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ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT

PROGRESS REPORT ON ISFD ACTIVITIES

October 2025

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List of abbreviations

BOD	Board of Directors of the ISFD
COMCEC	Standing Committee for Economic and Commercial Cooperation of the Organisation of Islamic Cooperation
FSRP	Food Security Response Programme
ICERI	ICIEC-ISFD COVID-19 Emergency Response Initiative
ICIEC	Islamic Corporation for the Insurance of Investment and Export Credit
IsDB	Islamic Development Bank
ISFD	Islamic Solidarity Fund for Development
IWIF	Ihsan Waqf Investment Fund
LDMCs	Least Developed Member Countries
MCs	Member countries
MC	Member country
MPI	Multidimensional poverty index
OIC	Organisation of Islamic Cooperation
OPHI	Oxford Poverty and Human Development Initiative
SESRIC	Statistical, Economic and Social Research and Training Centre for Islamic Countries
SPRP	Strategic Preparedness and Response Programme
STI	Science, Technology, and Innovation
UN	United Nations

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PART I: POVERTY IN OIC MEMBER COUNTRIES

The OIC member countries (MCs) have demonstrated progress in improving their standing on the Multidimensional Poverty Index (MPI). However, significant challenges persist. Notably, the average Gross Domestic Product (GDP) growth rate within the OIC's least-developed countries remains below the established 7% target. Furthermore, unemployment rates remain volatile, threatening long-term economic stability. These persistent gaps, particularly in fostering inclusive economic growth and creating decent work opportunities, continue to hinder substantive progress.

The ISFD recognises poverty as a multidimensional challenge that extends beyond insufficient income. It encompasses a spectrum of deprivations like deficiencies and inequality in health, education, and essential living standards, including housing, access to clean water, and sanitation.

The SESRIC report, *"Towards the Achievement of Prioritised Sustainable Development Goals in OIC Countries 2024,"* reveals that many of the OIC member countries are unlikely to meet any of the SDGs by 2030. Although some progress has been observed, the current trajectory indicates an insufficient pace to attain the SDG targets within the set timeframe.[1]

1) Poverty Reduction

- The OIC member countries have made moderate progress in eliminating extreme and other forms of poverty. In the 2000s, about 32.3% of the population in OIC member countries lived on less than US$2.15 per day. By 2022, this figure fell to 11.7%. Encouragingly, nearly half of the OIC member countries for which data is available have either reached near-zero extreme poverty by 2022 or expect to reach this milestone by 2030. However, in some OIC West and East African countries, more than 30% of the population still lives in extreme poverty, according to the latest data.

- OIC member countries have made significant progress in expanding pension coverage. Between 2000 and 2023, the proportion of the population above statutory pensionable age receiving a pension increased substantially from 20.5% to 46.9% between 2000 and 2023.

- Positive Trend: 29 OIC member countries demonstrated high levels of access to basic drinking water services for more than 91% of their population.

[1] SESRIC - Statistical, Economic and Social Research and Training Centre for Islamic Countries

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- Significant Disparity: 15 OIC member countries faced significant challenges, with most of their populations lacking access to basic drinking water.

- Government education spending in the OIC member countries slightly decreased from 16% in 2000 to 15.8% in 2023, which still meets international targets. However, the number of countries allocating 15-20% of their total public spending on education declined from 19 in 2000 to 14 in 2023, based on data from 32 countries.

2) Health and Well-being

- While significant progress has been made in OIC member countries in addressing health challenges such as maternal and child health, communicable and non-communicable diseases, inequalities persist, and progress remains uneven. Achieving SDG 3 by 2030 requires sustained commitment, innovative strategies, and robust health systems.

- The under-five mortality rate (U5MR) is a key indicator of child health, reflecting the effectiveness of healthcare systems and access to essential health services. The 2030 Agenda for Sustainable Development aims to end preventable deaths of children under five years to at least 25 deaths per 1,000 live births by 2030.

- Between 2000 and 2022, the U5MR in OIC member countries decreased from 102 to 53 deaths per 1,000 live births but remains higher than the global target. While progress has been made, nine OIC member countries still have U5MRs that are more than three times the target set, reflecting the urgent need for intensified efforts and targeted interventions.

3) Quality Education

- OIC member countries have made moderate strides toward achieving SDG 4, which prioritises equitable access to free and quality education. However, these efforts remain inadequate to meet the 2030 target, highlighting the need for accelerated progress and enhanced strategies. While there have been notable advancements in areas such as school completion rates and gender parity in many OIC countries, significant disparities still exist.

- Some OIC member countries struggle to meet the basic education targets, particularly for girls and vulnerable groups. Challenges include low enrolment, inadequate resources (materials, teachers).

- Between 2000 and 2023, the global completion rate increased from 77% to 88%, while the average in the OIC member countries, based on available data for 41 OIC member countries, increased from 68% to 76%. While 16 member countries achieved completion rates at 95% in 2023, six countries lagged below 50%.

- Assuming the progress made between 2000 and 2023 continues, about 22 out of 41 OIC member countries are on track to meet the target of ensuring that all children complete primary education by 2030. Despite progress in enrolment, concerns still exist for the access to early childhood education for all children by 2030.

4) Decent Work and Economic Growth

OIC LDMCs face significant challenge in achieving the target of 7% GDP growth per annum. From 2000 to 2022, the average annual growth rate of real GDP per capita for all OIC member countries was 2.3%, while 21 OIC LDMCs experienced a slightly higher rate of 2.8%. Although these rates surpass the global average of 1.7%, they fall considerably short of the 7% target. To bridge this gap and accelerate development, OIC LDMCs must intensify their efforts.

From 2000 to 2022, labour productivity in OIC member countries – measured by GDP per employed person – grew at an average annual of 2.1%, slightly exceeding the global average of 1.6%. However, this growth significantly slowed down considerably after 2015, averaging only 1%, compared to 2.6% between 2000 and 2015.

The average unemployment rate of the OIC member countries decreased from 6.5% in 2000 to 5.9% in 2023 based on available data for 41 OIC countries. However, this current pace of improvement is inadequate for the OIC countries to achieve full productive employment, and decent work for all by 2030.

Overall, there is still more room for achieving the goal of sustained economic growth, particularly for the OIC LDMCs. Promoting economic diversification is crucial in these countries. This not only protects MCs from the impacts of unforeseen global and domestic economic shocks but also fosters long-term sustainability and more inclusive growth.

PART II: ROLE OF THE ISFD IN POVERTY REDUCTION

In accordance with Article 14 of the ISFD Regulations, poverty reduction considerations are integrated into all Fund's activities. To this end, interventions are strategically targeted towards key areas including:

- Social and human development
- Capacity building initiatives
- Women and youth economic empowerment
- Agricultural and rural development
- Renewable energy

These interventions aim to:

- Generate income and provide employment opportunities.
- Enhance the role of women in socio-economic development.
- Offer social safety nets and establish economic empowerment mechanisms to assist the poor and vulnerable categories.

Reducing Poverty

In 2020, the ISFD embarked upon a new transformation strategy to position itself as a key member of the IsDB Group, recognised both internally and externally for its significant contributions to poverty reduction. Driving this transformation was a new vision: reduced poverty in OIC member countries and a new mission that mandates the ISFD to lead innovative poverty reduction programmes that prioritise comprehensive human development.

These programmes cover crucial interventions in key areas such as:

- **Education and Health:** Fostering improved access to, and quality of education and healthcare services.
- **Socio-economic Development:** Driving job creation and economic growth to empower communities.
- **Community Development**: Empowering local communities through sustainable and inclusive development initiatives.

The ISFD mission involves developing strong partnerships with IsDB, donors, and main stakeholders, with a focus on the least developed IsDB member countries.

Operations since Inception

Since its inception in 2007, the ISFD has demonstrated a strong commitment to poverty alleviation by approving cumulative US$1.36 billion, primarily sourced from its net income through concessional loans and grants, to fund impactful programmes and projects. To maximise impact, ISFD has

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additionally leveraged a portion of its capital to finance certain development projects under public-private partnerships (PPP).

The cumulative financing includes US$148.7 million in grants, US$1.084 billion in loans, and US$134.4 million in capital investments. Currently, the ISFD manages 191 active projects in its portfolio, anticipated to yield positive social and economic impact.

The ISFD's resources have been strategically directed towards a portfolio encompassing flagship programmes, standalone projects, and collaborative initiatives with the IsDB. Since its inception, the ISFD's cumulative financing has contributed to US$12 billion worth of relevant projects in partnership with the IsDB, member countries, and other development partners and donors. The charts below provide an overview of the ISFD's project approvals since inception, broken down by year and source of financing.

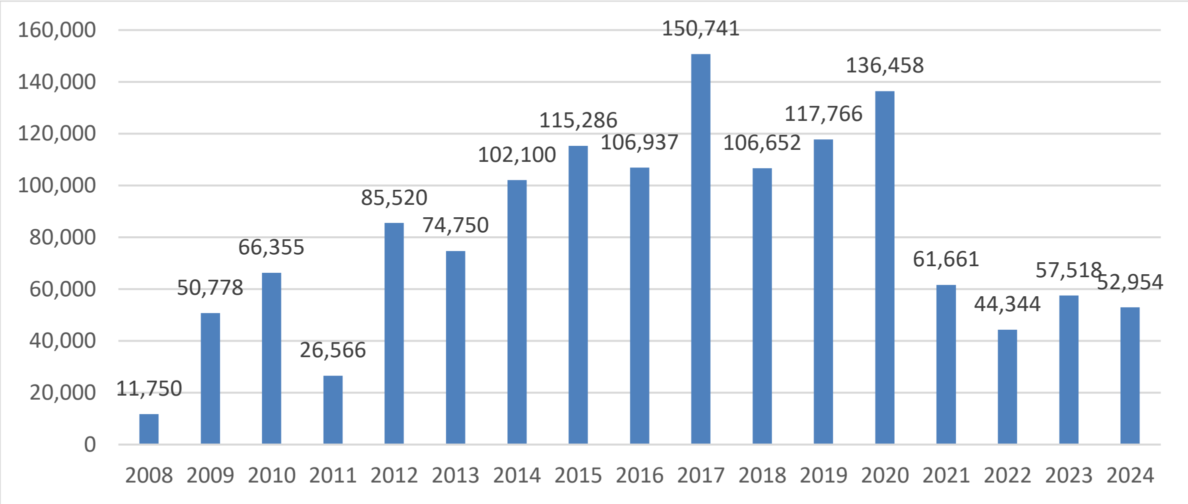

Figure 2.1: ISFD approvals since inception by year as of 31/12/2024

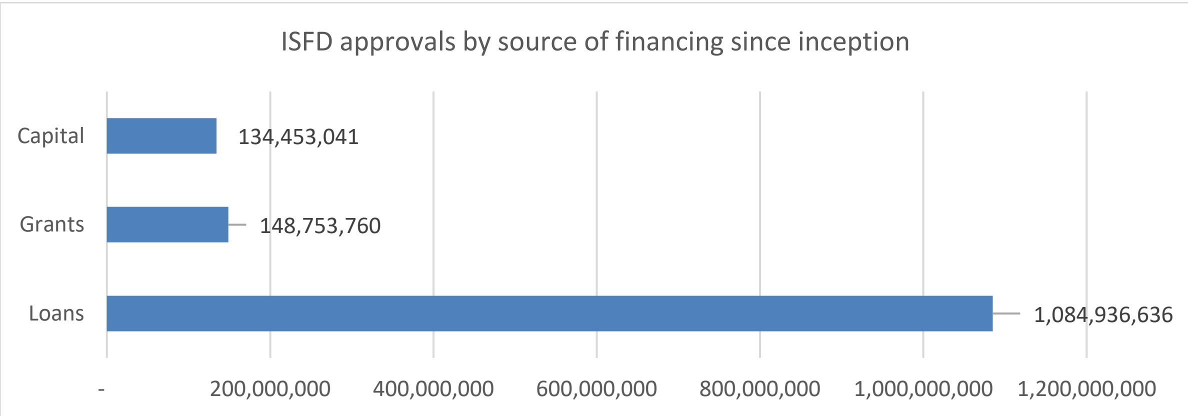

Figure 2.2: ISFD approvals by source of financing since inception as of 31/12/2024

Geographic Coverage

The ISFD's 2030 strategy for poverty reduction places a strong emphasis on the LDMCs with a mandate that at least 70% of its portfolio be allocated to this category. The strategy also recognises the importance of supporting lower middle-income member countries, with a minimum of 10% up to 20% of the portfolio. The remaining portion of the portfolio is allocated to non-LDMCs. Currently, the ISFD operations have largely adhered to this strategic direction. The LDMCs constitute 70.6% of the portfolio, amounting to US$965.8 million. When combined with the lower middle-income member countries, this allocation rises to 89.8%, representing a total of US$1.228 billion. The remaining 10.2% of the portfolio, equivalent to US$139 million, is allocated to non-LDMCs.

The ISFD portfolio is geographically diverse across 49 of the 57 IsDB member countries, with 21 member countries receiving 81.4% of funding since inception.

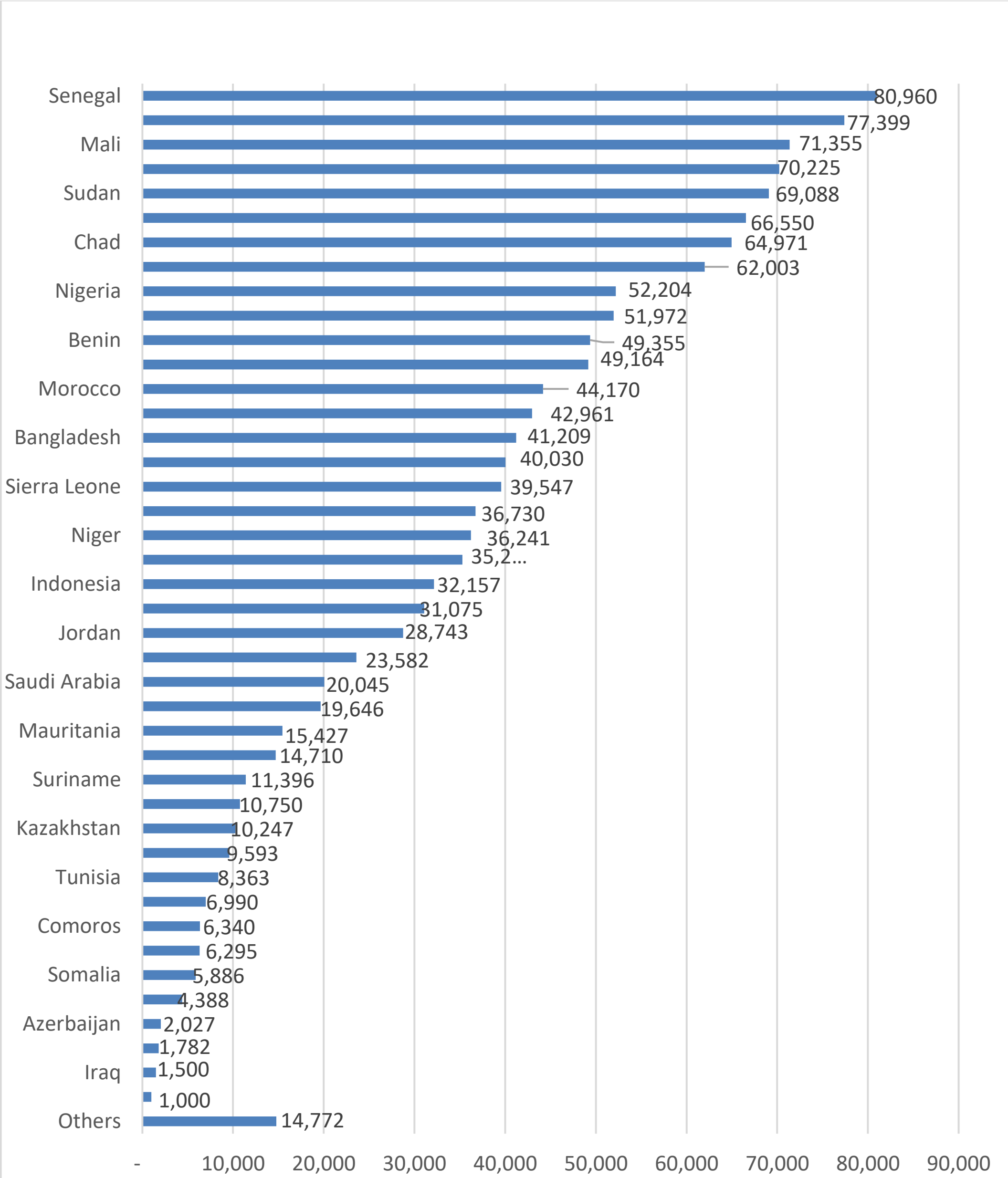

Figure 2.3: ISFD approvals since inception by country as of 31/12/2024

Sectorial Distribution

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ISFD focuses on innovative poverty reduction programmes through two thematic areas:

- Human Capital Development
  - Education: 20.42%
  - Health: 19.75%
  - Water & Sanitation: 5.34%

Human Capital Development makes up 45.5% of the ISFD portfolio.

- Economic Empowerment
  - Agriculture: 21.34%
  - Microfinance: 14.96%
  - Energy: 12.45%

Economic Empowerment accounts for 48.8% of the ISFD portfolio.

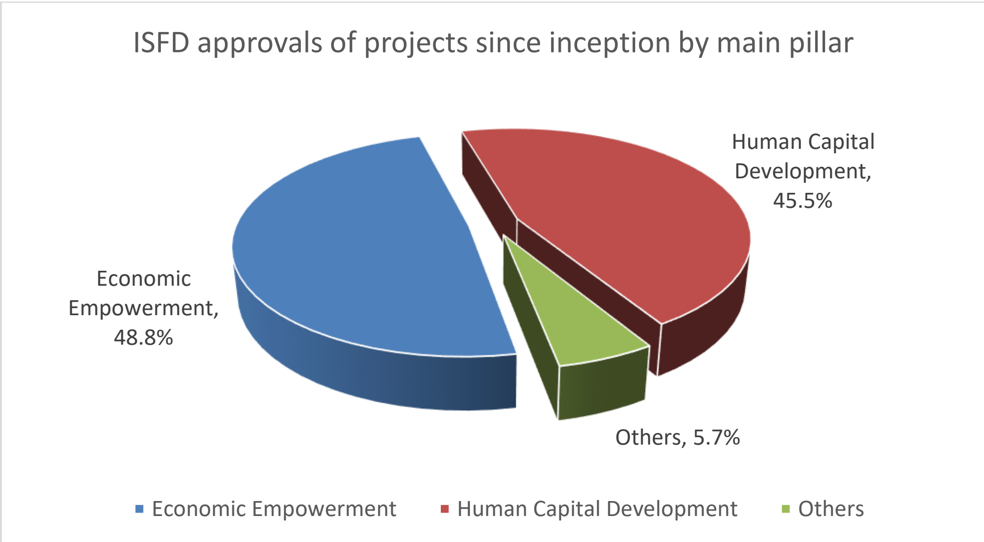

Figure 2.4: ISFD approvals of projects since inception by main pillar as of 31/12/2024

Agriculture is a crucial sector for many IsDB member countries receiving ISFD financing, especially during food security crises. The health sector significantly benefited from ISFD financing during the COVID-19 pandemic. The remaining 5.73% of the ISFD portfolio covers other sectors.

- Waqf Property Development: 2.2%
- Transportation: 2.8%

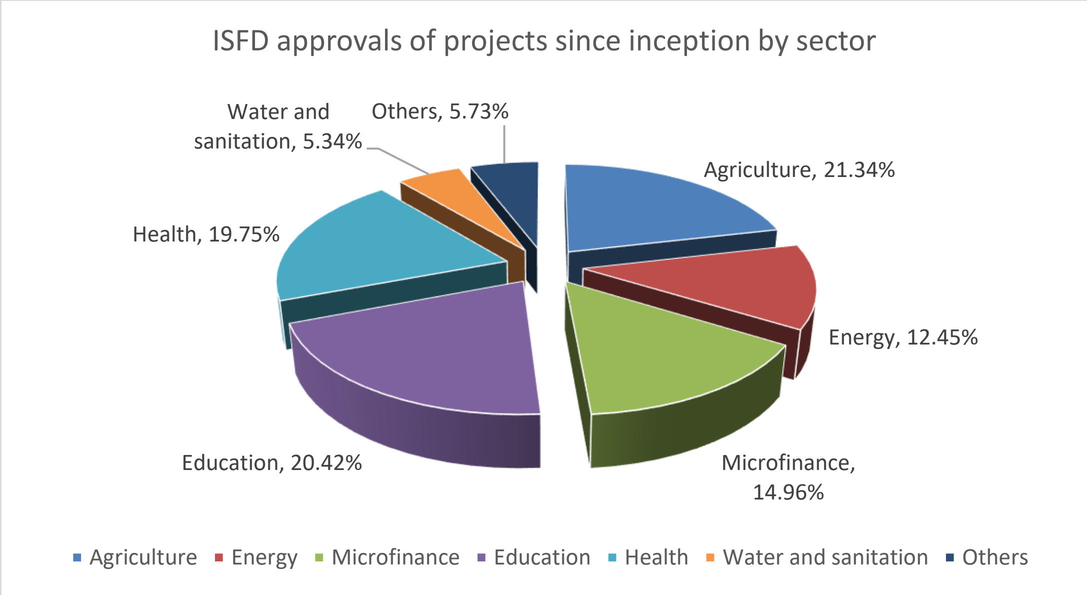

Figure 2.5: ISFD approvals of projects since inception by sector as of 31/12/2024

Operations in 2024-2025

In 2025, the ISFD has so far approved approximately US$15 million in loans for two projects in education. The Fund also approved grants totalling US$1.18 million to support initiatives in education, health, and agriculture.

For 2024, the Fund approved US$46.6 million for a diverse portfolio of impactful programmes and projects. A significant portion of this, US$20 million, was strategically allocated to education to support two projects in the Republic of Uzbekistan and the Kyrgyz Republic. This initiative is aligned with IsDB member countries' strategies for developing the education sector, and it has attracted significant contributions from an array of donors, including the Global Partnership for Education Foundation (GPE), the Saudi Fund for Development (SFD), and the IsDB. The IsDB supports these projects through instalment sales and grants through its Science, Technology, and Innovation (STI) Programme.

In addition to the ISFD US$46.6 approvals in 2024, the Fund partnered with the International Islamic Trade Finance Corporation (ITFC) on a US$5.1 million trade finance initiative aimed at invigorating economies and enhancing trade within the IsDB Least Developed Member Countries (LDMCs). Additionally, the ISFD sustained its commitment to combating children’s eye diseases in Africa through the EYECA Programme and reinforced community resilience via the Tadamon Programme, collectively allocating over US$1.1 million to these vital efforts.

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Resource mobilisation 2024-2025

The ISFD maintained a strong focus on resource mobilisation efforts, aiming to increase its principal amount and ensure the long-term sustainability of its poverty reduction interventions. Recognising the criterial importance of securing additional capital contributions from IsDB member countries, the ISFD intensified its advocacy and outreach initiatives in 2024.

These efforts yielded important success, with a total of US$228.92 million in payments and commitments. State of Libya (commitment of US$225 million), Republic of Guinea (commitment of US$2.13 million), People's Republic of Bangladesh (payment of US$1 million), Republic of Benin (payment US$0.59 million) and The Maldives (payment of US$0.2 million) and the country has increased its commitment in 2025 by US$2.6 million to reach US$3.6 million.

As of 31/12/2024, the ISFD's Committed Capital is US$2.83 billion, and the Paid-Up Capital is US$2.53 billion.