



ISLAMIC DEVELOPMENT BANK GROUP

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

**31st Session of the COMCEC
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REPORT ON THE ACTIVITIES OF THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT (ISFD)

As of 15 October 2015

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 Waqf¹ (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.

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 15 October 2015, the level of pledged capital contributions to the ISFD stands 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\$2.42 billion, of which US\$850 million was paid by the IDB and US\$1.57 billion by member countries. In 2015, three member countries made payment, including Indonesia (US\$3.1 million), Pakistan (US\$4.5 million), in addition to US\$150.0 million paid by the IDB. A

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.

payment of US\$1.0 million from Bangladesh, as the 5th installment of its US\$13.0 million contribution to the ISFD, is expected before the end of the year.

8. The net income of the Fund for Q3, 2015 was US\$51.72 million, compared to US\$38.36 million for Q3, 2014. The increase was mainly because of increased investment portfolio and higher rates of return on ISFD investments.
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 5th 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*. Ten 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, Benin, 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 4th Extraordinary Islamic Summit held in Makkah on 14-15 August 2012 as well as the 12th OIC Summit which was held in Cairo, Egypt on 2-7 February 2013, 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 structure 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.
15. The Fund has also put in place a comprehensive investment policy with a view to ensuring a stable source of income consistent with the resource needs and the long-term preservation and appreciation of the real value of the invested principal amounts.

III. ISFD OPERATIONS

16. Cumulative ISFD approvals up to end-September 2015 had amounted to US\$562.2 million. Out of this amount, US\$19.6 million – (i.e. 4%) have been provided on a grant basis. Out of the total approved projects, 78% have been allocated to LDMCs. The total approvals support total projects' value of US\$2.7 billion, thus attaining a leverage ratio of 1 to 5 i.e. every US\$1 provided by ISFD mobilizes almost US\$ 5 from external funding.
17. Total projects' approvals in 1436H amounted US\$121.6 million (US\$107.9 million for loans - against planned loan approvals of US\$124.4 million), and US\$13.7 million for grants - against planned grants' approvals of US\$14.77 million..
18. Out of the approved operations, two Micro Finance projects in Kyrgyzstan (US\$ 1.7 million) and one Community Driven Development Project in Indonesia (US\$ 7 million) have already been completed. As such, 65 operations are currently active under the ISFD portfolio.
19. The main sectors of focus have been (i) Agriculture (incl. Rural Development), which accounted for around 43 percent of the ISFD financing, and (ii) Education (incl. VOLIP), which accounted for around 24 percent of the ISFD financing.
20. The Least Developed Member Countries (LDMCs) have been the main beneficiaries of these operations, enjoying more than 80% of the Fund's financing. In fact, 61% of these approvals were made Africa, 15% to the CIS countries, and 12% to Asia and Middle-Eastern countries.
21. Cumulative disbursements so far have reached US\$97.33.0 million, compared to US\$81.9 million as at the end of 2014. As the number of approved ISFD projects which fulfill the disbursement criteria increases, disbursements are expected to keep their rising trend.

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

25. 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 (GoI) and other shareholders for the benefit of Islamic microfinance institutions. In March 2015, the GoI nominated PT Permodalan Nasional Madani (PNM) Persero to be an IDB strategic partner for the establishment of the entity. It is expected that the IDB Group, along with PNM, will provide the seed equity for establishing the entity while the remaining balance will be raised from the market.

VII. WAY FORWARD

26. 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 (2015-2017).
 - 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.
 - 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.
 - Robust implementation of the approved ISFD Investment Policy to increase the Fund's income.
 - Widening partnerships to enhance the financing leverage of the Fund.

ANNEX
ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT
STATEMENT OF CONTRIBUTIONS TO THE ISFD CAPITAL (IN USD)
As of 15 October, 2015

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 st – 4 th 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 st 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	850,000,000	1 st – First portion of the 9 th Installment
	Grand Total	2,679,360,000	2,342,649,500	

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%