



ISLAMIC DEVELOPMENT BANK

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

28th Session of the COMCEC
(Istanbul, Turkey, 8-11 October 2012)

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ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT (ISFD)
As of 8 September 2012**

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 12-13 Jumad-I, 1428H (29-30 May, 2007) in Dakar, Senegal. The Fund has been established in the form of a *Waqf*¹ (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.
2. 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

3. Although close to five years have elapsed since the start of the ISFD operations and the launching 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.
4. The Fund has been established on the basis of voluntary contributions from member countries “to illustrate Islamic solidarity and brotherhood” among them. As such,

¹ 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.

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. As of 8 September 2012, the level of announced capital contributions to the ISFD stands at US\$2.67 billion, announced by 44 member countries (US\$1.67 billion) and the IDB (US\$1.0 billion). During 1433, and since the 27th Session of COMCEC in October 2011, the ISFD has received new commitments of US\$10 million from Egypt, US\$10 million from Tunisia, and an additional commitment of US\$12.0 million by Bangladesh (bringing Bangladesh's total commitment to (US\$13.0 million). Twenty four member countries have fully paid their announced contributions, 7 paid partially, and 12 countries of those who announced their contributions are yet to start payment of those contributions. Thirteen countries are yet to announce their pledges to the Fund. (Annex-1 shows the status of contributions to the Fund as of 8 September 2012).
6. The total amount of received contributions so far is US\$1.69 billion, of which US\$450 million was paid by the IDB and US\$1.29 billion by member countries. The gross income of the Fund in 2011 was US\$31.88 million (compared to US\$20.02 million in 2010) and net income of US\$30.07 million (compared to US\$18.62 million in 2010).
7. 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
8. 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. It is also in line with the view of the Procedures Committee of the ISFD Board of Governors and the

recommendation of a group of experts that met in Jeddah in December 2010 to take stock of the ISFD's performance and consider prospects for its progress.

9. 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."
10. Obviously, the implementation of this 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.
11. Furthermore, the 4th Extraordinary Islamic Summit held in Makkah on 26-27 Ramadan 1433H (14-15 August 2012) has stressed the role of the Islamic Solidarity Fund for Development in fighting poverty and called the IDB to mobilize further support for the Fund.
12. The Fund looks forward with optimism that member countries will implement these resolutions as well as the resolutions of the Islamic Summit Conference, COMCEC Summit in this regard. It also looks on the 28th COMCEC Session to reaffirm the need for member countries to implement these resolutions in its final communique.

III. ISFD OPERATIONS

13. To-date, the ISFD has approved 29 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\$1061.7 million. The Fund contribution to these programs is US\$172.0 million, while the remaining amount of US\$889.7 million has been leveraged from the IDB, governments and other financiers. This represents an average leverage ratio of 1:5.1. The Least Developed Member Countries (LDMCs) have

been the main beneficiaries of these operations, enjoying more than 80% of the Fund's financing. So far five of these 27 projects are disbursing.

IV. ISFD THEMATIC PROGRAMS

14. Two thematic programs have been emphasized by the ISFD for implementation for poverty reduction during its first Five-Year Strategy period (2008-1012): 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.
15. So far, a number of projects have been approved under these two programs with a total cost amounting US\$195.98 million (US\$47.7 million for VOLIP, and US\$148.3 million for MFSP). The ISFD contribution is US\$21.1 million for VOLIP and US\$36.2 million for MFSP. The IDB contribution is US\$11.0 million and US\$32.1 million to these two programs respectively. The bulk of the approvals have been allocated to African countries.

V. PROMOTING CO-FINANCING WITH DEVELOPMENT PARTNERS

16. 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):**

17. 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, including Kyrgyzstan and Mozambique. 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.

➤ **IDB-TCF (The Citizen's Foundation) – Pakistan**

18. The TCF Model has evolved as a successful Educational Model for the poorest segment of society, where the poor have direct access to quality education in their own locations. It has a quality assurance system, which enables it to maintain high standards of education even though it is aimed at the poorest. It aims to develop a Waqf (Trust) for TCF, which will generate the required funds to meet the major part of the costs of running the schools. It also aims at expanding the schools and students intake and replication of this model in selected IDB Member countries.

VI. WAY FORWARD

19. 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, and advocacy.
 - 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.
 - Finalizing its 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.
 - Developing the Second ISFD Strategy for the period (2013-2015).

- 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.
 - Developing and launching a dynamic web portal with an anticipated start date of the assignment schedule for mid-May 2012. The portal will not only serve the information and advocacy objectives of the Fund, but also be the interactive gateway to ISFD's portfolio of interventions in its member countries. The procurement for the web-developer is nearing completion.
 - Widening partnerships to enhance the financing leverage of the Fund.
20. The ISFD would like to request the 28th Session of the 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.

USD 000

S.No	DESCRIPTION	COMMITMENTS	1ST INSTALMENT	2ND INSTALMENT	3RD INSTALMENT	4th INSTALMENT	GRAND TOTAL	Remarks
1	Afghanistan	No commitment	0.00	0.00	0.00	0.00	0.00	No payment
2	Albania	10,000.00	0.00	0.00	0.00	0.00	0.00	No payment
3	Algeria	50,000,000.00	20,000,000.00	14,768,327.14	15,000,000.00	231,625.00	49,999,952.14	Fully Contributed
4	Azerbaijan	300,000.00	300,000.00	24,000.00	0.00	0.00	324,000.00	Fully Contributed
5	Bahrain	2,000,000.00	2,000,000.00	0.00	0.00	0.00	2,000,000.00	Fully Contributed
6	Bangladesh	13,000,000.00	1,000,000.00	0.00	0.00	0.00	1,000,000.00	Fully Contributed
7	Benin	12,250,000.00	0.00	0.00	0.00	0.00	0.00	
8	Brunei	2,000,000.00	1,999,980.00	0.00	0.00	0.00	1,999,980.00	Fully Contributed
9	Burkina Faso	2,200,000.00	758,309.88	1,479,937.89	0.00	0.00	2,238,247.77	Fully Contributed
10	Cameroun	2,000,000.00	2,000,000.00	2,000,000.00	0.00	0.00	4,000,000.00	Fully Contributed
11	Chad	2,000,000.00	0.00	0.00	0.00	0.00	0.00	No payment
12	Comoros	No commitment	0.00	0.00	0.00	0.00	0.00	No payment
13	Cote d'Ivoire	5,000,000.00	0.00	0.00	0.00	0.00	0.00	No payment
14	Djibouti	No commitment	0.00	0.00	0.00	0.00	0.00	No payment
15	Egypt	10,000,000.00	5,000,000.00	0.00	0.00	0.00	5,000,000.00	First Installment
16	Gabon	4,000,000.00	4,000,000.00	0.00	0.00	0.00	4,000,000.00	Fully Contributed
17	Gambia	No commitment	11,965.54	0.00	0.00	0.00	11,965.54	1st Installment
18	Guinea	2,000,000.00	2,000,000.00	0.00	0.00	0.00	2,000,000.00	Fully Contributed
19	Guinea-Bissau	No commitment	0.00	0.00	0.00	0.00	0.00	No payment
20	Indonesia	10,000,000.00	0.00	0.00	0.00	0.00	0.00	No payment
21	Iran	100,000,000.00	30,000,000.00	35,000,000.00	0.00	0.00	65,000,000.00	1st & 2nd Installment
22	Iraq	1,000,000.00	1,000,000.00	0.00	0.00	0.00	1,000,000.00	Fully Contributed
23	Jordan	3,000,000.00	3,000,000.00	0.00	0.00	0.00	3,000,000.00	Fully Contributed
24	Kazakhstan	No commitment	999,970.00	0.00	0.00	0.00	999,970.00	1st Installment
25	Kuwait	300,000,000.00	0.00	0.00	0.00	0.00	0.00	No payment
26	Kyrgyz Republic	No commitment	0.00	0.00	0.00	0.00	0.00	No payment
27	Lebanon	1,000,000.00	1,000,000.00	0.00	0.00	0.00	1,000,000.00	Fully Contributed
28	Libya	No commitment	0.00	0.00	0.00	0.00	0.00	No payment
29	Malaysia	20,000,000.00	1,000,000.00	9,500,000.00	9,500,000.00	0.00	20,000,000.00	Fully Contributed
30	Maldives	No commitment	0.00	0.00	0.00	0.00	0.00	No payment
31	Mali	4,000,000.00	0.00	0.00	0.00	0.00	0.00	No payment
32	Mauritania	5,000,000.00	0.00	0.00	0.00	0.00	0.00	No payment
33	Morocco	5,000,000.00	1,666,667.00	1,666,667.00	1,666,667.00	0.00	5,000,001.00	Fully Contributed
34	Mozambique	200,000.00	200,000.00	0.00	0.00	0.00	200,000.00	No payment
35	Niger	2,000,000.00	0.00	0.00	0.00	0.00	0.00	No payment
36	Nigeria	2,000,000.00	666,666.66	665,811.29	667,728.71	0.00	2,000,006.66	Fully Contributed

S.No	DESCRIPTION	COMMITMENTS	1ST INSTALMENT	2ND INSTALMENT	3RD INSTALMENT	4th INSTALMENT	GRAND TOTAL	Remarks
37	Oman	5,000,000.00	5,000,000.00	0.00	0.00	0.00	5,000,000.00	Fully Contributed
38	Pakistan	10,000,000.00	5,115,507.43	0.00	0.00	0.00	5,115,507.43	1st Installment
39	Palestine	500,000.00	185,946.15	0.00	0.00	0.00	185,946.15	1st Installment
40	Qatar	50,000,000.00	16,666,666.66	16,666,666.66	16,666,666.66	0.00	49,999,999.98	Fully Contributed
41	Saudi Arabia	1,000,000,000.00	333,333,333.33	333,333,333.00	333,333,333.67	0.00	1,000,000,000.00	Fully Contributed
42	Senegal	10,000,000.00	0.00	0.00	0.00	0.00	0.00	No payment
43	Sierra Leone	1,000,000.00	0.00	0.00	0.00	0.00	0.00	No payment
44	Somalia	No commitment	0.00	0.00	0.00	0.00	0.00	No payment
45	Sudan	15,000,000.00	960,000.00	0.00	0.00	0.00	960,000.00	No payment
46	Suriname	500,000.00	499,894.00	0.00	0.00	0.00	499,894.00	Fully Contributed
47	Syria	2,000,000.00	666,667.00	666,667.00	666,667.00	0.00	2,000,001.00	Fully Contributed
48	Tajikistan	No commitment	0.00	0.00	0.00	0.00	0.00	No payment
49	Togo	1,000,000.00	0.00	0.00	999,950.00	0.00	999,950.00	Fully Contributed
50	Tunisia	5,000,000.00	0.00	0.00	0.00	0.00	0.00	No payment
51	Turkey	5,000,000.00	5,000,000.00	0.00	0.00	0.00	5,000,000.00	1st payment
52	Turkmenistan	No commitment	0.00	0.00	0.00	0.00	0.00	No payment
53	Uganda	100,000.00	0.00	0.00	0.00	0.00	0.00	No payment
54	UAE	No commitment	0.00	0.00	0.00	0.00	0.00	No payment
55	Uzbekistan	300,000.00	100,000.00	100,000.00	100,000.00	0.00	300,000.00	Fully Contributed
56	Yemen Republic	3,000,000.00	1,991,194.71	980,461.85	28,318.00	0.00	2,999,974.56	Fully Contributed
57	Islamic Development Bank	1,000,000,000.00	100,000,000.00	100,000,000.00	50,000,000.00	200,000,000.00	450,000,000.00	1st+2nd , 3rd &4th Installments
	Grand Total	2,668,360,000.00	548,122,768.36	516,851,671.83	428,629,331.04	200,231,625.00	1,693,835,396.23	

i	26.68	% of Commitments to Target Capital
ii	63.48	% of Paid-in to Commitments
iii	16.94	% of Commitments to Target Capital

Percentage