Towards COP27:
Key Insights from COP26 for Ambitious Climate Action

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- Gender Resilience at the Center of Post COVID-19: A Better Normal for a Better Future
Dear Colleagues,

We meet again in this 16th SDGs Digest to share with you various articles from the senior management as well as professionals across the Bank to shed light on important topics related to sustainable development.

Over the course of recent months, the SDGs Group has been busy at work revamping its strategic orientation through the “Strategy Update Exercise” taking into account the lessons learned from the COVID-19 pandemic and charting a new course for the Bank and its entities towards 2025. Various working groups developed reports to highlight the economic impacts of COVID-19 on the member countries and identify opportunities towards enhancing infrastructure investments, reducing poverty, building resilience, enhancing resource mobilization to meet member countries’ needs and developing vital capacities in the member countries in order to contribute to their sustainable development. Through these exercises, three main strategic directions were identified including: boosting recovery; tackling poverty and building resilience; and, driving economic growth.

At the same time, various international engagements such as the upcoming Conference of the Parties-27 (COP27 and COP28) are going to be held in our own member countries—namely, the Republic of Egypt and the United Arab Emirates (UAE) respectively. Therefore, climate action—particularly because of its impact on poverty and resilience—will continue to remain high on the agenda of both the Bank as well as our member countries.

In line with the revised strategic direction of the Bank and the upcoming international events, the SDGs Community of Practice (CoP) has gathered a set of valuable contributions from our colleagues across the institution to shed light on a plethora of relevant topics that are anchored in the SDGs.

In this edition, you will find climate action as one of the priority areas in addition to sectors including energy, agriculture, education, youth development, among others. Our Cover Story, by Olatunji Yusuf, is providing perspectives from the COP26 held in Scotland and lessons that we can take on board towards COP27. From the management, we have included an article from Br. Oussama Kaisi, CEO of ICIEC entitled “Shifting the Paradigm to Meet the Climate Change Challenge”. Additional perspectives bringing in the dimension of political economy into the discussion on climate change is provided by Dr. Mustafa Yagci’s paper on “The Political Economy of Green Industrial Policy and Green Growth”, highlighting the challenges in implementing multi-dimensional green growth strategies while sharing recommendations to enhance such processes. In addition, you will find valuable pieces on energy efficiency by Dr. Farid Khan; a report by Br. Bashir Jama Adan on agriculture and its importance in contributing to their sustainable development, among others. Our Cover Story, by Olatunji Yusuf, is providing perspectives from the COP26 held in Scotland and lessons that we can take on board towards COP27.

We thank all of the contributors for their great articles that have made this issue possible. We are also inviting all of our colleagues to share with us their contributions for the 17th SDGs Digest, which we plan to release after the Annual Meeting inshaAllah. You may email us at SDGsCOP@isdb.org.

Thank you and Eid Mubarak!

Note: The SDGs COP core team is composed of:

- Ahmed Faruk Diken (leader),
- Hamdi Ahmedou,
- Khalid Ahmed,
- Munira Abdalwahid,
- Yehia Amin Sabry Amin,
- Sharia Walker,
- Syed Muhammad Abdulah.

SDGs Digest is a Newsletter published by the SDGs Community of Practice (CoP) in IsDB Group. You can submit your articles, feedback, book reviews, reports and other topics related to the SDGs via SDGsCOP@isdb.org
Towards COP27: Key Insights from COP26 for Ambitious Climate Action

Olatunji Yusuf
IsDB

Climate change is globally recognized as an existential threat to humanity’s survival and natural ecosystems. Its impacts are seen in the form of frequent and increasingly severe natural disasters. In addition, it continues to pose a significant threat to vital systems including energy, transport, water, commerce, trade, urban services, and social fabrics that are instrumental for the economic growth and sustainable development of all nations.

The participation of the Islamic Development Bank (IsDB) at COP26 in Glasgow, Scotland is a major milestone for the Bank’s commitment to achieving the 35% target as set in the Bank’s Climate Change Action Plan 2020-2025. IsDB as the largest South-South development finance institution aims to ramp up its climate finance with increased upstream engagement with Member Countries (MCs) through support to long-term low emission and climate-resilient strategies and Nationally Determined Contributions (NDCs).

The COP26 summit focused the world’s attention on the urgent need to tackle climate change challenges. It was the first large-scale multilateral gathering since the start of the pandemic, drawing global leaders and more than 20,000 delegates from nearly 200 countries, including representatives from the Bank’s 57 MCs.

Right at the onset of COP26, four cardinal issues were set on the agenda: (i) Secure global net-zero by mid-century and keep 1.5 degrees within reach (ii) adapt to protect communities and natural habitats (iii) mobilize finance i.e. ensure developed countries make good on their promise to mobilize at least $100bn in climate finance per year by 2020 and (iv) finalize the Paris Rulebook to accelerate action to tackle the climate crisis through collaboration between governments, businesses, and civil society. Key Outcomes of COP26 were summarized in a package developed by the COP Presidency and presented as the “Glasgow Climate Pact”, an unprecedented, lengthy, and wide-ranging political decision towards a more ambitious climate response. These included:

- **On Adaptation**, in recognition of the need to strengthen action on adaptation, parties have agreed to launch the 2-year Glasgow-Sharm el Sheikh Work Programme on the Global Goal on Adaptation (The GlaSS). This is a significant step forward which will deliver action to reduce vulnerability, strengthen resilience and increase the capacity of people and the planet to adapt to the impacts of climate change.

- **On Adaptation finance**, the Pact called for “developed country Parties to at least double their collective provision of climate finance for adaptation to developing country Parties from 2019 levels by 2025.” It also encourages further commitments beyond those made in the lead up to COP26. COP26 also saw a record finance raising effort for the Adaptation Fund of over $350m, around three times the previous highest level. Contributions to the Least Developed Country Fund reached $600m.

- **On Mitigation**, the Pact included a text on ‘phase-down of unabated coal power’ and ‘inefficient fossil fuel subsidies’, as well as ‘mid-century net zero’, a language that has never been included in UN text before. Also, Parties were invited to revisit their 2030 emission reduction targets in 2022 and, where necessary, strengthen them to bring them in line with the Paris Agreement temperature goal. Parties that did not submit new nationally determined contributions (NDCs) were also requested to do so before COP27, as well as long-term strategies (LTS) that set out plans to reach net zero by mid-century.

- **On Article 6 discussions**, the three constituent parts of Article 6 were agreed, covering voluntary cooperation, a new carbon crediting mechanism, and non-market approaches. Within those parts, consensus was finally found on the major political issues that had divided Parties for many years: how to avoid double counting of emissions reductions; use of Clean Development Mechanism (CDM) credits; and adaptation finance.
COP26 also saw a record finance raising effort for the Adaptation Fund of over $350m, around three times the previous highest level. Contributions to the Least Developed Country Fund reached $600m.

These key issues issues are aligned with the Bank’s climate actions in MCs, as laid out in the Bank’s Climate Change Action 2020 - 2025. On climate finance, the Bank has committed to an ambitious 35% climate finance target of its total financing commitments by 2025. Despite the sharp drop in the share of climate finance provided by the Bank in 2020 due to the reallocation of resources to COVID-19 emergency needs in MCs, the Bank’s climate finance numbers are expected to gradually increase to meet its 2025 climate finance target. Furthermore, to meet the climate finance needs of MCs, the Bank and its entities would have to continually develop innovative ways and approaches of mobilizing sustainable finance and concessional resources through public and private finance mobilization and mobilization of new green and sustainability sukuk sources as part of a ‘virtuous cycle’ of green and climate friendly interventions at a much cheaper cost to our member countries.

On alignment of operations with the objectives of the Paris Agreement, the Bank aims to operationalize the jointly developed MDB Paris Alignment framework and become fully Paris aligned at a date to be defined and endorsed by the Bank’s leadership. For operationalization of the Paris Agreement (including IsDB’s operations and non-operations related activities) in all 57 members. The Bank has set in motion an approach document and work plan on how to achieve this. IsDB is committed to the Paris Agreement approach based on six building blocks (BBs) which are (i) alignment with mitigation goals, (ii) adaptation and climate-resilient operations, (iii) accelerated contribution to transition through climate finance, (iv) strategy, engagement, and policy support, (v) reporting, and (vi) align internal activities. IsDB in coordination with other MDBs has been jointly working to develop methods and tools to operationalize this effort under each of the building blocks, through dedicated Working Groups that will change the course of development finance to achieve net zero-emission in MCs. The Bank will continue to engage various stakeholders including MCs, IsDB departments, functions and regional hubs on preparation, piloting & operationalizing of the MDB Paris Alignment Framework.

On leveraging partnerships and collaboration for impact at scale, it is usually agreed that no one institution can solve the sustainable development needs of any given country nor their climate change and green growth plans. Therefore, the Bank would continue to forge new partnerships and maximize existing collaboration with various stakeholders including financiers, technical and knowledge providers, and researchers to actualize the goal of its member countries towards building low carbon, climate resilient and socially inclusive economies, and societies.

On increasing capacity and awareness, the Bank will continue its engagement in capacity and awareness creation exercise on mainstreaming climate change in the various functions and activities of the Bank through the Climate Change Practice under the Resilience and Social Development department. This will increase whole-of-institution awareness and benefits for the new strategic mandate of the Bank, especially on support towards green growth. In addition, it is essential that the right set of tools and processes are in place for the operationalization of the Bank’s Paris Alignment. This includes operationalizing a revamped climate risks management framework of the Bank, setting up a greenhouse gas accounting system and building the capacity of Bank staff in relevant units on Paris Alignment. Lastly, deliberate effort is needed to enable meeting the Bank’s climate change finance target.

On country engagement, alignment with MCs’ long-term climate strategy (LTS) and dialogue on climate action, as parties who have not yet developed their long-term strategies for a just transition to net zero economies are urged to do so post COP26, the IsDB aims to identify target MCs that could be supported in that endeavor. The member country partnership strategy (MCPS) process is one of the viable entry points to support MCs’ resilient, sustainable development and overall green growth effort. The Bank’s engagement with MCs during MCPS dialogue and formulation as well as programming would consider and support as much as possible country’s LTS, climate change plans including National Adaptation Plans (NAPs) and NDCs. In addition, regional and country level workshops would be continually organized to enhance the capacity of MCs to implement their NDCs and increase MCs’ awareness of climate risks to help build robust and resilient communities. The Bank will also seek to be involved, in selected countries, in the discussion on and operationalization of the article 6 mechanisms finally agreed upon at COP26, i.e., voluntary cooperation, a new carbon crediting mechanism, and non-market approaches.
Shifting the Paradigm to Meet the Climate Change Challenge to the SDGs

Oussama Abdel Rahman Kaissi
CEO, ICIEC

The recently concluded COP26 on climate change, has highlighted many challenges ahead for the SDGs. The climate change related impacts such as rising sea level, temperatures, increased flooding, droughts, reduction in yields, loss of productive lands etc., and will put even greater pressure on many countries that are struggling to achieve their SDGs. In many cases the countries facing severest impacts will not be the ones that contribute most to climate change.

During the COP26, many pledges were made to reduce Carbon Emissions by 2030 and to become Carbon Neutral by 2050, to address climate change. However, in many of these pledges the devil is in the details, as most of these rely on Carbon offsets and other technologies which either have proven to be ineffective to-date or yet to be developed. Therefore, even if these pledges do somehow materialize, the lasting damage done to the planet or what is likely to occur in the future in unlikely to be averted or reversed.

Current growth focused economic models followed by the world, believe in the idea that continuous growth is possible, however this cannot be reconciled with the finite resources of the planet or the even more limited Carbon budget that is available. On the other hand, a non-growth or negative-growth model for the world to meet the climate change challenge, would also not be feasible, if we still have the objective of achieving the SDGs.

Hence a rethink is required on such questions as, do we need big, congested cities and transportation networks to support them? Do we need international travel as before? Do we need to source our needs from across the world? Our relationship with our work and our family? Seeking answers to these types of questions and changing the paradigm of how we live on this planet, are just as important as financing and technological advances, if we are serious in addressing the twin challenges of achieving the SDGs and avoiding catastrophic climate change.

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Gender Resilience at the Center of Post Covid-19: A Better Normal for a Better Future

The month of March marked the International Women’s Month, which celebrated the social, economic, cultural and political achievements of women and call to action for accelerating gender parity. On March 8th, the International Women’s Day, the IsDB Group family organized activities recognizing and appreciating the contributions and achievements of women in IsDB Member Countries, raising awareness around women empowerment issues and highlighting the Bank’s renewed commitment and action towards advancing women’s equality.

Further to this, the SDG Community of Practice in collaboration with the Resilience and Social Development Department continued the discussion on this by dedicating the 17th Open Dialogue Event, to the topic of GENDER RESILIENCE AT THE CENTER OF POST COVID-19: A BETTER NORMAL FOR A BETTER FUTURE. This is a critical theme as it is key in delivering not only on SDG5 but all of the SDGs and insuring inclusivity and sustainability. The aim of the event was to discuss the lessons learned from the pandemic and how they can be used to drive actions to protect women empowerment and halt reversals of women advancements made due to the pandemic, which continue to be a source of fragility in achieving gender equality.

The event was launched by the MC Ahmed Faruk Diken, Leader of SDGs CoP. This was followed by welcoming remarks from the Director General, Global Practice and Partnerships, Amer Bukvic who introduced the speakers, including H.E. Dr. Muhammad Al Jasser and the esteemed panelist Dr. Afnan Alshuaiby, Executive Director, Women Development Organization and Ms. Susanne Mikhail, UN Women, Regional Director for the Arab States. The discussion was moderated by Kristonia Lockhart, Lead Women’s Empowerment Specialist and Sharia Walker, Senior Youth Development Specialist.

H.E. Dr. Muhammad Al Jasser’s opening remarks reiterated the Bank’s commitment to women empowerment by highlighting the Bank’s scaled-up activities around women’s empowerment and gender equality through its interventions and initiatives supporting women and girls in having access to resources and services, systematically mainstreaming women’s needs and gender equity measures within programs and operations, supporting women’s effective engagement and participation in the development process and developing and facilitating learning opportunities, sharing best practices and scaling up opportunities and driving innovation to advance achievements in reaching the gender equality agenda.

The Director General, Global Practice and Partnerships Amer Bukvic gave the welcoming remarks. He highlighted the efforts of the SDG Community of Practice providing professionals of the IsDB with the opportunity to express their professional views freely covering a wide

Sharia Walker
IsDB

Farma Ozturk

Muhammad Al Jasser

Nakahur Rahman

Mansur Mustaf

Dr. Afnan Alshuaiby

Susanne Mikhail
The speakers began by highlighting the need for managing household and childcare responsibilities. This poses a serious threat to reversing the significant advancements made on SDG 5, making the topic timely and relevant.

The panelist Dr. Afnan Alshaibi, provided an overview of the Women Development Organization, an intergovernmental organization of the Organization of Islamic Cooperation, which focuses on the protection and promotion of women’s rights. It conducts programs and initiative sessions for the implementation of policies necessary for the development of women’s rights, as well as organizing knowledge events, producing knowledge products and capacity building for women’s participation. This was followed by an introduction of Ms. Susanne Mikhail, who explained the work of UN Women, who recognized how COVID-19 impacted people’s lives globally, but especially on women, who are more likely to have been laid off or driven to consider leaving their careers due to the increased responsibility of managing household and childcare responsibilities. This poses a serious threat to reversing the significant advancements made on SDG 5, making the topic timely and relevant.

The panelists touched on crucial lessons learned from the pandemic in determining future engagement and identifying priorities for creating a more gender sensitive future. Two of the key social and economic disparities for women that have increased during COVID-19 are the increase in the number of women subjected to violence and the high level of job loss. The panelists stressed the imperativeness of ensuring the development of policies and laws that ensure that the advances in area of women empowerment and gender equality aren’t lost and therefore the need to design gender inclusive approaches.

The speakers also responded to inquiries around how to enhance collaboration in the region between IsDB, WDO and UN Women with the importance of framing the issue of women intervention with the multiplier effects women initiatives have to the community, this formula will ensure buy-in and inclusivity. Other issues that was raised was the role of private sector in addressing women and labor force participation. It was noted that unlike to common beliefs, women’s participation is low in private sector, especially in comparison to public sector. Some recommendation to private sector to increase the number of female participations is firs to establish a base line and move towards 50% female inclusion, retaining female employment by ensuring that there are maternity and paternity leaves imbedded in private sector policy, and finally including career development opportunities.

Finally, the acting Director of the Resilience and Social Development Department, Syed Quadri responded to the question on the role multilateral financial institutions, such as the IsDB, can play in supporting the women’s empowerment agenda. Quadri responded by listing the advantages and the niche that MDBs can capitalize on, first through integration and mainstream gender specific intervention in operations. Then, through incubating products for women based on the wealth of experience and knowledge of MDBs. Third through innovation and developing products such as the girls’ impact Sukuk. Finally, through coordination, MDBs have significant convening powers and are thus able to bring together various partners, including development institution to collaborate on supporting women empowerment and gender equality.

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range of development topics related to delivering on the SDGs and relevant to the work of the Bank, while learning from eminent development experts from across the globe.

H.E. Dr. Al Jasser and Bukvic both recognized how COVID-19 impacted people’s lives globally, but especially on women, who are more likely to have been laid off or driven to consider leaving their careers due to the increased responsibility of managing household and childcare responsibilities. This poses a serious threat to reversing the significant advancements made on SDG 5, making the topic timely and relevant.

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Every year the Islamic Development Bank prepares an Operations Work Program based on which the Bank extends financing support to the Member Countries. The projects that are to be financed are identified based on varied factors, primary of which reflects the actual development needs of the Member Countries. The 2022 Operations Work Program which is part of the Integrated Work Program of the Islamic Development Bank was approved by the Board of Executive Directors (BED) in December 2021.

Priority is given to the projects that have adequate readiness for implementation, clear and articulated development results with measurable outcomes. It is necessary that the outcomes are aligned with the Bank’s strategic priorities, has strong country ownership and provides leveraging opportunities with other development partners.

The projects to be financed also consider both the COVID-19 pandemic containment and recovery stages. Furthermore, the prioritization of the projects in the Work Program is reviewed over a periodical basis to ensure alignment with the current priorities of the Member Countries.

Majority of the projects in the work program are focused on the sectors namely: Transport (24%), Agriculture (20%), Water and Urban development (20%) and Health and Social Services (15%). Other sectors that are supported include projects that are part of Education, Energy, Finance, ICT and STI.

to at least five SDGs namely: SDG 3 (ensure healthy lives and promote well-being for all at all ages), SDG 7 (ensure access to affordable, reliable, sustainable and modern energy for all), SDG 8 (promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all), SDG 13 (take urgent action to combat climate change and its impacts), and SDG 17 (strengthen the means of implementation and revitalize the global partnership for sustainable development).

The Work Program is expected to generate significant results in IsDB’s Member Countries. Together these developmental outputs would address many of the Sustainable Development Goals (SDGs), namely SDG 2 (Zero Hunger), SDG 3 (Good Health), SDG 4 (Quality Education), SDG 5 (Gender Equality) SDG 6 (Clean Water and Sanitation), SDG 7 (Clean Energy), SDG 8 (Economic Growth), SDG 9 (Infrastructure, Industry, and Innovation) and SDG 13 (Climate Action).

SDGs covering the social sectors include: No Poverty (SDG2), Health (SDG3), Education (SDG4), and Financial inclusion (SDG8) which represent 51% of overall portfolio. SDG 9 including sectors such as the Transport, ICT, and STI and cover a share of 21%, followed by Water and Sanitation projects and Energy representing 18% and 10% respectively.

These developmental outputs address the SDGs listed above and also contribute to SDG 13 (climate action), where the vast majority of the components of projects focus on green and sustainable infrastructure and infrastructure that is resilient against climate change. Furthermore, in terms of SDG 5 (gender equality), mainstreaming of equal opportunity is being applied in the design and monitoring of projects, in line with the Bank’s policy on Women Empowerment.

Expected Development Results of Projects to be Completed in 2022 by Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Key Indicators</th>
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<tbody>
<tr>
<td>Transport</td>
<td>• Installed Generation Capacity (Non-renewable) 153 MW</td>
</tr>
<tr>
<td>Agriculture</td>
<td>• Installed Generation Capacity (Renewable) 1.76TWh</td>
</tr>
<tr>
<td>Energy</td>
<td>• O2 Emission Reduced 11,200 Mio Tons</td>
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<tr>
<td>Health</td>
<td>• New Households Connected to Energy 66,000 households</td>
</tr>
<tr>
<td>Water &amp; Sanitation</td>
<td>• Access to Potable Water Systems 15,000 households</td>
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<tr>
<td>Education</td>
<td>• Teachers Trained 1,920 teachers</td>
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<tr>
<td>Health</td>
<td>• Teachers Trained 1,920 teachers</td>
</tr>
<tr>
<td>Agriculture</td>
<td>• Students Benefited 31,000 students</td>
</tr>
<tr>
<td>Water &amp; Sanitation</td>
<td>• Access to Sanitation Systems 1,000 households</td>
</tr>
<tr>
<td>Education</td>
<td>• Students Benefited 31,000 students</td>
</tr>
<tr>
<td>Health</td>
<td>• Educational Access Provided 1,000,000 people</td>
</tr>
<tr>
<td>Agriculture</td>
<td>• Health Facilities/Complexes/Equipment 137 facilities</td>
</tr>
<tr>
<td>Water &amp; Sanitation</td>
<td>• Water Supply Network Installed 6.19 km/day</td>
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<tr>
<td>Education</td>
<td>• Educational Access Provided 1,000,000 people</td>
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Leveraging Energy Efficiency to Promote Energy Security

Country ownership, by provisioning of conducive regulatory environment, continues to be the single most important factor for successful implementation of an energy efficiency project. Investment Program has been recently implemented in collaboration with ADB, EIB, and Agence Française de Développement (AFD) in Bangladesh. The Program supported the development of new high efficiency power generation systems by replacing old inefficient generation units as well as construction of new transmission and distribution facilities to enable the country to meet its SDG-7 targets.

Targeted subsidies also play an important role as they not only help to encourage more responsible consumption but at the same time shield the poor and financially vulnerable against the monetary burden associated with increase in energy prices, in line with SDG-1 of No Poverty. The amount of household cash allowance for the poor, to defray the increase in energy prices, can be conveniently limited to cover costs of sensible consumption only. Reduction in subsidies will also facilitate in creating additional budgetary space which can be used to support social development to meet the sustainable development goals (SDGs) by ensuring availability of quality healthcare (SDG-3), and education (SDG-4), as well as provisioning of modern infrastructure (SDG-9), to support the long-term economic growth of the IsDB Member Countries. IsDB, through its Regional Hubs, can provide an ideal platform for Member countries to study, benchmark and replicate best practices from each other.

Low energy prices encourage excessive and inefficient consumption, producing an inordinate growth in energy demand for non-productive activities and inequitably rewarding higher-income households. Untargeted subsidies encourage wasteful consumption which results in environmental degradation through excessive greenhouse gas emissions, as bulk of the generation continues to be fossil fuel based.

IsDB continues to invest heavily in developing power transmission and distribution infrastructure to increase the efficiency of the power system by reducing line losses as well as to enhance access to electricity. In a bid to provide holistic solutions, a US$1.6 billion Power System Expansion and Efficiency Improvement Investment Program has been recently implemented in collaboration with ADB, EIB, and Agence Française de Développement (AFD) in Bangladesh. The Program supported the development of new high efficiency power generation systems by replacing old inefficient generation units as well as construction of new transmission and distribution facilities to enable the country to meet its SDG-7 targets.

Country ownership, by provisioning of conducive regulatory environment, continues to be the single most important factor for successful implementation of an Energy Efficiency project. Moreover, availability of financial intermediaries in the form of National Development Financial Institutions (NDFIs) can help to leverage local knowledge and expand the reach of IsDB’s financing to support Energy Efficiency initiatives, including targeting energy intensive industries, such as steel, cement, and petrochemicals. Introduction of Co-generation by optimally utilizing the already available generated heat, which is ordinarily wasted, results in not only saving GHG emissions but also increases the competitiveness of the industry.

Leveraging the technological advancements made possible the Fourth Industrial Revolution, smart sensors can be effectively deployed to assess, in real time, the inefficiencies in the energy intensive production systems. Savvy entrepreneurs are offering these smart solutions free of charge in exchange for a share in the resultant energy cost savings, making the energy efficiency proposition very attractive for energy intensive industries.

Targeted Subsides also play an important role as they not only help to encourage more responsible consumption but at the same time shield the poor and financially vulnerable against the monetary burden associated with increase in energy prices, in line with SDG-1 of No Poverty. The amount of household cash allowance for the poor, to defray the increase in energy prices, can be conveniently limited to cover costs of sensible consumption only. Reduction in subsidies will also facilitate in creating additional budgetary space which can be used to support social development to meet the sustainable development goals (SDGs) by ensuring availability of quality healthcare (SDG-3), and education (SDG-4), as well as provisioning of modern infrastructure (SDG-9), to support the long-term economic growth of the IsDB Member Countries. IsDB, through its Regional Hubs, can provide an ideal platform for Member countries to study, benchmark and replicate best practices from each other.
The challenges in global development landscape have been exacerbated with the onset of Covid-19 pandemic and the struggle to achieve Sustainable Development Goals (SDGs) have become much more challenging. The Islamic Development Bank Institute (IsDBI) report entitled “Reaching the SDGs: Progress of the IsDB Member Countries” underlines that the most challenging SDG target for the IsDB Member Countries (MCs) is the SDG 9 (Industry, Innovation, Infrastructure). The report indicates that for 32 MCs (out of 53), SDG 9 is an urgent priority, only in 10 MCs SDG 9 is not considered as one of the three priority goals, and the progress of seven MCs in SDG 9 is lower than 10%. Since SDG 9 can be considered as the prosperity dimension of all the SDGs and it is an underlying critical factor to achieve other SDGs, the report recommends that the IsDB Group may direct its limited resources to improving sectors related to SDG 9.

For IsDB MCs, achieving sustainable economic growth would pave the way for significant progress in SDG 9 and other SDGs. The economic development experience and structural transformation of East Asian countries such as Japan, South Korea, and China revitalized the debates on industrial policy and how industrial policy can be utilized for achieving sustainable economic development (Aiginger & Rodrik, 2020). Allan et al. (2021) suggest that the discussion of industrial policies in the global context helped change the global policy discourse and the United Nations Economic and Social Commission for Asia and the Pacific started to use the “green growth” concept as an inspiration from the environmental economic development policies of South Korea and China. In other words, the thinking on green industrial policy paved the way for the debate on green growth. Thus, the concepts of green industrial policy and green growth concepts are closely intertwined.

Green growth can be defined as the sustainable use of non-renewable resources and the full internalization of environmental costs for the economic development trajectory (Rodrik, 2014). Since green growth requires green technologies, green industrial policy is a key ingredient of achieving the green growth objective by lowering the social costs in green growth transition and helping achieve satisfactory material progress under this transition (Rodrik, 2014). Green growth is a multi-faceted objective and requires the constellation of several environmental, economic, and social goals (Figure 1).

By its nature, green growth strategy implies that diverse developmental objectives should be reconciled with environmental sustainability and this may create conflicts because short-term adjustment costs might be incurred for long-term gains (Resnick et al., 2012). Thus, to minimize the costs associated with implementing a green industrial policy and green growth strategy, an analytical tool might be helpful to contextualize sustainable development challenges in IsDB Member Countries. Contextualization would allow appropriate interventions to be collectively designed by contributions from different departments’ expertise and input, based on evidence-based analysis and close consultations with MCs. Contextualization is also crucial since countries at different development levels require different strategies in achieving green growth (Tawahia et al., 2021). In this quest, the political economy analysis framework developed by the World Bank can be helpful in identifying the global and domestic level bottlenecks, opportunities, and challenges in diverse contexts (Fritz et al. 2009, 2014).

Figure 1: The dimensions of green growth.

Source: Global Green Growth: Clean Energy Industrial Investments and Expanding Job Opportunities, UNIDO and GGGI, 2015.
Political economy analysis framework is based on growth diagnostics analysis to development challenges (Rodrik 2008a, 2008b, Hausmann et al. 2008) and offers a framework so that development effectiveness can be improved with a political economy consideration in divergent contexts and lessons learned from several cases can be synthesized (Fritz et al. 2009). Political economy analysis framework aims to bring a problem driven perspective to development challenges and identifies three forms of factors critical in the analysis: structures, institutions and stakeholders (Figure 2). Structural factors are considered as beyond the direct control of local stakeholders; institutions are the “rules of the game” in the domestic economy which govern how the domestic economy is managed; and stakeholders are individuals, group of individuals and organizations which play critical roles in the path to sustainable development. To achieve objectives such as green growth, poverty reduction, human development and resilience, sustainable development obstacles in IsDB Member Countries need to be carefully examined and identified with respect to structures, institutions and stakeholders. At the next stage, three levels of analysis need to be conducted: at the macro level country analysis, at the meso level problem related thematic, sectoral analysis and at the micro level project analysis (Figure 2).

The green growth strategy requires a carefully designed, iterative process so that the strategy can be contextualized and implemented with the identification of relevant structural, institutional, and stakeholder related factors. Only with feedback loops in three levels of macro, meso, and micro level analysis the most efficient interventions can be identified and executed. To achieve the best outcomes and to continuously improve the strategy, lessons learned in different countries and sectors need to be synthesized. Furthermore, close consultation with MCs, effective internal and external coordination mechanisms are essential for successful communication so that the sustainable development objectives can be achieved.

**Figure 2: Political economy analysis framework**

The Context of Green Industrial Policy

- **Structures:** climate change, integration to the global economy, level of development, geopolitical situation, etc.

- **Institutions:** macroeconomic framework, financial system rules and regulations, capital account regime, etc.

- **Stakeholders:** public organizations, private enterprises, NGOs, universities, etc.

Three Levels of Analysis

- **Macro Level:** Country Analysis
- **Problem Level:** Thematic, Sectoral Analysis
- **Micro Level:** Project Analysis

Objectives

- **Green Growth**
- **Poverty Reduction**
- **Human Development**
- **Resilience**

Source: Adapted from Fritz et al. (2009 and 2014).

**REFERENCES**

Towards Inclusive, Resilient and Green Education Systems – An Insight for the 10YS Update

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The 10YS Update exercise offers a unique opportunity to IsDB to better serve its Member Countries (MCs) and Communities based on the three areas prioritized and endorsed by MCs, namely boosting COVID-19 recovery, tackling increasing poverty, and building resilience; and driving green economic growth. Investing in inclusive, green, and resilient education along with designing innovative Islamic financing and partnership tools would be an unequalled accelerator to achieve these three strategic objectives.

From inception to date, the IsDB Group’s support in the education sector is USD 5.15 Billion, covering infrastructure development; curriculum development, teacher training, policy, and strategy development. To ensure IsDB’s support in the educational sector is sustainable and socially impactful, the Bank in the ongoing 10YS Update exercise should consider the key areas of inclusivity, resilience, green, and innovative financing and partnership.

Inclusive - Substantial progress has been recorded in terms of SDG 4 (quality education) attainment in the IsDB member countries, much is still required in achieving inclusive quality education. Many of the MCs are still facing challenges in achieving SDG-4 (Sachs et al. 2021), and this is further aggravated by the pandemic, putting about 432.6 million learners out of schools – with the highest concentration of out-of-school learners in East and South Asian MCs. To ensure that all excluded and marginalized children have access to quality education, IsDB should continue and strengthen its current Programs such as the Bilingual Education Program (BEP), Vocational Literacy Program for poverty reduction (VOLIP), Out of School Children (OOSC). Additionally, IsDB should introduce cash transfer programs for poor families to boost girl-child education.

Resilience - Education has been significantly disrupted in the world and particularly in the MCs due to the COVID-19 pandemic. Unequal access to quality distance learning and lack of appropriate educational technology during the pandemic have interrupted students’ learning and widened equity gaps between students. The pandemic exposed the vulnerability of the education system in the MCs, and it shows that the impact of the non-resilient education systems will be harsh on children and young people. Quality education has a significant role to play in the attainment of other global goals. For instance, many studies have shown a negative correlation between the level of education and poverty level. IsDB interventions in the coming years should support the MCs for education recovery and normalization following the 2020 school closures and continuing education disruption in 2021. It should support the MCs to address the most pressing priorities to ensure that all children participate in high-quality, inclusive, and safe learning in the COVID-19 aftermath. An example of this can be through the provision of digital connections, that will ensure that education continues, even amid disruptions.

Green – Climate change impacts, such as floods, erosion, landslides, cyclones, heat waves, etc, can harm the education infrastructure, and this can also disrupt the education system. Education can serve as an entry point to connect unconnected people and communities and to sensitize them about climate changes and provide them with relevant tools for their resilience. IsDB should continue to support MCs in ensuring education investments are climate-proofed. IsDB should support MCs to develop plans to integrate green education in their strategies and policies to promote Green Education – an education in which learning processes are conducive for green development and the preservation of the planet. Environmentally friendly practices should be integrated into the learning processes to enable future generations to understand why it is important to protect the natural resources and environment. IsDB should support the creation of green jobs by supporting setting up green job platforms and youth professional development in the field of green jobs.

Innovative Financing and Partnership – According to UNESCO estimates, there is a USD148 billion annual financing gap in low- and lower-middle-income countries to achieve SDG 4. The negative impact of COVID-19 has increased this gap up to about US$ 190 billion (UNESCO, 2020). The assumption that one-quarter of this amount is needed for IsDB member countries, gives an annual financing gap of US$ 48 billion for the MCs. To contribute to bridging this gap, new innovative financing instruments, and aggressive partnership and fund-raising policies and strategies to be incorporated in the Updated 10YS. Building on its success of the issuance of Green Sukuk in 2019, IsDB can go further and break new ground by exploring the benefits of the innovative Islamic financing and issue “Education Sukuk”. The Islamic Solidarity Fund for Development (ISFD), the main arm of IsDB concessional financing should further diversify its source of funding to align with MDBs’ similar funds. The example and experience of the Life and Livelihood Fund (LLF) are worth to be pursued in Education by the creation of what we can call “Learning and Earning Fund(LEAF)” which can be dedicated to Education and Youth Employability focusing on green jobs creation to strengthen the human capital for green economic growth in the MCs.

GREEN, PANDEMIC, SUSTAINABLE SUKUK (GPS SUKUK):
A Tool for Driving Green Economic Growth in IsDB Member Countries

Suleiman Dalhatu Sani
IsDB

According to the UN1 the COVID-19 pandemic crisis is projected to plunge over half a billion people (580 million) globally into extreme poverty. This is in addition to the 734 million poor people already living on less than $1.90 a day2. This totals to 1.3 billion people, virtually the size of China living in extreme poverty. According to the world bank, this marks the first time since the East Asian Financial Crisis of 1997-1998 that the global poverty rate is increasing3. This article proposes an innovative Green, Pandemic, Sustainable Sukuk (GPS Sukuk) developed as a tool for promoting green economic growth and poverty alleviation in the face of limited resources. The structural anatomy of the GPS Sukuk is discussed below.

1. The GPS Sukuk is designed with Multilateral Development Banks (MDBs); such as Islamic Development Bank subscribing to the sukuk at a discounted profit rate, issued by a country devastated by the pandemic.

2. The profit element will be paid by a charitable Non-Governmental Organization; such as Bill & Melinda Gates Foundation as an incentive to the crises country contingent upon judicious utilization of the funds for the pre-agreed green social projects achieved within timely milestones that trickle down to uplift the citizens and economic growth.

3. Independent assessors will be appointed to review and verify results periodically. The beneficiaries of the social outcomes will be the key stakeholders in the assessment in line with the UN Inter-Agency Standing Committee Guidelines4.

4. The country will only pay the principal component. An MDB such as Japan International Cooperation Agency (JICA) can extend a grant to cover all the sukuk issuance costs as has been done in the past case of Jordan Sovereign sukuk where JICA covered the issuance costs as part of its development mandate5.

5. Furthermore, a suitable MDB; such as Multilateral Investment Guarantee Agency (MIGA) will issue a charitable guarantee or ICIEC can issue a Sukuk insurance cover to enhance the sukuk rating and cut issuance costs. The presence of the voluntary credit enhancement could facilitate a several Shari’ah-compliant structures such as risk-sharing (musharakah or mudarabah) underlyng structure, and even an asset-backed structure. This credit enhancement makes the sukuk an attractive BASEL III High-quality-liquid-asset (HQLA).

6. Instead of begging the public for charity, the GPS Sukuk will be open to the public to invest alongside MDBs for a discounted profit rate to crowd-in the green and ethical conscious private sector to raise cheaper and larger funds for an apt synergetic crisis alleviation.

7. The GPS Sukuk aligns firmly with the new IsDB Strategic direction trio of Boosting COVID-19 recovery, Tackling increasing poverty and building resilience and Driving green economic growth in MCs.

The GPS Sukuk is rooted in the main objective of Islamic social finance which is to alleviate poverty because it is a serious social problem with far-reaching ramifications6. Islam urges assuaging poverty because of its negative consequences on the individual and society, even with the risk of leading to disbelief. In fact, the Prophet himself used to and encouraged to supplicate against poverty (Haddith - Al-Nasaa’ – 1347). Syahidawati et al. (2018)7 advanced a synthesized three-pronged framework for poverty eradication in Islam (See Figure 1).

The GPS Sukuk comprehensively incorporates all three categories of measures

1. Positive measures - aimed at promoting income growth: In the GPS sukuk, the discounted profit component does provide the opportunity for sustainable and responsible investment (SRI/Green) investors to grow their income.

2. Preventive measures - which discourage vices: In the GPS Sukuk, the linking of the waiver of the discounted profit obligation (enjoyed by the Originator) being dependent on achieving the environmental and social objective coupled with the robust periodic assessment does prevent vices such as corruption (which also accentuates economic disenfranchisement and poverty). Furthermore, the sukuk, by its nature, prevents the vice of consumption or transacting with interest (riba).

3. Corrective measures - which encourage philanthropy: In the GPS Sukuk the discounted profit itself is a form of charity, the waiver of the discounted profit is a charity which effectively turns the GPS Sukuk into a qard (benevolent loan) based sukuk because the issuer is paying just the principal component, the credit enhancement is a charity, the grant to absorb issuance costs is a charity. Charity is well embedded into the structure to achieve the environmental and social objective. Thus, the GPS Sukuk fits neatly with the three-pronged framework.

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1 United Nations University World Institute for Development Economics Research

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![GPS Sukuk](image-url)
Driving Green Economic Growth in MCs through Engineering Waqf-based Solutions – “EmPowering Healthcare Facilities through Awqaf Program” as an Example

The COVID-19 pandemic has caused unprecedented disruptions around the world, and this global reality will persist for a while. Provision of reliable energy services has been pivotal to mitigate the pandemic’s effects, whether directly, through powering the frontline healthcare facilities, or indirectly through, for example, enabling communication services that connect people while maintaining social distancing. The pandemic has also demonstrated that coping without access to reliable energy services will likely prevent access to basic social rights. The most important of these social rights, and in fact the most topical one in the pandemic context, is access to primary healthcare services. Knowing that 1 billion people are currently relying on health facilities without electricity makes us wonder what sort of services they are receiving. One in four health facilities in Sub-Saharan Africa has no electricity at all and nearly 60% lack reliable power. Let’s imagine for a minute what that means for rural population and healthcare staff working in such facilities.

The severity of the COVID-19 pandemic was overwhelmingly significant even on advanced healthcare systems that were fully equipped with state-of-the-art infrastructure. We can intuitively conclude that countries with weak healthcare systems, which is the case in many MCs, were (and still are) at extremely high risk. Provision of electricity to healthcare facilities is not only essential to operate basic equipment and facilities such as fridges to store vaccines or lighting to serve patients during dark nights, but it is also seen as a catalyst to provide other basic infrastructure such as ICT, digitization, water and sanitation.

There is an apparent movement by Development Partners (DPs) to support local governments’ healthcare sectors achieve universal access to electricity. One output of the latest UN High-Level Dialogue on Energy, took place in July 2021, was to set an ambitious Energy Compact on healthcare and DPs were requested to express their ambitions towards energizing the health facilities. The collective ambition, announced by 15 DPs so far (including the IsDB), currently stands at providing reliable electricity to 25,000 health facilities by 2025. The question is what can IsDB offer to its MCs’ rural health facilities?

Although there is an apparent confidence by our MCs that the IsDB will address their developmental priorities, there are still two significant challenges that need to be carefully observed from an opportune perspective. The first is that the complexity and nature of the challenges facing our MCs are evolving in an overwhelming pace and manner which requires unprecedented response package by the Bank’s Group. This calls for designing not only long-lasting solutions that may have not received proper attention by the Bank’s Group. This calls for designing not only long-lasting and impactful interventions, but it also suggests the need to offer unique solutions that may have not received proper attention by the development arena.

The other challenge is institutional (i.e. from within). The IsDB’s concessional resources are becoming inconveniently scarcer when these are increasingly needed by our MCs especially for their social sectors and services. So, what can IsDB offer given these complexities?

The CPO and COO Directorates along with IsDBI, ISFD, LLF, EED and most recently STI are jointly exploring and examining ways to promote Awqaf as “Concessional Resources Generators” through addressing the challenge of availing financial resources required to electrify rural healthcare facilities using off-grid solar systems in four MCs (Burkina Faso, Cote D’Ivoire, Senegal and Sierra Leonne). The work in progress proposal titled “EmPowering Healthcare Facilities through Awqaf Program” will leverage on the Bank’s +20-year experience in developing and establishing more than 50 waqf projects (through managing APIF). The proposal, however, has two distinctive differences to APIF’s business model. The first is that the waqf is the government itself (as opposed to a third sector organization in APIF). The proposal highly depends on the Bank’s pro-activeness in engaging the recipient Governments and promoting the concept of establishing an income-generating endowment to resolve a chronic developmental challenge (i.e. providing electricity access to rural healthcare facilities). The successfullness of one pilot waqf project will justify scaling up and replicating the waqf concept and use it as a mean to address financial sustainability challenges in other sectors. The other distinctive aspect that distinguishes the proposal from APIF’s traditional interventions is the intention to further maximize the utilization of the waqf proceeds. In addition to using the cash generated from the waqf, its proceeds can be also utilized through, for example, availing a range of concessional and catalytic financing instruments to de-risk investments in renewable energy targeting the healthcare facilities. These proceeds and resources shall serve to remove market barriers, enhance the bankability of solar off-grid investments, improve the risk-return profile of private investments, crowd-in commercial finance etc. One obvious useful product would be developing credit enhancement products for local currency lending since the waqf itself will generate income in local currency.

The proposal’s concept is still in its infancy stage and its applicability will highly depend on the findings of the Feasibility and Market Assessment Studies in partnership with external stakeholders. If the waqf projects were realized they would directly contribute to at least five SDGs namely: SDG 3 (ensure healthy lives and promote wellbeing for all at all ages); SDG 7 (ensure access to affordable, reliable, sustainable and modern energy for all); SDG 8 (promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all); SDG 13 (take urgent action to combat climate change and its impacts); and SDG 17 (strengthen the means of implementation and revitalize the global partnership for sustainable development).
**INTRODUCTION**

As per the National Aeronautics and Space Administration (NASA), the first type of molecule that ever formed in the universe around 100,000 years after the big bang is helium and hydrogen combined to make a molecule called helium hydride for the first time. Energy from green hydrogen are an enabler on the path towards decarbonization, it is expected to be a major ally for the direct fulfilment of SDGs 7 (energy access), and 13 (climate change). Using hydrogen in its pure form on Earth requires an extraction process, the different processes applied for its extraction and the source of energy they use serve to categories hydrogen into:

- “Gray” hydrogen – extracted from fossil fuels;
- “Blue” (or low-carbon) hydrogen – produced from fossil fuels with carbon capture technology;
- “Green” hydrogen – the product of water electrolysis powered by renewable electricity.

**HOW GREEN HYDROGEN CAN DRIVE A GREEN ECONOMY?**

Green hydrogen could become a vital technology in tackling climate and environmental challenges while accelerating the transition to renewable energy. Hydrogen can be used in numerous sectors, including (i) transportation (electric vehicles, trains, vessels, planes), (ii) heating, (iii) electricity (power-to-power projects), and (iv) various industrial processes (production of fertilizers, steel industry).

Hydrogen’s potential for decreasing GHG emissions is high, by 2050, GHG emissions could be reduced by 5 to 6 gigatons annually.

**OPPORTUNITIES FOR IsDB MEMBER COUNTRIES, THE CASE OF TURKEY AND MOROCO**

At a global level, it is expected that there will be importing countries – such as Germany, Japan, South Korea, the USA and Singapore – and exporting countries like Morocco, Saudi Arabia, Turkey and Ukraine. Current pilot projects around the globe are demonstrating the viability of the technology but scaling up the industry will require an established regulatory environment and partners committed to the production of green hydrogen and the distribution of the energy. The European Commission’s strategic long-term vision estimates that the share of hydrogen in Europe’s energy mix will grow to 13-14 per cent, by 2050. Turkey, as the EU’s sixth largest trading partner and a notable player in the global renewable arena, is also expected to build on this dynamism and roll out a clear national strategy for the use of hydrogen. By joining this global trend, Turkey is not only expected to address local energy market needs but also build international market opportunities for investors.

**Figure 1 : Hydrogen Application**

Morocco has developed an energy model favorable to the production of green hydrogen, based mainly on the rise of renewable energies. On January 2021, Morocco announced its Green Hydrogen road map, from which we can retain that:

- For the short and midterm period (2020-2030) the country will focus on (i) The local use of Green Hydrogen as a raw material in industry, (ii) The export of green hydrogen.
- For the long-term period (beyond 2030) the country envisions to (i) imports synthetic liquid fuels such as kerosene, diesel, gasoline, (ii) use green hydrogen products in the electricity sector, as a carrier for energy storage, and in transport as fuel.

**WHAT ROLE CAN PLAY IsDB AND OTHER MDBS TO DEVELOP GREEN HYDROGEN?**

Renewable and low-carbon hydrogen is a source of hope for both meeting carbon emission reduction targets and fostering industrial recovery after the COVID-19 crisis. However, the clean hydrogen industry needs support and time to become cost-effective and competitive compared with fossil-based hydrogen and other energy sources. Support by public authorities, including financial support schemes and forward-looking legislation, are therefore needed to transform the hope for hydrogen into reality.

On October 18, 2021, IsDB Group Chairman in his address at the Global SME Finance Forum says, “Build Resilient Ecosystems for Nature Protection, anchored in the Green Economy” also H.E affirmed “The Islamic Development Bank Group is working with its peer MDBs to ensure that climate action and green finance are expanded in its operations in alignment with the Paris Agreement.”

In this context financing Green Hydrogen related projects will play an important role to achieve the objectives set by the top management of Bank for the next five years.

Considering that most of IsDB member countries are endowed with natural protentional to produce competitive green hydrogen using electricity generated by solar photovoltaic plants (PV) where the Levelized Cost of Electricity (LCOE) is very low compared to other renewable energy sources, (around USD 0.02 per kWh), IsDB Group can support its member countries to:

- Establish the policy and regulatory frameworks to develop the Green Hydrogen industry.
- Build large scale of solar PV plants (capacity higher than USD 100 MW) dedicated to produce hydrogen, for many IsDB MC, this big size of plants is currently not feasible because of the difficulties to connect it to the power transmission network (Instability and intermittence issues). This kind of project can either be financed through sovereign operations or through PPPs.
- Develop Zero-carbon industrial zones fed by green electricity and green hydrogen; this kind of industrial zones will attract international investors (industrials) which are obliged by the new regulation to be carbon neutral by 2050 mainly in Europe.
- Export Green hydrogen to industrialized countries, with the support of ITFC and IIEC.

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1. NASA: The Universe’s First Type of Molecule Is Found at Last; https://www.nasa.gov/feature/the-universe-s-first-type-of-molecule-is-found-at-last
Driving Green Economic Growth in IsDB Member Countries

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The concept of green economic growth emphasizes economic growth and development pathway that is environmentally sustainable (low carbon, resilient, resource efficient) and socially inclusive in all ramifications. More broadly, green economic growth means promoting economic growth and development, while reducing pollution and greenhouse gas emissions, minimizing waste and the inefficient use of natural resources, maintaining biodiversity, strengthening security of vital systems (including energy, food, water systems etc.), and building the overall resilience of economic and social infrastructure and systems.

As part of the new strategic direction of the Bank, driving green economic growth will form the core of the long-term development agenda of the Bank by building sustainable, low carbon, resilient infrastructure and promoting environment-friendly (green) infrastructure, hence mitigating the effects of climate change which is ravaging vital economic and social systems in our MCs already and threatening to do so ever more. The transition to low-carbon, green economic growth offers major opportunity to revitalize and transform economies of member countries by providing new and better employment conditions, provision of critical life support services, new market and industries, and opportunities for skills development. Setting a strong foundation of effective policy and regulations, while promoting green investments and encouraging new climate-friendly businesses/enterprises, which are essential for MCs’ overall economic transformation and sustainable development.

Green growth is often mistaken as a replacement for sustainable development. Rather, green growth offers a broad actionable approach for achieving concrete, measurable progress across economic and environmental pillars of sustainable development, while being cognizant of the social implications (risks, opportunities, and benefits) of greening the economic growth pathway of countries. The anticipated outcome of green economic growth in member countries is to enshrine and advance sustainable development imperatives in the wider economy. Hence, the green growth agenda of the Bank emphasizes pro-growth, pro-inclusion, pro-poor, pro-environment, and climate-friendly opportunities with relevance to the immediate and long-term development aspirations and goals of IsDB member countries.

To help drive the green economic growth and accelerate green transition in member countries, the Bank’s strategy in MCs will increase its effort on specific activities that support investments and technical assistance in: (i) renewable energy; (ii) energy and resource efficiency measures in vital sectors (e.g. water, energy, manufacturing, production etc.); (iii) low-carbon transport, multimodal and mass transit systems; (iv) climate-smart agriculture with a carbon reduction impact/co-benefit; (v) integrated urban development services; (vi) efficient water and wastewater management systems; (vii) sustainable trade and commerce; (viii) clean/green private-sector investment; (ix) climate resilient infrastructure; (x) green and high-impact financing; (xi) socially-inclusive programs and investments such as sustainable health and education systems; (xii) capacity development, institutional support, and skills enhancement; and (xiii) support for innovative technologies and/or research and development in complementary technologies, such as battery storage or carbon capture and storage and/or sequestration.

These broad but inexhaustive coverage of activities will be done while supporting MCs in the development and implementation of, as well as knowledge sharing and capacity building for their national development plans, nationally determined contributions (NDCs), long term, low carbon, and climate resilient strategies (LTS), green economy strategies/plans, and implementation of net zero commitments and/or sector-level strategies.
Shifting the Paradigm to Meet the Climate Change Challenge to the SDGs

Altaf Abdul Gaffar
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The recently concluded COP26 on climate change, has highlighted many challenges ahead for the SDGs. The climate change related impacts such as rising sea level, temperatures, increased flooding, droughts, reduction in yields, loss of productive lands etc., and will put even greater pressure on many countries that are struggling to achieve their SDGs. In many cases the countries facing severest impacts will not be the ones that contribute most to climate change.

During the COP26, many pledges were made to reduce Carbon Emissions by 2030 and to become Carbon Neutral by 2050, to address climate change. However, in many of these pledges the devil is in the details, as most of these rely on Carbon offsets and other technologies which either have proven to be ineffective to-date or yet to be developed. Therefore, even if these pledges do somehow materialize, the lasting damage done to the planet or what is likely to occur in the future in unlikely to be averted or reversed.

Current growth focused economic models followed by the world, believe in the idea that continuous growth is possible, however this cannot be reconciled with the finite resources of the planet or the even more limited Carbon budget that is available. On the other hand, a non-growth or negative-growth model for the world to meet the climate change challenge, would also not be feasible, if we still have the objective of achieving the SDGs.

Hence the twin challenge of achieving the SDGs, while avoiding catastrophic climate change. While the pledges made at COP26, such as the increases in financing to be made available to vulnerable countries, and the promise of new technologies may address this partially, there remains a growing gap.

During the last two year the world has been gripped by the Corona Virus pandemic, which itself is a symptom of our growing unsustainable exploitation of the planet. Whilst this pandemic, brought the entire world to a halt, deserted the streets, closed the shops and offices, grounded the planes, and stopped people from seeing each other. It also pointed us towards, new ways of working, shopping, and interacting. Work from home became more common place, online shopping and deliver took off, and people connected virtually with their loved ones.

At the same time, there was a reawakening of the planet, the air was cleaner, and skies were brighter due to less pollution, people had an opportunity to spend more time with their families at home rather than rushing to and from. Thus, giving us a new perspective on our lives, our relationships, our work, and our planet. Perhaps, one lesson is that we can change, and adapt our lifestyles, the things that we accepted as the norm are not necessarily so. Therefore, we should use this as an opportunity to change our paradigm, of how we live our lives, which can have a tremendous impact on the reducing climate change.

Hence a rethink is required on such questions as, do we need big, congested cities and transportation networks to support them? Do we need international travel as before? Do we need to source our needs from across the world? Our relationship with our work and our family? Seeking answers to these types of questions and changing the paradigm of how we live on this planet, are just as important as financing and technological advances, if we are serious in addressing the twin challenges of achieving the SDGs and avoiding catastrophic climate change.

During the COP26, many pledges were made to reduce Carbon Emissions by 2030 and to become Carbon Neutral by 2050, to address climate change. However, in many of these pledges the devil is in the details, as most of these rely on Carbon offsets and other technologies which either have proven to be ineffective to-date or yet to be developed.
Think big and bold, learn and be curious, create impact and inclusiveness, and deliver results – these are some of the values of iFarmer, a youth-led social enterprise featured in new research on the ecosystem for youth entrepreneurship in Bangladesh. The study was commissioned by Youth Co:Lab, an initiative co-led by UNDP and Citi Foundation, Islamic Development Bank and Startup Bangladesh Limited and produced by LightCastle Partners.

iFarmer enables small scale farmers and agri-businesses to maximise their profits by providing them with access to finance, input supplies and markets in Bangladesh. The tech-based company has supported over 46,000 farmers through the “Sofol” app and facilitated more than BDT 90M funding support for farmers across Bangladesh.

Youth-led enterprises like iFarmer have the potential to be the drivers of sustainable development and inclusive economic growth in Bangladesh. They can develop employment opportunities and act as inspiring role models for other Bangladeshi youth among whom youth employment is one of the most pressing challenges. They have the capacity to innovate and tackle environmental and social challenges faced by their peers and communities.

In order to amplify the potential of youth led enterprises, it is crucial to understand the strengths of young people and the barriers young entrepreneurs face relative to adult-led enterprises.

The first ever research study on the Bangladesh’s youth entrepreneurship, aims to support data-driven decision making and guide the efforts to strengthen the enabling environment for youth entrepreneurship in Bangladesh over the coming years.

The report is in line with the new strategic priorities of the IsDB for 2022-2025, specifically Tackling Increasing Poverty & Building Stronger Resilience, which includes promoting Job Creation especially amongst Youth by supporting microfinance to M/SMEs and supporting skill development and expanding private sector opportunities. It is also aligned with UNDP Bangladesh’s new Country Programme Document and with the Sustainable Development Goals (SDGs), particularly the SDGs 1, 4, 5 and 8.

The results demonstrate that catalysing the potential of youth entrepreneurship requires multi-stakeholder efforts across the ecosystem. From the implementation
of policies and legal frameworks to the development of human capital and entrepreneurship culture and strengthening access to finance, support services, digital and technological solutions, and infrastructure.

A youth-responsive lens of the analysis helps understand the particular strengths and vulnerabilities of young people. It also reveals the diversity of potential and needs of young entrepreneurs, including young women, minority youth and youth living in urban and rural areas.

What are the key barriers and entry points for strengthening the enabling environment for youth entrepreneurship?

Integrating entrepreneurship education in the curricula at all levels of education would help ensure that youth have the skills required for starting and operating a business and that they are able to effectively communicate and market their ideas to consumers and investors alike. Stronger industry academia linkages and investments in vocational and technical education would help young people acquire in-demand skills. Entrepreneurship education is also a potential means to boost a culture that is supportive of entrepreneurship as a career option and encourage young women to establish businesses.

Young entrepreneurs can benefit greatly from business development support services that provide access to networks, mentors, resources, and information. The study provides examples of multiple government and private sector organisations leading business development support programmes, such as accelerators and incubators. Despite the availability of the services, their uneven geographical distribution limits access to support, particularly among youth in rural areas.

Relative to entrepreneurs in urban areas, the growth and development of youth-led enterprises in rural areas is also hindered by the complexities in the access to national markets and inefficiencies in agricultural supply and value chains. The study suggests developing targeted means to address these barriers to support youth entrepreneurs outside urban centres.

Despite the availability of a range of traditional and non-traditional financing options, there is a need to strengthen entrepreneurship-specific finance for different enterprise types such as MSMEs, start-ups and social enterprises and ensure that young people are aware of the available options and have access to them. Young women face specific challenges in access to finance due to gendered cultural barriers and limited assets that can be used as collateral. The study recommends promoting mandatory quotas of financing for minority and female youth entrepreneurs.

Policies and regulations are the backbone of the entrepreneurship ecosystem. Youth responsiveness of the policies entails that they recognise and address the particular needs of young people and different enterprise types. Youth-friendly legal processes are accessible, effective, and understandable for young people. Currently, lengthy and complicated processes related to business establishment and development limit youth’s opportunities to realise their entrepreneurial ideas. A digital one-stop online portal is a potential solution to make it easier for young people to kick start their entrepreneurial journey in Bangladesh.

Data-driven decision making related to the development of policies and the overall ecosystem for youth entrepreneurship can be supported by strengthening the availability of comprehensive, segmented and nationally representative information on young entrepreneurs.

Call to Action

As of 2020, approximately 63.7 percent of Bangladesh’s population were under the age of 35. However, Bangladesh will become an ageing society in 2029. The window of opportunity to capitalise on this demographic dividend should not be wasted.

The study calls for multi-stakeholder actions to tackle identified barriers and support youth empowerment through entrepreneurship. It encourages learning from a number of good practices and strengths within the youth entrepreneurship ecosystem, from the solutions developed in the high potential sectors and from a diverse network of stakeholders involved in the ecosystem.

UNDP and IsDB invite all the stakeholders to join the efforts to strengthen the ecosystem through knowledge sharing and the initiation of brave, forward-looking actions to catalyse the potential of young entrepreneurs in Bangladesh.
Agriculture: An Inclusive and Important Platform for Poverty Alleviation

Building on our solid past

In addition to enhancing food security, growth in the agriculture and rural development (ARD) sector has significant economic multiplier effects. In Africa, growth in agriculture GDP is, on average, two to three times more effective in reducing poverty than is growth in other economic sectors. It is for this reason that financing the ARD sector should remain a high priority in the IsDB Strategy Refresh.

Moreover, we can move much faster by building on our past investments, including those made by the Lives and Livelihood Fund, a USD 2.5 billion Facility initiated in 2016 with several development partners. The Fund provides blended concessional financing for the low income and least-developed IsDB Member Countries (MCs). LLF grants contribute 10 to 35% of total project funding, and focus largely on health, agriculture, and basic infrastructure (primarily water, sanitation, and solar energy).

With respect to agriculture, the LLF focus is on increasing smallholder productivity, which currently averages USD 2,000 per hectare across the bank’s MCs, as opposed to a global average of USD 2,905 per hectare. This requires that a whole suite of interventions be implemented concomitantly, starting with increased access to yield-enhancing inputs (improved seeds, fertilizers, irrigation, mechanization) along with reliable and high-quality extension and advisory services for farmers.

As a group, IsDB has approved USD 18.7 billion for the ARD sector since its inception, with our first investment being made in 1977 (Fig. 1). The bulk of our cumulative investment, which represents about 12% of the total funding of the bank to MCs, came after the 2008 global food crisis.

IsDB investments in the ARD sector have generated valuable lessons. Three particularly stand out from the LLF-supported projects and others funded by the bank.

Key Lessons from IsDB’s investment in the ARD Sector

Integrated investments generate significant impacts and do so quickly – social (agriculture, health, water and sanitation, education) with infrastructure development (access roads, power).

A value chain approach helps crowd in the private sector, creates jobs, and engenders sustainability beyond the projects’ lives.

Increased access to microfinancing allows small- and medium-sized enterprises as well as farmers associations to grow and flourish.

The LLF development model: a unique approach

The Facility has committed USD 557 m through 15 projects across 13 countries in its first 5-year phase. These projects reach over 1.1 m households and are lifting them out of poverty through integrated solutions.

Some unique features of the LLF and its projects are both noteworthy and indicative of success at scale. An important one is a focus on crowding in other development partners to co-fund and/or parallel-finance development projects. A good example is the Regional Rice Value Chain Program (RRVCP) for Senegal, Guinea, The Gambia, Niger, and Sierra Leone, which was approved in 2017 and has attracted investments from other development partners in excess of USD 160 m (Fig. 2).

A second indicator of success is the adoption of a value chain approach, which requires strong engagement with the private sector and helps to sustain impacts after project funding ends. In addition to the LLF donors, other partners

The dip in 2018-2020 was due to the bank slowing down its investments while re-strategizing towards more value chain (national, regional and global) and private sector-led solutions. Investments picked up in 2021, with the reallocation of funds initially earmarked for MC Partnership Strategies development, in addition to projects funded under the LLF.
in the RRVCP include the Arab Bank for Economic Development in Africa, the Africa Development Bank, the Swiss Development Cooperation, and the World Bank. Additional partners have also made commitments to join the program in 2022, including BMZ (Germany) and the Bill and Melinda Gates Foundation. Implementation of the project is under the Rice Observatory initiative of the Economic Community of West African States (ECOWAS). Most of the ECOWAS member states (13 out of 15) are also IsDB MCs.

The scope and scale of the RRVCP, which aims to reach 2 million smallholder farmers through a 10-country program, is a big attraction to the development partners. For purposes of efficiency, the partners in the RRVCP have signed on to having one project management unit in each country coupled with a uniform monitoring and evaluation system that focuses on cross-country agreed indicators. Similar features are seen in Indonesia in an LLF-funded Integrated Smallholder Farming Systems Project in Upland Areas, which was approved in 2018 and has attracted USD 50.0 m in co-funding from the International Fund for Agricultural Development. These projects, as well as the many others funded by the LLF, are game changers in providing a sound foundation for sustainable development.

These game changers, however, like many IsDB agriculture and rural development projects, have suffered from one major problem: a lack of rapid implementation at the field level that is related to generally weak project management units and limited operational support teams in our Regional Hubs. This is confounded by the inherent complexity of agriculture projects and the multi-dimensional interventions that are essential to achieving their desired impacts. To address these challenges, the LLF Management Unit and the Bank’s Regional Hubs have taken many corrective actions, including close follow-up at a granular level on the projects’ contracts and procurement activities. To this end, the LLF Projects Implementation Facility has been extremely helpful. In addition, technical support is being provided to monitor and assess outcomes realized from the investments being made, including conducting robust baseline studies. A Result-Based Management (RBM) system is in the pipeline, to be rolled out in 2022 and implemented over the next three years. The RBM system will, among other things, provide a sound basis for gauging the LLF’s impacts on food and nutritional security and reducing poverty in participating MCs. This is needed now more than ever, given the skyrocketing food commodity prices and the protectionist policies many countries have adopted following the Covid-19 pandemic.

**Figure 2: Smallholder farmers in Sierra Leone harvesting the first their crop supported by the LLF.**

**Implications for IsDB’s strategy refresh**

- **Increasing investment in the agriculture and rural development sector is critical if the runaway poverty and deprivation in MCs is to be stemmed**
- **Increasing concessionary financing that attracts grant resources from development partners using the bank’s ordinary financing resources provides the best opportunities for scaling and sustaining financing for the sector**
- **Partnering with other development agencies willing to co-fund and/or co-locate their investments is essential for creating synergies and greater impact**
- **Enhancing the delivery capacity of country-level implementation units as well as the bank’s technical and operational teams, both at Headquarters and in Regional Hubs, is critical to managing the investments for results**
Modern High-Speed Railway Transportation Systems—Delivering Sustainable Development Goals and Economic Growth

ROLE OF RAILWAY TRANSPORTATION IN SUSTAINABLE DEVELOPMENT

Railway transportation, being part of a key development strategy and being an important mode of mass mobility, plays a vital role towards achieving several Sustainable Development Goals (SDGs), directly or indirectly. It has great potential in keeping a balance in consumption and circular economy—a systemic approach to economic development designed to benefit businesses, society, and the environment. It delivers connectivity, efficient mass mobility, access to jobs and amenities, more inclusiveness and equitable society. By connecting communities and providing improved access to health, education and employment, railways provide more diversity, competitiveness, development of skilled workforce, inclusion and cultural exchange, which are key contributors to social cohesion and prosperity.

Railways contribute in reducing car ownership, road congestion, traffic jams and carries more passengers and freight. It offers unparalleled energy efficiency and low carbon emissions when it is coupled with modern technologies and clean energy sources. The characteristics are based on high levels of resource efficiency, immediate compatibility with modern renewable and clean energy resources.

The use of renewable energy is supported by innovations in alternative fuel sources such as electric power, batteries, hydrogen and solar power. Rolling stock’s energy efficiency is also addressed by regenerative braking and heat exchangers technologies. Energy efficient and waste-minimizing railway stations design approach are reality now. The creation of biodiverse rail verges is helping in the reduction of negative impacts to the surrounding and natural habitat.

Resilience, environmental conservation, resource efficiency and use of renewable energy are recurring themes in the SDGs. The rail transport plays significantly important role in delivering a wide range of SDGs and their supporting targets. Railway transport is part of the solution to a more sustainable future which can materialize the development of safer, faster, reliable, efficient, more resilient and sustainable transport for all.

HIGH SPEED RAILWAYS

Modern time High-Speed (HS) rail systems have proven to be catalyst to economic growth and sustainable development. Its mass transportation capacity, faster movability, high operational safety, complete electrification, energy efficiency, introduction of advanced technologies, systematic maintenance, high skill workforce and inherent reliability is contributing significantly to the SDGs and economic growth. Not only HS Trains (HSTs) but the entire HS railway system—including the track, power system, signaling system, skilled staffing, stations, high tech predictive maintenance, effective management, education etc.—are contributing in the effective delivery of sustainable mobility.

The following analyze how HS railway systems contributes towards achieving the SDGs.

SDG 3: Good Health and Well Being

The competitive HS, reliability and enhanced safety of HSTs is affecting a modal shift from cars, vans, busses and air transport—planes. It is ultimately facilitating in achieving the SDG3 targets.
of reducing global deaths, injuries and economic losses from road accidents and contributing to prosperity. Improved access to amenities, new employment and business opportunities, novel skill development, better earnings and wider connectivity, are helping people in improving their livelihood, quality of life and wellbeing.

**SDG 4: Quality education and SDG 5: Gender equality**

With the advancements and expansion of HS railway systems and development of HSTs (350km/h trains, SCMaglev and Hyperloop), HSTs have become more attractive to youths and Women as a career. Innovations and advanced technologies require continuous improvements, education, capacity enhancement of skills. In Malaysia, Turkey, UK, Germany, France and others countries the emerging opportunities have created attraction to youth and women as carrier. Many other associated disciplines such as Skills Intelligence Modeling, Industry and Investment Planning, Financial Management, Information technology, current and future workforce engagement and skills and capacity development are also bringing more diversity and innovations and gender equality.

**SDG 8: Decent work and economic growth**

Being a modern capital-intensive evolving system, HST infrastructure, rolling assets and associated manufacturing industries provide decent work, employment and growth potentials. The HST system require an up-skill generation of men and women for operations, maintenance, management and reporting. Also, the construction of HS railway infrastructure (railroads, stations, electrification, signaling, blocking, safety, emergency, maintenance facilities, monitoring system) creates new decent jobs and growth opportunities. The impacts of HSTs even go beyond railway system and has impressive positive footprint of contributing to decent work and economic growth in almost all sectors.

**SDG 9: Industry, innovation and infrastructure**

Currently, the railroad industry is undergoing a revolution and innovation. The web-based applications and the use of IT, which is transforming the industry, is introducing new venues. Specially the utilization of artificial intelligence, big data, maintenance sensor monitoring and mobile solutions for customer interface, ticketing, journey planning and shopping etc. is gaining more attraction and they have an upwards growth trend, which is expected to continue with rising trajectory. The participation of private sector in the infrastructure development and rail asset management is bring more innovation and accelerated developments. The high revenue generation and profit potential are also attracting industrialization and transfer of technologies which is creating new markets and skill mix. The continued urge for competitiveness, modernization and innovation is also a source of accelerated growth and prosperity in various industries.

**Goal 11: sustainable cities and communities**

More than half of the world’s population lives in urban areas. Good mobility, accessibility, connectivity and logistics networks are critical for the sustenance and wellbeing of the residents. Accessible public transport, especially for people who cannot drive themselves, is very important for social cohesion and building strong communities. The efficient mobility within and outside urban limits is fundamental to the livelihood and quality of life in urban areas. The HS railway system, around the world, is helping the governments in connecting communities, complementing social inclusion, ensuring equity and national harmonization by providing viable opportunities for employment, trade and commerce.

**Goal 13: Climate action**

Most of HS trains use electricity. Hence, depending on the energy source, trains have significantly less energy consumption per seat than fossil fuel propelled cars, buses and planes. The faster a train goes, the more energy it consumes. Still, on a per-seat basis, high-speed rail outperforms all other modes of rapid transportation in energy consumption by two to 10 times. Almost all environmental groups support high-speed rail as an alternative to building more highway lanes or airport runways. The contributions of high-speed rail and modern railroads to the accomplishment of the United Nations SDGs are substantial. They also contribute significantly to the economic growth of the regions they serve. Safe, efficient and green logistics systems that rely on railroad transport help deliver sustainable economic prosperity in cities and their hinterlands.

"Railways contribute in reducing car ownership, road congestion, traffic jams and carries more passengers and freight. It offers unparalleled energy efficiency and low carbon emissions when it is coupled with modern technologies and clean energy sources."
How Extreme Poverty is Compounded by the COVID-19 Pandemic in IsDB Member Countries? 1

Cheikh Ahmed Diop
IsDB

After decades of significant decline, poverty is estimated to have risen across the world in 2020, due to the profound economic crisis triggered by the COVID-19 pandemic. The number of people in extreme poverty (those living in households spending less than $1.90 per person per day in 2011 PPP terms) is estimated to have dropped by about 66 percent from 1.9 billion to 648 million people between 1990 and 2019 (Kharas and Doley, 2021). This favorable trend is being jeopardized with about 97 million additional people falling into extreme poverty in 2020 according to the World Bank’s latest estimates (Gerszon Mahler and al., 2021). Updated projections suggest a decrease in the number of extremely poor people by about 21 million in 2021 compared with 2020. However, low-income countries and countries in Sub-Saharan Africa (SSA) are expected to see further increases in extreme poverty in 2021.

IsDB MCs also recorded significant gains in poverty reduction during the past decades especially in Asia. For instance, Indonesia, Pakistan, and Bangladesh2, which are among the four most populated MCs have seen sharp drops in extreme poverty. For Indonesia, the poverty headcount ratio at $1.90 a day declined from 54.9 percent in 1991 to 2.7 percent in 20193, suggesting that 92.3 million people went out of extreme poverty during the said period. For Pakistan, the extreme poverty incidence declined from 60.6 percent in 1990 to 4.4 percent in 2018, corresponding to 59.9 million people out of extreme poverty. For Bangladesh, the ratio of people in extreme poverty decreased from 43 percent in 1991 to 14.3 percent in 2016, with 23.3 million people dragged out of extreme poverty.

The recent poverty trends in IsDB MCs shows that extreme poverty has been increasing since 2019, before the outbreak of the pandemic, in line with growth slowdown in the OIC area4. Growth in IsDB MCs had slowed significantly, falling below the world average in 2018-2019, which was unprecedented in recent decades. This slowdown mainly reflected the sluggish performance of oil-exporting MCs and the impact of political instability and conflicts, especially in the Middle East and North Africa (MENA) region. IsDB MCs’ total number of people in extreme poverty decreased by about 4 percent between 2016 and 2018, before a slight rebound (+1 percent) in 2019. Overall, the decline in Asia, Latin America & Europe have been offset by a continuous increase in the absolute number of extremely poor people in MENA and SSA, especially in MCs classified as Fragile and Conflict-Affected Situations (FCS)5.

In 2020, the total extreme poverty headcount in IsDB MCs rose 9 percent year-on-year, reflecting the impact of the pandemic. The increase was sharper in the

1  Prepared by Cheikh Diop in collaboration with Novia Budi Parwento (ERS, IsDBI).
2  These 3 MCs concentrate over one-third of the total population of IsDB MCs.
3  Based on World Bank World Development Indicators data (October 2021).
4  The analysis of recent trends in extreme poverty in IsDB MCs relies on real time estimates and projections release by the World Data Lab. The data have been updated in September 2021 to capture the impact of the pandemic.
5  The World Bank FY21 List of Fragile and Conflict-affected Situations includes 39 states of which 19 are IsDB MCs.

Source: ERS Calculations based on World Data Lab estimates and projections, October 2021.
MENA region (+16%), reflecting mainly the low basis effect—the region has the lowest absolute number of people in extreme poverty among the IsDB regions (Chart 1). For FCS, the number of extremely poor people rose nearly 10 percent in 2020. In 2021, the total number of extremely poor people in the OIC area is expected to stabilize despite slight increases in SSA and among the LDMCs and FCS.

The pandemic is estimated to have pushed approximately 51 million additional people into extreme poverty in IsDB MCs in 2020-2021. The comparison of pre-COVID trends with current projections (as of October 2021) indicates additional 25 million people in extreme poverty in 2020 and about 26 million in 2021. In fact, the 2020 recession has been less severe in IsDB MCs compared to the average for EMDEs. However, the recovery is also expected to be slower in the OIC region, in relation to the very limited access to vaccine in several MCs, especially in the LDMCs and FCS. Due to the projected slow pace of recovery in many MCs and the disproportionate impact of income losses on the poor and vulnerable populations, the rise in poverty could be relatively persistent.

While IsDB MCs concentrate about 25 percent of the world population, they account for approximately 40 percent of the people in extreme poverty around the world. Based on the available data, extreme poverty in IsDB MCs is highly concentrated in the rural areas where about 91 percent of the extremely poor reside. Women and girls account for 51 percent of the extremely poor people in the OIC area. Extreme poverty is also highly concentrated in FCS with 73 percent of the total number of extremely poor people across IsDB MCs. At the regional level, SSA also concentrates 73 percent of the total number of extremely poor people in IsDB MCs.

Multidimensional poverty also appears at critically high levels in IsDB MCs. A recent joint analysis of the IsDB Institute and Oxford Poverty & Human Development Initiative (OPHI) shows that in total, 464 million people (almost one in every three) are living in multidimensional poverty. Eighty-three per cent of people who are poor live in rural areas. In 14 of the MCs, the majority of the population are living in multidimensional poverty. By contrast, in eight of the MCs, less than 1 percent of the total population are living in poverty.

The rising trends in extreme poverty and its concentration in some MCs even before the pandemic outbreak indicates that specific interventions need to be designed for the concerned MCs. Typically, MCs in SSA and those in fragile situations represent the frontier of poverty reduction within the OIC area. Many MCs experienced robust economic growth during the past two decades without significant progress in poverty reduction, suggesting that inclusiveness remains a key issue, especially with respect to the urban/rural divide. Therefore, more targeted interventions are needed to provide opportunities for the poorest.

The poverty-fragility nexus, which is compounded by climate change, poses a critical challenge for traditional development interventions. Poverty tends to be concentrated in MCs where development interventions are hampered by issues related to stability and security, and eventually debt sustainability. Consequently, relying on traditional lending instruments to the government has limited impact. Specific interventions such as cash transfer programs supported by digital instruments have proven their efficacy in some countries. The IsDB Group could also take stock of what worked before the outbreak of the pandemic, in line with growth slowdown in the OIC area.

References
Digital Finance, Financial Inclusion, and SDG Progress
A Discounted Tradeoff in Developing Countries

The Micro, Small & Medium Enterprises (MSMEs) businesses in developing countries were one of the most severely hit sectors due to the COVID-19 pandemic. The gravity of the impact is spelled out in an Asian Development Bank report, which established that almost 90% of businesses in Bangladesh registered a decline in sales since the starting of the pandemic. Pakistan and India followed closely, with businesses in Pakistan and India reporting 82% and 78% decline in sales respectively. The more imperative analysis looked at some driving MSME parameters such as cash shortage. Around 78% of businesses faced cash shortage in Bangladesh, while the incidence was to the tune of 64% of businesses in Pakistan and roughly around 46% in India.

Although there seemed to be a highly intriguing tradeoff, the cited ADB report did not establish a direct relationship between cash shortage and decline in sales. However, it did conclude that the use of digital finance is growing among MSMEs after the COVID-19 outbreak. Digital finance is getting significant prudence and impetus lately, one of the reasons being its propensity to promote and enhance financial inclusion. However, the full potential of digital financing has yet to be leveraged to foster SDG progress. This is also maintained in the July 2016 issue Brief by the UN Inter-Agency Task Force on Financing for Development, which relates that lack of “enabling policy and regulatory environments” is one of the key challenges hindering a more meaningful and effective leverage of digital financing towards SDG progress. One reason is quite obvious – the developing countries have largely overlooked and discounted the digital finance ecosystem; at least up until the COVID-19 outbreak.

The picture is not as rosy when it comes to digital financing. The pandemic has incentivized many incongruous business innovations but mostly where the economic ecosystem supports innovations but mostly where the economic ecosystem supports. Around 78% of businesses faced cash shortage in Bangladesh, while the incidence was to the tune of 64% of businesses in Pakistan and roughly around 46% in India. The more imperative analysis looked at some driving MSME parameters such as cash shortage. Around 78% of businesses faced cash shortage in Bangladesh, while the incidence was to the tune of 64% of businesses in Pakistan and roughly around 46% in India.

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In March 2022, the IsDB President and Group Chairman, Dr. Muhammad Al Jasser, addressed the Global Islamic Investment Forum (GIIF), underlining the commitment of the Bank to use social financing to mitigate the pandemic’s repercussions and overcome financial constraints.

In March 2022, some 17,788 Yemeni citizens with thalassemia and other genetic blood disorders have received life-saving medications under an emergency World Health Organization (WHO) program funded by the IsDB.

In February 2022, the IsDB and the ISFD collaborated with Somalia’s Federal Ministry of Health to launch the 2nd phase of the Alliance to Fight Avoidable Blindness (AFAB) by conducting a cataract treatment campaign in Mogadishu. 3,200 patients were given vision screening and 210 cataract treatment surgeries.

On 21st February, 2022, the IsDB Institute (IsDBI) and the Total Official Support for Sustainable Development (TOSSD) Secretariat at the OECD, with the support of the EU, hosted a series of capacity development webinars on a new international standard for monitoring resources flowing into developing countries in support of the SDGs.

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IsDB’s Resilience and Social Development (RSD) Department, together with the Regional Hub Jakarta, held a virtual National Dialogue event to launch the report entitled “The State of the Ecosystem for Youth Entrepreneurship in Indonesia”, jointly prepared with UNDP and Citi Foundation.

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The Islamic Corporation for the Development of the Private Sector (ICD) organizes a webinar on Agri-food systems challenges in the MENA region on 3rd February, 2022.

The IsDB organized “Green, Social and Sustainability: A New Horizon for Islamic Capital Markets” side event on 26th October, 2021 at the Dubai Expo with H.E. Dr. Zamar Iqbal, Vice President, Finance, as keynote speaker.

H.E. Dr. Muhammad Al Jasser, IsDB President, speaks at the “Sustainability for All: How to Ensure a Just Energy Transition” Forum.

The IsDB’s Economic Empowerment Department (EED) participated, on 12th January 2022 at the 6th session of the SME Finance Marketeplace, an online match-making platform that promotes partnerships and collaboration between members of the SME Finance Forum.


H.E. Dr. Muhammad Al Jasser addressed the UN Secretary General’s High-Level Event on Jobs and Social Protection on 28th September, 2021, reiterating the IsDB Group’s commitment to join forces with the global community towards achieving shared goals.
Climate Action & Green Growth – Owning a Piece of the Mess?

With the eagerly anticipated recovery, hardly a day would pass without hearing about Climate Action and Green Growth in some new development strategy, a conference, or a report. This is certainly pertinent, given the overwhelming evidence of the negative environmental consequences of inaction, and the serious possibility of jeopardizing the 2030 Agenda and failing to meet the SDGs.

One wonders, though, if the world is giving lip service to this topic. How committed are the developing countries in their national development plans? And how committed are the developed countries, who caused this mess in the first place? Or simply, has it become politically-correct to flag the green color in everything we touch in the development community?

For almost two centuries, industrialized countries have enjoyed cheap sources of energy to get to where they are today. In flagging the dangers of climate inaction, is it fair to subject developing countries to the scrutiny now, depriving them from the much-needed cheap energy to achieve essential economic growth? Developing countries need more rapid and robust growth rates to fulfill existential needs and to leapfrog in bridging numerous economic and social ‘divides.’

True, it is a global crisis! And yes, we are all on the same boat and we all need to act. However, let’s make no mistake about who caused this crisis, and who is still contributing to worsening the situation. Without playing a blame game, we must recognize that developing countries have clearly contributed, and currently contributing, far less significantly than the developed countries. Thus, responsibility and cost should be shared proportionally.

That is not to argue that developing countries should go against the flow and insist on using cheap sources of energy, regardless. But rather, to pinpoint the root causes and aim at devising win-win propositions. The entire world should benefit without depriving millions in developing countries from the benefit of a rapid economic growth, hopefully with affordable clean sources of energy.

I reckon that it is legitimate to appreciate the advanced economies as they recognize history and own their piece of the mess. One way of demonstrating that is the declared commitment to shoulder their fair share of the cost of correcting the direction the world has taken. This should include, among other things, providing know-how and contributing funds to developing countries, who did have little or nothing at all in causing the climate crisis, yet sharing the consequences.

It was reassuring to know that the annual $100 Bn commitment to help developing countries is still alive, coming out of CoP26 and the G20 Leaders’ Summit last November. The question is still as to how, and how fast, this support will be channelled. Unfortunately, the lack of willingness, on behalf of many contributors, to be more forthcoming on funding for Adaptation vs. Mitigation is disappointing, and frankly does undermine the expected genuine commitment to owing their piece of the mess!

Listening carefully to the deliberations of the G20 and reading the promising communiqué of the recent G20 Finance Ministers meeting in Jakarta, one can’t help but wonder if the positive sentiments will be translated into concrete actions. Hopes are hinging this year on the presidency of Indonesia, one of the largest developing countries, to shed light on the concerns and needs of the Global South. The question remains: Will the ‘big guys’ realize that it is in their own interest to walk the talk in addressing the hopes and fears of the developing countries?

The entire world should benefit without depriving millions in developing countries from the benefit of a rapid economic growth, hopefully with affordable clean sources of energy.