market connections, networks, and training necessary to build and maintain a successful business.

In response to that, the BRAVE Women program aims to enhance the resilience of women-owned and led SMEs in fragile contexts. Its objectives are to increase business opportunities for women entrepreneurs by providing them with investment and capacity-building support. BRAVE was first launched in Yemen combining value chain design principles, grant-matching schemes for micro, small and medium enterprises and banking credit practices in an integrated framework that responds to the challenges of the private sector in a fragile context. It was launched in 2020 in the Federal Republic of Nigeria. The program’s third country phase in Burkina Faso is expected to commence in the first quarter of 2021.

The Industry and Business Environment Support (IBES) team in ICD initiated the BRAVE concept. It is funded by the Women Entrepreneurs Finance Initiative (We-Fi) with a budget of USD 32.2 million and is being implemented by the IsDB with ICD providing technical support for the implementation of the program on behalf of the Group.

In Nigeria, the Nigerian Bank of Industry (BOI) Ltd. Is the local Executing Agency for the project. ICD has supported the BOI in building its capacity to manage BRAVE by providing it with a Residential Technical Advisor (RTA). The RTA will support the BOI in strengthening its project-management functions including monitoring and evaluation and procurement. A country project manager was appointed in the final quarter of 2020 and a knowledge exchange program was initiated with the BRAVE project in Yemen to share best practices.
5.5 Restoring and Growing Islamic Financing post-COVID-19

The global Islamic finance industry has grown steadily since the 1970s in providing Shariah-compliant products and services. However, the COVID-19 pandemic combined with the volatility in oil prices have posed serious challenges.

5.5.1 Islamic Financing in 2020

According to the ICD Refinitiv 2020 Islamic Finance Development Report, global Islamic Finance assets are forecast to reach USD 3.69 trillion by 2024 – an increase of 19 percent over 2019. The report covers 135 countries and is based on five key metrics comprising of Quantitative Development, Knowledge, Governance, Awareness, and Corporate and Social Responsibility (CSR). It indicates that Islamic finance assets of Gulf Cooperation Council (GCC) reached USD 1.2 trillion in 2019, followed by Middle East and North Africa (MENA) at USD 755 billion (excluding the GCC), and Southeast Asia at USD 685 billion. The top five countries utilising Islamic Finance are Malaysia, Indonesia, Bahrain, UAE and Saudi Arabia. The Islamic banking sector contributed the bulk of the global Islamic Finance assets. However, the Report notes that the pandemic in 2020 resulted in losses and reduced profits for many Islamic banks.

The slowdown in the growth in Islamic financing because of the pandemic was corroborated by the S&P Global Ratings - the Sharia-compliant finance industry was expected to register “low to mid-single-digit growth” in 2020 and 2021. According to S&P, “the significant slowdown of core Islamic finance economies in 2020, because of measures implemented by various governments to contain the COVID-19 pandemic, and the expected mild recovery in 2021, explain our expectations”. Nevertheless, the latest State of Global Islamic Economy report suggests that total Islamic finance assets stood at USD2.88 trillion by the end of 2020 almost matching 2019’s figures.

Investments in the certain parts of the Islamic economy (including halal foods, fashion and healthcare sectors) took a big hit in 2020, falling by 13 percent compared to 2019. For Islamic enterprises, the total amount invested fell by more than 50 percent in 2020 to USD4.9 billion in from USD10.7 billion in 2019. The countries recording the most deals were Indonesia, UAE and Kuwait.

Islamic mergers and acquisitions rose slightly over the same period, with several companies seeking to consolidate their balance sheets. Two landmark deals included Thailand’s Bangkok bank’s $2.16 billion acquisition of an 89% stake in Indonesia’s Bank Permata and Dubai Islamic Bank’s buy out of Noor bank to create one of the world’s largest Islamic financier with $75 billion in assets. Some major deals were postponed to 2021 such as Kuwait Finance House’s $8.8 billion acquisition of Bahrain’s Ahli United Bank and National Commercial Bank’s $15 billion merger with Samba Financial group in Saudi Arabia, now called the Saudi National Bank (SNB).

Finally, the greater exposure of the Islamic finance institutions to MSME financing and retail funding may have exposed them to higher risk of client default or increased claims because of the increasing likelihood of these enterprises to be most affected by the restrictions on economic activity due to the COVID-19 virus.

5.5.2 Silver Lining: Regulatory Reforms and FinTech Innovations

Ironically, the hiatus on activities imposed by the pandemic has led to industry improvements especially in two areas - for many industry leaders, this period of stagnation was an opportunity to work on modernising Islamic finance either through the long-awaited standardization of sharia-compliant offerings or by fast-tracking innovation.
**Harmonizing Rules and Standards:** Some leaders of the Islamic finance industry used this opportunity of the slowdown of global economic activity due to lockdowns, to make progress on developing uniform standards and regulations. For example, the United Arab Emirates (UAE) is leading efforts to develop an international regulatory framework governing Islamic finance. Indonesia, Malaysia, Qatar and Kuwait also took significant steps to centralize and simplify their sharia compliance rules and regulations. S&P in its 2020/2021 Islamic Finance report suggest that, “stakeholders are realizing the importance of standardization as government coffers are depleted and access to sukuk remains more complicated than conventional instruments.”

**FinTech Innovations:** The future growth of Islamic Finance Institutions will depend on their ability to utilize technology. This is especially true as the lockdowns imposed by the COVID-19 pandemic has led its competitors to further finetune remote banking and other types of FinTech. The encouraging news is that Islamic Institutions in many countries (including Singapore, Bahrain, the United Kingdom and the United States) are starting to develop dedicated start-up hubs, venture capital initiatives, regulatory sandboxes and funding programs to develop shariah-compliant FinTech innovations. Islamic FinTech start-ups now offer digital mortgage platforms, wealth management mobile applications and sharia-compliant crypto-currency exchanges. Examples include (i) Pakistan’s mobile wallet Sadapay which received a central bank approval to process payments in over 45 countries (ii) Qatar Islamic Bank starting digital onboarding and (iii) new digital-only Islamic banks gearing up to launch in a few months in Kazakhstan and Australia.

**5.5.3 Forecasts for 2021 and Beyond: Implications for ICD**

The global Islamic finance industry will grow at a slower pace as its core markets (primarily in ICD MCs) grapple with economic slowdowns caused by COVID-19 pandemic. S&P Global Ratings expect the volume of sukuk issuance will drop to $100 billion in 2020, from $162bn reported in 2019 and that the global sukuk market will continue to remain on a downward trajectory in 2021. Nevertheless, S&P expects total assets of Islamic banks and financial institutions around the world to remain stable or record low single-digit growth in 2021. The takaful (Shariah-compliant insurance) sector is expected to expand at mid to high single-digit rates, while the funds industry might be affected by the aftereffects of market volatility. The UN Secretary-General’s Call for Solidarity to confront the COVID-19 pandemic, outlines three components: tackling the health emergency; focusing on social impact in the response and recovery; and helping countries recover more sustainably for the long term. The IsDB mirror these components in their commitment to the 3 Rs – Respond, Restore, and Restart.

A report by our sister entity, ICIEC identifies a number of elements, that are parts of ICD and IsDB programs, that could help in the recovery process,

- In the short-term, Zakat could be to be an important component of national and NGO emergency support programmes. Zakat donors typically support the economically insecure and the poor;
- In the medium or on-going term, trade finance could be an important mechanism helping the MCs to gain access to much needed equipment and other resources. This can be complemented by Takaful (trade credit insurance);
- Social Sukuk and impact investing – private investment prioritizing businesses with social impact – can be useful in targeted poverty reduction program whether through the private sector or CSOs;
- Waqf endowments can be important contributors to long-term resilience.

Finally, Fintech innovations in the Islamic Financing Industry are priority areas for ICD (Chapter 2). There is an opportunity for the Corporation to take the leadership in this area in which it has already made significant strides. For example, the Bridge and the FinLit platforms represent leading-edge networking and financial literacy campaigns in its MCs. The Finnovation awards provide incentives to MC financial institutions and Fintech start-ups to innovate.
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