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In The Name of Allah, The Beneficent, The Merciful

The Chairman,  
ISFD Board of Governors

Dear Mr. Chairman,  

Assalam-u-Alaikum Warahmatullahi Wabarakatuh

In accordance with the Regulations of the Islamic Solidarity Fund for Development I, on behalf of the Board of Directors, have the honour to submit for the kind attention of the esteemed Board of Governors, the Annual Report on the operations and activities of the Islamic Solidarity Fund for Development in 1437H/1438H (2016).

The Annual Report also includes the audited financial statements of the ISFD as prescribed in Article 18 of the Fund's Regulations.

Please accept, Mr. Chairman, the assurances of my highest consideration.

Dr. Bandar Bin Mohamed Hamza Hajjar  
President, IDB  
Chairman of the ISFD Board of Directors
The 13th Islamic Summit Conference held in Istanbul, Republic of Turkey, on 14-15 April 2016. It called on Member States to redeem their pledges and announce new commitments to the ISFD, including allocation of Waqf (endowment project) in favor of the Fund, in order to increase the impact of its interventions and attain its target capital of US$ 10 billion.
ISFD Board of Directors

H.E. Bandar Mohamed Hajjar
President, IDB Group, Chairman, Board of Executive Directors

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Hon. Osman ÇELİK
Hon. Wisam Jasim Al-Othman
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Hon. Kazi Shofiqul Azam
Hon. ISA Rachmatwata
Hon. Ulan Alychiev
The Islamic Solidarity Fund for Development (ISFD) - In Brief

The decision to establish the Islamic Solidarity Fund for Development (ISFD) was taken by the Third Extraordinary Session of the OIC Summit, held in Makkah Al Mukarramah, 5-6 D. Qadah 1426H (7-8 December 2005) as Special Fund within the IDB Group which is dedicated to reducing poverty in its member countries through:

- Promoting pro-poor growth.
- Emphasizing human development, especially improvements in health care and education.
- Providing financial support to enhance the productive capacity and sustainable means of income generation for the poor.

The Fund 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, 2007G) in Dakar, Senegal. The Fund is headquartered in Jeddah, Saudi Arabia.

The Fund has been established in the form of a Waqf1 (i.e. Trust), with a principal target capital of US$10.00 billion. All IDB member countries are expected to announce their financial contributions to the Fund and extend technical and moral support to its operations.

Two overarching themes, in line with the IDB Vision 1440H, define the focus of the ISFD: Improving and enhancing the income of the poor, and promoting the development of human capital.

ISFD Priorities and Definition of Poverty

The ISFD gives priority to meeting ‘basic needs’, including financing employment opportunities, providing market outlets especially for the rural poor, improving basic rural and pre-urban infrastructure such as the supply of drinking water and electric power, and expanding education and health facilities.

The ISFD views poverty as a multi-dimensional phenomenon, encompassing not only low income and consumption, but also low achievement in fundamental basic needs including education, nutrition, primary health, water and sanitation, housing, crisis coping capacity, insecurity, and all other forms of human development.

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1 The concept of Waqf (Trust/ Endowment) implies that only the income which will be generated from the investments of the Fund’s resources will be available to finance its operations.
MAJOR HIGHLIGHTS

OPERATIONS

Approvals in 1437H (2016)
- 14 operations, valued at US$1.51 billion, to which the ISFD had contributed US$99.1 million in 11 member countries.

Cumulative Approvals from 1429H to 1437H (2008-16)
- 106 operations, valued at US$2.8 billion in 33 member countries, to which the ISFD has contributed by US$664.8 million.

RESOURCES OF THE FUND:

- Targeted Initial (Approved) Capital: US$10.0 billion

Pledges
- US$2.67 billion pledged by member countries (US$1.67 billion) and by the IDB (US$1.0 billion).

Paid-in Contributions
- 48 countries have announced their contributions to the Fund, and 9 countries are yet to announce their commitments.
- Paid-in Contributions: US$2.53 billion by member countries (US$1.58 billion) and by the IDB (US$950.0 million).
- Four payments were made in 2016, totaling US$153.48 million, made by: Bangladesh (US$1.0 million), Indonesia (US$2.38 million), Turkmenistan (US$0.1 million), and the IDB (US$150.0 million).

INCOME

Operating income in 1437H (2016)
- US$87.663 million

Net income in 1437H (2016)
- US$83.037 million

2 Figures as at the end of 31 December 2016.
Chairman’s Message

I am pleased to submit the Ninth ISFD Annual Report describing the activities of the Fund in 1437H (2016). The past year was marked with the critical task of putting in place the new Business Model of the ISFD and addressing the challenges that the Fund has continued to face since it was launched in 2007. Indeed, with the adoption of the new business model and organization structure, appointment of a Director General, and streamlining the Fund’s core activities, the ISFD has been given a great impetus to improve its capacity for fighting poverty in member countries.

The global environment in 2016 was less favorable to our Less Developed Member Countries (LDMCs) due to diminishing capital flows. Most of the poor live mainly in these countries and the financing needs to address the challenges they face are huge compared to their capacity. Oil-exporting countries had strived to adapt to the decline in oil prices. Similarly, the decline in global Foreign Direct Investment (FDI) by 13% in 2016 has caused investment to fall in many of our member countries. These developments confirm, once again, the relevance of the ISFD to respond to their implications on the poor with a new perspective and innovative solutions.
Responding to the growing needs of member countries for poverty reduction programs, the ISFD has continued to contribute significantly to the IDB concessionary financing operations. Thus far, the ISFD has contributed US$664.8 million towards these programs. This constitutes 27.0% of the IDB concessionary financing portfolio for the period since the Fund’s commenced its operations in 2008.

During the year, the ISFD had started the implementation of its US$100.0 million “extra-ordinary grant” from its income to support the Buy-Down Facility (The Lives and Livelihoods Fund “LLF”), which has been set-up by the IDB and Bill & Melinda Gates Foundation (BMGF), in collaboration with Saudi Arabia, Qatar, and UAE. The purpose of this Facility is to leverage the amount of concessional resources that the IDB can provide to its member countries. By participating in LLF, the ISFD aims to leverage an amount of US$2.0 billion in concessional financing for member countries over the facility period.

Along the growing engagement of the Fund in fighting poverty and supporting IDB programs, the ISFD has continued to face the daunting task of mobilizing its target capital of US$10.0 billion, which is very critical for the implementation of its programs. As at the end of 1437H (2016), US$2.67 billion had been pledged to the ISFD, consisting of US$1.67 billion pledged by member countries, and US$1.0 billion committed by the IDB.

No doubt, the mobilization of the ISFD target capital will go a long way in enabling the Fund to be responsive, technically and financially, to the poverty challenges facing the Ummah. We must collectively take actions to promote shared responsibility to ensure that our expectations are matched with deliberate actions from member countries to commit and pay the Fund’s approved capital amount.

I take this opportunity to express my appreciation to Dr. Ahmad Mohamad Ali, the ex-President of the IDB Group, who had fully committed his vigor and able leadership to the well-being of the ISFD. We join in the pride of his extraordinary service to this Fund and look forward to advance his fine work and commitment towards its noble objectives.

Dr. Bandar Bin Mohamed Hamza Hajjar
President, IDB Group
Chairman of the ISFD Board of Directors
Message from the Director General

Twenty Sixteen was an year of special challenges for the ISFD. In the ongoing effort to make the ISFD more responsive to the needs of member countries, the Fund has been required to develop a new business model and stimulate stronger and innovative reforms to achieve its objectives. I was specially honored to be the first Director General of the Fund after this model was approved.

Within this framework, as approved by the Board of Directors, four key areas of the ISFD work have been identified: an innovative approach to mobilizing resources, including its core capital, supplementary capital and Waqf, investments of the capital resources, innovative programs for poverty reduction, and publicity and outreach to raise awareness of the Fund and its activities.

The first year of the implementation of this model witnessed an intensive activity of the Fund to raise the Fund’s approved capital, provide member countries with the necessary information for this purpose, appealing for Waqf allocations, and reviewing the investment policy to improve the returns on invested capital. The Fund also worked closely with the concerned departments of the IDB to develop new programs and improve the impact of the existing ones. It has also started to develop its publicity tools to raise the profile of the Fund as a donor institution of the IDB Group for financing programs to alleviate poverty in member countries.
The ISFD has also enhanced its efforts to expand its network and create new partnerships and alliances with regional and international institutions to augment its resources and maximize the impact of its interventions. These include partnership with Silatech, Qatar, which aims to provide 1 million jobs for the youth over the coming five years through employment and vocational training programs and microfinance. It was agreed that Silatech would also support the creation of another 1 million job opportunities in collaboration with the ISFD. This aspiring program is managed in partnership with the relevant departments of the IDB. The Fund has also developed a program with Education for All (EAA) Foundation, Qatar, to create 1.8 million educational opportunities in six member countries within an EAA program that targets 10 million students worldwide.

The ISFD has also explored the possibility of creating strategic partnership and launching of economic empowerment and institutional responsibility programs with some member countries, to be supported by the Fund’s resources and contributions from development partners. On another front, the Fund was able to finance a number of operations which aim to reduce poverty in cooperation with the concerned IDB Departments in 1437H (2016). Fourteen projects, valued at US $ 99.1 million were approved in 11 member countries during the year. Therefore, since the ISFD started operations in 1429H (2008), 664.8 million USD had been approved under its programs.

In addition, the Fund continued to support renewable energy programs to increase affordable electricity in rural areas. It has also continued to support the Life & Livelihood Fund (LLF), which provides attractive financing to the LDMCs by providing a range of grants and soft loans. In 2016, these have been mainly aimed at supporting health services, particularly immunization of children and fighting infectious diseases.

In the area of resource mobilization, the ISFD has contacted all member countries for the implementation of the ISFD BOG Resolution calling on them to make contributions to the Fund on the basis of a weighted criterion combining a country’s GDP, total exports and foreign currency reserves. It has also called on them to allocate suitable Waqfs in favour of the ISFD, which the ISFD can develop to generate revenues that can enhance its resources. In this regard, the Fund had participated in the ground breaking ceremony of the first ISFD Waqf project on 8 February 2016 in Cotonou in Benin.

I take this opportunity to express my appreciation to Dr. Ahmed Mohamad Ali, ex-President of the IDB Group, for the distinguished service he had rendered to the ISFD over the past ten years. The ISFD had grown and won respect under his able leadership and guidance. I also wish thank the Chairman of the ISFD Board of Governors, Board of Directors, and the IDB Management for their unfailing support and confirm the commitment at the ISFD management to further improve the performance of the Fund and set bigger goals for its programs in the years ahead.

Dr. Waleed Abdul Mohsin Al Wohaib
Director General, ISFD
BURDEN OF POVERTY IN IDB MEMBER COUNTRIES
Burden of Poverty in IDB Member Countries

The world economy grew by estimated modest rate of 3.1% in 2016, which is the lowest since the 2008–09 financial crisis. This reflects the low growth of the advanced economies following the UK vote in favor of leaving the European Union (Brexit), and weaker-than-expected growth in the United States. If this subdued growth continues, the world will risk returning to global recession which could have a major impact on international financial markets and, once again, a distressing impact on poor countries.

In the IDB member countries, the economic outlook remains challenging. Oil prices had recovered partially in 2016, reflecting expectations of decreases in production by Organization of the Petroleum Exporting Countries (OPEC) members amid continued global oil production in excess of oil consumption. The collapse in oil prices strained the fiscal positions of oil exporting member countries and weighed on their growth prospects. However, they also lowered the energy costs in the less developed member countries (LDMCs) and support the poor households. At the global level, and as the world begins the implementation of the 2030 Agenda for the 17 Sustainable Development Goals (SDGs), it is still challenged by the fragility that poverty represents. Based on the revised extreme poverty line from US$1.25 to US$1.9 a day, extreme poverty at the global level reduced by 1.4 percent between 2011 and 2012. The number of people living under extreme poverty decreased from an estimated 983 million (14.1% of global population) in 2011 to about 900 million people (12.7% of global population) in 2012. It is estimated that 800 million people are suffering from hunger, and 2.4 billion live without improved sanitation, and cannot meet basic needs for survival: food security, access to health care, safe drinking water and sanitation, basic education and shelter. The high number the poor and vulnerable and the modest increases in ODA – due to fiscal pressures - are limiting the development prospects of developing countries, particularly low income countries.

The Millennium Development Goals (MDGs) have motivated policy actions on reducing poverty by many countries and international development agencies. The SDGs have become the focal point on international development agenda since 2016 after the stipulated end date of 2015 for the MDGs. According to the SDG report 2016, the proportion of the world’s population living below the extreme poverty line dropped by more than half between 2002 and 2012, from 26 to 13 per cent. This translated to one in eight people.

1 IMF World Economic Outlook (WEO), 2016.
POVERTY INCIDENCE IN THE IDB MEMBER COUNTRIES

According to the World Bank, 20% of the world’s population lived on less than US$1.70 a day worldwide living in extreme poverty in 2012. However, poverty remains widespread in sub-Saharan Africa, where more than 40 per cent of people lived on less than US$1.90 a day in 2012. The proportion of stunted children under age 5 fell from 33 per cent in 2000 to 24 per cent in 2014. Between 1990 and 2015, the global maternal mortality ratio declined by 44 per cent and the mortality rate of children under age 5 fell by more than half. In 2015, 6.6 billion people, or 91 per cent of the global population, used an improved drinking water source, compared with 82 per cent in 2000.

However, more needs to be done if the SDGs are to be achieved. While poverty has been halved, 1 in 8 people still live in extreme poverty, according to the UN SDGs Report - 2016. An estimated 5.9 million children under 5 died in 2015, mostly from preventable causes, and 216 women died in childbirth for every 100,000 live births.

On the positive side, according to the UN MDG Report 2014, 90% of children in the developing world now have access to primary education, and disparities between boys and girls in enrolment have narrowed. Remarkable gains have also been made in renewable energy and access to safe drinking water for the poor.

4 Op cit
Yet, the progress has been uneven among and within countries and regions. Poverty levels are still quite high for a considerable number of developing countries as almost half the world’s population currently live on less than two dollars a day. The countries in Sub-Saharan Africa and Asia account for nearly half of the total poor living in developing countries. The global economic and financial crises that have been encountered in the recent period have worsened the situation in these countries and increased the urgency for poverty alleviation programs. No doubt, the food crises of 2007-9 had significantly slowed the progress against hunger and undernourishment and the effect of this episode is still felt in many developing countries. The inability to have access to enough food, in turn, affects labour productivity and the ability of the undernourished to generate income, thus reinforcing the poverty trap.

At the IDB member countries’ level, despite well-intentioned government policies and significant amounts of foreign aid and philanthropy, more than 400 million of the multi-dimensional poor live in these countries. About 60% of this group are estimated to be living in sub-Saharan Africa and some in middle income countries such as Indonesia, Bangladesh, Nigeria, and Pakistan. Although the total population of these countries accounts for nearly one-fourth of the world’s total population, their total GDP accounted for only 8.6 percent of the total world GDP in 2015. On the other hand, per capita GDP levels vary across the OIC Member Countries, (i.e. $954 in Niger, $143,788 in Qatar). The poverty status also displays a diverse picture in the IDB member countries, since poverty headcount ratios in the Member Countries vary from zero to 62 percent.

**Challenges Facing the IDB Member Countries**

Despite efforts by governments, donor community, and development partners, poverty remain a serious development challenge in many IDB member countries. The poverty ratio among the population is twice the world average and more than half the population in no less than a quarter of the IDB member countries subsist below the poverty line. Some IDB member countries in Africa have more than 70% of their population living in absolute poverty.

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Syrian Refugee Children Education: The ISFD has provided support to education of Syrian refugee children by way of grant assistance.

5 OIC Poverty Outlook, 2016, COMCEC
No doubt, attention to poverty issues has increased over the past decade, and much has been invested in them. Nonetheless, greater effort is required to make real headways in combating poverty and attain the SDGs. Among the essential lessons learned from the development efforts is that a large proportion of incremental growth must reach the poor in order to make significant breakthrough in fighting poverty. The IDB member countries must be able to strengthen their pro-poor growth rates and reinforce their resilience to internal and external shocks. Uneven economic development and access to basic services of rural and urban areas are still pronounced and daunting. It is true that these disparities are caused partially by geographic location and endowments of natural resources. However, they are also a result of social factors and policy decisions which could and should be addressed.

**Enhancing food security:**

Sub-Saharan Africa (SSA) is the only region in the world where the overall food security situation is currently deteriorating. Despite the notable applications of science and technology advances and their proven successes in agriculture, stable crop yields have remained low compared to world averages in many countries. More than 90% of arable land in SSA is still rain-fed, and climate change is starting to impact on the production system with shifts and erratic changes in rainfall patterns. The threat for many IDB member countries, particularly in Africa, is real where millions of people are chronically undernourished and children severely underweight. Reports show that millions of poor people in Africa die from hunger and related causes, mostly children under 5 every year, while several other millions are always in need for emergency assistance. There is therefore a need for national governments to focus on development programs with direct linkages to increased agricultural production and improved household nutrition. Similarly, there is urgency for development partners to intensify their efforts in those countries that need food most and where food insecurity is greatest.

**Providing incentives for employment creation:**

Poverty and associated human development issues are a direct consequence of the high unemployment rate in many IDB member countries. The average unemployment rate for the member countries, at 18.0 per cent, is twice the global average, 15-20% in North Africa, and 12.0% in East Asia. In some countries it is even far more than that and reaches up to 50% in Comoros. In fact, only a few OIC member countries, mostly in the Gulf Region, have single digit unemployment rates.

6 Human Development Report, UNDP, 2015
7 ILO, ODI
It is therefore imperative for member countries to implement broad-based growth strategies that provide stability and incentives for employment creation and income generation activities. This enhances employment of the poor. It also improves social services, rural development and investment policies, and make essential services accessible to the poor - education, health and other amenities.

Unemployment is not prevalent only among the LDMCs, but also among the middle classes. For example, in the Middle East and North Africa, poverty is estimated at only 2.7% of the population. Yet, 100 million youth between 15 and 29 years old, representing 30% of the region’s total population, are in need of an economic future which will support the conditions for human development, inclusive political life and social cohesion8. The region is witnessing growing, well-educated, young populations with high aspirations but poor job prospects and living conditions. With youth unemployment more than double the world average in the Middle East and North Africa, youth uprisings and social strife are most likely to continue unless this problem is addressed.

Whereas unemployment is an awful experience, at whatever age, the long-term damaging effect makes it especially hurtful for the youth. Women in particular face more difficulties in accessing the job market, which is a loss of a valuable human resource potential. The ILO has warned of a “scarred” generation of young workers facing a dangerous mix of high unemployment, increased inactivity and precarious work as well as persistently high poverty in the developing countries, but specifically in the Middle East and North Africa. Clear roadmaps of counter-attacking unemployment can be drawn by investing in

**Distribution of IDB Member Countries in Different Human Development Categories**

- **Very high HD**: 11%
- **High HD**: 25%
- **Medium HD**: 23%
- **Low HD**: 41%


8 After the Spring: New Approaches to Youth Employment in the Arab World, by Tarik M. Yousef, CEO, Silatech, WEF, 2012
infrastructure, supporting the development of SMEs, and reforming the education system to provide youth with the skills needed to help them function in the job market. The recent institutional and policy reforms in the IDB reflect the sense of urgency and recognition of the gravity of the youth unemployment situation in the member countries, particularly the huge uncertainty regarding the financing needs of these countries to implement these programs.

**Building Resilience to Climatic Changes:**

Since most rural households are engaged in agriculture, their incomes are highly influenced by climatic conditions. With increasing population growth in member countries, particularly LDMCs, it is unlikely that the majority of the rural population will be able to find adequate income and employment in agriculture. This situation is worsened by the changes in the natural environment which set limits on further agricultural expansion in many regions. For example, drought is expanding and productivity is declining in areas of high poverty rates across the Sahara belt in Africa and some parts of Asia. Yet, in others, climatic conditions are affected by monsoons which are also leading to land degradation and low productivity.

Countries are aware of the need to build their capacities to respond to climatic changes. At the same time, there is growing emphasis on collaboration at the international level to keep the momentum of protecting the ecosystems that support economic growth for the benefit of the poor⁹.

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⁹ As emphasized in United Nations Conference on Sustainable Development - Rio+20
External aid constraint:

With the current fiscal restraint, LDMCs revenues have to increase to support their poverty alleviation programs. The LDMCs remain dependent on external aid to compensate for shortfalls in government resources which are needed for maintaining and expanding priority social services, and overcome the policy and institutional constraints of addressing poverty. Evidence shows that financing of the poverty alleviation programs is not merely insufficient, but that the ad-hoc and temporary nature of the available financing, as well as challenges to coordinating its delivery and directing it to the most needy recipients, hinder achievement of the progress towards achieving significant breakthrough in main poverty reduction indicators relating access to basic services.

An IDB study estimates that in order for member countries to reduce poverty by half, as a group they will need to grow at 4.8 per cent per annum and sustain an average per capita growth rate of 3 per cent. To achieve this, it also estimates that they would require an average investment of 23.6 per cent of GDP per year. Obviously, achieving the SDGs targets will require even more resources.

Imperatives for Poverty Reduction in Member Countries

Poverty is scar not only to the poor people but also to the society in which they live. It is associated with serious social scorn and undermines the confidence of people affected by it. Poor people are deprived of opportunities to participate in economic activities. The potential gain to the economy from the productivity of poor people can be lost due to their non-involvement in economic activities, which leads to sub-optimal or low level performance of the economy.
In most instances, poverty occurs due to development failures rooted in the inability to expand economic activities to ensure full participation of various categories of people. The poor people face denial of choices and opportunities, leading to low levels of dignity that weakens their confidence in life. This undermines social and economic cohesion for effective functions of societies and communities.

Fragmentation of economic activities arising from the exclusion of many poor leads to high levels of distortions in the economy. These distortions manifest in several activities outside mainstream economic activities with their stimulating effects not significantly propelling the overall economy. In addition, as the poor people do not have enough resources to feed and clothe, the demand for goods and services from them that could have spurred market incentives of the economy through potential consumer spending is not realized, another missed opportunity for accelerating growth of the overall economy to enhance sustainable development.

Lack of basic capacity and skills, which is usually associated with poor people, makes it even more difficult for poor people to engage in productive economic activities. This deepens their poverty because non-participation in economic activities deprives them the opportunities to improve their skills through learning-by-doing. As the poor lack income earning opportunities, and without access to basic social services, such as education, health, safe drinking water and sanitation, they face serious social and physical insecurity. This makes the poor people hungry, angry and susceptible to violence related activities that could undermine social, political and economic stability.

**Annual growth rate in HDI between 1990 and 2015**

![Graph showing annual growth rate in HDI between 1990 and 2015](source: Comcec Poverty Outlook 2016: Human Development in OIC)
It is therefore imperative to initiate and implement policies and to address the problem of poverty in member countries. To achieve these objectives, and make practical inroads towards the SDG, there is obviously a need for a strong global development cooperation to attract aid from diverse sources for member countries. At the local level, however, member countries also need to:

- Improve domestic resource mobilization: increasing tax coverage, better harnessing of natural resource revenue, and strengthening accountability and increasing expenditure efficiency.
- Capitalize on the potential of the private sector
- Develop good polices and building adequate capacity to implement them
- Build effective institutions and make efficient use of the scarce resources to increase their impact and leverage additional resources that could be available from other sources, be it domestic and foreign, public and private sources.

**Role of the ISFD**

Despite the successes, the ISFD is aware that poverty continues to grow and urgent challenges remain ahead. The ISFD devises and promotes innovative policies and programs that reaffirm and build on its core areas of intervention as set out in its Regulations and the IDB Group Policy for Poverty Reduction. Thus, the ISFD strives to:

- Provide finance on concessionary terms for poverty alleviation projects in member countries, particularly LDMCs.
- Promote economic empowerment, increase productivity and thus, raise the standards of living of the targeted segments in member countries.
- Continue to provide support through Microfinance and Vocational Literacy programs to raise and stabilize the incomes of the rural poor, enhance their food security, improve access to safe water, and support women’s empowerment and well-being.
- Contribute to the efforts to promote access to sustainable energy for the poorest communities through establishing sustainable and affordable models for rural electrification in LDMCs.
### Table 1: Means to Implement the SDGs

<table>
<thead>
<tr>
<th>Sources</th>
<th>Global Level</th>
<th>National Level</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial</strong></td>
<td>• Official development assistance • Debt relief • FDI</td>
<td>• Domestic revenues • Public-private partnership</td>
</tr>
<tr>
<td><strong>Traditional Sources</strong></td>
<td>• Combating illicit financial flows and tax evasion • Foreign exchange transaction fees • Global carbon tax • Tobacco levy</td>
<td>• Blended finance involving international sources</td>
</tr>
<tr>
<td><strong>Innovative Sources</strong></td>
<td>• Trade in goods - export access and capacity (including Aid-for-Trade) • Trade in services - overseas remittances • International tax agenda • Global financial architecture and economic stability • Transfer of technology • Regional partnerships</td>
<td></td>
</tr>
<tr>
<td><strong>Systemic</strong></td>
<td>• Global dialogue frameworks and agreements • Global data compiling and monitoring • South-South cooperation</td>
<td>• Internal dialogue with Civil Society Organizations (CSOs), private sector &amp; other stakeholders • National governance (including enhancing financial transparency), capabilities and institutions, land reforms, and business climate.</td>
</tr>
<tr>
<td><strong>Non-Financial</strong></td>
<td>• Trade in goods - export access and capacity (including Aid-for-Trade) • Trade in services - overseas remittances • International tax agenda • Global financial architecture and economic stability • Transfer of technology • Regional partnerships</td>
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ISFD
FINANCING
The ISFD financing operations are guided by the IDB Group Policy on Poverty Reduction, the ISFD work program and Member Country Partnership Strategies (MCPSs), and consultations with member countries. The ISFD also draws on the IDB experience and similar institutions and engages external consultants and specialists to support its programs.

Combating poverty requires targeted interventions in the areas of social and human development, such as basic education, health services. It also requires enhancing capabilities, particularly for women and children, empowering citizens, men and women equally, and providing the poor and vulnerable with income generation opportunities. The ISFD gives priority to projects that mainly address these sectors. It emphasizes key aspects of pro-poor growth activities through rural and agricultural development, rural and secondary infrastructure, micro-finance, and vocational training. It also emphasizes the importance of partnerships and co-financing to supplement its limited resources and scale up its programs. It puts emphasis on dealing with local community and grass-roots entities to achieve an ‘inclusive’ approach to poverty reduction.

Three overarching themes define the focus of the ISFD’s poverty reduction activities: (a) ensuring that these activities create additional jobs and employment that reach the target groups of poor and disadvantaged people; (b) promoting the development of human capital by boosting education and health support; and (c) ensuring that the supported interventions provide the poor with sustainable income-generation opportunities.

Projects/Programs Approvals
During 1437H (2016), 14 operations amounting to US$99.1 million were approved for 11 member countries, compared to 19 operations amounting to US$133.36 million approved for 15 member countries in 1436H (2015). The total cost of the projects approved in 1437H is estimated at US$1.515 billion. These approvals covered the key sectors of poverty reduction programs, namely education, vocational literacy, microfinance, health, rural and agricultural development, transport and power.

LDMCs are the major beneficiaries of the ISFD
The ISFD recognizes the huge scale of poverty in member countries, as around 400 million people are living in extreme poverty (or 40% of the global total living on less than US$1.9 a day). In terms of absolute numbers, statistics show that poverty is getting worse in Sub-Saharan Africa. In line with the IDB Policy on Poverty Reduction, therefore, LDMCs were the main beneficiaries of the ISFD programs during 1437H (2016). The policy for ISFD financing
stipulates that 80 percent of the ISFD annual financing would be allocated to LDMCs and 20% to poverty pockets in non-LDMCs.

In line with this policy, ISFD allocation for LDMCs was 75% (US$78.29 million) of its total approvals in 1437H. In terms of projects’ distribution, allocation to education was 40.0% (US$ 40.0m), energy 23.0% (US$ 23.0m), health 10.1% (US$ 10.0m), agriculture 8.0% (US$ 8.1m), microfinance 3.0% (US$ 2.9m), water & sanitation 5.0% (US$ 5.0m), and other sectors 10.0% (US$ 10.0m).

Obstetric fistula most commonly occurs among women who live in low-resource countries, who give birth without access to medical help. Statistics show that at least 50% of the women who suffer from obstetric fistula do not receive treatment. The ISFD support the efforts for obstetric fistula treatment in Africa by way of grants financing.
During the year, the Fund continued to explore the opportunities for widening the coverage of its flagship programs, in particular the microfinance and vocational literacy programs, as tools for addressing rural poverty. A Program on Vocational Literacy (VOLIP) for Senegal was approved following a successful pilot phase implemented in two needy regions in the country. The results show that the project has positive impact on the social and economic conditions of the beneficiaries, and has contributed to empower women and young adults in the targeted areas. In the second phase, the beneficiaries will be provided with microfinance to develop their businesses and benefit from the skills they have acquired.

Similarly, a Technical and Vocational Education and Training (TVET) Support Program was approved for Uganda which aims at contributing towards transforming the TVET into a comprehensive system of technical competencies and skills development for employment and enhanced productivity and growth.

The ISFD also financed a project on Bilingual Education in Chad, which is derived from the Program Framework on the Generalization of Bilingual Education in the country and receives support from the IDB. The project aims at contributing to improving the quality of bilingual education and upgrading and integrating the Quranic schools into the formal education system in the country.

The Fund also approved a Franco Arabic Bilingual Education Project for Cote d’Ivoire. This project is in line with the government’s medium term action plan for the restoration of the education system and the provision of quality basic education for children aged six to sixteen years. Specifically, the project aims at promoting inclusive education through the introduction of Franco Arabic schools within the formal education system. At completion, the project will benefit 7,400 students. In addition, 1,000 teachers and 50 pedagogic trainers and inspectors will receive training.

Similarly, the Fund approved an Agricultural Entrepreneurship Development Project for Senegal which aims to increase agricultural production and productivity by providing the required services and technical know-how for unlocking the employment opportunities along the value chain. The project supports the government’s efforts to promote rural employment with the aim to increase food production and achieve the announced food self-sufficiency strategy across the country.
ISFD staff, Yusuf Verdi, presenting an award to a winning participant in the ISFD Vocational Training and Microfinance Program in Senegal.

The ISFD has also extended a loan to the main microfinance institution in the Union of Comoros (Meck-Moroni). The project, called Youth Entrepreneurship Support (YES), has also been supported by SILATECH, a Qatari based NGO that works to create jobs and expand economic opportunities for young people throughout the Arab world. The specific project objectives are to: (i) support the development of value chains in strategic sectors; (ii) build the capacity of Comorians in the production and marketing of cash crops (mainly Ylang-Ylang, Cloves and Vanilla); and (iii) build the institutional capacity of Meck-Moroni and other stakeholders in entrepreneurship and Islamic finance.

The ISFD has also supported a project in Guinea to strengthen the health system after the Ebola outbreak in the country. The survivors of the Ebola virus in the country, and indeed in whole western Africa more than at any other time, are fortunate to have survived the disease. However, their health problems are not yet behind them as a result of their great battle with the disease. The ISFD financing is aimed at helping in upgrading the healthcare services to meet the survivors ongoing health needs. It also aims at addressing the challenges related to the epidemic and other major public health problems in the country.

Similarly, the ISFD has continued to support the Polio Eradication Program in Pakistan. Due to the Global efforts to fight this disease, polio cases have been reduced by more than 99%. This makes its eradication a feasible target. In fact, Pakistan and Afghanistan are the only remaining polio endemic countries in the world. The project will be the consolidation of the ongoing IDB-Bill & Melinda Gates Foundation (BMGF) partnership on polio eradication in Pakistan, which has recorded significant achievements in bringing the country at the verge of eradicating polio. At completion, all Pakistani children (more than 36 million) will be fully immunized against polio for life.

The Fund also approved a 150 MW Wind Power Project for Pakistan, which aims to address power shortages and improve energy security. The Project will promote economic growth through increasing supply of energy in response to a growing energy deficit, particularly during the summer season. The Project supports the Government’s initiative with the aim of bringing wind power generation to 1,500 MW by the end of 2018 and 9,700 MW by 2030. It will also reduce the country’s dependence on expensive oil imports for power generation and ease the burden on the balance of payments.

(A List and Brief on the Profile of all ISFD-approved Projects in 1437H – 2016, are given in Annexes I & II).
Cumulative Approvals

In terms of cumulative approvals, since commencement of its financing operations in 2007, the ISFD approved US$ 664.8 million for 106 operations in 33 Member Countries. Of these approvals, 75% have been allocated to LDMCs, of which US$640.7 million – (i.e. 96.4%) have been provided on loan basis while the remaining amount of US$24.1 million has been provided as grants.

Completed Projects

Twenty ISFD financed projects have already been completed (Annex 2). Active operations as at the end of 2016 were standing at 86, while cumulative disbursements were standing at US$145.0 million (23% of total approvals).

Promoting Co-Financing with Development Partners

Co-financing, as part of the drive to mobilize resources, is vital for leveraging the ISFD resources to have meaningful impact on the beneficiary countries. It leads to efficiency improvement across the financing institutions, achieves best practices, reduces cost, catalyzes greater investments, and helps “doing more with less.”

The ISFD therefore places emphasis to mobilizing funds for projects in areas of common interest to the Governments, ISFD and other partners that would not have come to the recipient country in the absence of co-financing arrangements. The ISFD seeks partnerships and co-financiers for technical assistance activities and/or financing of specific projects’ components. Co-financing may be in the form of a grant or a loan, concessional or non-concessional. It can also be provided on a parallel or joint basis, although the majority has been provided on a parallel basis.

In 1437H (2016), the total cost of the approved projects was US$1.515 billion, whereas the ISFD contribution was US$99.1 million – representing 6.1% of the total financing. The remaining cost was covered by the IDB and other co-financiers, including national governments, multilateral institutions, bilateral donors, and NGOs.

Importance of strategic partnerships:

In line with the IDB Policy on Poverty Reduction, the ISFD strives to form strategic partnerships for effective implementation of this policy. Strategic partnerships and alliances give the Fund a competitive advantage and create an opportunity to access a broader range of resources and expertise than it could otherwise have. This means that partnerships can assist in offering member countries distinctive skill sets and co-financing opportunities that add value to the ISFD intervention. Partnerships with NGOs and specialized agencies, such as in the health sector (example: Fighting Obstetric Fistula in Eastern Uganda operation), ensure that these partners deliver excellence in service areas that are vital for the success of the ISFD projects. They also create an incentive for the beneficiary countries to use ISFD financing responsibly to implement the project and attain its objectives. It is also one
of the best ways of strengthening working relationships, enhancing governance, and thus amplifying interests and successes.

The ISFD has developed partnerships with a broad development community. The primary partners of the ISFD in development interventions are the governments of the beneficiary countries. However, the Fund has strengthened its partnership with stakeholders in areas of its main flagship programs, in particular, Vocational Literacy Program (VOLIP), Microfinance Support Program (MFSP), and Sustainable Villages Program (SVP). The ISFD aims to share lessons with institutions and organizations that have rich experience or better placed to secure participation and effective implementation of these programs.

Strong working relationships are also being developed with the Arab Bank for Development in Africa (BADEA), UNDP, DFID, and Islamic Relief Word-wide. The Fund has strengthened its relationship with Qatari foundations to collaborate on projects for poverty reduction in member countries- particularly Comoros and Chad. These foundations include: Silatech, Qatar Charity, Qatar Fund, Qatar Red Crescent, and Education Above All (EAA). Relationship with these institutions is aimed at fostering knowledge sharing as well as co-financing and technical cooperation.

The ISFD is also in the process of entering into collaborative partnerships with many selected UN and other international and regional agencies which are engaged in the area of fighting poverty in the IDB member countries. These institutions have rich experience in project appraisal, supervision and loan administration, impact assessment, and sustaining development efforts after completion of the projects/ programs.
3
CORPORATE GOVERNANCE
3 Corporate Governance

Activities of the ISFD Board of Governors

The 9th Annual Meeting of the ISFD BOG was held in Jakarta in the Republic of Indonesia on 12 Rajab 12 Sha’ban 1437H (19 May 2016), in conjunction with the 41st IDB Group Annual Meeting of the BOG. The BOG approved all the recommendations presented to it by the Procedures Committee of the BOG in connection with the ISFD, and adopted eight resolutions relating to those recommendations.

The BOG adopted the ISFD Annual Report and Audited Financial Statements for the financial year ending on 30 D. Hijjah 1436H (13 October 2015). It also deliberated on the progress of the ISFD during 1436H and implementation of its new organization structure and business model. It commended the ISFD management for the results achieved during the year. While acknowledging the efforts made in respect of resource mobilization, the BOG expressed concerns about the low level of contributions to the capital of the ISFD by member countries which constrain its financing operations.

Although the BOG had already adopted a resolution in its 4th Annual Meeting calling on member countries to base their voluntary capital contributions to the ISFD on an average
weighted criterion of three indicators: a country’s real GDP, value of exports of goods and services, and the value of foreign exchange reserves – the BOG was informed that only a few member countries had yet responded positively to this significant resolution.

In addition, the BOG was informed that a tangible progress was made in relation to the implementation of its resolution calling on the member countries to take all measures to support the efforts of the ISFD in resource mobilization, such as allocating a suitable Waqf (Trust) in favour of the ISFD which the ISFD can develop to generate revenues that can enhance its resources. The resolution also stipulates that the allocated Waqf shall be considered an addition to the financial contribution of the concerned 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.

The BOG asked the BOD to foster consultations with the member countries with a view to generate enough commitment from member countries to make appropriate contributions which are commensurate with their economic and financial abilities.

The BOG decided that the 10th Annual Meeting of the ISFD BOG would be held in Jeddah, Saudi Arabia on Wednesday 22 Sha’ban 1438H (corresponding to 18 May 2017). It also approved Messrs.’ Ernst & Young as Auditors for the ISFD Accounts for the Financial Year 1437H/1438H (2016).

The Annual Meeting also afforded the opportunity to stage a forum for the ISFD management to meet with delegations from member countries and discuss topical issues of interest to them.

**Activities of the ISFD Board of Directors**

As per the regulations of the ISFD, the Board of Executive Directors of the IDB is the Board of Directors of the ISFD (BOD) and chaired by the President of the IDB.

The Board of Directors is responsible for overseeing the activities of the Fund and for this purpose may exercise all the powers delegated to it by the Board of Governors. The Board meets at least four times a year. Among its main duties is the responsibility for approving loan proposals, policies, the administrative budget, setting the terms and conditions of financing and operational procedures, providing guidance on specific fields of activity, and making decisions on strategic matters in accordance with the powers conferred on it by the ISFD regulations. The Board has a Standing Committee (the Audit Committee) that reviews and discusses documents that are subsequently submitted to the Board for consideration and approval.

Regular Meetings of the Board of Directors of the ISFD alternate with the meetings of the Board of Directors of the Islamic Corporation for Insurance of Investment and Export Credit (ICIEC). The ISFD BOD has delegated its authority to the IDB Board of Executive Directors.
Directors to approve the ISFD Programs/Projects when ISFD Board is not in session.

In 1437H (2016), the BOD held 3 meetings. During this it considered a number of items related to projects financing and policy issues. The BOD considered reports and verbal statements by the ISFD Director General during these meetings, which highlighted the various activities carried by the Fund during 2016 as well as areas for further actions.

The Board approved 14 financing operations, amounting to US$99.1 million for poverty reduction projects in 11 IDB member countries. Regarding low disbursements of the Fund, the Board noted that there is a critical need to consider practical solutions to this problem.

The Board emphasized that combating poverty requires targeted interventions in the areas of social and human development such as basic education, health services and enhancing capabilities, particularly for women and children, empowering citizens, men and women equally, and providing the poor and vulnerable with social safety nets.

The Board noted the improvement in the returns on the ISFD investments of its capital resources in 1437H (2016). To further improve the performance of the Fund’s investments, the Board directed to revise the ISFD Investment Policy which guides the ISFD investment of its capital resources. The Board also commended the partnerships and networking relationships which the ISFD has so far achieved.

The BOD approved the ISFD Preliminary Program Implementation and Administrative Expenses Budget for 1437H (2016) amounting to US$6.86 million, US$3.24 million for program implementation and US$2.52 million for administrative expenses, and US$0.433 million for capital expenditure. It also advised that the ISFD should consider optimizing its operational framework with a view to enhance the speed of its projects’ approval and implementation.
Contributions to the ISFD Capital

As at the end of 2016, 48 IDB member countries and the IDB have announced their contributions to the Fund (see Annex III). Of the participant countries, 30 have fully paid their contributions. Nine IDB member countries are yet to announce their contributions to the capital of the Fund. The Board considered the low level of announced contributions to the ISFD capital with small additions amounting to US$3.35 million by five member countries in 2016.

The Board emphasized the need to implement the previous ISFD BOG Resolutions on Resource Mobilization for the Fund, in particular addressing the issue of lack of response by most member countries to base their contributions the approved criteria. In response to the BOD directive, letters were sent to all Governors under the signature of the respective Chairmen of the ISFD BOG requesting them to implement the ISFD BOG resolution (ISFD/BG/3-432), calling on member countries to determine the level of their voluntary contributions to the Fund based on the approved criteria which takes into account the country’s real GDP, total exports value and foreign exchange reserves.

The BOD also asked the management of the Fund to call on member countries to implement the Waqf allocation Resolution for the ISFD BOG. It also emphasized the need for enhancing the impact of ISFD financed projects to convince member countries to increase their contribution. Moreover, Board members emphasised the need for making the Fund more visible and prominent in the media, which could help in the efforts to mobilize more resources.

ISFD Management

The current ISFD organization structure is composed of a Director General front office and two Divisions: the Program Management Division and Outreach Division, and Resource Mobilization & Investment Division. The Director General of the ISFD is Dr. Waleed Abdul Mohsin Al-Wohaib. Dr. Mohamed Safiullah Munsoor is heading the Program Management Division, and Dr. Azhari Gasim Ahmed is leading the team in the Resource Mobilization & Investment Division. As at the end of 2016, the Fund’s staffing is composed of 13 professionals and 3 support staff.
In review of the ISFD progress since it was launched in 2007, the BOD took a decision in December 2015 to put a new Business Model and Organizational Structure in place in order to optimize its performance. In particular, the BOD decided to:

I. Maintain ISFD as a Special Fund within the IDB as per Article 3 of the ISFD Regulations.

II. Approve a new business model with the Director General be the Head of ISFD reporting directly to the IDB President / Chairman of the Board of Directors of the ISFD. The DG will have an oversight function for resource mobilization, investment of the capital resources, advocacy and innovative projects.

III. Operations to be carried out with the relevant Departments within the IDB.

The approved ISFD business model, as cleared by the BOD, is framed within the following three lines of activities:

- Resource Mobilization
- Investment
- Operations

Within these lines of business, four primary focus areas have been identified for the Fund:

- Creative Resource Mobilization, including core capital as well as complementary capital.
- Co-financing and waqf donations.
- Investment of the Fund’s core capital, including in-house investments and outsourcing, if need be, of fund managers.
- Development of innovative poverty reduction programs.
- Advocacy and Sensitization, particularly about the ISFD programs and projects, as well as positioning the Fund to play the role of an advisory/knowledge hub for poverty reduction in member countries.

**Implementation of the ISFD New Business Model**

The ISFD had started taking concrete steps towards implementation of its new business model in 2016 across its main three business lines: resource mobilization, investment of capital resources, and financing operations. These actions included:

- Strengthening the management of the Fund in order to improve performance.
- Developing new flagship programs which are targeted at the poor.
- Expanding the network with donors and contributors to increase the resources for the targeted programs.
- Stepping up its efforts to make a breakthrough in resource mobilization, of both the core capital and complementary resources.
- Revising the Fund’s Investment Policy to improve the assets allocation strategy and improve the returns on the invested capital.
- Establishing partnerships and alliances with stakeholders around the most important work areas of the Fund, particularly in mobilizing additional resources and raising efficiency in implementation of the Fund’s programs. Efforts have also been undertaken to strengthen partnerships with civil and governmental entities, as well as with the internal IDB departments, for consultation on possible areas of cooperation on the Fund’s programs.

*ISFD Strategic Plan Brainstorming Workshop: The ISFD held a brainstorming workshop on its second strategic plan which helped in defining the actions that need to be taken to ensure the effectiveness of the proposed plan. In the Picture: Dr. Ayodele Odusola, Chief Economist – World Bank (Keynote Speaker); Professor Jomo Kwame Sundaram, Former Coordinator for Economic and Social Development, FAO; Dr. M. Zia Qureshi, Former Director, Strategy and Operations, Development Economics World Bank; and Dr. Shams Toor, Senior Program Management Specialist, ISFD, (moderator).*
- The Fund has continued its consultations with local institutions in member countries, such as the Agency for International Cooperation and Development of Turkey (TIKA), Organization of Islamic Relief World-Wide (UK), and Qatar Foundation (Education for All), Silatech (Qatar), and Islamic Council for Donor Institutions (OICHF), Qatar Charity, Qatar Red Crescent, Qatar Development Fund, Kuwait Zakat House, etc., to strengthen partnerships with these institutions.

- At the level of international organizations, the ISFD continued to strengthen its working relationship with the World Bank, UNDP, and DFID and embarked on studying the possibility of launching an initiative to establish a global alliance to combat poverty in the IDB member countries.

- Expanding the Fund's outreach activities and assigning this matter to specialists in the press and television production.

- Exploring the possibility of establishing strategic partnerships and initiating economic empowerment and corporate responsibility programs with selected member countries, with a view to support these programs from the Fund's resources and attract contributions from development partners.

Receiving delegations from Member Countries

The ISFD received delegations from member countries during the Annual Meeting in Indonesia and at other times at the IDB Headquarters in Jeddah. Delegations from the Islamic Council for Donor Institutions, Islamic Relief World-Wide, Silatech, and other institutions have been received by the Director General and discussed strategic opportunities for collaboration between the two institutions for the benefit of member countries. Similarly, the ISFD has signed MOUs with the Islamic Council for Donor institutions emphasizing areas of mutual cooperation between them and the ISFD.
ISFD Benin Waqf

The ISFD BOG adopted a resolution (ISFD/BG/3-433) at its 5th Annual Meeting held in Khartoum, Sudan on 12 Jumada Awwal, 1433H (04 April, 2012G) as follows:

i. Calling on the 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.

ii. The allocated Waqf shall be considered an addition to the financial contribution of the concerned member country to the capital of the ISFD.

iii. At least 50% of the income generated from the investments of the Waqf will be used by the ISFD to finance projects in the concerned member country, and the remaining amount will be used to finance other activities of the Fund.

- In response to this Resolution, the Government of Benin is the first country to have allocated a plot of land to ISFD under the Waqf Programme
- The land has been independently valued at US$5.7 Million.
- The Feasibility Study has been completed. The study recommends a mixed-use investment consisting of two towers for short-stay serviced apartments, retail, and office space.
- Financing required is estimated at about US$ 22.0 million. Projections show a pre-tax IRR of 13.3% based on an equity-debt ratio of 45%-55%.
- Approval for both the equity and part of the debt financing has been obtained from the IDB
- The Groundbreaking Ceremony was held in Cotonou on 8 February 2016, with the presence of the Head of the State of Benin, Dr. Thomas Boni Yayi, and the ISFD Director General, Dr. Waleed Al Wohaib.

Groundbreaking Ceremony of the ISFD Benin Waqf, Cotonou, 8 February 2016.
The ceremony was graced by Dr. Thomas Boni Yayi, Ex-President and Head of State of Benin, H.E. Zul Kifl Salami, IDB/ISFD Executive Director, and Dr. Waleed Al-Wohaib, Director General of the ISFD.

The project will develop into magnificent building, costing about US$22 million. It is expected to help in creating employment and business opportunities when completed. Moreover, at least 50% of the income it will generate will be spent on fighting poverty in the Benin.
4 FINANCIAL REVIEW
4 Financial Review

Resources of the Fund

The ISFD has an approved target capital of US$10.0 billion. The position of capital subscriptions as at the end of 1437H (2016) is shown in Annex III. These are composed of voluntary contributions by member countries of the IDB, and the IDB. The Fund has no callable capital.

Total pledges as at the end of 2016 stood at US$2.67 billion, composed of US$1.67 billion committed by 48 IDB member countries, and US$1.0 billion committed by the IDB. The biggest pledges were made by Saudi Arabia (US$1.0 billion), Kuwait (US$300.0 million), Iran (US$100.0 million), Algeria (US$50.0 million) and Qatar (US$50.0 million) – (Annex III).

Paid-in capital was US$2.532 billion as at the end of 2016, compared to US$2.37 billion as at the end of the year before. Four payments were made in 2016, totaling US$153.48 million, as follows:

- IDB: US$150.0 million
- Bangladesh: US$1.0 million
- Indonesia: US$2.38 million.
- Turkmenistan: US$0.1 million.

Of the committed contributions to the Fund, the remaining amount to be paid is US$149.59 million. Of this amount, US$50.0 million will be paid by the IDB in 2017, and the US$99.59 million will be paid by member countries. New commitments amounting to US$3.35 million were made in 2016 by 5 countries, namely: Comoros (US$650,000); Guinea (US$200,000), Gambia (US$1.22 million); Togo (US$1.0 million), and Turkmenistan (US$300,000).

The Fund maintains separate accounts and records of its capital resources and financing operations. All financing operations and investments of the Fund are conducted in conformity with Shariah (Islamic law) governing Islamic Awqaf (Trusts). Although the accounts of the Fund are kept in US dollars, the ISFD Regulations stipulate that they can be kept in any currency, currencies, or unit of account that the Board of Directors of the Fund may deem appropriate. As an interim measure, the BOD decided to use the US dollar as a unit of account of the Fund since its capital is denominated in US dollars. The
Fund’s accounts are kept by the IDB Finance Control Department and its capital resources are invested by the Treasury, Investments, and other concerned Departments of the IDB.

**Complementary Resources:**

The ISFD aims to obtain complementary resources through: (i) Specialized Trust Funds for poverty alleviation; (ii) Waqf Land Development in Member Countries; (iii) co-financing with partners; and (iv) Partnership with philanthropists, social investors, and the private sector. So far, the Fund has focused on the ISFD Waqf projects, while efforts are being made to benefit from other potential sources of complementary resources.

The Government of Benin is the first country to have allocated a plot of land to ISFD under the Waqf Program. The valuation of the land has been completed and the land has been valued at US$5.7 million. The groundbreaking ceremony of ISFD Benin WAQF was held on 9 February 2016.

A plot of land measuring 7000 m² situated in a prime location in Ouagadougou has been allocated by Burkina Faso to the ISFD. Moreover, expressions of interest to offer Waqf land for the ISFD have been made by Jordan, Azerbaijan, Cameroon, Maldives and Sudan.

**Operating Financing**

The ISFD approvals in 2016 amounted to US$99.1 million. These operations were financed from the ISFD income. The terms and conditions applied to the Fund’s operations are set in a manner to ensure that financing is provided on concessional terms to the member countries while preserving the long-term sustainability of the Fund.

**Investments:**

During 2016, the value of the Fund’s investments in equities reached US$31.5 million. All other investment assets, including shares, generated an income of US$103.04 million in 2016 compared to US$67.43 million in 1436H. As a result, normalized income reached US$90.3 million in 2016 compared to US$70.4 million in 1436H. Net return on investment of assets was 2.88% at the end of 2016 compared to 2.34% in 1436H. Efforts are still being made to review the Investment Policy in terms of portfolio diversification to increase returns while improving the risk profile in line with market practices.

Net asset value of the Fund increased by US$228.9 million at the end of 2016, an increase of 8.62% over its value in 1436H, thus reaching US$2.88 billion. The total investment portfolio (net assets - loans and other assets) increased from US$2.53 billion at the end of 1436H to US$2.87 billion at the end of 2016, an increase of 8.2%. Of this increase, 96.0% was invested in treasury and commercial financial instruments. Sukuk investments reached US$1.83 billion by the end of 2016, accounting for 63.77% of the investment portfolio, compared to US$1.45 billion, or 56.7% in the year before.
Income

The ISFD liquid funds are composed of paid-in contributions from member countries and the IDB in addition to the retained earnings of the Fund. In accordance with the ISFD Investment Policy, these funds were mainly invested in commodity murabaha and short-term Shariah compatible placements in 1437H (2016). A small portion is invested in Equity and Real Estates. More than 95% of the Fund’s investments were made in US dollar and Euro.

Gross Income


Provision for Losses

There was a provision for loan impairment in the ISFD accounts in 2016 of US$15.397 million.

Net Income

Net income in 2016 was US$83.037 million, compared to US$62.076 million in 1436H, an increase of 33.8%. This constitutes a return of 2.89% and 2.34% on the net assets of the Fund in these two years respectively. Given the fact that the Fund’s net assets had increased by 7.06% during this period (to US$2.873 billion from US$2.653 billion), this shows an appreciation in the rate of return on the Fund’s investments of its capital resources and unutilized retained earnings during 2016. This has happened despite a booked loan impairment of US$15.397 million.

Disbursements

Disbursement had amounted to US$18.65 million in 2016, compared to US$22.17 million in the year before. However, cumulative disbursements of the Fund since 2007 were US$135.11m.

Management of Liquid Funds

The ISFD is required to invest its resources which will not be immediately required for financing its operations. As a Waqf (i.e. Trust), paid-in capital would not be available for
utilization in the Fund’s operational activities. Therefore, to maximize the income of the Fund, liquidity is maintained only to the extent that it can meet the Fund’s current cash requirements and undisbursed commitments. The ISFD liquid assets are invested based on guidelines which are set on the basis the IDB Risk Management Policy. The ISFD has also an approved Investment Policy to guide the short- and long-term investment of its capital resources.

**ISFD Key Financial Indicators (in US$m)**

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<td>72.33</td>
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**ISFD Gross and Net Income**
The ISFD signed an MOU with Silatech, Qatar, in the presence of Her Highness Sheikha Mozah Bint Nasser, Chairman of the Board of Trustees. The MOU aims to provide employment opportunities for the youth in the Arab countries and enable them to launch their own projects. It was signed by Dr. Walid Al Wohaib, Director General of the ISFD, and Sabah Al-Haidous, CEO, Silatech.
ANNEXES
### Annex I: ISFD Approved Projects -1437H (2016)

<table>
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<tr>
<th>Project Names</th>
<th>Countries</th>
<th>Date of Approval</th>
<th>Approval (US$)</th>
<th>Sub-Mode of Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Support to the National Slum Upgrading Program (ICDD Ph-IV)</td>
<td>Indonesia</td>
<td>13-Feb-2016</td>
<td>10,000,000</td>
<td>Loan ISFD</td>
</tr>
<tr>
<td>2. Grassfield Participatory and Decentralised Rural Development Project (GP - DERUDEP)</td>
<td>Cameroon</td>
<td>13-Feb-2016</td>
<td>5,000,000</td>
<td>Loan ISFD</td>
</tr>
<tr>
<td>3. Technical and Vocational Training Institute Support Project</td>
<td>Uganda</td>
<td>15-May-2016</td>
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<td>Loan ISFD</td>
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<tr>
<td>4. Rural Water Supply and Sanitation Improvement Project – Kyrgyz Republic</td>
<td>Kyrgyz</td>
<td>30-July-2016</td>
<td>5,000,000</td>
<td>Loan ISFD</td>
</tr>
<tr>
<td>5. Strengthening the Bilingual Education Project</td>
<td>Chad</td>
<td>30-July-2016</td>
<td>10,000,000</td>
<td>Loan ISFD</td>
</tr>
<tr>
<td>6. Vocational Literacy Program for Poverty Reduction (VOLIP)-Phase 2</td>
<td>Senegal</td>
<td>30-July-2016</td>
<td>10,000,000</td>
<td>Loan ISFD</td>
</tr>
<tr>
<td>7. Franco Arabic Bilingual Education Project – Cote D’ivoire</td>
<td>Cote D’ivoire</td>
<td>24-Sep-2016</td>
<td>10,000,000</td>
<td>Loan ISFD</td>
</tr>
<tr>
<td>8. Post Ebola Health Sector Support Project</td>
<td>Guinea</td>
<td>24-Sep-2016</td>
<td>10,000,000</td>
<td>Loan ISFD</td>
</tr>
<tr>
<td>9. Agricultural Entrepreneurship Development Project (PRODAC)</td>
<td>Senegal</td>
<td>24-Sep-2016</td>
<td>3,075,000</td>
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</tr>
<tr>
<td>10. Mothers First: Ending Obstetric Fistula in Bangladesh</td>
<td>Bangladesh</td>
<td>18-Jun-2016</td>
<td>100,000</td>
<td>ISFD Grant</td>
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<tr>
<td>11. Youth Entrepreneurship Support Project in Comoros</td>
<td>Comoros</td>
<td>24-Sep-2016</td>
<td>2,650,000</td>
<td>Loan ISFD</td>
</tr>
<tr>
<td>12. Youth Entrepreneurship Support Project in Comoros</td>
<td>Comoros</td>
<td>24-Sep-2016</td>
<td>250,000</td>
<td>ISFD Grant</td>
</tr>
<tr>
<td>13. Solar Energy for Rural Development Project</td>
<td>Chad</td>
<td>24-Dec-2016</td>
<td>12,000,000</td>
<td>Loan ISFD</td>
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<tr>
<td>14. Solar Energy for Rural Development Project under Reverse Linkage</td>
<td>Mali</td>
<td>24-Dec-2016</td>
<td>11,000,000</td>
<td>Loan ISFD</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>US$99.1 Million</strong></td>
<td></td>
</tr>
</tbody>
</table>

1. Agricultural Entrepreneurship Development Project, Senegal

The Government of Senegal recognizes agriculture as a major source of employment generation and food self-sufficiency strategy. In this regard, the Government had in recent years launched a number of programs to promote rural agriculture with the aim to increase food production across the country. This program aims to increase agriculture production and productivity by providing the required service value chains and technical know-how to unlock various opportunities along the value chain.

Key results of the project include: (i) creation of over 30,000 new jobs, (ii) creation of 348 Agriculture Entrepreneurs Groups, (iii) 30,000 entrepreneurs in production and business management; (iv) graduation of more than 90,000 rural youth from incubation centers to set up their own farming businesses; (v) production of 167,400 tons of agricultural products (cereals and horticultural products) annually; (vi) production of 29,250 tons of livestock product (meat) annually, (vii) production of 6,000 tons of fish annually.

The project consists of: (i) Development of Agricultural Growth Centers, Entrepreneurship development and Project Management and Coordination unit.

The project’s total cost is estimated at Euro 90.75 million (approx. US$101.48 million), to which the ISFD contributes EUR 2.75 million (US$3.075 million), by way of loan financing. The rest of the cost amount will be financed by the IDB (Euro 70.11) and the Government of Senegal (Euro 17.89 million).

2. Franco Arabic Bilingual Education Project, Cote d’Ivoire

This project is in line with the government’s medium term action plan for the restoration of the education system and provision of quality basic education for children aged six to sixteen years. More specifically, it supports the government strategy of integrating Islamic schools within the education system. With Sustainable Development Goal (SDG) 4, the world has pledged to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. The Government of Cote d’Ivoire anchors this project to this goal, as part of its commitment towards inclusive and equitable public provision of basic education.

The objective of the project is to support Government’s efforts to reduce poverty and the promotion of inclusive education. Specifically, the project aims at promoting inclusive education through the introduction of Franco Arabic schools within the formal education system. At completion, the project will create access for and benefit 7,400 students. In addition, 1,000 teachers and 50 pedagogic trainers and Inspectors will receive training.

Project Description: The project scope includes: (a) construction and equipping of primary and secondary schools; (b) Arabic language curriculum development; (c) in-service training of teachers, pedagogic advisers and school Heads; (d) provision of teaching and learning materials; (e) institutional support for inclusion of Islamic schools in national data collection; (f) consultancy services; and (g) support to project management.

The total cost of the project is estimated at US$28.31 million, to which the ISFD will contribute US$10.0 million by way of loan financing. The rest of the financing will be provided by the IDB (US$15.27 million), and the Government of Cote D’Ivoire (US$3.04 million).
3. Strengthening Bilingual Education, Chad

This project is aligned with the strategy of the Government of Chad for expanding access to quality education as part of the implementation of the National Development Plan. The project is derived from the Program Framework on the Generalization of Bilingual Education in Chad which is supported by the IDB. It conforms to the Sustainable Development Goal No. 4 “Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.” It is also aligned with the IDB Vision 1440H of promoting human development, and with the IDB Education Sector Policy.

**Project Objectives:** The overall objective of the project is to support the Government of Chad to achieve more inclusive and quality education system in line with its Strategy for Education and Literacy. More specifically, the project aims to contribute to improving the quality of bilingual education, and upgrading and integrating the Quranic schools into the formal education system. At completion, the project will benefit 54,000 students and 1,590 education professionals in the short term.

The project scope includes the following: (a) improving the quality of bilingual education; (b) upgrading and integrating the Quranic schools into the formal education system; and (c) providing support to the project’s management.

The total cost of the project is estimated at US$31.90 million, to which the ISFD will contribute US$10.0 million by way of loan financing. The rest of the financing will be provided by the IDB (US$19.0 million), and the Government of Chad (US$2.9 million).

4. National Slum Upgrading - Indonesia

This project has been designed in keeping with the objective of the Government of Indonesia to empower the community and acceleration of the “100-0-100” principle, i.e. (100% connection to water supply, 0% Slums and 100% access to Sanitation facilities), in order to alleviate and prevent slums in urban and semi-urban areas through infrastructure improvement and sustainable livelihood.

**Project’s Objectives:** The project aims to improve the people’s well-being in urban areas through slum upgrading and prevention by way of community driven development and local government participation. More specifically, the project will by the year 2020: a) Improve community access to appropriate infrastructure; b) Promote collaboration with stakeholders through empowerment of local governments; and c) Improve community welfare by promoting sustainable livelihoods.

Some of the key results expected at the project’s completion include: a) Number of urban slum villages reduced from 1174 villages to less than 200 villages; b) Areas of slums reduced by 60% from 11218ha to 4518ha; and c) At least 15% of project funds are matched by the local government, private sector and charities.

The total cost of the project is estimated at US$364.66 million, to which the ISFD will contribute US$10.0 million by way of loan financing. The rest of the financing will be provided by the IDB (US$319.76 million), and the Government of Indonesia (US$34.9 million).

5. Grassfield Participatory Integrated Rural Development - Cameroon

This project directly affects the lives and livelihoods of more than 40,000 smallholder and marginalized farmers, especially in the two targeted production basins in Cameroon, namely Mbaw/Mbonso and Gayama. Its overall goal is to contribute to reducing poverty rural areas of Cameroon. This will be achieved through
increasing the incomes of small rural farmers in the in the project’s area by increasing agricultural output and improving socio-economic environment.

Expected key results include: (i) average household income in the project area increases by 15% in 2025; (ii) number of poor households at the rural areas within the project sites reduces by 10% in 2020; (iii) 150 different types of socioeconomic rural infrastructure constructed/rehabilitated (including health centres, class rooms, water supply schemes and sanitation facilities); (iv) 100 value chain facilities established, including warehouses, seed stores, processing facilities, production nurseries, and market sheds.

The project’s total cost of the project is estimated at US$54.53 million, to which the ISFD will contribute US$5.0 million by way of loan financing. The rest of the financing will be provided by the IDB (US$44.7 million), and the Government of Cameroon (US$4.17 million), and Communities (US$0.66 million).

6. Support to the Polio Eradication Program - Pakistan

This project is part of the National Polio Eradication Program (PEP) under the Global Polio Eradication Initiative (GPEI), which was launched in 1988. Due to the Global efforts, polio cases have been reduced by more than 99%, making its eradication a feasible target. In fact, Pakistan and Afghanistan are the only remaining polio endemic countries.

The project is in line with the revised National Emergency Action Plan (NEAP) for Polio eradication, the Government of Pakistan’s National Vision for Coordinated Priority Actions of (2016-2025) and the Global Polio Eradication and Endgame Strategic Plan (2013-2018). It is also in line with Sustainable Development Goal (SDG)-3.

The project will be a consolidation of the ongoing IDB-Bill & Melinda Gates Foundation (BMGF) partnership on PPE in Pakistan, which has recorded significant promising achievements in bringing the country at the verge of eradicating polio.

**Project Objectives and Key Results:** The project aims to achieve its objective through countrywide mass polio vaccination campaigns targeting all children below five years of age, along with extensive community sensitization and mobilization, as well as high standard surveillance activities. At completion, all Pakistani children (more than 36 million) will be fully immunized against polio for life.

Total cost of the project is estimated at US$307.0 million, to which the ISFD will contribute US$10.0 million by way of loan financing. The rest of the financing will be provided by the IDB (US$90.0 million), JICA (US$50.0 million), Government of Canada (US$30.0 million), and the Government of Pakistan (US$127.0 million).

7. Post Ebola Health Sector Support - Guinea

Ebola epidemic has had a profound impact on Guinea’s economy and society, declining agricultural production, damaging the social fabric, and retarding the country’s growth prospects. In addition, the Ebola epidemic has further weakened an already fragile health system. This system has several constraints and insufficiencies, including low coverage and quality, which limit the immediate and proper response of the country to outbreaks and other public health problems. The health system suffers from multiple challenges that are not specific to the Ebola crisis, whose improvement by the project will improve its preparedness for responding to emergencies and other potential epidemics.
Project Objectives: The project will contribute to the achievement of the objectives of the National Health Development Plan (NHDP, 2015-2024) aiming at strengthening the health system and reducing mortality and morbidity related to communicable and non-communicable diseases, including epidemics. Specifically, the project will upgrade and develop the healthcare services to meet immediate needs and address the challenges related to epidemics and other major public health problems. The key expected results of the project include: (i) 30 Health Centers and 1 National Center for Reproductive Health constructed and equipped; (ii) 31 Health Personnel (Medical Doctors, Engineers, Technicians, etc.) trained (iii) 174 health centers and 15 hospitals equipped with Basic Neonatal and Obstetric Care, and Comprehensive Obstetric and Neonatal Care Equipment, respectively.

The project scope comprises the following: (i) construction, rehabilitation and equipment of health facilities, (ii) procurement of medical equipment for health facilities, (iii) training and social mobilization, and (v) support to the project’s management.

Total cost of the project is estimated at US$54.96 million, to which the ISFD will contribute US$8.96 million by way of loan financing. The rest of the financing will be provided by the IDB (US$8.96 million), and the Government of Guinea (US$3.73 million).

8. Triconboston 150MW Wind Power Project – Pakistan

This project aims to address power shortages and improve energy security. The Government of Pakistan approved the Renewable Energy Policy in 2006 with the aim of developing 9,700 MW of power generation from renewable energy sources by 2030. The IDB financed two wind energy projects of 50MW each, which have been operational since 2014.

The Project will promote economic growth through increasing incremental supply of energy in response to a growing energy deficit. The Project will generate an additional power supply producing peak electricity output during summer months when supply deficit is largest at above 5,000 MW. The Project supports the Government’s initiative with the aim of bringing wind power generation to 1,500 MW by the end of 2018 and 9,700 MW by 2030.

The Project will stimulate local area employment, both during the construction and operation phases. Moreover, the Project will not only mobilize the valuable foreign direct investment into the country, but will utilize indigenous resources and thereby reduce the country’s dependence on expensive oil imports for power generation and reduce the burden on the country’s Balance of Payments.

The project’s total cost is estimated at Euro 360.0 million (approx. US$402.48 million), to which the ISFD will contribute Euro 25.0 million by way of loan financing. The rest of the financing will be provided by the IDB (Euro 50.0 million), IFC (Euro 75.0 million), Asian Development Bank (Euro 75.0 million), DEG (US$45.0 million), in addition to Equity Financing of (Euro 90.0 million).

9. Rural Water Supply & Sanitation Improvement, Kyrgyz Republic

The project aims to support the Government’s of Kyrgyz Republic’s efforts to increase access for drinking water of the rural communities. It contributes to the implementation of the Government’s strategy laid out in the National Program for Water Supply and Sanitation. The Program is based on the priorities defined in the National Sustainable Development Strategy for the Kyrgyz Republic that emphasizes the importance of improving the system of delivery of water supply and sanitation services. It also responds to the Government’s policy of placing high priority on achieving financial sustainability and effective management of resources at the local level.
Project Objectives: The project development objective is to assist Kyrgyz Republic to (i) improve access to, and quality of, water supply in targeted rural communities, (ii) improve sanitation services primarily in schools, and health centres in selected villages, and (iii) strengthen capacity of institutions in the water supply and sanitation sector.

Upon project completion, the project is expected to improve water supply and access to safe drinking water and sanitation to the current local population of about 78,000. The project target area is 24 villages in five districts of Jalal-Abad Region.

The total cost of the project is estimated at US$51.0 million, to which the ISFD will contribute US$5.0 million by way of loan financing. The rest of the financing will be provided by the IDB (US$15.0 million), World Bank (US$23.5 million), and Kyrgyz Republic (US$7.5 million).

10. Technical and Vocational Education and Training Support Project, Uganda

The project is in line with the Government’s Vision 2040 blueprint, aimed at transforming Uganda from a “Peasant to a modern and prosperous country within 30 years.” Specifically, it supports the Education Sector Strategic Plan 2011-2020 “Skilling Uganda.” Moreover, it conforms to the Sustainable Development Goal No. 4: “Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all”.

Project Objectives: The project aims at contributing towards transforming the TVET into a comprehensive system of skills development for employment, enhanced productivity and growth. Specifically, the project aims at enhancing the acquisition of relevant employability skills and competencies that match labour market needs. At completion, the project will benefit 14,000 students, 1,000 instructors, and 125 administrative staff.

The project scope includes: (a) construction and equipping of Technical Institutes; (b) in-service training of instructors; (c) curricular development; (d) establishment of a Labour Market Information System, and train staff on data collection, analysis and reporting, (e) consultancy services, and advocacy & private sector partnership building; and (f) support to the project’s management.

Total cost of the project is estimated at US$51.44 million, to which the ISFD will contribute US$10.0 million by way of loan financing. The rest of the financing will be provided by the IDB (US$35.0 million), an Government of Uganda (US$6.44 million).

11. Vocational Literacy Program for Poverty Reduction (VOLIP)- Phase 2, Senegal

The project is the second phase of the VOLIP project in Senegal after a successful pilot phase implemented in two needy regions in the country. The results are showing that the VOLIP project has positive impact on the social and economic conditions of the beneficiaries in 281 villages and has contributed to empower women and young adults in the targeted areas. The project is aligned with the Government’s plan that has the primary objective of making Senegal “an emerging country in 2035 with social solidarity and rule of law;” and (ii) achieve Universal Primary Education by 2025.

Project Objective: The project’s main objective is to help reduce poverty, particularly among rural youth and women, by (i) equipping them with relevant vocational competencies and basic manual skills, and (ii) providing them access to microfinance schemes to develop their businesses. At completion, the project will benefit 6,000 out of school children, 2,000 young adults, 5,000 rural women workers, and 39 training operators.
The project components include: (a) improving access to Non-formal Basic Education; (b) Youth’s Vocational Literacy; (c) Women Workers’ Literacy and Vocational Training; (d) Microfinance Support Scheme for women and youth empowerment; and (c) support to project management.

The total cost of the project is estimated at US$20.93 million, to which the ISFD will contribute US$8.84 million by way of loan financing. The rest of the financing will be provided by the IDB (US$3.25 million), an Government of Senegal (US$3.25 million).

12. Energy for Rural Development Project Under Reverse Linkage - Mali

Despite significant progress over the past decade, access to electricity in Mali remains a developmental challenge. Currently, urban and rural rates of electricity access are around 71% and 18% respectively. Therefore, the development of rural electrification is one of the priority objectives of the Government, which considers access to electricity as a major means to fight poverty.

The objective of the project is to enhance the capacity of Mali in rural electrification by establishing a sustainable model for rural electrification, which provides affordable and reliable electricity to rural communities in the country. The project will Increase the installed capacity of solar energy by 14%; from 15 MW in 2015 to 17.42 MW in 2021.

**Project Description:** The project will reinforce the power generation and distribution system by installing 2.43 MW Power of Solar Plants and the required distribution network. The project will include 5,841 consumer connections for a targeted population of 35,000 comprising 400 connections to public facilities (schools, hospital etc.) and small industries.

The project will ensure capacity development and knowledge transfer from the Moroccan Electricity and Potable Water Office (ONEE) to the Malian Agency for the Development of Domestic Energy and Rural Electrification (AMADER) in designing, managing and maintaining rural electrification projects.

The total cost of the project is estimated at US$17.06 million, to which the ISFD will contribute US$11.0 million by way of loan financing. The rest of the financing will be provided by the IDB (US$4.0 million), Reverse Linkage Partner (US$0.46 million), and the Government of Mali (US$1.6 million).

13. Solar Energy for Rural Development - Chad

The Government of Chad has established a national strategy and action plan for the promotion of renewable energy. The Government intends to utilize renewable energy sources to improve its current national electrification rate, which currently stands at only 4%. The capacity-building component included in this project, through the reverse linkage modality, will enable transfer of knowledge related to rural electrification and solar projects that will help Chad to further develop rural electrification systems.

**Project Objectives:** The project aims to provide reliable and affordable electricity supply to the population of the targeted rural area located in the axis of Toukra – Mandelia, south of the capital city, N’Djamena. The project will increase the installed capacity of N’Djamena power system by 2.4 % and contribute to increase the electricity access rate in N’Djamena area from 20% to 36%, and at national level from 4 % to 5.5 % by 2025.

The total cost of the project is estimated at US$22.9 million, to which the ISFD will contribute US$12.0 million by way of loan financing. The rest of the financing will be provided by the IDB (US$8.0 million), Reverse Linkage Partner (US$0.36 million), and the Government of Chad (US$2.54 million).
14. **Youth Entrepreneurship Support – Comoros**

Comoros has established a micro finance Institution, MECK-MORONI (MM), with the support of the International Fund for Agriculture Development (IFAD) in 1996 to promote and facilitate access to finance for the poor working in the agriculture sector. In 2014, the country adopted a poverty reduction strategy for the period 2015 – 2019, which aims to create more job opportunities for youth and women. This strategy identified some economic sectors such as agriculture, fishing and livestock as having high potential of job creation through the development of small, medium and micro enterprises. ISFD, MM and SILATECH\(^1\) agreed to support this strategy by funding the approved project.

**Project Objectives:** The overall objective of the project is to improve the livelihoods and the living conditions of the disadvantaged population, particularly women and unemployed youth in Grand Comoros, Anjouan and Moroni. The specific project objectives are (i) to support the development of value chains in strategic sectors; (ii) build the capacity of Comorians in the production and marketing of cash crops (mainly Ylang-Ylang, Cloves and Vanilla); and (iii) build the institutional capacity of the MM and other stakeholders in entrepreneurship and Islamic Finance.

These objectives will be translated into: (i) financing 1000 feasible business plans, (ii) Create employment opportunity for 3,000 youth, (iii) Support the development of value chains for at least three sectors (iv) build entrepreneurial capacity of 50 producers’ groups in cash crops production and marketing, and (v) training delivered to microfinance institutions, Management Information System (MIS) installed, and Islamic financial products developed.

The total cost of the project is estimated at US$6.325 million, to which the ISFD will contribute US$2.9 million (US$0.25 million as a Grant, and US$2.65 million by way of loan financing). The rest of the financing will be provided by SILATECH US$0.425 million as a Grant, and US$1.675 million as loan financing, and MM (US$1.75 million).

\(^1\) SILATECH: Qatar based NGO that works to create jobs and expand economic opportunities for young people throughout the Arab world.
## Annex III: ISFD Capital Contributions

As of 31 December, 2016

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>COMMITMENTS (in USD)</th>
<th>AMOUNT PAID (in USD)</th>
</tr>
</thead>
<tbody>
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</tr>
<tr>
<td>2 Albania</td>
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</tr>
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<td>3 Algeria</td>
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<tr>
<td>4 Azerbaijan</td>
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<td>5 Bahrain</td>
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</tr>
<tr>
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<td>7 Benin</td>
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<tr>
<td>10 Cameroun</td>
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</tr>
<tr>
<td>11 Chad</td>
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</tr>
<tr>
<td>12 Comoros</td>
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Total: 2,681,730,000

According to Article 11.01 of the ISFD Regulations: “Each Participant country shall have 1000 (One Thousand) basic votes plus 100(One Hundred) votes for each US $1,000,000/- (US Dollars One Million) it has contributed and paid to the Fund.”