

ECONOMIC EMPOWERMENT

An IsDB Innovative Approach for Poverty
Alleviation and Sustainable Development



Economic Empowerment Department, President's Complex

1 The Concept of Economic Empowerment



Economic Empowerment is “The expansion of **assets and capabilities** of poor people to participate in, negotiate with, influence, control and hold accountable institutions that **affect their lives**” (The World Bank, 2002).

The IsDB Economic Empowerment (EE) approach enables the disadvantaged populations **to play an active role** in the economic cycle in their countries and let them realistically aspire for a decent living. The EE, as perceived by IsDB, relies on **7 fundamentals**:

- 1** Not to consider the Poor and socially disadvantaged people as **a burden** on their **family and society**
- 2** Consider that the targeted populations have **great capabilities** that need to be **explored and developed**
- 3** Work on the **mindset of the poor** so that they exploit their **abilities**
- 4** Shift from a **relief assistance** approach to a mix of development and **market-based** support
- 5** Consider the poor as a potential **economic actor** in the value chain
- 6** Carefully consider the **equilibrium** between social, economic and financial performances
- 7** Rely on self-employment and **job creation**

2 From Financial to Economic Inclusion: The Economic Empowerment Paradigm Shift

Considering the **multi-faceted nature of poverty**, at least **6 obstacles** needs to be removed from the poor's path to unlock his/her full potential



Lack of access to well designed & **profitable project opportunities**



Low social capital for the poor to build **intelligent partnerships** that support his/her economic activity



Lack of sufficient **affordable infrastructure** that support poor's economic activities



Lack of access to **appropriate funding**

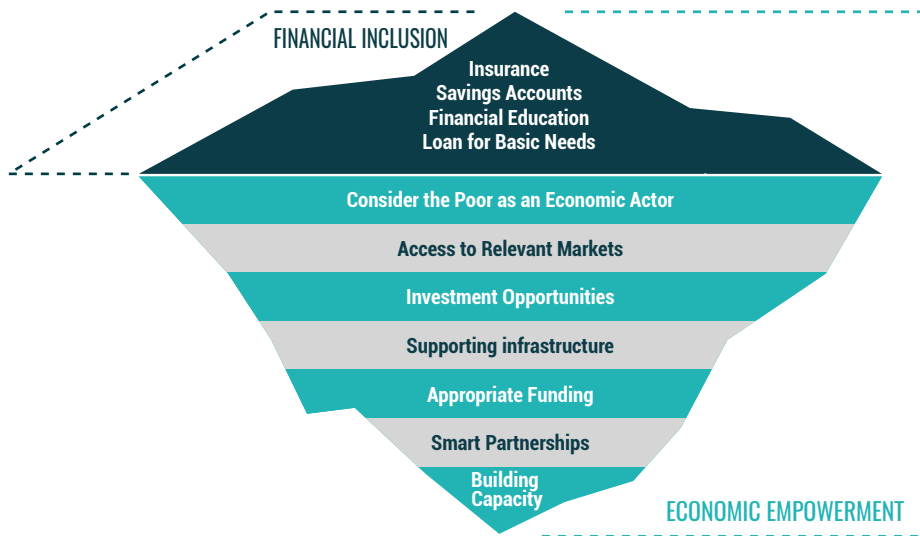


Lack of **capacity** and weak belief in **self-potential**

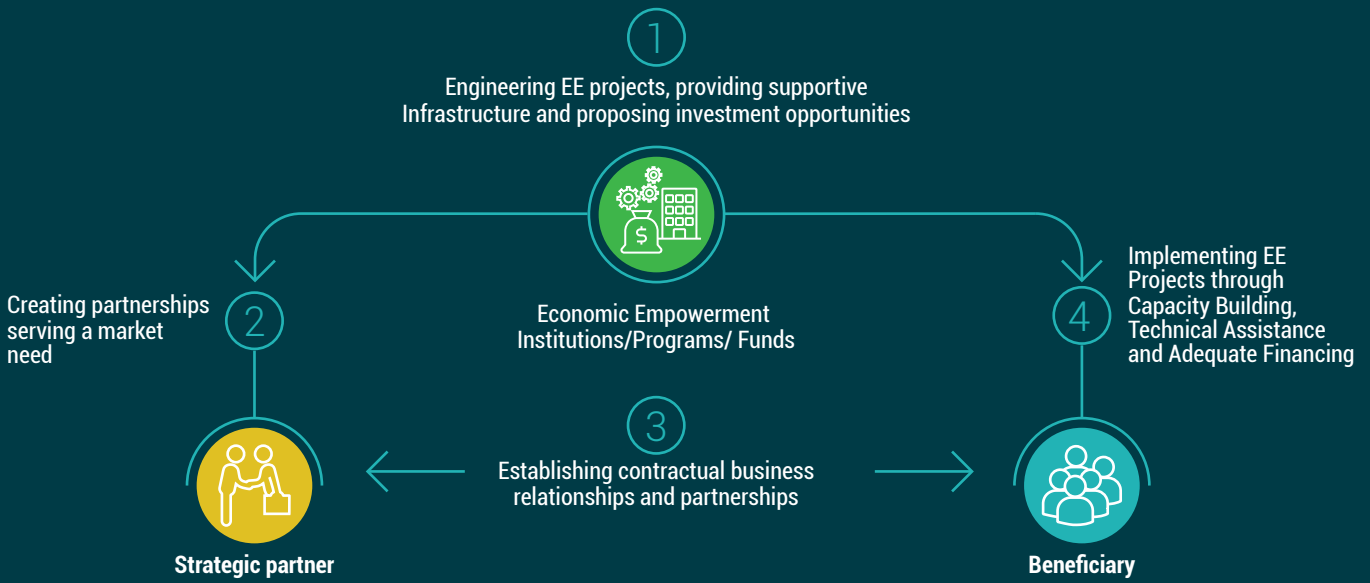


Lack of access to **relevant markets**

EE interventions provide the poor with the **appropriate access** to the required inputs/means to achieve not only financial inclusion but also ensures that the poor is **fully economically included**



3 How does the Economic Empowerment approach work?



4 Is this approach new at the Islamic Development Bank?

Since 2001, IsDB has been improving its microfinance interventions by **learning from best practices and lessons learned**. Economic Empowerment was developed as a **comprehensive methodology** to address the poverty challenge in a **structured manner**.



56
Interventions



548
million USD
Approved Financing



1.2+
million
Jobs were created

5 Economic Empowerment Success Stories

Deprived families Economic Empowerment Program (DEEP)

Challenging difficult economic and security conditions



Palestine

131

The program started with \$ 30 million and then succeeded in reaching \$ 131 million from other donors

16,000 +

Projects

52,000

Direct and indirect job opportunities

Micro and Small Enterprises Financing Project

Out performing the market



Guinea

200%

Doubling the number of targeted beneficiaries of the project

97%

Repayment rate, outperforming the sector by 8%

50%

Financing facilities from other donors converted to Islamic Finance

IRADA Projects

Strong involvement of the banking industry



Sudan

189

The program started with \$ 65 million and then succeeded in reaching \$ 189 million from local banks & Zakat authority

172,000

Poor enabled every year

13

Financing methods, whereby Murabaha represents 10% only

Zitouna Tamkeen Institution

1st Economic Empowerment Institution in North Africa



Tunisia

7

EE Value Chains were developed and implemented in 4 sectors

16,000 +

Income generating projects

40,000 +

Direct and indirect jobs

6 The Mandate of the Economic Empowerment Department

The Economic Empowerment Department (EED), as part of the President Complex, will serve as the sole bank-level addressee in the field of EE. In this context, the EED mandate is to **lead, supervise, develop, and institutionalize** all of IsDB Economic Empowerment Operations (EE Funds, Institutions & Programs) in **all Member Countries**.

The Department consists of four sections with the following mandate for each section:



EE Funds Section

- Establish **regional/ country specific** investment & trust funds;
- Assist the **establishment of international funds initiated by ISFD**;
- Support in **partnership building and resource mobilization**.



EE Programs Section

- **Formulate, develop, and execute** the EE Programs;
- Serve as the focal point for **all microfinance programs/components** and **support the RHs/departments** in the design and implementation of such programs / components.



EE Institutions Section

- **Establish** new EE Institutions or invest in transformed institutions;
- Serve as a **focal point and 'resource center'** for all matters related to equity investments in EE Institutions (including Islamic MFIs);
- **Monitor ISFD equity portfolio** in EE institutions.



SEED Section

- Support the **development of relevant value chains** and to well-design interventions through the EE Approach;
- Mainstream the **EE Business Engineering Approach** to be adopted by EE Institutions and Programs;
- Develop **manuals, policies, toolkits and on-field operating guides** for IMFIs/FIs

7 The Economic Empowerment Resources

Islamic Solidarity Fund for Development (ISFD) allocates



for **"Development Waqf" initiatives**

Economic Empowerment interventions will be financed through all available internal and external resources including **OCR, ISFD resources** and **Trust Funds**.

It is worth mentioning that the ISFD board of directors **allocated 30% of its capital for "Development Waqf"** which includes **Economic Empowerment initiatives**. Such initiatives will be designed and implemented by EED.



Prelude for some of the Economic Empowerment Department Initiatives

Economic Empowerment Fund for the Palestinian People (EEFPP)

The IsDB established the Economic Empowerment Fund for the Palestinian People (EEFPP), with an initial capital of \$ 500 million, to invest in individual and collective EE projects that aim to empower the Palestinians.



500
million USD

The capital of
the fund



empower the
Palestinians

to invest in individual and
collective EE projects that aim to



152
million USD

IsDB
approved financing

Objectives of the EEFPP



Empowering
300,000
Palestinian families



Lifting
1.5 million
poor Palestinians out of poverty



Creating job opportunities for
200,000
unemployed youth

Resource Mobilization efforts for EEFPP

Of the EEFPP's targeted capital, the fund **successfully raised USD225 million** as follows: USD152 million from IsDB and ISFD; and the rest was mobilized from **3 strategic partners**.

9

Overview of the Economic Empowerment Initiatives Pipeline for 2021 - 2024

Funds



Institutions



Programs

