



ISLAMIC DEVELOPMENT BANK

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

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As of 20 April 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 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 Waqf¹ (i.e. Trust), with a principal target capital of US\$10.0 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, 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 20 April 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). Twenty eight member countries have fully paid their announced contributions, 5 paid partially, and 11 countries of those who announced their contributions are yet to start payment of those contributions.

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.

Twelve countries are yet to announce their pledges to the Fund. Annex 1 shows the status of contributions to the Fund as of 20 April 2013).

6. The total amount of received contributions so far is US\$1.75 billion, of which US\$500 million was paid by the IDB and the rest by member countries. The gross income of the Fund in 2012 was US\$62.36 million (compared to US\$31.88 million in 2011) and net income of US\$59.84 million (compared to US\$30.07 million in 2011).
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.
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.

III. ISFD OPERATIONS

13. To-date, the ISFD has approved 44 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\$1.55 billion. The Fund contribution to these programs is US\$233.0 million, while the remaining amount of US\$1.317 billion has been leveraged from the IDB, governments and other financiers. 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, the ISFD has approved financing for five VOLIP projects for a cumulative amount of US\$ 32.61 million, and the IDB has financed US\$ 20.4 million, out of a total cost of US\$ 71.30 million. The IDB/ISFD financing constitutes around 53 % of the target US\$ 100.0 million up to February 2013. The total financing of IDB/ISFD under MFSP is so far US\$ 58.48 million, which constitutes around 58 % of the target US\$ 100.0 million up to February 2013. The IDB/ISFD contribution would be significantly higher if the microfinance support component embedded in multi-sector or rural development projects are considered.

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.

VI. WAY FORWARD

18. 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.
 - 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.
 - Widening partnerships to enhance the financing leverage of the Fund.

ISFD CAPITAL CONTRIBUTIONS AS OF 16th OF RABI-I 1434H

S.No	COUNTRY	COMMITMENTS (in USD)	PAID AMOUNT (in USD)	REMARKS
1	Afghanistan	No commitment	0	No payment
2	Albania	10,000	0	No payment
3	Algeria	50,000,000	50,000,000	Fully Contributed
4	Azerbaijan	300,000	424,000	Fully Contributed
5	Bahrain	2,000,000	2,000,000	Fully Contributed
6	Bangladesh	13,000,000	2,000,000	1st & 2nd Installment
7	Benin	12,250,000	0	No payment
8	Brunei	2,000,000	2,000,000	Fully Contributed
9	Burkina Faso	2,200,000	2,238,000	Fully Contributed
10	Cameroun	2,000,000	2,000,000	Fully Contributed
11	Chad	2,000,000	0	No payment
12	Comoros	No commitment	0	No payment
13	Cote d'Ivoire	5,000,000	0	No payment
14	Djibouti	No commitment	0	No payment
15	Egypt	10,000,000	5,000,000	1st Installment
16	Gabon	4,000,000	4,000,000	Fully Contributed
17	Gambia	No commitment	12,000	Special Case
18	Guinea	2,000,000	2,000,000	Fully Contributed
19	Guinea-Bissau	No commitment	0	No payment
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 Contributed
23	Jordan	3,000,000	3,000,000	Fully Contributed
24	Kazakhstan	11,000,000	6,000,000	1st & 2nd Installment
25	Kuwait	300,000,000	0	No payment
26	Kyrgyz Republic	No commitment	0	No payment
27	Lebanon	1,000,000	1,000,000	Fully Contributed
28	Libya	No commitment	0	No payment
29	Malaysia	20,000,000	20,000,000	Fully Contributed
30	Maldives	No commitment	0	No payment
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 Contributed
34	Mozambique	200,000	200,000	Fully Contributed
35	Niger	2,000,000	0	No payment
36	Nigeria	2,000,000	2,000,000	Fully Contributed
37	Oman	5,000,000	5,000,000	Fully Contributed
38	Pakistan	10,000,000	5,116,000	1st Installment
39	Palestine	500,000	186,000	1st Installment
40	Qatar	50,000,000	50,000,000	Fully Contributed
41	Saudi Arabia	1,000,000,000	1,000,000,000	Fully Contributed
42	Senegal	10,000,000	0	No payment
43	Sierra Leone	1,000,000	300,000	1st Installment
44	Somalia	No commitment	0	No payment
45	Sudan	15,000,000	944,000	1st Installment
46	Suriname	500,000	500,000	Fully Contributed
47	Syria	2,000,000	2,000,000	Fully Contributed
48	Tajikistan	No commitment	0	No payment
49	Togo	1,000,000	1,000,000	Fully Contributed
50	Tunisia	5,000,000	5,000,000	Fully Contributed
51	Turkey	5,000,000	5,000,000	Fully Contributed
52	Turkmenistan	No commitment	0	No payment
53	Uganda	100,000	0	No payment
54	UAE	No commitment	0	No payment
55	Uzbekistan	300,000	300,000	Fully Contributed
56	Yemen Republic	3,000,000	3,000,000	Fully Contributed
57	Islamic Development Bank	1,000,000,000	500,000,000	1st-10th Insts.
	Grand Total	2,679,360,000	1,755,660,000	

No Commitment= 12

Committed but No payment= 10

Committed and Fully Paid= 25

Committed and Partially Paid= 10

Member Countries
That Have Not Announced
Commitments Nor Paid To-date

1	Afghanistan
2	Comoros
3	Djibouti
4	Guinea-Bissau
5	Kyrgyz Republic
6	Libya
7	Maldives
8	Somalia
9	Tajikistan
10	Turkmenistan
11	UAE