



The Islamic Solidarity Fund for Development (ISFD) 1438H/2016G Status Report

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Context

The decision to establish the ISFD as a Special Fund within the IDB was reached by the Third Extraordinary Session of the OIC Islamic Summit Conference in Makkah during 7-8 December 2005, and began operations in 2008 with a view to (a) reduce poverty, (b) build the productive capacities of member states, (c) reduce illiteracy, and (d) eradicate diseases and epidemics.

The Fund, headquartered in Jeddah, Saudi Arabia, has been established in the form of a Waqf (i.e. Trust), with a principal target capital of US\$10.0 billion. All IDB member countries are expected to contribute to the Fund and extend technical and moral support to its operations.

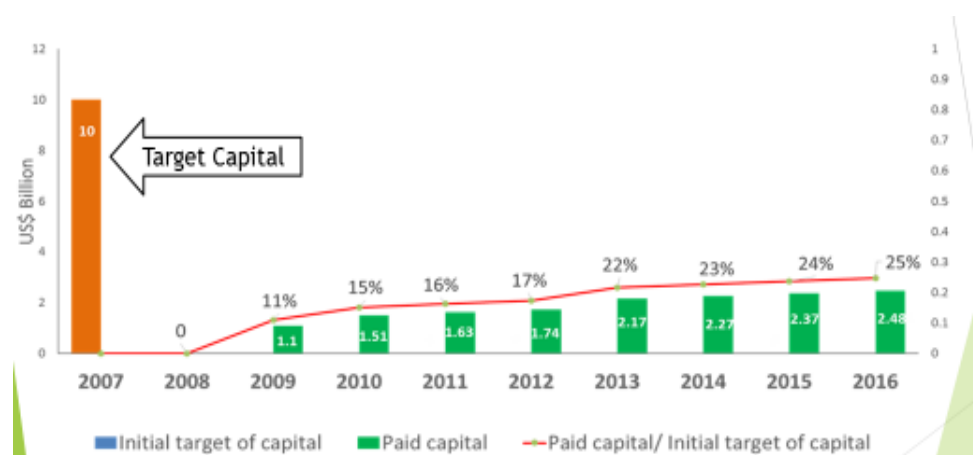
The Fund views poverty as a multi-dimensional phenomenon, encompassing not only low income and consumption, but also low achievement in fundamental human rights including education, nutrition, primary health, water and sanitation, housing, crisis coping capacity, insecurity, and all other forms of human development.

This report serves the aim of providing a brief status report on the activities, performance and progress of the ISFD to date.

Resource Mobilization – Core and Complementary Capital

As evident in figure 1 below, ISFD has obtained 25 percent (US\$2.48 Billion) of the original target set at the Makkah Summit of US\$10 Billion. From the commitment income of US\$2.68 Billion, a sum of US\$2.48 Billion has been paid-in, which constitutes 95 Per cent of the amount committed.

Figure 1 – ISFD Core Capital (Paid-in VS Target)



In 2016, so far there has been an amount of US\$ 2.35 million received as new commitments from Turkmenistan (US\$ 0.30M); Gambia (US\$ 1.2M), Guinea Bissau (US\$ 0.20M) and Comoros (US\$

0.65M). Moreover, US\$ 101 million has been received as paid-up capital, with US\$100 million coming from IDB (9th instalment) and US\$ 1 million from Bangladesh (6th instalment).

In order to circumvent the slow incoming flow of capital, the Fund proposed and obtained a resolution (No. ISFD/BG/3-433) from the ISFD BOD in 2012, to receive Waqf land contributions from member country Governments, which can then be used for the construction of commercially viable enterprises to generate additional income whereby 50% will be devoted and channeled back to poverty reduction projects in the contributing countries. Several countries have already expressed their interest to commit land for this purpose including: Benin, Burkina Faso, Chad, Comoros, Jordan, Nigeria, and Morocco.

Investments

Due to internal investment process impediments, there has been generally low performance in the ISFD investment portfolio, which accounts for the historically low returns on the income generated. Figure 2 below illustrates the returns on investments for ISFD during the period 2009-2015.

Figure 2 – ISFD Investment Returns (2009 – 2015)



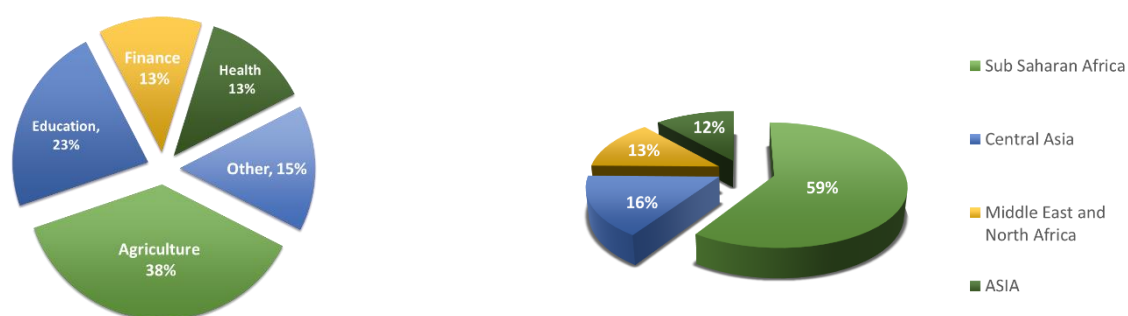
Corrective and enhance measures have been set in motion to improve the performance of its investments portfolio which include; establishing an ISFD Investment Advisory Committee, revision of the ISFD Investment Policy, inclusion of the Islamic Financial Services Department (IFSD) as an investing department, and the shift in focus towards impact investing and real estate, among many others.

Programmes/ Projects

The Fund has taken the lead in developing ISFD Flagship Programmes, and these include: Micro-Finance Support Programme (MFSP), Vocational Literacy Programme (VOILP), Sustainable Villages

Programme (SVP), Save the Mother’s Programme and the Renewable Energy Programme for the Poor. All of these programmes are now in operation in various countries especially in the Least Developed Member Countries. There has been a total of US\$ 710 million approved from ISFD funding, with a disbursement of around 25 percent. A large bulk of the ISFD financing as seen in Figure 3 has gone to Sub Saharan Africa followed by Central Asia, Asia and the MENA region. In terms of sectors, the major part of the financing has been for the rural development, education and the health sectors, followed by micro-finance.

Figure 3 – ISFD Interventions by Sector and Region



Communication and Branding

Over the year there has been several films produced by ISFD including: Community Driven Development, Micro-Finance Jordan, VOLIP Senegal, and Renewable Energy Bangladesh. During 2016, there were two films produced in its final form, namely, Micro-Finance Benin (based on an ISFD Co-financed project) which was deemed as very successful and one on Obstetric Fistula.

There has been an effort to document success stories of ISFD projects, and an international Consultant was hired (Green Ink - UK) to produce several brochures, flyers, and a synthesis report. These will aid the Fund’s resource mobilization efforts as well as enhancing its visibility globally. Also, work is underway to revamp the ISFD website in addition to hiring an international Media Specialist firm to help ISFD in its branding and disseminating its experiences on the ground.