



ISLAMIC DEVELOPMENT BANK GROUP

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

30th Meeting of the Follow-up Committee of the COMCEC
Ankara, Turkey, 7-8 May 2014

**REPORT ON THE ACTIVITIES OF THE
ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT (ISFD)
As of 20 APRIL 2014**

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 its 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.

II. STATUS OF RESOURCE MOBILIZATION

4. Although close to 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. As such, 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. As of 20 April 2014, the level of announced capital contributions to the ISFD stands at US\$2.68 billion, announced 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\$2.17 billion, of which US\$600 million was paid by the IDB and US\$1.57 billion by member countries. In 1434H, several member countries made payment, including Kuwait (US\$ 300 million), Egypt (US\$5 million), Indonesia (US\$2.4 million), Kazakhstan (US\$5 million), Tunisia (US\$5 million), and Bangladesh (US\$ 1 million).

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. The net income of the Fund in 1434H (2013) was US\$26,48 million, compared to US\$ 59,84 million in the year before, despite the larger size of investments in 1434H (2013G). This was mainly because of the losses made on the unrealized fair value of Sukuk investments in 1434H, amounting to US\$18.62 million, compared to an appreciation of US\$14.07 million achieved in 1433H.
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. The 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 is one of the main reasons for the low level of contributions.
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 resolution will enable the Fund to enhance its resources while directly benefiting the donating member countries from income which will be generated from their allocated *Waqf*. A number of member countries (Benin, Sudan, Jordan, Guinea, and Yemen) have so made firm commitments to donate plots of land in prime areas where modern towers could be built and rented to generated income for the Fund. At the same time, a number of other member countries have expressed their willingness to make suitable 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 the IDB to mobilize further support for the Fund.
14. The 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.
15. The ISFD is exploring possible opportunities for securing complementary resources, through mechanisms such as Trust Funds, allocation of *Waqf* assets, enhancing co-financing for ISFD projects, and donations from Philanthropists, private sector, etc.
16. ISFD Board of Directors has approved a framework on 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 relationships with interested donors and is also discussing with some Member Countries, to begin launching Trust Funds focusing on poverty reduction themes.

17. The Fund has also put in place a comprehensive investment policy with a view to ensuring a stable source of income for the Fund, consistent with the resource needs and the long-term preservation and appreciation of the real value of the invested principal amounts of the Fund.

III. ISFD OPERATIONS

18. ISFD has supported 60 operations (US\$ 323.52 million) since its inception, with funding from its income; and co-financing from the IDB, beneficiary governments and other partners including the TA Grants. Out of these 60 operations, two Micro Finance projects in Kyrgyzstan (US\$ 1.7 million) and one Community Driven Development Project in Indonesia (US\$ 7 million) were completed in 2012 and 2013, respectively. As such, 57 operations are currently active under the ISFD portfolio with a total approval of US 314.82 million.
19. The cumulative total cost of those 57 operations is estimated at USD 1.8 billion. The Fund contributed 17% of the total cost (USD 314.82 million), while the remaining amount of US\$ 1,526.75 million was co-financed by IDB (US\$ 865.4 million; 48%) and other partners (US\$ 655.9 million; 36%).
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. From 1430-1435H, the ISFD, through the Operations Complex that currently implements its operations, has disbursed an amount USD 63.7 million, which represents disbursements of 20 percent of the total approved amount of ISFD financing.

IV. ISFD THEMATIC PROGRAMS

22. 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 over a five-year period. The amount is divided evenly over the five year period i.e. US\$100.0 million annually per program. 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.
23. So far, a number of projects have been approved under these two programs with a total ISFD/IDB approvals of US\$121.49 million (US\$73.01 million for VOLIP, and US\$58.48 million for MFSP). The ISFD contribution is US\$37.61 million for VOLIP and US\$22.28 million for MFSP. The IDB contribution is US\$35.40 million and US\$36.20 million to these two programs respectively. The bulk of the approvals have been allocated to African countries.

V. PROMOTING CO-FINANCING WITH DEVELOPMENT PARTNERS

24. 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:

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

25. 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 inspired 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) and Kulbus in West Darfur in Sudan. The amount approved for the program is US\$120 million (an average of US\$20.0 million per project) as loan, and small grants. The Fund is currently working on the next batch of countries in the program. 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.

VI. NEW INITIATIVES

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

VII. WAY FORWARD

27. 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.
 - 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 CONTRIBUTION (IN USD)
AS OF 20 April, 2014

No	Countries	Commitments	Payment
1	Afghanistan	No commitment	
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	3,000,000
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	No commitment	
13	Cote d'Ivoire	5,000,000	0
14	Djibouti	No commitment	
15	Egypt	10,000,000	10,000,000
16	Gabon	4,000,000	4,000,000
17	Gambia	No commitment	12,000
18	Guinea	2,000,000	2,000,000
19	Guinea-Bissau	No commitment	
20	Indonesia	10,000,000	2,440,000
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	6,000,000
25	Kuwait	300,000,000	300,000,000
26	Kyrgyz Republic	No commitment	
27	Lebanon	1,000,000	1,000,000
28	Libya	No commitment	
29	Malaysia	20,000,000	20,000,000
30	Maldives	No commitment	
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	No commitment	
45	Sudan	15,000,000	944,000
46	Suriname	500,000	500,000
47	Syria	2,000,000	2,000,000

48	Tajikistan	No commitment	
49	Togo	1,000,000	1,000,000
50	Tunisia	5,000,000	5,000,000
51	Turkey	5,000,000	5,000,000
52	Turkmenistan	No commitment	
53	Uganda	100,000	0
54	UAE	No commitment	
55	Uzbekistan	300,000	300,000
56	Yemen Republic	3,000,000	3,000,000
57	Islamic Development Bank	1,000,000,000	600,000,000
	Grand Total	2,679,360,000	2,166,651,000

No Commitment: 12 countries

Committed but No payment: 10 countries

Committed and fully paid: 27 countries

Committed and partially paid: 7 countries

% of Commitments to Target Capital: 26.8%

% of Paid-in capital to Commitments: 21.7%