



REPORT ON THE ACTIVITIES OF THE
ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT (ISFD)
As of 30 October 2019

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BACKGROUND

1. The ISFD was established as a Special Fund within the IsDB by a decision of the Extraordinary OIC Summit held in Makkah, Saudi Arabia, in December 2005. It was officially launched during the 32nd Annual Meeting of the IsDB Board of Governors (BOG), held on 29-30 May, 2007 in Dakar, Senegal.
2. The Fund is dedicated to financing poverty reduction projects and programs in the OIC countries that promote pro-poor growth, emphasize human development, especially improvements in health care and education, and enhance the productive capacity and sustainable means of income for the poor. This includes 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 Sustainable Development Goals (SDGs). The financing of the Fund is provided on concessional terms, primarily for the 28 least developed member countries of the IsDB (LDMCs).

ISFD OPERATIONS

3. The OIC countries are still home to about 40% of the world's poor. While member countries have made great strides in fighting poverty over the past two decades, and the number of the poor has fallen from about 400 million to 320 million during this period, this figure has fallen worldwide from an estimated 2 billion people to 700

million. This means that the pace of poverty reduction in member countries is much lower than the pace of poverty reduction worldwide. In fact, more than 50% of the population in many of our member countries live below the poverty line of less than US\$2.0 per day.

4. This is obviously unacceptable, as it is clear to ISFD Management that there is a need to change the modalities of the Fund operations to look for new methods with higher and visible impact on the number of poor in member countries. A number of actions have been taken to this end.
5. The ISFD is currently conducting a comprehensive transformation review of its business and operational model. This review aims to strengthen the ISFD position and role within the IsDB Group, and to enhance its performance in combating poverty in member countries. The Fund seeks to more impact oriented and to be more active and effective in developing international alliances to fight poverty in order not to leave any one behind as target by the SDGs agenda. It also seeks increase its efficiency and financial sustainability, enhance visibility, and avoid duplication with the operational and financial activities of the IsDB. We are also reviewing the ISFD investment policy to enhance the Fund's income.

Emphasizing impact-oriented programs

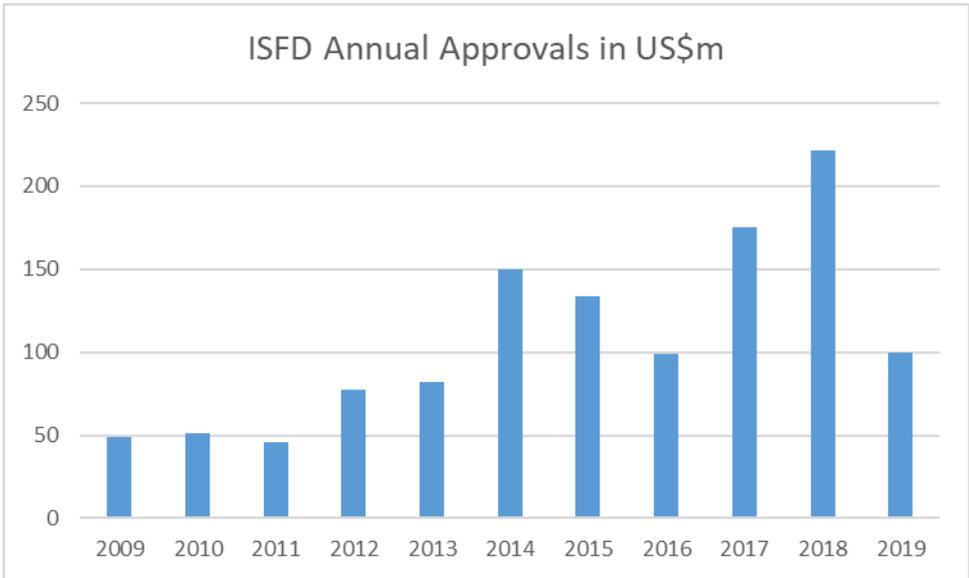
6. The ISFD has taken practical steps to reverse the culture of focusing primarily on the size and number of projects approvals and give more emphasis to impact oriented programs. For example, ISFD has approved this year the first project for Mali as part of the *“ISFD-EAA Enrollment and Retention of Out-of-School Children Program”*. This program aims to support 2.4 million out of school children in the participating member countries. This paves the way for program implementation in other countries in sub-Saharan Africa and South Asia, which have the largest number of out-of-school children in their regions - Pakistan, Nigeria, Burkina Faso, Niger, Cote D'Ivoire.
7. Significant progress has also been achieved in the Fight Against Avoidable Blindness Program (AFAB), as another impact-oriented program. AFAB is a global partnership that gather 32 partners aiming to carry out 1.5 million cataract operations and 10 million consultations, in addition to distribution of eye glasses and many other capacity building services. ISFD as the leading partners of the program has conducted

15,000 cataract operations and 60,000 eye consultations in six member countries since implementation started in late 2018. Moreover, capacity-building programs were organized in Turkey, and Tunisia for young African ophthalmologists from 13 member countries. The total cost of AFAB is US\$250 million. In light of the success of this program, the Fund plans to expand its geographic coverage and resource mobilization through non-conventional means, such as crowd funding.

Enhancing ISFD Approvals

8. The ISFD has also approved 9 projects and programs amounting to US\$83.0 million in 2019. Guided by the IsDB Policy for Poverty Reduction, these projects were allocated to pro-poor sectors, such as water supply, health, education, and in rural development. The ISFD Board of Directors has also decided to allocate 30% of the ISFD paid-in capital to be invested in projects with significant impact on poverty alleviation through “Development WAQF/Trust” approach. The first project under this program - “Economic Empowerment Fund for Palestinian People”, amounting to US\$500 million, was contributed to by US\$52.0 million by the ISFD.

9. The Chart below shows the growth of ISFD projects’ approvals for the period 2009-2019.



Strengthening Partnerships for Resource Mobilization

1. The ISFD has adopted a new approach for resource mobilization that focuses more on the private sector and non-public partners. In this respect, the Fund has developed the Ihsan Waqf Investment Funds (IWIFs) as an innovative resource mobilization tool through which the ISFD seeks to collaborate with donors using the Islamic Waqf (endowment) concept and principles. The first IWIF has been approved for Al-Quds with a target capital of US\$100.0 million, to which the ISFD will contribute US\$20.0 million. The ISFD is also in the process of establishing an IWIF with Investcorp, Bahrain, for US\$250.0 million, and a number of similar funds are being considered in other member countries.
2. The ISFD has also developed the Cash Waqf Sukuk (CWS) as innovative product through which it seeks to partner with qualified financial institutions to mobilize resources for poverty reduction. Plans are underway to issue CWS of US\$1.0 billion, with the first issuance of US\$100.0 with Malaysian organizations.

Annex 1, contains further details of the results-oriented programs, while Annex 2 contains the results of 6 projects/programs which have already been completed.

ISFD Income

3. The ISFD is required to invest its capital and retained earnings which are not immediately required for financing its operations to generate income that can be used to finance its projects and programs. As a Waqf (i.e. Trust), paid-up capital is not used in the Fund's operational activities. To maximize income, liquidity is maintained only to the extent necessary to meet the Fund's current cash requirements and undisbursed commitments for the short term. All ISFD capital resources are invested in accordance with the approved Investment Policy of the ISFD. Out of an approved capital of US\$10.0 billion, paid-up capital reached US\$2.585 billion as at the end of October 2019. ISFD net income in 2019 is projected at US\$86.32 million, compared to US\$84.22 million achieved in 2018.
4. The ISFD had launched several initiatives to supplement its interventions in member countries through investing part of its capital resources in poverty reduction projects and programs, as shown above.

5. The ISFD is developing a new Investment Policy framework which guides actions with respect to asset allocation. The Policy is based on the Fund's goals and expected future spending objectives. It also involves a strategic asset allocation, which sets target allocations for various asset classes with the overall objective of enhancing the return on ISFD investments.

Annex 1

ISFD New Initiatives Programs

1. ISFD-EAA Enrol and Retain Out-of-School Children Program (2018-2021)

This program has been designed and developed in partnership with Education Above All (EAA), Qatar. It aims at deploying accelerated alternative learning modules to reach out, enrol and retain out-of-school children based on their diverse backgrounds to reach communities, conflict situations, and children with mild special needs or disabilities, providing them with quality basic education. Mali, Nigeria and Pakistan have been identified for the initial phase of the Program.

The program is anchored on three principles. These are: (i) leveraging innovative joint financing that provides additional concessional resources to Member Countries; (ii) Expand the participation of non-state actors in educational service delivery based on established expertise and willingness to share knowledge to build national capacity; (iii) focusing on inclusive and quality education outcomes with targeted intervention on out-of-school children in conflict and/or deprived hard-to-reach communities.

The ISFD Board of Directors approved in April 2018 a contribution of US\$100 million over two years (2018 and 2019) for this program out of an estimated total cost of US\$375 million. Other Donors and NGO/Multilateral Implementation Partners will contribute grant resources amounting to US\$127 million. In-kind contribution from participating governments is estimated at US\$148 million. This represents an ISFD leverage of 1:2.75.

2. Lives and Livelihood Fund LLF (2016-2020)

The LLF Program was launched in September 2016 by the IsDB in partnership with Saudi Arabia, Qatar, the United Arab Emirates, the ISFD, and the Bill & Melinda Gates Foundation. By pooling grants from donors with ordinary lending capital from the IsDB, the Lives and Livelihoods Fund offers low-income member countries concessional financing resources for essential development projects.

Over a period of five years (2016-2020), the Facility will enable IsDB to deploy up to \$2 billion of Ordinary Financing on concessional terms to address poverty, infectious diseases, primary healthcare, agriculture and food security, and rural infrastructure in IsDB member countries. Ninety Five percent of the LLF resources target least developed member countries (LDMCs) and selected non-LDMCs with concentration of poor people.

The Program implementation started in 2016 and an Impact committee (IC) and a Technical Review Committee (TRC) have been established. As of now, a total amount of **US\$606**

million worth of projects have been approved under this program, for a total projects cost of **US\$724 million**. These approvals are distributed between Health Sector 40% and Agriculture and Infrastructure Sector 60%, for projects in Burkina Faso, Cameroun, Djibouti, Guinea, Mali, Mauritania, Morocco, Niger, Nigeria, Senegal, Sudan, Tajikistan, Uganda. The leverage achieved by the ISFD for LLF is **1:18**.

3. Alliance to Fight Avoidable Blindness AFAB.2 (2018-2022)

Building on the great impacts on people's lives achieved during the first phase of AFAB, ISFD and other donors and partners have agreed on introducing the second generation of the Alliance to Fight Avoidable Blindness AFAB-2. The Second Generation of AFAB aimed at providing comprehensive, accessible and sustainable eye care services in 12 countries (Burkina Faso, Chad, Guinea, Cote d'Ivoire, Djibouti, Guinea Bissau, Mauritania, Mali, Mozambique, Comoros, Niger and Togo), and in addition to cataract, the second generation will include other preventable eye diseases such as glaucoma, retinopathy and others.

ISFD Board of Directors had approved in **February 2017** a contribution of **US\$5 million** in 5 years for this program. While the resources to be mobilized by the Alliance in 5 years were initially targeted at US\$25.0 million, the actual amount committed had risen to US\$251 million. The Alliance official announcement was signed by the 32 donors and partners in April 2018. The program represents an achievement in resource mobilization of a **leverage 1:49**.

A crowdfunding platform has been developed and launched in 2018 by ETHIS Malaysia to mobilize resources from the public to the Program.

4. ISFD Scholarship Program for LDMCs (2018-2027)

The ISFD Scholarship Program is an addition to the IsDB Scholarship Program. Its Objective is to offer the opportunity to needy and talented young men and women from LDMCs to study bachelor degree and/or Technical Diploma, and to empower them to contribute to the development of their own countries/communities.

ISFD BOD has approved in **May 2017** a contribution of **US\$10.0 million** in 10 years representing 100% of the total cost of this Program.

5. Science, Technology & Innovation Fund STI

The IsDB Science, Technology & Innovation Fund was established in July 2017, with an initial **target size of US\$500 million**. The Fund Capital shall consist of contributions by the Bank, member countries and non-member countries of the Bank, entities, institutions, foundations, corporates and individuals within and outside member countries.

The overall aim of the fund is to (i) support the Muslim World with the power of innovation especially social innovation to address key development challenges, (ii) facilitate the commercialization of technology developed through sustained partnerships among researchers and entrepreneurs from IsDB Member Countries (MCs) and non-member countries for socio-economic impact, (iii) promote joint activities among member countries that would lead to innovation and entrepreneurship through the application of science and technology; (iv) Promote the continuity of and access to the chain of financing from various financing sources such as angel funds at early stages and hedge funds at later stages, in order to allow small innovative SMEs to flourish their own ideas and create new market; and (v) Devote a steady and predictable source of funds that is critical for developing STI.

ISFD Board of Directors had approved a contribution of **US\$100 million** for this program, while the IsDB has also approved US\$100 million for the program. It is expected that ISFD contribution will assist in mobilizing the remaining amount of US\$300 million to complete the target capital of the Fund (US\$500.0 million) This will represent a **leverage of 1:4**.

6. Coalition to Stop Obstetric Fistula Program (2018-2030)

The goal of the Coalition to Stop Obstetric Fistula Program is to improve maternal health by addressing obstetric fistula and contributing to its elimination by 2030. The Program will i) preventing new cases of obstetric fistula from developing, ii) treatment of women who suffer from this condition, iii) increase availability of rehabilitation services and iv) provide sufficient support and follow-up to ensure that women who are treated through the program are economically and socially active. The Program will be implemented in Afghanistan, Pakistan, Sierra Leone, Somalia and the Gambia.

ISFD BOD has approved in May 2017 a contribution of US\$5.0 million in 5 years for this program. The total cost of the program in US\$40 million and ISFD contribution will be used to mobilize US\$35 million from external sources over the program period, representing a leverage of 1:7.

7. NGO Empowerment Program

The goal of the Program is to contribute to reduce poverty in OIC MCs through empowering and strengthening local NGOs/CSOs to be able to raise funds from local and international market and to improve their delivery and performance on the ground. The key results of the program include: (i) 15,000 refugees and orphans will have access to quality education and relevant skills development; (ii) 3,000 low income families will have access to community livelihoods development through income generating activities; and (iii) 500 NGOs/CSOs capacities will be strengthened.

The estimated cost of the Program is **US\$40 million**, and ISFD contribution is planned at **US\$10 million** as grant for a period of **10** years. Projected leverage is, therefore, **1:3**.

8. IHSAN Waqf Investment Funds (IWIF) with Banks:

ISFD BOD approved **in November 2017** the Concept for establishing IWIF with commercial banks. The Fund is an innovative resource mobilization tool that ISFD seeks to establish by collaborating with qualified financial institutions in its efforts to mobilize resources for poverty alleviation. Rather than creating an investment fund in its traditional form, IWIF utilizes the concept and principles of Waqf (Islamic endowment) whereby the contributions (i.e. the principal) from Benefactors is preserved while striving to generate income from the investment(s) of the principal. ISFD contribution to IWIF: 20% vs 80%; thus achieving a minimum leverage of **1:4**.

IWIF funds that are currently under establishment are as follows:

- a) **IWIF for Al Quds with a selected bank in the Gulf Region, Target is US\$100.0 million**
- b) **IWIF with Investcorp in Bahrain Target US\$150.0 million**
- c) **Other IWIFs** are under negotiation with the following banks in Kuwait, Malaysia, and UAE.

9. Cash Waqf Sukuk:

The Cash Waqf Sukuk (CWS) is an innovation through which the ISFD seeks to establish by partnering with qualified financial institutions in its efforts to mobilize resources for poverty alleviation. The concept of the Cash Waqf Sukuk was approved by the 60th ISFD BOD Meeting in **February 2018**. Under the proposed model, the ISFD will target US\$1 billion CWS, to be issued in stages beginning with a US\$ 100-200 million tranche. The ISFD planning to issue Cash Waqf Sukuk of **US\$1.0 billion**, with the first issuance of **US\$100.0** with Malaysian organizations under Bank Negara regulations.

10. Global Economic Empowerment Program (GEEP)

The ISFD has developed this program to enable it to invest part of its ISFD paid-in-capital in projects that have significant socio-economic impact on the disadvantaged communities that will serve the following objectives:

- The allocation of more resources towards poverty alleviation
- The investment in projects that are compatible to ISFDs strategic policy
- Increase the impact and reach of ISFD funded projects

Through this project ISFD will allocate 30% of its capital to establish GEEP (US\$850 million). The total cost of the Program is estimated at an amount of US\$4 billion, with an ISFD projected leverage of 1:3.7

