



**REPORT ON THE ACTIVITIES OF THE
ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT (ISFD) TO THE 34TH SESSION OF THE
COMCEC MEETING
As of 31 October 2018**

BACKGROUND

1. The ISFD was established as a Special Fund within the IsDB 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 Islamic Development Bank Board of Governors (BOG), held on 29-30 May, 2007 in Dakar, Senegal.
2. The Fund has been established in the form of a Waqf¹ (i.e. Trust), with a principal target capital of US\$10.0 billion. All IsDB 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 finance 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, 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 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).

I. STATUS OF RESOURCE MOBILIZATION

1. 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*

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.

member countries” at a level which would offset the potentially small contributions that are expected from the least developed member countries (LDMCs).

2. Although 10 years have passed since commencement of its operations, the ISFD is still constrained by the low level of mobilized resources, compared to its approved target capital of US\$10.0 billion.
3. ISFD **capital commitments** currently stand at **US\$2.7 billion** contributed by 49 member countries (US\$1.7 billion) and the IsDB (US\$1.0 billion). This represents 27.0% of the approved target capital (Annex-1).
4. **New commitments amounting to US\$24.1 million** were made by 4 countries in 2017, namely: Sudan (US\$21.1 million); Togo (US\$1.0 million), Brunei Darussalam (US\$1.0 million), and Maldives (US\$1.0 million). Thus far, no new commitment has been made in 2018.
5. Currently, **paid-in capital stands at US\$2.585 billion**. One payment has thus far been received from a member country in 2018, Bangladesh, amounting to US\$1.0 million. Therefore, of the committed contributions, the remaining amount to be paid is **US\$142.85 million**.
6. Letters have been sent to the concerned Governors under the signature of the Director General of the ISFD requesting them to:
 - (i) consider increasing their voluntary contribution to the ISFD capital in accordance with 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 that takes into account the country’s real GDP, total exports value and foreign exchange reserves;
 - (ii) Consider allocating suitable Waqf land in favour of the ISFD which the ISFD can develop to generate revenues that can enhance its resources in accordance with the ISFD BOG resolution (ISFD/BG/3-433); and
4. Furthermore, the 13th OIC Summit held in Istanbul in 2016 underscored the role of the ISFD in providing finance to fight poverty and called on IsDB member countries to commit the required capital to the Fund. Thus, the Fund's strategic focus is to make every effort to realize all outstanding commitments and to attract new contributions from member countries. At the same time, will continue to explore possible opportunities to secure supplementary resources for poverty reduction projects through mechanisms such as trust funds, endowment assets, partnerships, co-financing and the private sector. Indeed, the ISFD is developing strategic partnerships with selected member countries, while harnessing the close relationship with interested donors to launch these programs.

5. The Fund is also reviewing its investment policy with a view to ensuring higher returns and a stable source of income consistent with the resource requirements of the IsDB's poverty reduction programs, as well as maintaining the real value of the invested capital amounts.

II. ISFD OPERATIONS

6. Cumulative approvals of the ISFD for the period 2008- Oct. 2018 have amounted to 118 operations (loans & grants) for 33 member countries, to which the ISFD has contributed US\$834.22 million. Out of the total approved projects, about 80% have been allocated to the Least Developed Member Countries (LDMCs).
7. The main sectors of operations (i) Agriculture (including Rural Development), which accounted for around 45 percent of the ISFD financing, and (ii) Education (including vocational training), which accounted for around 24 percent of the ISFD financing.
8. The ISFD also contributed US\$100 million towards a new program: "Lives and Livelihoods Fund (LLF)", as a buy-down facility that has been established by the IsDB and the Gates Foundation. Thus, the ISFD support to the LLF will not only help leveraging more resources from development partners, it will also help generate concessional resources for the member countries. A total amount of US\$606 million worth of projects have been approved by LLF, US\$363.0 million during 2016 and US\$243 million during 2017 for a total projects cost of US\$724.0 million. These approvals are distributed between Health Sector 40% and Agriculture and Infrastructure Sector 60%, and are related to projects in Burkina Faso, Cameroun, Djibouti, Guinea, Mali, Mauritania, Morocco, Niger, Nigeria, Senegal, Sudan, Tajikistan, and Uganda.

Resource Mobilization for Awqaf Development:

9. Since the adoption of resolution No. ISFD/BG/3-433) in 2012, the ISFD has spared no efforts in encouraging member countries to allocate Waqf assets to the Fund. As at 31 January 2018, the number of countries that have allocated plots of land to the ISFD within the framework of the Waqf program stood at 4: Benin, Burkina Faso, Comoros and Cote D'Ivoire.

Benin

10. The land allocated to ISFD in Benin has been valued at US\$5.7 million (valuation done in 2014). The Groundbreaking Ceremony was held in Cotonou on 8 February 2016. ISFD is now in the process of hiring a project manager, and the Government of Benin has agreed in principle to provide tax and customs duty concessions to the ISFD for the implementation

of the project. Construction is expected to start in September 2018 and finish by September 2021.

Burkina Faso

11. A plot of land has been offered as waqf to the ISFD in a prime area by Burkina Faso in Ouagadougou. The ISFD is now working on the valuation of the land before a thorough feasibility study is undertaken.

Comoros

12. The Government of Comoros allocated a plot of land to the ISFD on the Corniche de Moroni that measures over 5 hectares. The ISFD is now working on the valuation of the land before a thorough feasibility study is undertaken.
13. Expressions of interest to offer Waqf land for the ISFD have been made by Azerbaijan, Bahrain, Cote d'Ivoire, Sierra Leone, Cameroon, Maldives, Togo and Sudan.

Resource Mobilization for ISFD Loan and Grants-Based Programs

14. ISFD adopted and approved 3 new grants-based programs in 2017 to mobilize additional grants from partners to fund them, as follows:

Second Generation of the Alliance to Fight Avoidable Blindness:

- a) 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 BOD has 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 a side meeting held during the Annual Meeting of the IsDBG in Tunisia on April 2018. Islamic Relief, UK, has recently informed the ISFD of doubling its commitment from US\$1.0 to US\$2.0 million. The program represents an achievement in resource mobilization of a leverage 1:49.

- b) **Scholarship Program for the Poor:** ISFD BOD has approved a contribution of US\$10.0 million in 10 years for a Scholarship Program for the Poor in IsDB member countries.

This program will be an addition to the IsDB Scholarship Program.

- c) **Coalition to Stop Obstetric Fistula Program:** ISFD BOD has approved ISFD contribution of US\$5.0 million in 5 years for this program.
 - d) ISFD has approved/allocated other grants in 2017 as follows:
 - **Education for Syrian Refugees:** ISFD allocated US\$2.0 million, as part of a US\$7.0 million program managed by the Trust Funds Department for 3 years, starting 2016. This program has attracted another US\$7.0 million from external donors.
 - **Somalia Dryland Initiative:** ISFD allocated US\$1.0 million as part of a US\$3.0 million program managed by the Trust Funds Department for 3 years.
 - **Capacity Building for the Youth Entrepreneurship Program in Comoros:** ISFD approved US\$0.25 million for this program.
 - **Printing School Textbooks for Yemen:** ISFD approved US\$0.5 million for this project.
15. **Develop Job Creation Program in Partnership with Silatech, Qatar:** This partnership aims to add additional 1 million jobs to the 2 million jobs in 15 Arab countries which have initially been targeted by the program. Thus, the total jobs to be created by the program will be 3 million jobs through microfinance, vocational training and job-matching. The total cost of the program is estimated at US\$386.0 million towards which the ISFD will contribute US\$80.0 million in direct concessionary loans to beneficiary countries over 5 years. Silatech will provide US\$7.0 million as grant to the program, while the remaining finance amount will be covered by MFIs of the beneficiary 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.
16. **Education Above All, Qatar:** This aims to establish out-of-school children program in 3 member countries: The program will initially target Mali, Nigeria and Pakistan, while more countries will be added to the program in the future. The program aims to assist in the return of 2.4 million children back to school, in collaboration with the ISFD, EAA, Governments of beneficiary countries and international donors. The total program cost is US\$375.0 million, to which the ISFD will contribute US\$100.0 million, as approved by the ISFD Board of Directors on 30 March 2018.

17. **IsDB Science, Technology & Innovation Fund (STI Fund):** The ISFD has contributed US\$100.0 million to this Fund. It is expected that this will help the IsDB in mobilizing additional US\$400.0 million for the STI Fund.
18. **Bill - Malinda Gates Lives and Livelihood Program (LLF):** This Fund provides affordable financing of US\$2.5 billion for the IsDB LDMCs. It does this by providing a combination of grants and concessional loans through pooling ISFD grant of US\$100.0 million over 5 years with donor grant money in a multi-donor trust fund.

Resource Mobilization for ISFD Investment-Based Programs

19. **Establishment of Economic Empowerment Funds & Programs:** These are Funds and programs that will be constituted from the ISFD capital, income, or on investment basis. The program aims to mobilize resources to establish funds and economic empowerment institutions in member countries to enable the integration of the low-income groups into the productive economy and enhance sustainable development. In 2017, studies and consultations had been carried out between the ISFD and other stakeholders. It is expected that total value of the EE funds and programs under consideration will exceed US\$4.0 billion. ISFD contribution in any fund or program will range from 10-25%.
20. **IHSAN Waqf Investment Funds (IWIF) with Banks:** The ISFD seeks to establish these Waqf Funds to mobilize resources from philanthropists in member countries. ISFD contributions to these funds will not exceed 20% of each Fund's capital, i.e. the contribution of the philanthropists will be 80% or more. The income of the entire invested amount will be allocated for ISFD programs for poverty alleviation. IWIF funds that are currently under establishment are as follows:
21. **IWIF for Al Quds:** The Fund has also developed innovative resource mobilization products, such as "Cash Waqf Sukuk" and "Ihsan Waqf Investment Fund (IWIF)". The ISFD is currently using IWIF to create a US\$100.0 million special fund for Al Quds. It is working on developing this initiative with Al Taawun Foundation, Jordan Commercial Bank and other partners to supplement this amount. The ISFD signed an MOU with the partners in Al Quds Fund on 5 April 2018 so that it can move ahead with the establishment of the Waqf, whose income will be allocated to the people of Al Quds to improve their standard of living.

22. **IWIF with Investcorp in Bahrain:** (Target is US\$150.0 million: ISFD contribution is US\$30.0 million, and US\$120.0 million to be mobilized by Investco). A Letter of Intent from Investco has been received by the ISFD.
23. **Cash Waqf Sukuk:** The ISFD is developing a new resource mobilization product with Malaysian organizations. Cash Waqf Sukuk will be issued under the regulation of Negara Bank. According to this program, the ISFD will issue Cash Waqf Sukuk of up to US\$1.0 billion, with the first issuance of US\$100.0 – 200.0 million (a full RRP has been prepared for consideration/approval by the 60th ISFD BOD).
24. **Micro-Takaful Fund:** The ISFD aims to launch a Micro Takaful Fund in collaboration with ICIEC to provide guarantees for banks and financial institutions to provide loans for member countries and microfinance institutions which the need financial resources to expand their microfinance and Economic Empowerment Programs. Moreover, this fund will enhance the borrowing capabilities of the LDMCs to get more resources for fighting poverty. ISFD contribution is suggested to be US\$50.0 million in 5 years. Another US\$50.0 million is expected to be contributed by other partners. This amount will enable ICIEC to guarantee US\$250.0 million via reinsurance policy.

III. 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 Corporate Social Responsibility (CSR) initiatives, as well as approaching high net-worth individuals and institutions within member countries to solicit contributions to the Fund.
 - 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.
 - Review and effective implementation of the ISFD Investment Policy to increase the Fund's income.
 - Widening partnerships to enhance the financing leverage of the Fund.

Annex -1

ISFD Statement of Capital Contributions

As of 31 October 2018

S.No	COUNTRY	COMMITMENTS (in US\$ 000's)	PAID AMOUNT (in US\$ 000's)	REMARKS
Committed and Fully Paid				
1	Saudi Arabia	1,000,000	1,000,000	Fully Paid
2	Kuwait	300,000	300,000	Fully Paid
3	Algeria	50,000	50,000	Fully Paid
4	Qatar	50,000	50,000	Fully Paid
5	Malaysia	20,000	20,000	Fully Paid
6	Kazakhstan	11,000	11,000	Fully Paid
7	Egypt	10,000	10,000	Fully Paid
8	Pakistan	10,000	10,000	Fully Paid
9	Indonesia	10,000	10,000	Fully Paid
10	Morocco	5,000	5,000	Fully Paid
11	Oman	5,000	5,000	Fully Paid
12	Turkey	5,000	5,000	Fully Paid
13	Tunisia	5,000	5,000	Fully Paid
14	Gabon	4,000	4,000	Fully Paid
15	Brunei	3,000	3,000	Fully Paid
16	Jordan	3,000	3,000	Fully Paid
17	Yemen Republic	3,000	3,000	Fully Paid
18	Burkina Faso	2,200	2,238	Fully Paid
19	Bahrain	2,000	2,000	Fully Paid
20	Syria	2,000	2,000	Fully Paid
21	Cameroon	2,000	2,000	Fully Paid
22	Nigeria	2,000	2,000	Fully Paid
23	Guinea	2,000	2,000	Fully Paid
24	Lebanon	1,000	1,000	Fully Paid
25	Iraq	1,000	1,000	Fully Paid
26	Suriname	500	500	Fully Paid
27	Azerbaijan	300	424	Fully Paid
28	Uzbekistan	300	300	Fully Paid
29	Mozambique	200	200	Fully Paid

Committed but Partially Paid				
1	Iran	100,000	65,000	1st & 2nd Installment
2	Sudan	36,100	944	1st Installment
3	Bangladesh	13,000	7,000	1st-7th Insts.
4	Benin	12,250	940	1st Instalment
5	Togo	2,000	1,000	1st Installment
6	Gambia	1,220	12	1st Installment
7	Sierra Leone	1,000	300	1st Installment
8	Palestine	500	186	1st Installment
9	Turkmenistan	300	100	1st Installment
Committed but Not Paid				
1	Senegal	10,000	-	No payment
2	Cote d'Ivoire	5,000	-	No payment
3	Mauritania	5,000	-	No payment
4	Mali	4,000	-	No payment
5	Chad	2,000	-	No payment
6	Niger	2,000	-	No payment
7	Maldives	1,000	-	No payment
8	Comoros	650	-	No payment
9	Guinea-Bissau	200	-	No payment
10	Uganda	100	-	No payment
11	Albania	10	-	No payment

No Commitment				
1	Afghanistan		-	No commitment
2	Djibouti		-	No commitment
3	Guyana		-	No commitment
4	Kyrgyz Republic		-	No commitment
5	Libya		-	No commitment
6	Somalia		-	No commitment
7	Tajikistan		-	No commitment
8	UAE		-	No commitment
1	Islamic Development Bank	1,000,000	1,000,000	Fully Paid
Grand Total		2,705,830	2,585,144	

ISFD Resources in-kind:		(in US\$ 000's)
1	Benin Waqf Land	5,355
2	Burkina Faso	To be determined
3	Comoros	To be determined
4	Cote d'Ivoire	To be determined