Execution Arrangement of the MFSP

The main categories of financial resources envisaged under the MFSP are:

- Funds for financing the needs of micro and small enterprises, including craftsmen, small-scale traders and farmers, as well as, unemployed youth and graduates from technical, education institutions and universities.

- Funds complementing and increasing the income of vulnerable groups and extreme poor, particularly those living in conflict and post-conflict areas. These funds will help high-risk groups rebuild their livelihoods and become self-dependent.

- Specialised, permanent, national microfinance funds managed by development banks, under the sponsorship of governments through on-lending on soft terms and conditions.

MFSP Coordination and Partnership Arrangements

The MFSP interventions (Projects and Programmes) are coordinated with collaborating agencies (i.e. multilateral institutions, regional development banks, microfinance programmes, and local and international NGOs) to ensure positive, complementary partnership and synergy.

The MFSP establishes appropriate means of communication and consultation with its partners to implement the integrated microfinance programmes intended to enhance productive employment and welfare through MFIs and banks.

About the ISFD

Islamic Solidarity Fund for Development (ISFD) is the poverty alleviation arm of the Islamic Development Bank Group. The ISFD was established by the OIC Member Countries to address the needs of the poor through projects and programmes in the following thematic areas:

- Fighting poverty and hunger and promoting pro-poor growth;
- Providing financial support for the improvement of productive capacity and sustainable means of income generation for the poor;
- Empowering human development and reducing vulnerability to environmental disasters, health epidemics such as malaria, tuberculosis and HIV/AIDS.

The Islamic Solidarity Fund for Development (ISFD) is registered in the Islamic Corporation for the Development of the Islamic World (ICD) (Model of Islamic Corporation) in Jeddah, Kingdom of Saudi Arabia.

The ISFD Coordination Unit is located in Jeddah, Kingdom of Saudi Arabia. The ISFD is registered as a Waqf (i.e. Trust/Endowment) with a principal target capital of USD 10 billion. All OIC Member Countries are expected to contribute to the Fund's capital and to extend technical and moral support to its operations. The Fund's primary objectives are:

- Human development (education, health, welfare and sanitation);
- Agricultural and rural development;
- Basic rural infrastructure development;
- Capacity building (cross-cutting theme);
- Women's empowerment (cross-cutting theme).

Microfinance Support Programme (MFSP) for Poverty Reduction

Islamic Development Bank Group

Islamic Solidarity Fund for Development (ISFD)

An ISFD initiative for improving pro-poor livelihoods and promoting entrepreneurship through access to microfinance services in the OIC Member Countries.
Microfinance Support Programme (MFSP) for Poverty Reduction

The US$ 500 million Microfinance Support Programme (MFSP) is a five-year initiative of the Islamic Solidarity Fund for Development (ISFD) established for the purpose of enhancing access to financial resources, training and skills development in order to improve the livelihoods of about one million poor people in the OIC Member Countries. The MFSP provides the economically active poor with a suitable and sustained access to Islamic microfinance products to help them build their own assets and to graduate from dependency to self-sufficiency.

The Programme reinforces and adds value to the conventional microfinance industry by promoting Shariah compatible products and services. The Board of Directors of the ISFD has earmarked US$ 100 million as seed money for the MFSP, while the remaining resources are expected to be raised from development partners within the public and private sector.

Origin and Objectives of the MFSP

In line with the 3rd Extraordinary Session of the OIC Islamic Summit Conference held in Makkah in December 2005 (Dhul Qadah 1426H), the Microfinance Support Programme (MFSP) was established by the ISFD/GF with the following objectives:

- Promote access of economically active poor to financial resources and the means to create employment opportunities and improve the living conditions of deprived communities;
- Build capacity of Microfinance Institutions (MFIs) and banks to serve larger numbers of poor and marginalised people by delivering quality and demand-driven financial services;
- Promote Shariah-compatible microfinance products and services.

Microfinance Constraints and Challenges in OIC Member Countries

The MFSP is designed to address the main constraints and challenges hindering the development of a successful Shariah-based microfinance industry in the Islamic World. Some of these challenges include:

- Limited access to financial services by the poor and an acute shortage of Shariah-compatible microfinance services, particularly in rural areas where large markets exist;
- Legal and regulatory barriers to micro-finance institutions, particularly those offering Shariah-compatible products;
- Difficulties facing the larger MFIs in meeting capital requirements and governance arrangements for the provision of full banking services;
- Inadequate financial and regulatory framework, including registration of collateral, proper auditing, accounting services, and land titles, particularly in conflict and post-conflict areas.

Main Activities of the MFSP:

- Extending lines of financing and equity capital to banks and Microfinance Institutions (MFIs);
- Establishing Guarantee Funds to enhance the participating banks’ financing capacities;
- Building capacity of MFIs, banks, Non-Governmental Organizations (NGOs), and Community Based Financial Institutions;
- Providing market-oriented training for microfinance borrowers in order to improve their technical capabilities and skills for small business development.