



ISLAMIC DEVELOPMENT BANK

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

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**Report on the Activities of the
Islamic Solidarity Fund For Development (ISFD)
As of 27 April 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 operations.
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 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. Although more than seven years have elapsed 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.
5. 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).
6. Currently, 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 so far is US\$2.31 billion, of which US\$750 million was paid by the IDB and US\$1.56 billion by member countries. So far, only the IDB has made a payment of US\$50.0 million in 2015, and no payment has been received from member countries since the beginning of the year.

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.

8. Net income of the Fund in 2014 was US\$72.3 million, compared to US\$26.48 million in 2013, and US\$59.86 million in the year before. This was mainly because of increased investment portfolio and higher rates of return on investments in *Sukuk* (Islamic bonds) in 2014.
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 a Resolution in 2011 (No. ISFD/BOG/3-432) as a way of determining the appropriate level of a member country's voluntary contribution to the ISFD. It was 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. Furthermore, the ISFD Board of Governors adopted a Resolution in 2012 (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.”
11. 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. 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.
12. 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 commitments from member countries. At the same time, the ISFD will continue to explore possible opportunities for securing complementary resources through mechanisms such as Trust Funds, allocation of Waqf assets, co-financing, and donations from Philanthropists and the private sector.
13. 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 now engaged in developing the operational structure of Trust Funds, while it maintains close relationship with interested donors and holding discussions with some Member Countries to launch Trust Funds focusing on specific poverty reduction themes.
14. 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. Implementation of this policy has already had positive impact on improving returns on ISFD investments in 2014.

III. ISFD Operations

16. As at the end of 1435H, ISFD has supported poverty reduction projects over 32 IDB Member Countries through contributing US\$433.5 million to 68 projects of a total cost of US\$2.3 billion. Around 80% of this amount is distributed to the Least Developed IDB Member Countries, mostly in Sub Saharan Africa. Most of the ISFD financing (68% of the total) has been concentrated in Africa; Sub Saharan Africa received 64%. The remaining interventions are in Central Asia (13%), Middle East (6%) and Asia (13%).
17. In line with the IDB Policy on Poverty Reduction, interventions have been focusing on the sectors that have direct impact on poverty alleviation in rural areas: Agriculture and Rural Development (41%), Education including Vocational Education (26%), Micro Finance (12%), Health (7%), Rural Transport (6%), and Renewable Energy (8%).
18. Cumulative disbursements so far have reached US\$67.0 million, which represents disbursements of 21 percent of the total approved amount of ISFD financing.

IV. Promoting Co-Financing with Development Partners

22. The ISFD actively promotes co-financing to increase the total amount of funding 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:

V. New Initiatives

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

VI. 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.
 - 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.
 - Vigorous 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 27 April, 2015

No	Countries	Commitments	Payment
1	Afghanistan	0	0
2	Albania	10,000	0
3	Algeria	50,000,000	50,000,000
4	Azerbaijan	300,000	424,000
5	Bahrain	2,000,000	2,000,000
6	Bangladesh	13,000,000	4,000,000
7	Benin	12,250,000	0
8	Brunei	2,000,000	2,000,000
9	Burkina Faso	2,200,000	2,238,000
10	Cameroun	2,000,000	2,000,000
11	Chad	2,000,000	0
12	Comoros	0	0
13	Cote d'Ivoire	5,000,000	0
14	Djibouti	0	0
15	Egypt	10,000,000	10,000,000
16	Gabon	4,000,000	4,000,000
17	Gambia	0	12,000
18	Guinea	2,000,000	2,000,000
19	Guinea-Bissau	0	0
20	Indonesia	10,000,000	7,545,000
21	Iran	100,000,000	65,000,000
22	Iraq	1,000,000	1,000,000
23	Jordan	3,000,000	3,000,000
24	Kazakhstan	11,000,000.00	11,000,000
25	Kuwait	300,000,000	300,000,000
26	Kyrgyz Republic	0	0
27	Lebanon	1,000,000	1,000,000
28	Libya	0	0
29	Malaysia	20,000,000	20,000,000
30	Maldives	0	0
31	Mali	4,000,000	0
32	Mauritania	5,000,000	0
33	Morocco	5,000,000	5,000,000
34	Mozambique	200,000	200,000
35	Niger	2,000,000	0
36	Nigeria	2,000,000	2,000,000
37	Oman	5,000,000	5,000,000

38	Pakistan	10,000,000	5,116,000
39	Palestine	500,000	186,000
40	Qatar	50,000,000	50,000,000
41	Saudi Arabia	1,000,000,000	1,000,000,000

42	Senegal	10,000,000	0
43	Sierra Leone	1,000,000	300,000
44	Somalia	0	0
45	Sudan	15,000,000	944,000
46	Suriname	500,000	500,000
47	Syria	2,000,000	2,000,000
48	Tajikistan	0	0
49	Togo	1,000,000	1,000,000
50	Tunisia	5,000,000	4,991,000
51	Turkey	5,000,000	5,000,000
52	Turkmenistan	0	0
53	Uganda	100,000	0
54	UAE	0	0
55	Uzbekistan	300,000	300,000
56	Yemen Republic	3,000,000	3,000,000
57	Islamic Development Bank	1,000,000,000	750,000,000
	Grand Total : USD	2,679,360,000	2,314,650,000

No commitments: 12 countries

Committed and fully paid: 27 countries

Committed and partially paid: 7 countries

Committed but no payment: 10 countries

Commitments to Target Capital: 26.8%

Paid-in capital to Commitments: 84.4%