



ISLAMIC DEVELOPMENT BANK GROUP

PROGRESS REPORT ON THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT (ISFD)

33rd Meeting of the Follow-up Committee of the COMCEC
(Ankara, Turkey, 10-11 May 2017)

Islamic Solidarity Fund for Development

Progress Report - As of 15 April 2017

I. Background

1. The ISFD was established as a Special Fund within the IDB following a decision of the Extraordinary Islamic Summit Conference held in Makkah, Saudi Arabia, in December 2005. It was officially launched during the 32nd Annual Meeting of the IDB Board of Governors (BOG), held on 29-30 May, 2007 in Dakar, Senegal.
2. The Fund has been established in the form of a Waqfi (i.e. Trust), with a principal target capital of US\$10 billion. All IDB member countries have been called on to announce their financial contributions to the Fund and extend technical and moral support to its activities.
3. The Fund is dedicated to reducing poverty in the OIC member countries by promoting pro-poor growth, emphasizing human development, especially improvements in health care and education, and providing financial support to enhance the productive capacity and sustainable means of income for the poor, including financing employment opportunities, providing market outlets especially for the rural poor, and improving basic rural and pre-urban infrastructure. These objectives are linked directly to the achievement of the UN Millennium Development Goals (MDGs) and UN Sustainable Development Goals (SDGs). They are also in line with the IDB 1440H (2020G) Vision. The financing of the Fund is provided on concessional terms, primarily for the 28 least developed member countries of the IDB (LDMCs).

II. Resource Mobilization

Core Capital:

4. ISFD capital commitments currently stand at US\$2.68 billion contributed by 48 member countries (US\$1.68 billion) and the IDB (US\$1.0 billion). This represents 26.8% of the approved target capital of US\$10 billion.
5. Paid-in capital currently stands at US\$2.532 billion, with four payments made in 1437H, totaling US\$153.48 million, as follows:
 - IDB: US\$150.0 million
 - Bangladesh: US\$1.0 million
 - Indonesia: US\$2.38 million.
 - Turkmenistan: US\$0.1 million.
6. One payment has so far been made in 1438H (2017) from Benin amounting to US\$940,000.
7. Of the committed contributions to the Fund, the remaining amount to be paid is US\$148.96 million. Of this amount, US\$50.0 million will be paid by the IDB in one instalments in the

¹ The concept of *Waqf* (Islamic Endowment/Trust) implies that only the income which will be made from the investments of the Fund's resources will be available to finance its operations.

third quarter of 2017, and the US\$99.9 million by member countries, (including US\$35.0 million by Iran, US\$14.0 million by Sudan, US\$10.0 million by Senegal, and US\$7.0 million by Bangladesh).

8. New commitments amounting to US\$3.35 million were made in 2016 by 5 countries, namely: Comoros (US\$650,000); Guinea (US\$200,000), Gambia (US\$1.22 million); Togo (US\$1.0 million), and Turkmenistan (US\$300,000). One payment has thus far been made by a member country, Benin, in 2017, amounting to US\$940,000.
9. Letters were sent to all Governors under the signature of the respective Chairmen of the ISFD BOG requesting them to implement the ISFD BOG resolution (ISFD/BG/3-432), calling on member countries to determine the level of their voluntary contributions to the Fund based on a specific criterion which takes into account the country's real GDP, total exports value and foreign exchange reserves.

Complementary Resources:

10. The ISFD aims to obtain complementary resources through: (i) Specialized Trust Funds for poverty alleviation; (ii) Waqf Land Development in Member Countries; (iii) co-financing with partners; and (iv) Partnerships with philanthropists, social investors, and the private sector. So far, the Fund has focussed on the ISFD Waqf projects, while efforts are being made to benefit from the other potential sources of Complementary Resources.

Benin Waqf

11. The Government of Benin is the first country to have allocated a plot of land to ISFD under the Waqf Program. The valuation of the land has been completed and the land has been valued at US\$5.7 million. The Feasibility Study has also been completed. The study recommends a mixed-use investment consisting of two towers for short-stay serviced apartments, retail, and office space. The Director General of the ISFD took part in the ground breaking ceremony of ISFD Benin WAQF on Tuesday 9 February 2016.
12. The financing required for Benin Waqf is estimated at US\$22.0 million. Projections show a pre-tax IRR of 13.3%, based on an equity-debt ratio of 45%-55%. Approval for both the equity and part of the debt financing has been obtained from the IDB.
13. APIF's financing amounting to US\$6.0 million has been approved, and the ISFD equity participation of US\$9.7 million has also been approved. A potential local partner, ECOBANK, has formally expressed its interest in the project and discussions are ongoing with African Bank for Industry & Commerce for participation.

Burkina Faso

14. In November 2016, a mission composed of ISFD and APIF visited Ouagadougou to explore Waqf opportunities. As a result, a new plot of land measuring 7000 sq. m. situated in a prime location in Ouagadougou has been allocated to the ISFD. A feasibility study will be carried out for the proposed Waqf project to establish its suitability and possible ISFD involvement.
15. Expressions of interest to offer Waqf land for the ISFD have been made by Jordan, Azerbaijan, Cameroon, Maldives and Sudan

III. Operations

Approvals:

16. The total loans approved during 1437H stood US\$98.7 million, against planned approvals of US\$115.0 million. These were extended to 13 projects in 11 member countries. Grant operations during the year amounted to US\$24.1 million (LLF (US\$20.0 million), Drylands Initiative (US\$1.0 million), Syrian Refugees (US\$3.0 million), Comoros (US\$0.25 million) and Fighting Obstetric Fistula in Bangladesh (US\$0.1 million)). Disbursement had amounted to US\$22.2 million during the year.
17. In line with its policy, the ISFD has supported projects with high poverty content, representing 79% (US\$78.3 million) of its approvals in 1437H. These were mainly extended for Micro Finance, VOLIP, Education, Health, Energy and Agriculture.
18. The ISFD allocation for IDB Least Developed Member Countries (LDMCs) in 2016 stood at 75% (US\$78.29 million) of the total approvals, (which is close to the ISFD BOD Resolution of 80:20 ratio of allocation to LDMCs vs non-LDMCs).
19. In terms of sector distribution of approvals: Agriculture 8.0% (US\$8.1 m), education 40.0% (US\$40.0 m), Energy 23.0% (US\$23.0 m), Health 10.1% (US\$10.0 m), Micro Finance 3.0% (US\$2.9 m), Water & Sanitation 5.0% (US\$5.0 m), and Other 10.0% (US\$10.0 m).

Trends of Approvals

20. Cumulative approvals up to end-1437H were US\$664.8 million for 106 operations in 33 Member Countries. Out of these approvals, 73% have been allocated to LDMCs.
21. Out of these approvals, US\$653.81 million – (i.e. 96.4%) have been provided on a loan basis while the remaining amount of US\$24.1 million has been provided for grants.
22. Twenty projects have already been completed (Annex 2). Currently, active operations stand at 86, while cumulative disbursements stand at US\$148.86 million (23% of total approvals).

IV. Partnerships

23. The ISFD emphasizes the importance of partnerships and co-financing to supplement its limited resources and scale up its financing. By participating in programs' costs, partnerships create incentives for countries to use ISFD financing more responsibly to achieve their targets.
24. The primary partners of the ISFD in its interventions are the governments of the beneficiary countries. However, the Fund has broadened its collaboration efforts by involving a wider range of stakeholders in its work, particularly in the implementation of the Vocational Literacy Program (VOLIP), Microfinance Support Program (MFSP), and Sustainable Villages Program (SVP). These included the MDG Centre in Kigali, Arab Bank for Development in Africa (BADEA), Bill & Melinda Gates Foundation, and others.
25. The Fund has also continued to strengthen its collaborative relationship with institutions which are engaged in the area of fighting poverty in the IDB member countries. In 1437H

(2016), the ISFD signed an MOU with the Islamic Council for Donor Institutions (Based in Qatar).

26. It has also strengthened its relationship with the following Qatari Organizations:

- Silatech
- Qatar Charity
- Qatar Fund
- Education Above All

27. The ISFD has signed an MOU with Silatech on 12 December 2016, emphasizing cooperation in the areas of microfinance and youth employment.

28. The Fund is also preparing for signing an MOU with Education Above All (EAA) to cooperate in the area of education in member countries. It is expected that this will enable the ISFD to leverage its finance significantly by participating in joint-financing projects, to benefit an estimated 1.8 million out of school children to return back to schools. EAA is expected to contribute US\$100.0 million towards a proposal of a Global Education Impact Fund along with ISFD.

29. For Silatech, the Fund is targeting to collaborate in creating 2 million new jobs for the youth in partnership with local NGOs and financial institutions in the targeted countries. It is also worth noting that the ISFD has already partnered with Silatech in the *Youth Entrepreneur Support Program* for Comoros (YES-COM), to which Silatech has contributed US\$1.675 million and the ISFD US\$3.9 million.

30. Furthermore, the ISFD is targeting to mobilize resources from the OIC Humanitarian Fund, Qatar Charity, and Qatar Fund for Development for poverty alleviation projects in Comoros. Further, it is anticipated that the said Qatari institutions will provide necessary support to the ISFD to develop a Waqf project in Doha and open an office to follow up on its activities in Qatar.

V. Financial Status

Income

31. The ISFD liquid funds are composed of paid-in contributions from member countries and the IDB in addition to the retained earnings of the Fund. In accordance with the ISFD Investment Policy, these funds were mainly invested in commodity murabaha and short-term Shariah compatible placements in 1437H (2016). A small portion is invested in Equity and Real Estates. More than 95% of the Fund' investments were made in US dollar and Euro.

Gross Income

32. ISFD gross income in 1437H (2016) was US\$87,663 million, compared to US\$65.025 million in 1436H (2015). This income is composed mainly of earnings from Sukuk US\$50,729 (US\$42,668 million in 1436H), commodity placements (US\$18,673 million) (US\$15.846 million in 1436H), and murabaha, US\$11,279 million (US\$5.851 million in 1436H).

Provision for Losses

33. There was a provision for losses or loan impairment in the ISFD accounts of US\$15.397 million, mainly on account of investment in Equity Capital (US\$14.011) and Provision for Impairment (US\$1.386 million).

Net Income

34. Net income in 1437H (2016) was US\$87.67 million, compared to US\$63.04 million in 1436H, an increase of 25%. This constitutes a return of 2.73% and 2.34% on the net assets of the Fund in these two years respectively. Given the fact that the Fund's net assets had increased by 7.06% during this period (to US\$2.653 billion from US\$2.509 billion), this shows an appreciation in the rate of return on the Fund's investments of its capital resources and unutilized retained earnings during 1436H. However, this has happened despite a provision of loan impairment of US\$15.397 million.

Annex I: ISFD STATEMENT OF CAPITAL CONTRIBUTION

As of 15 April, 2017

S.No	COUNTRY	COMMITMENTS (in USD)	PAID AMOUNT (in USD)	REMARKS
1	Afghanistan		-	No commitment
2	Albania	10,000	-	No payment
3	Algeria	50,000,000	50,000,000	Fully Paid
4	Azerbaijan	300,000	424,000	Fully Paid
5	Bahrain	2,000,000	2,000,000	Fully Paid
6	Bangladesh	13,000,000	5,000,000	1 st -6 th Instalments
7	Benin	12,250,000	940,000	1st Instalment
8	Brunei	2,000,000	2,000,000	Fully Paid
9	Burkina Faso	2,200,000	2,238,000	Fully Paid
10	Cameroun	2,000,000	2,000,000	Fully Paid
11	Chad	2,000,000		No payment
12	Comoros	650,000		No payment
13	Cote d'Ivoire	5,000,000		No payment
14	Djibouti			No commitment
15	Egypt	10,000,000	10,000,000	Fully Paid
16	Gabon	4,000,000	4,000,000	Fully Paid
17	Gambia	1,220,000	12,000	Special Case
18	Guinea	2,000,000	2,000,000	Fully Paid
19	Guinea-Bissau	200,000		No payment
20	Guyana			No commitment
21	Indonesia	10,000,000	10,000,000	Fully Paid
22	Iran	100,000,000	65,000,000	1st & 2nd Installment
23	Iraq	1,000,000	1,000,000	Fully Paid
24	Jordan	3,000,000	3,000,000	Fully Paid
25	Kazakhstan	11,000,000	11,000,000	Fully Paid
26	Kuwait	300,000,000	300,000,000	Fully Paid
27	Kyrgyz Republic			No commitment
28	Lebanon	1,000,000	1,000,000	Fully Paid
29	Libya			No commitment
30	Malaysia	20,000,000	20,000,000	Fully Paid
31	Maldives			No commitment
32	Mali	4,000,000		No payment
33	Mauritania	5,000,000		No payment
34	Morocco	5,000,000	5,000,000	Fully Paid
35	Mozambique	200,000	200,000	Fully Paid
36	Niger	2,000,000		No payment
37	Nigeria	2,000,000	2,000,000	Fully Paid

38	Oman	5,000,000	5,000,000	Fully Paid
39	Pakistan	10,000,000	10,000,000	Fully Paid
40	Palestine	500,000	186,000	1 st Installment
41	Qatar	50,000,000	50,000,000	Fully Paid
42	Saudi Arabia	1,000,000,000	1,000,000,000	Fully Paid
43	Senegal	10,000,000	-	No payment
44	Sierra Leone	1,000,000	300,000	1st Installment
45	Somalia		-	No commitment
46	Sudan	15,000,000	944,000	1st Installment
47	Suriname	500,000	500,000	Fully Paid
48	Syria	2,000,000	2,000,000	Fully Paid
49	Tajikistan		-	No commitment
50	Togo	1,000,000	1,000,000	Fully Paid
51	Tunisia	5,000,000	5,000,000	Fully Paid
52	Turkey	5,000,000	5,000,000	Fully Paid
53	Turkmenistan	300,000	100,000	1 st Installment
54	Uganda	100,000	-	No payment
55	UAE		-	No commitment
56	Uzbekistan	300,000	300,000	Fully Paid
57	Yemen Republic	3,000,000	3,000,000	Fully Paid
58	Islamic Development Bank	1,000,000,000	950,000,000	1 st -19 th Instalments
	Grand Total	2,681,730,000	2,532,036,000	

Annex 2: ISFD COMPLETED PROJECTS

2ND BLINDNESS CONTROL CAMPAIGN	53000
3RD BLINDNESS CONTROL CAMPAIGN	52000
4TH BLINDNESS CONTROL CAMPAIGN	67000
4TH BLINDNESS CONTROL CAMPAIGN	60000
HOLISTIC APPROACH TO ERADICATING OBSTETRIC FISTULA	100000
Integrated Microfinance Support Program for Benin	5000000
MALARIA PREVENTION CONTROL SUPPORT (QUICK WIN)	6384000
Microfinance Project	1000000
Microfinance Project for Rural Areas - Amonatbank, Tajikistan	2500000
Microfinance Project for Rural Areas - National Bank of Tajikistan	6000000
Microfinance Project for Rural Areas - Tojiksodirotbank, Tajikistan	1500000
MICROFINANCE PROJECT FOR RURAL AREAS-BAI ORDO Co.	1000000
Microfinance Project for Rural Development - Center Kapital	1100000
Microfinance Project for Rural Development - Finance Partner	1200000
Microfinance Project for Rural Development - OJSC "Kyrgyzstan Commercial Bank"	1000000
Microfinance to Rural Areas Project	10000000
Sierra Leone Community-Driven Development Project	8430000
Support to the Polio Eradication Program	12000000
The IDB PNPM - Integrated Community Driven Development (Phase II) Project	7000000
Vocational Literacy Program for Poverty Reduction (VOLIP)	11750000
Grand Total	76196000