



## **ISLAMIC DEVELOPMENT BANK GROUP**

### **REPORT ON:**

### **THE ACTIVITIES OF THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT (ISFD)**

32<sup>nd</sup> Meeting of the Follow-up Committee of the COMCEC  
(Ankara, Turkey, 17-18 May 2016)

**REPORT ON THE ACTIVITIES OF THE**  
**ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT (ISFD)**  
**As of 24 April 2016**

**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 Waqf<sup>1</sup> (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. STATUS OF RESOURCE MOBILIZATION**

4. The Fund has been established on the basis of voluntary contributions from member countries “to illustrate Islamic solidarity and brotherhood” among them. Accordingly, major contributions are expected to come from the group classified as “high income member countries” at a level which would offset the potentially small contributions that are expected from the least developed member countries (LDMCs).
5. Although eight years have passed since the commencement of the ISFD operations and the conclusion of its Five-Year Strategy (2008-2012), the Fund is still constrained by the low level of mobilized resources, compared to its approved target capital of US\$10.0 billion.
6. As of 25 April 2016, the level of pledged capital contributions to the ISFD was standing at US\$2.68 billion, committed by 44 member countries (US\$1.68 billion) and the IDB (US\$1.0 billion).
7. The total amount of received contributions thus far is US\$2.47 billion, of which US\$900 million was paid by the IDB and US\$1.57 billion by member countries. So far in 2016, no member countries has made a payment to the capital of the

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<sup>1</sup> 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.

Fund, but the IDB has paid US\$100.0 million of its remaining committed amount.

8. The net income of the Fund for 2015 was US\$62.07 million, compared to US\$72.33 million in the year before. This drop was mainly due to an unrealized fair value loss of US\$8.32 million on the ISFD Sukuk (Islamic bonds) holdings and a loss in swap of foreign currency amounting to US\$2.5 million in 2015.
9. In a bid to address the low level of commitments to the ISFD Capital by member countries, the ISFD's Board of Governors adopted Resolution ISFD/BOG/3-432 in its fourth meeting that took place in Jeddah in June 2011. The Board adopted a way of determining the appropriate level of a member country's voluntary contribution to the ISFD based on an average weighted criterion of three indicators:
  - The value of a country's Gross Domestic Product(GDP) in real terms
  - The value of a country's exports of goods and services
  - The value of a country's foreign exchange reserves
10. This Resolution is in line with the view expressed in various meetings of the OIC organs that the lack of guidelines designed to help each member country determine the appropriate contribution to the ISFD is one of the main reasons for the low level of announced commitments.
11. Furthermore, the ISFD Board of Governors, in its 5<sup>th</sup> meeting held in Khartoum on 3-4 April 2012, adopted a Resolution (No. ISFD/BG/3-433) calling on all member countries to:

*“... take all measures to support the efforts of the ISFD in resource mobilization such as allocating a suitable Waqf in favour of the ISFD which the ISFD can develop to generate revenues that can enhance its resources. The allocated Waqf shall be considered an addition to the financial contribution of the donating member country to the capital of the ISFD. At least 50% of the income generated from the investments of the Waqf will be used by the ISFD to finance its projects in the concerned member country, and the remaining amount will be used to finance other activities of the Fund.”*
12. Obviously, the implementation of these important resolutions will enable the Fund to enhance its resources. In the case of the *Waqf* donations, it will also directly benefit the donating member countries from the income which will be generated from the development and renting of the allocated *Waqfs*. In one country (Benin) a plot of land has been donated to the Fund and the ground breaking ceremony for building of a two tower building in Contonu has been held in March 2016. Nine more countries have so far reacted to this Resolution to donate plots of land in prime areas where modern towers could be built and rented to generate income for the Fund. These countries are: Azerbaijan, Cameroon, Jordan, Senegal, Yemen, Oman, Sudan and Guinea, and Burkina Faso. Moreover, a number of other member countries have made enquiries with a view to make suitable *waqf* donations to the Fund in line with this resolution.
13. Furthermore, the 4<sup>th</sup> Extraordinary Islamic Summit held in Makkah on 14-15 August 2012 as well as the 12<sup>th</sup> OIC Summit which was held in Cairo, Egypt on 2-7 February 2013, and the 13 OIC Summit which was held in Istanbul on 11-15 April 2016, have stressed the role of the ISFD in fighting poverty and called on the IDB to mobilize further support for the Fund. Hence, a strategic focus of the

Fund over the next three years will be to exert utmost effort to realize all the unpaid commitments and increase in commitments from member countries. At the same time, the ISFD will continue to explore possible opportunities for securing complementary resources for its operations through mechanisms such as Trust Funds, allocation of Waqf assets, partnerships and co-financing for ISFD projects, and donations from philanthropists and the private sector.

14. ISFD Board of Directors has approved a framework for establishing Trust Funds to support poverty reduction programmes with interested donors, including governments, philanthropists, private companies, development institutions and others. The ISFD is in the process of developing the operational mechanism of the Trust Funds, while maintaining close relationships with interested donors and holding discussions with some Member Countries to launch Trust Funds focusing on poverty reduction themes as well as development investments' projects/schemes which can also benefit the poor.
15. The Fund is also reviewing its investment policy with a view to ensuring a stable source of income consistent with the resource needs and long-term preservation and appreciation of the real value of the invested principal amounts.

### **III. ISFD OPERATIONS**

16. Cumulative ISFD approvals up to the end of 2015 had amounted to US\$565.8 million. During the year, 19 operations amounting to US\$133.36 million were approved for 15 member countries, compared to 12 projects amounting to US\$ 128.0 million in 10 countries approved in 2014. In accordance with the IDB Policy for Poverty Reduction, the ISFD supports projects with high poverty content, and at least 80% of its approvals are allocated to LDMCs. In 2015, 85% of its approvals were allocated to LDMCs and 48% of them were earmarked for addressing situations of high poverty content; namely in the areas of micro finance, vocational training, education, and rural development. In fact, 61% of these approvals were made Africa, 15% to the CIS countries, and 12% to Asia and Middle-Eastern countries.

### **IV. ISFD THEMATIC PROGRAMS**

20. Two thematic programs have been emphasized by the ISFD for implementation for poverty reduction during its first Five-Year Strategy period (2008-2012) and have continued to be implemented by the Fund beyond the strategy period: Vocational Literacy Program (VOLIP) and Microfinance Support Program (MFSP). The total cost of each of these two programs is estimated at US\$500 million. ISFD plays the role of a catalyst by providing US\$ 20.0 million for each program annually as seed money from its own resources and mobilizing the remaining amounts from other partners, including MDBs, private sector, Islamic banks/institutions, and charitable and civil society organizations.
21. So far, a number of projects have been approved under these two programs with a total value of US\$247.52 million (US\$136.05 million for VOLIP, and US\$111.47 million for MFSP). ISFD contributions amount to US\$74.53 million (US\$50.01 million for VOLIP, and US\$24.52 million for MFSP). The bulk of the approvals have been allocated to African countries.

### **V. PROMOTING CO-FINANCING WITH DEVELOPMENT PARTNERS**

22. The ISFD actively promotes co-financing to increase the total amount of resources available and maximize its impact. This also enhances the working relationship with stakeholders and other development partners for greater chance of project success and sustainability. In addition, the Fund has entered into a number of strategic partnerships in launching new initiatives. Below are selected examples of these initiatives:

**- Sustainable Villages Program (SVP):**

23. The ISFD has launched this program in May 2011 to be initially implemented in six countries in Africa over the next three years. The program, which is partially informed by the UN Millennium Villages Project (MVP), is aimed to offer a multi-sector, integrated model of development for addressing extreme poverty among the rural communities. SVPs have already been launched in Chad (Salamat Region), Kulbus in West Darfur in Sudan, and Mozambique, while arrangements are underway to launch two projects in Niger and Kyrgyz Republic. The amount approved for the program is US\$120 million (an average of US\$20.0 million per project) as loans and small grants. The program is being implemented in collaboration with the Earth Institute of the University of Columbia, MDG Centre in Nairobi, Arab Bank for Development in Africa (BADEA), Qatar Red Crescent, and other partners.

**- Other Flagship Programs:**

24. The ISFD is currently implementing a new flagship programs such as the Urban Poverty Reduction Program, the Renewable Energy for Poverty Reduction Program, and Save the Mothers Program.

## **VI. NEW INITIATIVES**

24. The ISFD is currently implementing a new flagship programs such as the Urban Poverty Reduction Program, the Renewable Energy for Poverty Reduction Program, and Save the Mothers Program.
27. ISFD also contributed US\$100 million towards a new program called “Lives and Livelihoods Fund (LLF)”, as a buy-down facility that has been established by the IDB and the Gates Foundation. ISFD contribution to the LLF will not only help leverage more resources from other development partners, it will also help generate concessional resources for the member countries.
25. A US\$50.0 million fund/company is being developed in partnership with the Government of Indonesia and other shareholders for the benefit of Islamic microfinance institutions.

## **VII. WAY FORWARD**

25. The ISFD intends to take a number of steps aimed at achieving and intensifying the efforts for resource mobilization and advocacy. These steps include:
- Enhancing the efforts for resource mobilization through consultations with member countries, tapping non-conventional sources, such as philanthropists, in-kind donations, donations of Waqf lands in member countries, etc.

- Engaging with the private sector under the Fund's Corporate Social Responsibility (CSR) initiatives, as well as approaching high net-worth individuals and institutions within member countries to solicit contributions to the Fund.
- Developing the Second ISFD Strategy for the period (2016-2018).
- Setting up specific poverty-related Trust Funds under the umbrella of the ISFD. These funds will be aimed to finance the provision of basic services to the poor, such as primary education, primary health care, microfinance, agriculture and rural development, energy for the poor, emergency relief and institutional capacity building.
- Implementing development investment and micro finance schemes for the poor as part of its capital investments program.
- Develop a Global Education Impact Fund. The GEIF is proposed to be US\$500.0 million conditional *Waqf* (i.e. Trust) to which the ISFD will contribute US\$100.0 million from its capital resources and mobilize the remaining part from regional foundations, philanthropists and high-net-worth individuals. The GEIF will not only work with the governments in the member countries but also with the private sector and NGOs to ensure visible impact in the education sector in the member countries.
- Review and robust implementation of the ISFD Investment Policy to increase the Fund's income.
- Widening partnerships to enhance the financing leverage of the Fund.

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**ANNEX**  
**ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT**  
**STATEMENT OF CONTRIBUTIONS TO THE ISFD CAPITAL (IN USD)**

**As of 30 April, 2016**

S.No	COUNTRY	COMMITMENTS (in USD)	PAID AMOUNT (in USD)	REMARKS
1	Afghanistan	No commitment	0	No payment
2	Albania	10000	0	No payment
3	Algeria	50,000,000	50,000,000	Fully Contributed
4	Azerbaijan	300,000	424,000	Fully Contributed
5	Bahrain	2,000,000	2,000,000	Fully Contributed
6	Bangladesh	13,000,000	4,000,000	1 <sup>st</sup> – 4 <sup>th</sup> Installments
7	Benin	12250000	0	No payment
8	Brunei	2,000,000	2,000,000	Fully Contributed
9	Burkina Faso	2,200,000	2,238,000	Fully Contributed
10	Cameroun	2,000,000	2,000,000	Fully Contributed
11	Chad	2,000,000	0	No payment
12	Comoros	No commitment	0	No payment
13	Cote d'Ivoire	5000000	0	No payment
14	Djibouti	No commitment	0	No payment
15	Egypt	10,000,000	10,000,000	Fully Contributed
16	Gabon	4,000,000	4,000,000	Fully Contributed
17	Gambia	No commitment	12,000	Special Case
18	Guinea	2,000,000	2,000,000	Fully Contributed
19	Guinea-Bissau	No commitment	0	No payment
20	Indonesia	10,000,000	7,545,500	1st & 2nd Install.
21	Iran	100,000,000	65,000,000	1st & 2nd Installment
22	Iraq	1,000,000	1,000,000	Fully Contributed
23	Jordan	3,000,000	3,000,000	Fully Contributed
24	Kazakhstan	11,000,000	6,000,000	1st & 2nd Install.
25	Kuwait	300,000,000	300,000,000	Fully Contributed
26	Kyrgyz Republic	No commitment	0	No payment
27	Lebanon	1,000,000	1,000,000	Fully Contributed
28	Libya	No commitment	0	No payment
29	Malaysia	20,000,000	20,000,000	Fully Contributed
30	Maldives	No commitment	0	No payment
31	Mali	4000000	0	No payment
32	Mauritania	5000000	0	No payment
33	Morocco	5,000,000	5,000,000	Fully Contributed
34	Mozambique	200,000	200,000	Fully Contributed
35	Niger	2000000	0	No payment
36	Nigeria	2,000,000	2,000,000	Fully Contributed

37	Oman	5,000,000	5,000,000	Fully Contributed
38	Pakistan	10,000,000	10,000,000	Fully Contributed
39	Palestine	500,000	186,000	1st Installment
40	Qatar	50,000,000	50,000,000	Fully Contributed
41	Saudi Arabia	1,000,000,000	1,000,000,000	Fully Contributed
42	Senegal	10000000	0	No payment
43	Sierra Leone	1,000,000	300,000	1 <sup>st</sup> Installment
44	Somalia	No commitment	0	No payment
45	Sudan	15,000,000	944,000	1st Installment
46	Suriname	500,000	500,000	Fully Contributed
47	Syria	2,000,000	2,000,000	Fully Contributed
48	Tajikistan	No commitment	0	No payment
49	Togo	1,000,000	1,000,000	Fully Contributed
50	Tunisia	5,000,000	5,000,000	Fully Contributed
51	Turkey	5,000,000	5,000,000	Fully Contributed
52	Turkmenistan	No commitment	0	No payment
53	Uganda	100000	0	No payment
54	UAE	No commitment	0	No payment
55	Uzbekistan	300,000	300,000	Fully Contributed
56	Yemen Republic	3,000,000	3,000,000	Fully Contributed
57	Islamic Development Bank	1,000,000,000	900,000,000	1 <sup>st</sup> – First portion of the 9th <sup>th</sup> Installment
	<b>Grand Total</b>	<b>2,679,360,000</b>	<b>2,347,649,500</b>	

**No commitments: 12 countries**

**Committed and fully paid: 28 countries**

**Committed and partially paid: 6 countries**

**Committed but no payment: 10 countries**

**Commitments to Target Capital: 26.8%**

**Paid-in capital to Commitments: 88.54%**