**Women Entrepreneurs Finance Initiative (We-Fi)**

**THEMATIC FUNDING REQUEST**

**ON A PROPOSED FINANCING**

**IN THE AMOUNT OF USD 500,000**

**TO THE**

**ISLAMIC DEVELOPMENT BANK**

FOR

**KHADIJAH WE CODE**

***Catalyzing Women's Entrepreneurship in Islamic Finance***

IN

**INDONESIA**

Table of Contents

[I. WE-FI THEMATIC REQUEST – DATA SHEET 2](#_Toc140286295)

[II. PROGRAM/PROJECT DESCRIPTION 3](#_Toc140286296)

[**A.** **Objective Statement:** 3](#_Toc140286297)

[**B.** **Program Design and Key Activities** 4](#_Toc140286298)

[**C.** **Country Readiness:** 6](#_Toc140286299)

[**D.** **Stakeholders and Key Partner Readiness:** 7](#_Toc140286300)

[**E.** **IP Readiness/Track Record:** 9](#_Toc140286301)

[III. IMPACT AND LEARNING 10](#_Toc140286302)

[**A.** **Sustainable Beneficiary Impact:** 10](#_Toc140286303)

[**B.** **Results Framework:** 10](#_Toc140286304)

[**C.** **Learning Agenda:** 11](#_Toc140286305)

[IV. KEY RISKS AND MITIGATION MEASURES 11](#_Toc140286306)

[**A.** **Risks Identified:** 11](#_Toc140286307)

[**B.** **Proposed Action** 12](#_Toc140286308)

[Attachments 13](#_Toc140286309)

[**Attachment 1: WE-FI Results Framework** 13](#_Toc140286310)

[**Attachment 2: Risk Framework** 13](#_Toc140286311)

# **I.** **WE-FI THEMATIC REQUEST – DATA SHEET**

**BASIC INFORMATION**

|  |  |
| --- | --- |
| IP Name | Islamic Development Bank (IsDB) |
| Program/Project Name: | Khadijah WE Code: Catalyzing Women’s Entrepreneurship in Islamic Finance |
| Country(s) | Indonesia |
| # of partners engaged through the Pilot | 10 |
| Private Sector, Public Sector or Both | *Both* |
| Implementation Start Date | *November 2023* |
| Commitment End Date | *June 30th, 2025* |
| Supervision End Date | *June 30th 2027* |
| IP Focal Point Contact (name, email, phone) | | Kristonia Lockhart [klockhart@isdb.org](mailto:klockhart@isdb.org) +966563871284 |
| Key Staff Contacts (e.g., Project Lead, M&E Officer, Comms Officer) | | Project Lead, Islamic Finance Specialist and Economist from IsDB Institute, IsDB Regional Hub Project Team Leader and Communications Officer[[1]](#footnote-2). |

**WE-FI FUNDING REQUEST (In USD)[[2]](#footnote-3)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Sr.** | **Type of Expenditure** | **Year 1** | **Year 2** | **Total** |
| 1 | Investment Activities |  |  | - |
| 2 | Advisory / Technical Assistance | 185,000 | 100,000 | 285,000 |
| 3 | Grants to WSMEs |  | 100,000 | 100,000 |
| 4 | Research and M&E |  | 80,000 | 80,000 |
| 5 | Administrative Fee | 17,500 | 17,500 | 35,000 |
|  | **Total WE-Fi Financing Requested** | **202,500** | **297,500** | **500,000** |

**TOTAL PROGRAM COST & CO-FUNDING[[3]](#footnote-4),**[[4]](#footnote-5):

|  |  |  |
| --- | --- | --- |
| **Sources of Financing** | **Amount** *(In USD)* | |
| We-Fi financing requested (A) | 500,000 | |
| IP Contribution [1] (B) | 110,000 | |
| [Public-sector co-funding [2] (C)](file:///C:/Users/wb82666/AppData/Local/Microsoft/Windows/INetCache/Content.Outlook/7S3FZWQ1/Mobilization%20Table%20and%20Budget%20-templates.xlsx#RANGE!B12) |  | |
| Private sector co-funding [3] (D) |  | |
| [Additional co-funding [*specify*] [[5]](#footnote-6) (E)](file:///C:/Users/wb82666/AppData/Local/Microsoft/Windows/INetCache/Content.Outlook/7S3FZWQ1/Mobilization%20Table%20and%20Budget%20-templates.xlsx#RANGE!B12) |  | |
| Total Non-We-Fi Funding (F)= (B+C+D+E) | **110,000** | |
| Total Activity Size (G)= (F+A) | **610,000** | |
| Of which % IDA and % FCS (IDA+FCS / G) |  |  |
| Co-Funding ratio (F/A) | 1. % | |

# **II. PROGRAM/PROJECT DESCRIPTION**

## **Objective Statement:**

The Khadijah We Code initiative, aims to utilize the WE Finance Code as a powerful catalyst for fostering a sustainable transformation in the role of the Islamic finance sector as a driver of women's entrepreneurship. The Islamic Development Bank (IsDB), in close collaboration with key partners in the Islamic financial sector and those actively promoting women's entrepreneurship within the country, will forge synergies and enhance the prominence of Islamic finance within national initiatives that support women's entrepreneurial endeavors. Additionally, the initiative will ensure the seamless integration of women's entrepreneurship into Islamic finance initiatives, thereby amplifying the visibility and recognition of the Islamic finance sector's crucial contribution to advancing women's entrepreneurship. This collective effort will further reinforce and fortify national-level initiatives focused on empowering women entrepreneurs.

Khadijah We Code is anchored by the legacy of Khadija bint Khuwaylid (RA)[[6]](#footnote-7), a revered woman entrepreneur who epitomizes the power of women’s entrepreneurship in Islam. Khadijah's pioneering spirit carries profound historical significance, as she not only holds the distinction of being the first Muslim, but her remarkable entrepreneurial acumen allowed her to accumulate wealth, which she graciously employed to support others and foster the growth of Islam. Khadijah's contributions to the realm of finance are equally noteworthy. The contractual practices she pioneered to conduct her trade have had a lasting impact on the foundations of Islamic finance. These practices have influenced the principles that underpin contemporary Islamic finance. Her success not only serves as an inspiration to women globally but is also a testament to the far-reaching influence of women's entrepreneurship, encompassing not only economic dimensions but also profound social impacts as well.

Islamic finance is one of the fastest-growing sectors of the global financial industry. In 2019, the total assets of global Islamic banking reached approximately 1.99 trillion U.S. dollars[[7]](#footnote-8) which continues to grow. While this growth has led to an increasing availability of diverse financial products, substantial opportunities remain untapped. As the sector continues its upward trajectory, there exists an urgent and compelling need to ensure that the unique financial needs and aspirations of women are adequately met and supported within the Islamic finance framework.

The “Khadijah We Code” will focus on mobilizing the support of influential leaders and prominent figures within the Islamic Finance sector, who will play a pivotal role in driving widespread support and endorsement from within the industry. Additionally, it will place a strong emphasis on ensuring that Islamic indexes incorporate sex-disaggregated data, shedding light on the current situation and facilitating progress monitoring. Furthermore, the project will prioritize the development of Islamic finance products specifically tailored to increase women's access to finance, thus creating a more enabling environment for their entrepreneurial aspirations to thrive. The overarching goal is to generate collective strength through collaboration by integrating the representation and participation from the Islamic finance sector within the national framework of women's financial inclusion.

The expected milestones for the pilot period are as follows:

**Year 1:** In the first year, focus will be given to providing comprehensive technical support and advisory services to the National Committee of Sharia Economic and Finance (KNEKS) to analyze the current landscape including identifying the gaps and opportunities where the nexus of women's entrepreneurship can be further strengthened within the broader framework of Islamic economic development.

The expected milestones from the first year will be the integration of Islamic Finance within the updated version of the National Financial Inclusion Strategy for Women and the integration of women's financial inclusion into the updated Islamic Economic Masterplan. The Sex-disaggregated Financial Data Guidelines will be customized for Islamic Financial Institutions[[8]](#footnote-9) and the establishment of a working group in KNEKS to drive advocacy efforts, encourage innovative practices, and foster collaboration between stakeholders in the Islamic finance industry and the identification of Ambassadors who will serve as champions to advocate for the Code.

**Year 2:** The second year will focus on creating an improved market for Women SMEs to access finance. Building on the work from the first-year focus will be on capacity development support to Islamic financial institutions and creating and launching an equity – based Islamic products tailored for women entrepreneurs and an Islamic financial product to meet the needs of the female market. Both the capacity development and formulation of an Islamic financial product for women will complement the IsDB Enhancing Women’s Financial Inclusion Through Islamic Finance Program. Furthermore, advocacy efforts will be undertaken with financial services providers of Sharia finance to obtain commitments for becoming signatories of the Code.

Expected milestones include the announcement/launch of the Code with at least two signatories from the Islamic Financial Sector who will launch the Islamic financial products for women (one of which being an equity-based product for women entrepreneurs).

**After Year 4:** After the 4 year time horizon Islamic finance is an integrated part of the national ecosystem supporting women entrepreneurs in which the Code will be entrenched including an increase in the contribution made to reach national objectives from Islamic financial institutions. In addition, there will be a geographical expansion across the country with possible engagement and exchange with similar Islamic Finance platforms in other countries particularly those with mature and high coverage Islamic banking sectors.

## **Program Design and Key Activities**

The Khadijah initiative encompasses four key components aimed at enhancing women's financial inclusion and entrepreneurship within the Islamic finance sector in Indonesia.

**Component 1: Gender Sensitive Islamic Finance Infrastructure**

This component aims to enhance the existing Islamic finance strategies to better support women's entrepreneurship and establishing a gender-sensitive Islamic finance infrastructure. It involves conducting a thorough review of the current response within Islamic finance and implementing necessary measures to ensure gender-sensitive practices and inclusivity. The following activities will be undertaken as part of this component:

**Activity 1.1: Strengthened inclusion of Islamic Finance within the National Strategy for Women's Financial Inclusion ( Yr 1 - 2nd and 3rd Qtr)**

In this activity, technical support will be provided to gather insights and expertise in order to strengthen the integration of Islamic finance within the National Strategy for Women's Financial Inclusion. This will involve a comprehensive review of the strategy and identifying opportunities to enhance its support for women entrepreneurs within the Islamic finance domain.

**Activity 1.2: Integration of women's financial inclusion within the Islamic Economic MasterPlan ( 1st Yr - Qtr 2 and 3)**

This activity focuses on integrating women's financial inclusion into the Islamic Economic MasterPlan. The plan will undergo a review to identify areas where the inclusion of women entrepreneurs within Islamic finance can be further emphasized and supported.

**Activity 1.3: Supporting the Islamic Financial Institutions in Adopting sex-disaggregated data collection (1st Yr – Qtr 2,3,4 and 2nd Yr- Qtr 1)**

To facilitate informed decision-making and policy formulation, it is essential to have accurate and gender-sensitive data within the Islamic finance database systems. A mapping of the current practices of the Islamic finance sector in collecting sex-disaggregated data will be undertaken to identify existing data collection methods and their connections to the national reporting platforms. In this activity, relevant stakeholders will collaborate to identify any existing data gaps and determine the required data points related to gender-sensitive aspects of Islamic finance. These data points will then be integrated into the Islamic Finance Database systems, like the Islamic Financial Inclusion Index. This integration will provide a comprehensive view of women's participation and impact within the Islamic finance sector, enabling better assessment of progress and targeted interventions of Identification of data gaps and integration of gender-sensitive data within the Islamic Finance Database systems. This will be further complimented through customizing the Sex-disaggregated Data Guidelines for Financial Service Providers to Islamic financial institutions.

**Component 2: Advocacy and Engagement**

This component focuses on raising awareness and promoting the Code and making the case for the important role of Islamic finance in supporting women's entrepreneurship. Focus will be given to advocacy and engagement through the identification of ambassadors within the Islamic Financial Industry, establishment of strategic alliances with key ministries and institutions, and promotion of the Code at national and global Islamic finance forums. This will be done through the following activities:

**Activity 2.1: Identify and engage ambassadors within the Islamic Financial Industry to promote the Code (1st Yr- Qtr 1,2,3,4)**

In this activity, influential individuals within the Islamic Financial Industry will be identified and invited to serve as ambassadors. These ambassadors will play a crucial role in raising awareness and promoting the importance of Islamic finance support for women's entrepreneurship. They will actively engage with various stakeholders, including financial institutions, industry associations, and academic institutions, to champion the cause and encourage their active participation in supporting women entrepreneurs. Focus will be given to finding Ambassadors and identifying a National Figure to serve as the torch carrier for the code. Efforts will be made to engage high profile individuals such as the Minister of Finance H.E. Sri Muylani Indrawati, along with senior management within OJK and KNEKS and Bank Mandiri Syariah and Bank Muamalat[[9]](#footnote-10) among others.

**Activity 2.2: Establish strategic alliances and structures for internal and external engagement with key ministries and institutions (1st Yr – Qtr 1,2,3,4)**

To strengthen support for women's entrepreneurship within Islamic finance, it is vital to establish strategic alliances and structures for engagement. This activity involves forging partnerships with key ministries and institutions related to finance, women's empowerment, and economic development. Collaborative efforts will be made to align policies, share resources, and develop joint initiatives that promote the role of Islamic finance in empowering women entrepreneurs. These alliances will provide a solid foundation for sustainable support and coordination in advancing the cause. A Working Group will be established within **KNEKS** to drive advocacy efforts, encourage innovative practices, and foster collaboration between stakeholders in the Islamic finance industry on how to accelerate women’s entrepreneurship within Islamic Finance and Economy.

**Activity 2.3: Promote the code at national and global Islamic Finance forums (1st and 2nd Yr- Qtr 1,2,3,4 )**

To raise the profile of Islamic finance support for women's entrepreneurship, it is important to actively promote the code in both national and global forums on both conventional and Islamic finance. This will include strong coordination with the ADB who is a key partner in this activity. This will consist of jointly organizing launch events upon adoption of the Code and annual reporting events, as well as joint focus group discussions with program partners to ensure coherence and complementarity.

**Component 3: Capacity Development**

This component focuses on building the capacity of relevant stakeholders to effectively support women's financial inclusion and entrepreneurship within the Islamic finance sector. Capacity development activities will include adapting sex-disaggregated financial data guidelines for Islamic financial institutions, organizing knowledge and peer exchanges, and conducting technical workshops to enhance understanding and generate interest in supporting women's financial inclusion. It involves implementing activities aimed at adapting guidelines, fostering knowledge exchange, and organizing workshops to enhance understanding and generate interest. The following activities are proposed:

**Activity 3.1: Organize Knowledge and Peer Exchanges** **(2nd Yr- Qtr 1)**

A knowledge exchange session will be organized with the UK Investing in Women Code initiative during the first year. This exchange will provide an opportunity to learn from their experiences in implementing the Code. Additional exchange visits will be identified and organized for the second year targeting key Islamic platforms who are promoting gender equality and supporting women's entrepreneurship. These events will help to facilitate dialogue, sharing of expertise, and collaboration between the initiative and relevant stakeholders within the Islamic finance sector.

**Activity 3.2: Organize Technical Workshop (2nd YR – Qtr 3)**

A capacity development workshop will be organized for Financial Institutions offering Islamic finance products to generate knowledge and enthusiasm to drive meaningful action towards women's financial inclusion and empowerment in line with the Islamic Finance for Women Program of the IsDB. The workshop will include a session on the Sex-disaggregated Data Guidelines to help participants gain insights into the significance of gender data in identifying and addressing gender-based disparities, fostering inclusivity, and promoting evidence-based decision-making within financial institutions.

**Component 4: New Product Development**

This component focuses on the development of new Islamic financial products that cater to the specific needs and requirements of women entrepreneurs and female consumers. The development process will involve market research, product design, compliance with regulatory guidelines, and effective marketing strategies to reach and engage the target audience. The aim is to enhance access to finance, promote women's economic empowerment, and provide tailored solutions within the Islamic finance sector. Financial institutions selected to launch the products will need to be a signatory of the code. The following activities are proposed:

**Activity 4.1: Diversifying Islamic products to meet the needs of WSMEs (2nd Yr – Qtr 1,2,3,4)**

In this activity, an Islamic financial product will be developed and launched specifically designed to increase investments in Women-Owned SMEs (WSMEs). Focus will be on developing equity-based investments which are more commercial and performance-based finances to help show the viability and economic returns that can be generated in WSMEs to increase how they are view as good investment choices. This product will offer unique features and incentives that address the challenges faced by women entrepreneurs in accessing finance. It will align with Islamic finance principles and provide a Sharia-compliant investment vehicle tailored to the needs and aspirations of WSMEs.

**Activity 4.2: Developing and launching consumer-based Islamic product for women (2nd Yr – Qtr 1,2,3,4)**

This activity focuses on the development and launch of a consumer-based Islamic product specifically targeting women. The product will cater to the financial needs and preferences of women consumers and provide women with a range of financial services and products, such as savings accounts, investment options, and insurance solutions. This activity is linked and will be supported under the Islamic Finance for Women Program of the Bank which includes assisting in the development and launch of a new Islamic financial product for women.

## **Country Readiness:**

Indonesia has made great progress towards financial inclusion in recent years and prioritized building an inclusive financial sector for the sustained economic growth and development of the country even experiencing the biggest increase of account ownership of any developing economy in the East Asia and Pacific.[[10]](#footnote-11) A significant portion of these achievements can be attributed to the financial inclusion initiatives initiated by His Excellency the President Joko Widodo who launched the Financial Services Authority (OJK) in 2016 National Strategy for Financial Inclusion (SNKI), a coordinated national strategy to promote financial inclusion to increase people’s access to banking services and public financial literacy. A year later the Financial Services Authority (OJK) re-launched the National Strategy on Indonesian Financial Literacy (SNLKI) which focused on raising national financial literacy as a means of increasing financial inclusion. The country also launched the National Committee for Shariah Finance (KNKS)[[11]](#footnote-12) to support the development of the Islamic finance industry.

Although Indonesia is the world’s most populous Muslim nation, estimates show that Islamic finance accounts for about 5% of the country’s total financial services. Accordingly, among the program initiatives of the SNKI is intensifying Islamic financial literacy and accelerating Islamic financial products, developing strategies for implementing financial education and literacy activities introducing generic financial products.

Indonesia's financial inclusion efforts are commendable, particularly in their pioneering of the world's first financial inclusion strategy specifically tailored for women. Additionally, Indonesia has taken noteworthy steps to foster innovation in financing by establishing an Innovative Financing Lab. This lab serves as a collaborative space for developing solutions to finance the Sustainable Development Goals (SDGs), including those utilizing Islamic finance. Indonesia's dedication to advancing the SDGs is further exemplified by being the first country worldwide to launch a zakat-supported project aimed at achieving the SDGs.

Furthermore, Indonesia's commitment to Islamic finance and its alignment with the SDGs is underscored by the establishment of the Centre of Excellence (CoE) in Islamic Finance for Sustainable Development Goals. Established in 2021, the CoE focuses on providing project development assistance, ensuring alignment with the SDGs, and fostering knowledge building in the field of Islamic finance. These initiatives collectively demonstrate Indonesia's pioneering spirit and active role in driving sustainable development through innovative financial practices.

Crucial to achieving the national financial inclusion objectives of the country is reaching out to the mass population which includes those living in rural and remote areas, low-income communities and MSMEs. This group has a crucial role in supporting the achievement of the target of 90% national financial inclusion by 2024.

The MSME sector has an enormous contribution to the Indonesian economy which has more than 64.2 million business units, contributes 61.9% to the Gross Domestic Product (GDP), and absorbs 97% of the workforce. However, MSMEs in Indonesia face various challenges, such as access to finance, marketing, competitiveness, and productivity. "The government is committed to continuing to encourage the performance of MSMEs and given specific attention to them in the national financial inclusion strategy.

During its G20 Presidency the country tried to promote the significant role of Islamic finance in the global economy particularly focusing on advancing Sharia-based finances including the halal industry which is mainly dominated by the food and beverage industries in which women SMEs are the majority.

## **Stakeholders and Key Partner Readiness:**

**National Bodies:**

* **Ministry of Finance/Financial Services Authority (Otoritas Jasa Keuangan/OJK)** play a vital role in regulating and supervising the Islamic finance industry in Indonesia. They work towards creating an enabling environment for women in Islamic finance and ensure that gender-responsive practices are implemented within financial institutions.
* **Komite Nasional Ekonomi dan Keuangan Syariah (KNEKS)** plays a significant role in promoting and supporting women's entrepreneurship within the Islamic finance sector in Indonesia. They are actively involved in developing strategies, initiatives, and policies to advance gender equality and financial inclusion.
* **Women in Islamic Finance (WIF) Indonesia** aims to empower and support women professionals in the Islamic finance sector. They provide networking opportunities, mentorship programs, and advocate for gender equality within the industry
* **Bank Indonesia (BI)** is the central bank of the Republic of Indonesia and plays a crucial role in supporting Islamic finance in the country. Its key responsibilities include formulating and implementing monetary policies, maintaining the stability of the Indonesian rupiah, and regulating the financial industry.

**Other key stakeholders includes, i) Ministry of MSME and Cooperatives, ii) Ministry of Women and Child Protection (MOWCP), iii) Indonesian Sharia Bank Association (ASBISINDO), iv) Indonesian Sharia Insurance Association (AASI), and v) Indonesian Sharia Fintech Association (AFSI)**

**Financial Intermediaries:**

* **Bank Muamalat Indonesia (BMI)** is one of the leading banks in the country dedicated to providing Shariah-compliant financial services. BMI is committed to promoting financial inclusion and supporting the growth of the Islamic finance industry in Indonesia. It aims to provide accessible and inclusive financial services to various segments of society, including micro, small, and medium enterprises (MSMEs), individuals, and corporate clients. The bank actively participates in initiatives and programs that foster financial literacy and education about Islamic finance.
* **Bank Syariah Indonesia** established in 2021 from the merger of three state-owned Islamic banks has an important role in increasing the national market share of the banking industry and strengthening its capital to compete in the national banking industry. This merger manifested as the commitment of the Indonesian government to support Islamic bank’s development.

**Technical Partners:**

* **National Sharia Board of Indonesian Ulema Council** *(Indonesian: Dewan Standar Nasional Majelis Ulama Indonesia a.k.a. DSN MUI)* issues Islamic legal guidance (fatwa) on lawfulness of Islamic bank’s products and then SSBs guard its implementation in IBs.
* **UNDP Innovative Financing Lab** has a key role in developing Islamic products is to explore and promote innovative financing solutions within the framework of Islamic finance principles. The lab seeks to harness the potential of Islamic finance to address development challenges and support sustainable development in Indonesia.
* **Malaysia-based Islamic Financial Services Board (IFSB)** is an international standard-setting organization based in Malaysia that plays a significant role in developing and promoting Islamic finance globally. The IFSB conducts research and analysis on emerging issues and trends in Islamic finance. It provides policy advice to regulatory authorities, central banks, and other relevant institutions to support the development and implementation of effective regulatory frameworks and policies in Islamic finance.
* **Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)** sets global standards for Islamic finance accounting and auditing practices. It collaborates with regulatory bodies and industry stakeholders in Indonesia to ensure the adoption of internationally recognized standards, enhancing transparency and consistency in Islamic financial reporting

**Key Champions[[12]](#footnote-13):**

* **Dr. Sri Mulyani Indrawati:** As the Minister of Finance of Indonesia, Dr. Sri Mulyani Indrawati has been instrumental in driving the development and growth of Islamic finance in the country. She has been a strong advocate for inclusive finance and has actively supported initiatives to strengthen Islamic financial institutions and products.
* **Dr. Perry Warjiyo:** As the Governor of Bank Indonesia, Dr. Perry Warjiyo has been influential in shaping the Islamic finance landscape in Indonesia. He has emphasized the importance of Islamic finance in achieving financial inclusion and has taken measures to promote the industry's growth and stability.
* **Prof. Dr. Bambang Brodjonegoro:** As the Minister of National Development Planning (Bappenas), Prof. Dr. Bambang Brodjonegoro has been actively involved in advancing Islamic finance in Indonesia. He has supported policies and initiatives to integrate Islamic finance into national development plans, including promoting the use of Islamic finance in infrastructure projects.
* **Prof. Dr. Dipo Alam:** Prof. Dr. Dipo Alam is a prominent figure in Islamic finance in Indonesia. He has served as the Chairman of the National Committee on Islamic Economic and Finance (KNKS) and has contributed significantly to the development of Islamic finance strategies and policies in the country.

**International Organizations:**

**Asian Development Bank (ADB)** is an essential partner for this project. With a focus on leveraging and enhancing collaboration with separate proposals being developed in Indonesia, the IsDB proposals will further build upon the extensive work undertaken by ADB in the country. This collaboration aims to customize the proposals specifically to the Islamic context. ADB will take the lead in leading the national committees and serve as the primary contact for the project. Moreover, both organizations will jointly organize a multitude of knowledge and capacity development activities.

**World Islamic Economic Forum (WIEF)** is an international platform for economic cooperation and development in Islamic finance to foster collaboration, innovation, and entrepreneurship in the Islamic economy, contributing to its sustainable development and growth. It tries to enhance economic cooperation, promote trade and investment, foster innovation and entrepreneurship in the Islamic economy. It organizes a major global event annually along with other events to provide networking, investment, and business matching opportunities for entrepreneurs, investors, and businesses in the Islamic economy. It also encourages exchange of ideas, experiences, and best practices through panel discussions, research papers, and thought leadership sessions.

## **IP Readiness/Track Record:**

The Islamic Development Bank (IsDB) has played a key role in developing the Islamic financial industry since its inception. The institution has a number of initiatives that support Islamic finance, including: the IsDB's Islamic Finance Development Fund (IDF) provides financial assistance to IFIs to help them develop new products and services, expand their operations, and improve their risk management practices, IsDB Institute (IsDB I) that provides technical assistance and capacity building to IFIs, governments, and other stakeholders in the Islamic finance industry and the IsDB's Islamic Financial Services Board (IFSB) which servs as an international standard-setting body that develops and promotes standards for IFIs.

In Indonesia the IsDB has been a leading supporter of the advancement of the country’s Islamic finance sector, providing financial resources, technical assistance, and capacity building to Islamic financial institutions (IFIs) in the country. Some of the specific accomplishments of the IsDB in supporting Islamic finance in Indonesia include the establishment of the Indonesia Islamic Finance Center (IIFC), which is a leading research and training institution for Islamic finance in Indonesia, helped to develop a number of innovative Islamic financial products and services, such as Islamic microfinance, Islamic sukuk, and Islamic trade finance.

Furthermore, the IsDB has provided financial assistance to Bank Syariah Indonesia (BSI) to help it expand its operations and offer new products and services, provided technical assistance to the Indonesian government to help it develop a national strategy for Islamic finance, supported the establishment of the Indonesia Islamic Finance Association (IIFA), which is a leading industry association for Islamic finance in Indonesia and to establish the Centre of Excellence (CoE) in Islamic Finance for Sustainable Development Goals (SDGs).

The IsDB has a strong commitment to empowering women entrepreneurs and promoting their financial inclusion through Islamic finance mechanisms. The IsDB has implemented four programs funded by the We-Fi, which provide context-specific support to WSMEs across various economic sectors, including fragile and conflict-affected contexts. One notable example is the Women Entrepreneurship Development and Youth Employment Support (WEDYES) program in Senegal. This initiative focuses on enhancing women's entrepreneurship through capacity building, business support, engagement with financial intermediaries, and networking opportunities within the Senegalese private sector. Furthermore, the IsDB, in collaboration with the Islamic Chamber of Commerce, Industry, and Agriculture (ICCIA), has established the first forum for businesswomen in Islamic countries. This platform facilitates knowledge sharing, discussion of new ideas, identification of business opportunities, and global business partnership expansion. The IsDB also works with the International Islamic Trade Finance Corporation (ITFC) Aid for Trade Initiative for the Arab States (AfTIAS Program) to implement the She Trades program in Egypt and Morocco which aims to boost the competitiveness and capacity of WSMEs to access local and regional markets. Recognizing the importance of Islamic microfinance, the IsDB has developed Guidelines for Islamic Microfinance. These guidelines offer a comprehensive framework and reference points for Islamic microfinance programs to actively contribute to women's financial inclusion and broader financial empowerment. Most recently the IsDB has established the Islamic Finance for Women program, which focuses on strengthening the Islamic finance industry to better support women's financial inclusion. Through this program, the IsDB engages with government agencies, regulatory and supervisory authorities, and market players such as Islamic banks and financial institutions. The goal is to enhance women's access to finance and create an enabling environment for their economic participation.

# **III. IMPACT AND LEARNING**

## **Sustainable Beneficiary Impact:**

The objective of the Khadijah We Code pilot initiative is to create an inclusive ecosystem that encourages collective action and offers women entrepreneurs access to a wide array of products and support, catering to their financial needs and entrepreneurial endeavors. By blending Islamic and conventional financial mechanisms, the initiative enhances and diversifies financial ecosystems, extending their reach and sustainability in meeting the economic and financial requirements of women. This integrated approach aims to expand opportunities, promote economic empowerment, and address the specific challenges faced by women in the realm of finance, fostering a more inclusive and supportive environment for their entrepreneurial journeys.

Another crucial aspect of the project is the integration of sex-disaggregated data into Islamic indexes. This endeavor aims to illuminate the current landscape and foster a deeper comprehension of the obstacles and possibilities encountered by women entrepreneurs. By doing so, it enables the development of more targeted initiatives that address the specific needs of women entrepreneurs, thus enhancing the overall capacity of stakeholders within the ecosystem to effectively respond to those needs. The inclusion of sex-disaggregated data in Islamic indexes will contribute to a more comprehensive understanding of women's entrepreneurship and facilitate evidence-based decision-making for creating an enabling environment that supports their success.

To ensure the key stakeholders within the ecosystem possess the necessary skills to effectively support the intended expansion of supporting WSMEs, the project will develop comprehensive guidelines and financial products. These resources will extend beyond the project timeline and continue to serve the evolving needs of WSMEs. Additionally, capacity development training programs will be implemented to foster behavioral changes that align with cultural and business practices of financial institutions. This approach aims to facilitate long-term progress and enhance practices to better serve the unique requirements of WSMEs, thereby fostering sustainable and impactful support for their growth and success.

## **Results Framework:**

IsDB will monitor the progress on project activities and all expected outputs and outcomes mentioned in the results framework by using the Key Progress Indicators (KPI) on semi-annual basis and report to the donor on annual basis. All the quantitative and qualitative data to track KPIs will be quality assessed in terms of completeness and correctness inline with the definition of each KPIs and IsDB Results Based Management Framework approach. (See attachment 2: Results Framework on WE-FI template).

Please see our proposed methodology for data collection on the following KPIs.

Overall Indicators: All following KPIs will be tracked by collecting quantitative data.

|  |  |
| --- | --- |
| KPIs | Data Collection approach |
| Core Indicators |  |
| Funds mobilized (indicator 1) | Aggregation of funds provided to support project activities. |
| Number of partnerships (indicator 11) | Counting of stakeholders actively engaged during implementation (Ref: Activity 2.2) |
| Number of WSMEs reached directly (indicator 12) | Counting all the WSMEs engaged who have access to finance through the Islamic Products to be development participated in any of the project activity. (Ref: Activity 4.1 and Activity 4.2 ) |
| Core Outcome Indicators: |  |
| Number of legislations and/or regulations screened, drafted, revised (indicator 8) | Review of National Strategy for Women’s Financial Inclusion.  Mapping of policies related to Islamic sector policies for sex-desegregated data  Any policy change to support new product for WSMEs. |
| Amount of financing provided to WSMEs (indicator 2) | Amount of lending provided by Islamic financial institutions who lend to WSMEs after signing code |
| Number of WSMEs that accessed new financing (indicator 3) | - List of WSMEs received new Islamic products |

**Indirect Impact Indicators:** proposed indicator could be; Amount provided by Islamic shariah Finance Institutions (IFI) to support WSME. We will track this indicator by using the data collected by Islamic finance institutions and reported into Nation level reporting. This indicator will be confirmed in consultation with key stakeholders before implementation.

**Custom Indicators:** All custom indicators are proposed in the Results Framework.

## **Learning Agenda:**

As this is a pilot project a learning agenda related to program effectiveness will be central during implementation. Accordingly the learning Agenda for a Pilot Project will consist of the following:

**Project Evaluation:** We are planning to undertake a Program evaluation based on theory-based evaluation approach. Evaluation will be designed to collect evidence on the effectiveness of this pilot initiative. Evaluation questions will be adapted by using gender equality lens to the OECD DAC[[13]](#footnote-14) evaluation criteria. Evaluative evidence will inform the key stakeholders about the Relevance, Effectiveness and Efficiency and Sustainability of this initiative of using Islamic finance to support WSMEs. Evaluation will also look into the impact Islamic financial products will have in helping Islamic financial institutions to increase the finance they provide to female clients and WSMEs.

All the evidence generated during the review of policy gap analysis , progress on key performance indicators and evidence generated from evaluation will enable us to inform the decision makers and policy influencers to review the design and implementation of this project and utilize the findings to inform the program and policy decision making to prioritize interventions for gender equality across the continuum scale[[14]](#footnote-15).

Routine program monitoring and policy gap analysis will help us to identify the key barriers and challenges faced by women in accessing and participating in Islamic finance. Assessing the challenges pertaining to access to finance, cultural and social norms, legal and regulatory frameworks, and gender biases within the industry.

**Continuous Monitoring and Learning:** Establish a robust monitoring and learning framework to track the progress and outcomes of the pilot project. Regularly review and analyze data and feedback to inform iterative improvements, share lessons learned, and disseminate best practices for promoting women in Islamic finance.

# **IV. KEY RISKS AND MITIGATION MEASURES**

The Implementing Partner is responsible for ensuring that activities in this proposal are executed in accordance with the IP’s policies and procedures.

## **Risks Identified:**

* **Stakeholder Engagement**: Engaging and mobilizing key stakeholders, including influential leaders, industry players, and financial institutions, is crucial for the program's success.
* **Regulatory and Policy Constraints:** The program's success may be impacted by existing regulatory and policy frameworks that do not adequately address gender disparities in Islamic finance. Overcoming these constraints requires policy reforms and regulatory changes to create an enabling environment that promotes women's participation and access to financial resources.
* **Capacity and Knowledge Gaps:** Building the capacity of relevant stakeholders, including financial institutions, government agencies, and women entrepreneurs, is critical for the program's success. However, there may be existing capacity and knowledge gaps that hinder effective implementation. Addressing these gaps through targeted training and capacity-building initiatives is necessary to ensure the desired outcomes of the program.
* **Monitoring and Evaluation:** Inadequate monitoring and evaluation mechanisms can pose a risk to accurately assessing the program's progress and impact. Lack of reliable data and measurement frameworks may hinder the ability to track and evaluate the effectiveness of the program's activities in promoting women's entrepreneurship in Islamic finance.

## **Proposed Action**

*To mitigate these risks, the Khadijah program will plan and implement a comprehensive risk management strategy in place.* This includes:

* **Stakeholder Engagement and Communication:** Proactive stakeholder engagement and communication strategies should be implemented to garner support, address concerns, and ensure active participation from key stakeholders throughout the program. IsDB has a long standing relationship with key partners within the Islamic Finance industry in Indonesia which will facilitate engagement and support. In addition consultations were held key stakeholders to obtain their support in principle for the project,
* **Policy Advocacy and Reform:** Collaborating with policymakers and regulatory authorities is essential to advocate for policy reforms that promote gender equality and support women's entrepreneurship within Islamic finance. Engaging in dialogue and actively participating in policy discussions can help address regulatory and policy constraints. Many activities are centered around the planned revisions and updates to existing policies and national commitments.
* **Capacity Building and Knowledge Sharing:** Implementing comprehensive capacity-building programs and knowledge-sharing initiatives can bridge the capacity and knowledge gaps, ensuring that relevant stakeholders have the necessary skills and knowledge to support women entrepreneurs in Islamic finance.
* **Monitoring and Evaluation Framework:** Establishing a robust monitoring and evaluation framework, including clear indicators and data collection mechanisms, will enable the program to track progress, measure impact, and identify areas for improvement. Regular evaluation will facilitate evidence-based decision-making and ensure program effectiveness.
* **Environmental and social Safeguards** will be diligently implemented in full compliance with the IsDB existing safeguard and policy structures and monitored to ensure adherence to these safeguards

# **Attachments**

## **Attachment 1: WE-FI Results Framework**

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## **Attachment 2: Risk Framework**

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1. This is a list of the required competencies and skills needed to form the team. The specific staff members will be identified and assigned once the official decision is made. [↑](#footnote-ref-2)
2. The proposed budget serves as an initial estimate and will be confirmed during project start-up once all the details are thoroughly defined and agreed with partners in-country. Therefore, we kindly request a 10% flexibility in budget allocation between line items throughout the implementation period of the proposal to allow us to quickly address any budget concerns that may arise with the project. [↑](#footnote-ref-3)
3. This document utilizes the term ‘co-funding’ in lieu of the term “leverage” as used in We-Fi’s Governance Framework. [↑](#footnote-ref-4)
4. See Annex 1 for definitions and guidance on this table [↑](#footnote-ref-5)
5. *Inter alia,* parallel funding arrangements should be captured here. [↑](#footnote-ref-6)
6. "Ra" is an abbreviation used by Muslims to show respect when referring to Khadija bint Khuwaylid. It stands for "radiyallahu anha," which means "may Allah be pleased with her" in Arabic. [↑](#footnote-ref-7)
7. https://fardows.com/women-and-islamic-finance-2/ [↑](#footnote-ref-8)
8. 2 Republic of Indonesia: Promoting Innovative Financial Inclusion Program [↑](#footnote-ref-9)
9. Bank Mandiri Syariah and Bank Muamalat are 2 financial institutions who collectively account for 50% of total Shariah financing in the country. [↑](#footnote-ref-10)
10. <https://www.digitalnewsasia.com/digital-economy/indonesia-leads-financial-inclusion-progress-global-findex-2017> [↑](#footnote-ref-11)
11. World Bank 2017 Global Findex [↑](#footnote-ref-12)
12. The champions are to be approached during project implementation. [↑](#footnote-ref-13)
13. https://www.oecd-ilibrary.org/docserver/9aaf2f98-en.pdf?expires=1689359817&id=id&accname=guest&checksum=D02961AC403CAC6597298B4A64ED53D5 [↑](#footnote-ref-14)
14. Gender Equality and the Empowerment of Women and Girls: Guidance for Development Partners, https://doi.org/10.1787/0bddfa8f-en. [↑](#footnote-ref-15)