



## ISLAMIC DEVELOPMENT BANK GROUP

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

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29<sup>th</sup> Session of the COMCEC  
(Istanbul, Turkey, 18-21 November 2013)

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As of 5 October 2013

## 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 32<sup>nd</sup> 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 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 six 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

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<sup>1</sup> The concept of Waqf (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.

potentially small contributions that are expected from the least developed member countries (LDMCs).

6. As of 5 October 2013, 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). During 1434, and since the 28<sup>th</sup> Session of COMCEC in October 2012, the ISFD has not received new commitments to its capital from member countries, but received payment of the full amount of US\$300.0 million committed by Kuwait and US\$100.0 from the IDB. Twenty six member countries have fully paid their announced contributions, 9 paid partially, and 10 countries of those who announced their contributions are yet to start payment of those contributions. Twelve countries are yet to announce their pledges to the Fund. (Annex-1 shows the status of contributions to the Fund as of 5 October 2013).
7. The total amount of received contributions so far is US\$2.16 billion, of which US\$600 million was paid by the IDB and US\$1.56 billion by member countries.
8. The gross income of the Fund in 2012 was US\$62.36 compared to US\$31.88 million in 2011 and US\$20.02 million in 2010) and net income of US\$59.86 million in 2012, compared to US\$30.07 million in 2011 and US\$18.62 million in 2010. This shows the significant and sustained improvement that the Fund has been able to achieve in its income, which is the basis for its commitment capacity, despite the meagre increases in its received capital during these periods.
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 previous COMCEC meetings 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 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 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*. Three member countries (Benin, Sudan 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 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, 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 had developed a framework on establishing Trust Funds to support poverty reduction programmes with interested donors including governments, philanthropists, private companies, development institutions and others, which was approved in the 40th Meeting of the ISFD BOD on 20th Jumada-I 1434H (1st April 2013G), giving the means to ISFD to strengthen its alternative/complementary resource mobilization efforts. The ISFD is now engaged in developing the operational structure of Trust Funds, while it maintains close relationships with interested donors, such as the World Congress of Muslim Philanthropists and is also discussing with some Member Countries, to begin launching Trust Funds focused on various 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.

18. The Fund looks forward with optimism that member countries will implement the resolutions of the OIC Summit as well as the resolutions of the COMCEC Summit in this regard. It also looks on the 29<sup>th</sup> COMCEC Session to reaffirm the need for member countries to implement these resolutions in its final communique.

### **III. ISFD OPERATIONS**

19. To-date, the ISFD has approved 49 projects with direct funding from its income, in addition to co-financing from IDB, governments and other financiers. The cumulative project cost of these projects is estimated at US\$1.86 billion. The Fund contribution to these programs is US\$264.10 million, while the remaining amount of US\$1,597.90 million has been leveraged from the IDB (US\$1061 million), governments and other financiers (US\$537 million). 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.
20. So far disbursements stand at US\$42.0 million. The low disbursements are due the fact that the ISFD portfolio is relatively young and its financing usually targets the 'soft' components of the financed projects which are implemented towards the end of the project implementation cycle.

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

21. Two thematic programs have been emphasized by the ISFD for implementation for poverty reduction during its first Five-Year Strategy period (2008-12): 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.
22. 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**

23. 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):**

24. 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. Two 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 will be 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**

25. 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**

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 (2014-2016).

- 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.
27. The ISFD would like to request the 29<sup>th</sup> Session of COMCEC to recognize the efforts so far exerted by the ISFD to address poverty in member countries despite the meagre resources at hand and the need for member countries to strengthen their support and implement the Board of Governors' Resolutions relating to the ISFD to enable it mobilize its target capital of US\$10.0 billion.

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**ANNEX-1****ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT (ISFD)****STATEMENT OF CONTRIBUTION**

AS OF 5 OCTOBER 2013

S.No	COUNTRY	COMMITMENTS (in USD)	PAID AMOUNT (in USD)	REMARKS
1	Afghanistan	No commitment	0	
2	Albania	10,000	0	No payment
3	Algeria	50,000,000	50,000,000	Fully Paid
4	Azerbaijan	300,000	424,000	Fully Paid
5	Bahrain	2,000,000	2,000,000	Fully Paid
6	Bangladesh	13,000,000	3,000,000	1 <sup>st</sup> & 2 <sup>nd</sup> Installments
7	Benin	12,250,000	0	No payment
8	Brunei	2,000,000	2,000,000	Fully Paid
9	Burkina Faso	2,200,000	2,238,000	Fully Paid
10	Cameroun	2,000,000	2,000,000	Fully Paid
11	Chad	2,000,000	0	No payment
12	Comoros	No commitment	0	
13	Cote d'Ivoire	5,000,000	0	No payment
14	Djibouti	No commitment	0	
15	Egypt	10,000,000	10,000,000	Fully Paid
16	Gabon	4,000,000	4,000,000	Fully Paid
17	Gambia	No commitment	12,000	Special Case
18	Guinea	2,000,000	2,000,000	Fully Paid
19	Guinea-Bissau	No commitment	0	
20	Indonesia	10,000,000	2,440,000	1st Installment
21	Iran	100,000,000	65,000,000	1st & 2nd Installment
22	Iraq	1,000,000	1,000,000	Fully Paid
23	Jordan	3,000,000	3,000,000	Fully Paid
24	Kazakhstan	11,000,000	6,000,000	1st & 2nd Installment
25	Kuwait	300,000,000	300,000,000	Fully Paid
26	Kyrgyz Republic	No commitment	0	
27	Lebanon	1,000,000	1,000,000	Fully Paid
28	Libya	No commitment	0	
29	Malaysia	20,000,000	20,000,000	Fully Paid
30	Maldives	No commitment	0	
31	Mali	4,000,000	0	No payment
32	Mauritania	5,000,000	0	No payment
33	Morocco	5,000,000	5,000,000	Fully Paid
34	Mozambique	200,000	200,000	Fully Paid

35	Niger	2,000,000	0	No payment
36	Nigeria	2,000,000	2,000,000	Fully Paid
37	Oman	5,000,000	5,000,000	Fully Paid
38	Pakistan	10,000,000	5,116,000	1 <sup>st</sup> Installment
39	Palestine	500,000	186,000	1 <sup>st</sup> Installment
40	Qatar	50,000,000	50,000,000	Fully Paid
41	Saudi Arabia	1,000,000,000	1,000,000,000	Fully Paid
42	Senegal	10,000,000	0	No payment
43	Sierra Leone	1,000,000	300,000	1 <sup>st</sup> Installment
44	Somalia	No commitment	0	
45	Sudan	15,000,000	944,000	1 <sup>st</sup> Installment
46	Suriname	500,000	500,000	Fully Paid
47	Syria	2,000,000	2,000,000	Fully Paid
48	Tajikistan	No commitment	0	
49	Togo	1,000,000	1,000,000	Fully Paid
50	Tunisia	5,000,000	5,000,000	Fully Paid
51	Turkey	5,000,000	5,000,000	Fully Paid
52	Turkmenistan	No commitment	0	
53	Uganda	100,000	0	No payment
54	UAE	No commitment	0	
55	Uzbekistan	300,000	300,000	Fully Paid
56	Yemen Republic	3,000,000	3,000,000	Fully Paid
57	Islamic Developpt. Bank	1,000,000,000	600,000,000	1 <sup>st</sup> -6 <sup>th</sup> Installments
	<b>Grand Total</b>	<b>2,679,360,000</b>	<b>2,161,660,000</b>	

**No Commitment: 12 countries**

**Committed but No payment: 10 countries**

**Committed and fully paid: 26 countries**

**Committed and partially paid: 8 countries**

**% of Commitments to Target Capital: 26.8%**

**% of Paid-in capital to Commitments: 21.6%**