



**REPORT ON THE ACTIVITIES OF THE
ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT (ISFD)
As of 15 October 2016**

**FOR THE 32ND SESSION OF COMCEC
21-24 November 2016**

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 *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 activities.
3. The Fund is dedicated to finance poverty reduction projects and programs in the OIC member countries that promote pro-poor growth, emphasize human development, especially improvements in health care and education, and 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/ MDGs) and Sustainable Development Goals (SDGs). They are also in line

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.

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 nine years have passed since the commencement of the ISFD operations and the conclusion of its Five-Year Strategy (2008-2012), and mid-term work program (2013-2015), 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 2016, the level of pledged capital contributions to the ISFD stands at US\$2.68 billion, committed by 45 member countries (US\$1.68 billion) and the IDB (US\$1.0 billion).
7. The total amount of received contributions thus far is US\$2.48 billion, of which US\$900 million was paid by the IDB and US\$1.107 billion by member countries. In 2016, the ISFD received US\$103.6 million, of which US\$100.0 million was received from the IDB and US\$3.6 million from member countries.
8. 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

9. 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.
10. 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.”

11. Follow-up letters calling for the implementation of the ISFD Resolution (ISFD/BOG/3-432) have been twice sent by the Chairman of the ISFD Board of Governors and positive reactions and/or further enquires about the criteria have been received from member countries. In the case of the *Waqf* donations, a number of member 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, Comoros, Benin, Sudan and Guinea, Burkina Faso. Moreover, a number of other member countries have made enquiries with a view to make suitable *waqf* donations to the ISFD in line with this resolution.
12. Furthermore, the 4th Extraordinary Islamic Summit held in Makkah and Cairo in August 2012, as well as the 12th and 13th OIC Summits held in Cairo, and OIC Summits held in Istanbul in February 2013 and 2016, respectively, have all stressed the role of the ISFD in providing finance to fight poverty and called on IDB member countries to commit the required capital to the Fund. Hence, a strategic focus of the ISFD over the next three years will be to exert utmost effort

to realize all unpaid commitments and attract new commitments from member countries. At the same time, the ISFD will continue to explore possible opportunities for securing complementary resources for poverty reduction projects through mechanisms such as Trust Funds, allocation of Waqf assets, partnerships, co-financing, and the private sector. Indeed, the ISFD is in the process of developing strategic partnerships with selected member countries, while harnessing close relationship with interested donors to launch these programs.

13. The Fund is also reviewing its investment policy with a view to ensure higher returns and a stable source of income consistent with the resource needs of the IDB poverty reduction programs, as well as the long-term preservation and appreciation of the real value of the invested capital amounts.

III. ISFD OPERATIONS

16. Cumulative approvals of ISFD financed projects up to end-October 2016 had amounted to US\$665 million. Out of the total approved projects, about 80% have been allocated to the Least Developed Member Countries (LDMCs).
17. The main sectors of operations (i) Agriculture (incl. Rural Development), which accounted for around 45 percent of the ISFD financing, and (ii) Education (incl. VOLIP), which accounted for around 24 percent of the ISFD financing.
18. Cumulative disbursements so far have reached US\$130.0 million, compared to US\$97.3 million as at the end of 2015. 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\$257.5 million (US\$146.05 million for VOLIP, and US\$111.47 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 is an example 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. 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 grants.

VI. NEW INITIATIVES

24. The ISFD is currently implementing a new flagship programs such as the Renewable Energy for Poverty Reduction Program, Save the Mothers Program, and the Global Education Impact Fund (GEIF).

25. 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.
27. The ISFD also contributed US\$100 million towards a new program: “Lives and Livelihoods Fund (LLF)”, as a buy-down facility that has been established by the IDB and the Gates Foundation. Saudi Fund and Silatech (Qatar) have also contributed to this initiative. Thus, the ISFD support to the LLF will not only help leveraging more resources from development partners, it will also help generate concessional resources for the member countries.

VII. 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 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.
 - Robust implementation of the ISFD Investment Policy to increase the Fund’s income.
 - Widening partnerships to enhance the financing leverage of the Fund.

ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT
STATEMENT OF CONTRIBUTIONS TO THE ISFD CAPITAL (IN USD)
AS of 15 November, 2016

S.No	COUNTRY	COMMITMENTS (in USD)	PAID AMOUNT (in USD)	REMARKS
1	Afghanistan		-	No commitment
2	Albania	10,000	-	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	5,000,000	1st-5th Insts.
7	Benin	12,250,000	-	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	-	No payment
12	Comoros		-	No commitment
13	Cote d'Ivoire	5,000,000	-	No payment
14	Djibouti		-	No commitment
15	Egypt	10,000,000	10,000,000	Fully Paid
16	Gabon	4,000,000	4,000,000	Fully Paid
17	Gambia	1,220,000	12,000	Special Case
18	Guinea	2,000,000	2,000,000	Fully Paid
19	Guinea-Bissau	200,000	-	No payment
20	Guyana		-	No commitment
21	Indonesia	10,000,000	10,000,000	Fully Paid
22	Iran	100,000,000	65,000,000	1st & 2nd Installment
23	Iraq	1,000,000	1,000,000	Fully Paid
24	Jordan	3,000,000	3,000,000	Fully Paid
25	Kazakhstan	11,000,000	11,000,000	Fully Paid
26	Kuwait	300,000,000	300,000,000	Fully Paid
27	Kyrgyz Republic		-	No commitment
28	Lebanon	1,000,000	1,000,000	Fully Paid
29	Libya		-	No commitment
30	Malaysia	20,000,000	20,000,000	Fully Paid
31	Maldives		-	No commitment

32	Mali	4,000,000	-	No payment
33	Mauritania	5,000,000	-	No payment
34	Morocco	5,000,000	5,000,000	Fully Paid
35	Mozambique	200,000	200,000	Fully Paid
36	Niger	2,000,000	-	No payment
37	Nigeria	2,000,000	2,000,000	Fully Paid
38	Oman	5,000,000	5,000,000	Fully Paid
39	Pakistan	10,000,000	10,000,000	Fully Paid
40	Palestine	500,000	186,000	1st Installment
41	Qatar	50,000,000	50,000,000	Fully Paid
42	Saudi Arabia	1,000,000,000	1,000,000,000	Fully Paid
43	Senegal	10,000,000	-	No payment
44	Sierra Leone	1,000,000	300,000	1st Installment
45	Somalia		-	No commitment
46	Sudan	15,000,000	944,000	1st Installment
47	Suriname	500,000	500,000	Fully Paid
48	Syria	2,000,000	2,000,000	Fully Paid
49	Tajikistan		-	No commitment
50	Togo	1,000,000	1,000,000	Fully Paid
51	Tunisia	5,000,000	5,000,000	Fully Paid
52	Turkey	5,000,000	5,000,000	Fully Paid
53	Turkmenistan	300,000	100,000	1st Installment
54	Uganda	100,000	-	No payment
55	UAE		-	No commitment
56	Uzbekistan	300,000	300,000	Fully Paid
57	Yemen Republic	3,000,000	3,000,000	Fully Paid
58	Islamic Development Bank	1,000,000,000	900,000,000	1st-12th Insts.
	Grand Total	2,681,080,000	2,481,204,000	