

# A Guide to the Lives and Livelihoods Fund

A unique global partnership for financing projects to build a better future in Islamic Development Bank member countries



Lives and  
Livelihoods  
Fund





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## An innovative fund to finance desperately needed development projects

More than 1 billion people live in absolute poverty worldwide. Of these, about 400 million live in member countries of the Islamic Development Bank. Domestic tax revenues in the least developed and lower middle-income member countries are not rising fast enough to replace dwindling official development assistance. These countries need to borrow funds for desperately needed development projects. But the countries most in need face huge barriers. Innovative financing is therefore vitally important.

“Traditional forms of financing for development are under threat. Economies are contracting. Official development assistance faces increased budgetary pressure. Commodity prices, private investment and remittances are down. Innovative financing must help to bridge the gap...”

**Ban Ki-moon,  
Secretary-General of the  
United Nations 2007–2016**

Preface to Innovative Financing for Development:  
The I-8 Group Leading Innovative Financing for  
Equity [L.I.F.E.], New York, United Nations, 2009



...the largest  
ever development  
initiative of its kind  
based in the Middle East

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The Lives and Livelihoods Fund tackles this problem. It was launched in September 2016 by the Islamic Development Bank in partnership with Saudi Arabia, Qatar, the United Arab Emirates, the Islamic Solidarity Fund for Development, and the Bill & Melinda Gates Foundation. By pooling grants from donors with ordinary (market-based) lending capital from the Islamic Development Bank, the Lives and Livelihoods Fund offers low-income member countries concessional financing resources for essential development projects.

Financing provided through the Lives and Livelihoods Fund will help lift millions of people out of poverty and save millions of lives. As the largest ever development initiative of its kind based in the Middle East, the Lives and Livelihoods Fund will help fight disease and poverty across the Muslim world. Over the five years 2016–2020, the Fund will make \$2.5 billion available for projects to help the poorest people in Islamic Development Bank member countries lead healthier and more productive lives.



“Our joint efforts to tackle extreme poverty in our global village require a renewed resolve to strive, together with all our global partners, to implement the new framework of sustainable development that integrates production streams with consumption patterns by minimizing waste and improving the lives of millions around the world: Whoever saves a life is like saving the entirety of mankind.”

Dr. Bandar Hajar, President,  
Islamic Development Bank Group

## Financing resources to drive economic growth and raise living standards

The Lives and Livelihoods Fund scales up the proven concept of using grants to boost concessional lending – lending on terms substantially more affordable than loans at market rates – as a sustainable way to drive economic growth and raise living standards. Donors, by making grants to the Lives and Livelihoods Fund, unlock Islamic Development Bank’s lending resources for projects that will lessen poverty, and speed social and economic development. As such, the Lives and Livelihoods Fund more than doubles the Islamic Development Bank’s capacity for concessional funding in social sectors that have been traditionally underserved by conventional development aid.



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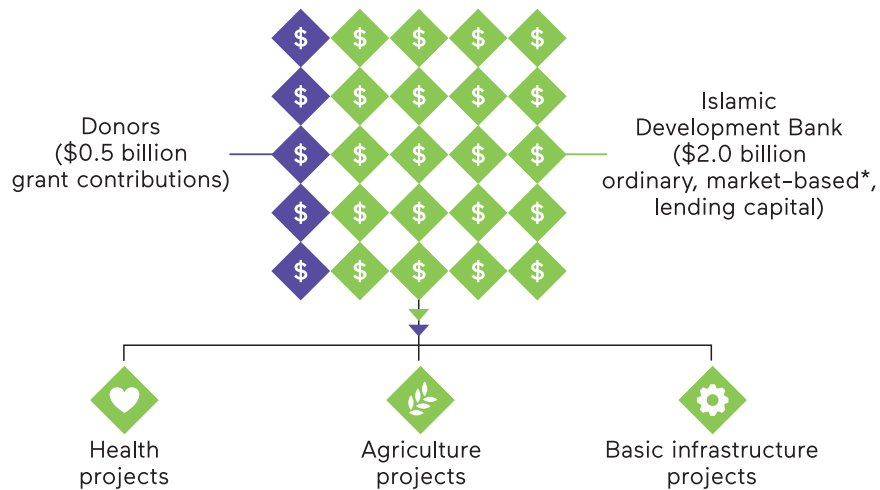
## The Lives and Livelihoods Fund at a glance

The Lives and Livelihoods Fund is a pool of donor grants and Islamic Development Bank lending capital. Funds are held in a multi-donor trust fund administered by the Islamic Development Bank. Low- and lower middle-income countries can borrow funds on concessional terms to finance agricultural, health, and infrastructure projects. Projects will drive economic growth and raise living standards among the poorest citizens in member countries by:

- ♦ Lessening childhood mortality and disease
- ♦ Lessening maternal and neo-natal deaths and stunting
- ♦ Boosting production of staple crops and livestock by smallholder farmers and pastoralists
- ♦ Providing smallholder farmers and producers with better access to markets
- ♦ Providing better access to water and sanitation services
- ♦ Providing better access to power
- ♦ Providing better access to digital financial services.



## The Lives and Livelihoods Fund



\* Including soft loans when required.





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## Tailored financing for low-income member countries

The Lives and Livelihoods Fund works within the framework of the International Monetary Fund debt sustainability policy that takes a country's financial circumstances into account. The framework guides the borrowing of low-income countries in a way that matches their financing needs with their current and future ability to repay debts.

The Lives and Livelihoods Fund enables the least developed member countries of the Islamic Development Bank to finance projects that will help lift millions out of poverty. For projects in least developed countries, it offers them a package of ~30% grant portion and 70% Islamic Development Bank financing. Since International Monetary Fund rules allow lower middle-income countries to borrow at market rates, the Lives and Livelihoods Fund offers packages of 10% grant portion and 90% Islamic Development Bank ordinary financing, which makes loans considerably cheaper for the recipient countries.

The Lives and Livelihoods Fund enables the least developed member countries of the Islamic Development Bank to finance projects that will help lift millions out of poverty



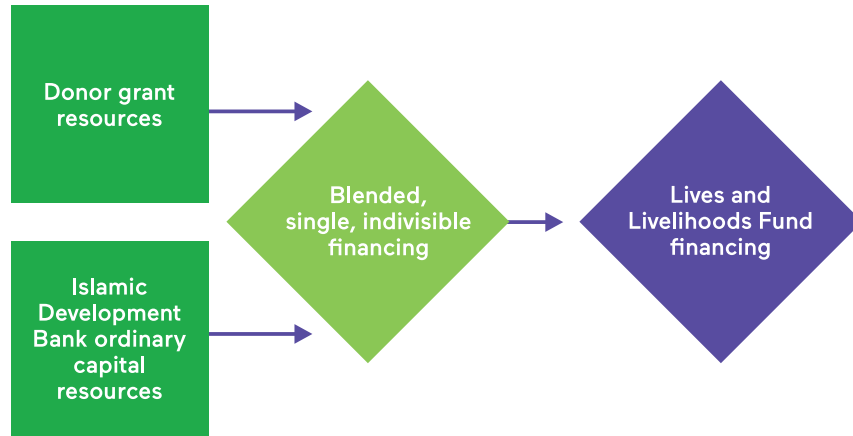
Abiding by the International Monetary Fund rules for financial stability ensures that countries borrowing from the Lives and Livelihoods Fund will be able to service this debt as well as servicing loans from any other sources.

**The Lives and  
Livelihoods Fund  
gives a helping hand  
to countries taking  
responsibility for their  
own development**

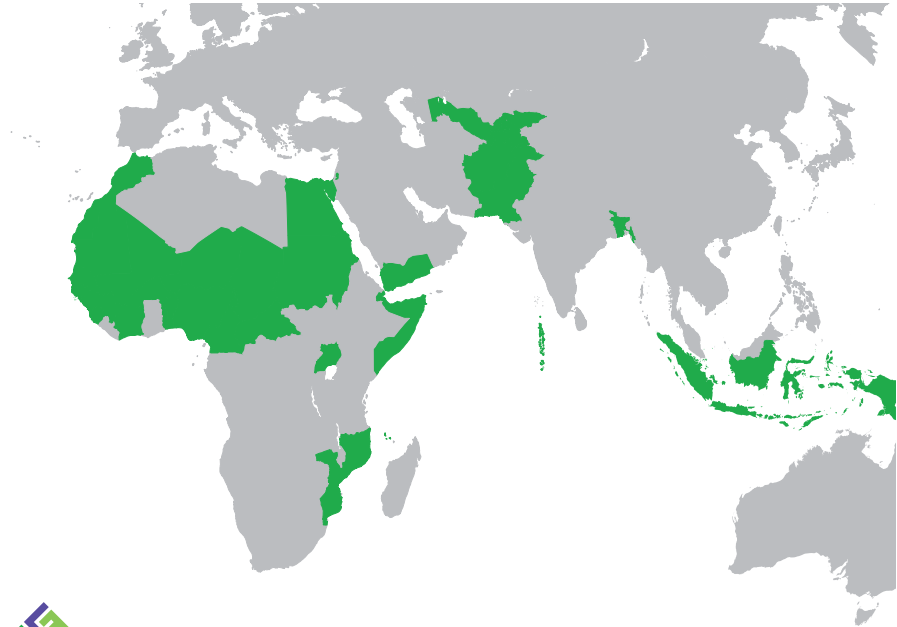


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The donor grant funds and Islamic Development Bank financing funds are blended in a single indivisible Lives and Livelihoods Fund package that finances all project components. In its capacity as the Lives and Livelihoods Fund trustee, the Bank signs the financing agreement.



### Target country regions of the Lives and Livelihoods Fund



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## Eligible countries\* financed through the Lives and Livelihoods Fund

Afghanistan	Guinea	Pakistan
Bangladesh	Guinea Bissau	Palestine
Benin	Indonesia	Senegal
Burkina Faso	Kyrgyz Republic	Sierra Leone
Cameroon	Maldives	Somalia
Chad	Mali	Sudan
Comoros	Mauritania	Tajikistan
Côte d'Ivoire	Morocco	Togo
Djibouti	Mozambique	Uganda
Egypt	Niger	Uzbekistan
The Gambia	Nigeria	Yemen

\* 95% of the Lives and Livelihoods Fund resources will target the least developed member countries (shown above in purple) and the lower middle-income member countries (shown above in green). IsDB shall not allocate more than 20% of the Project Financing Funds to any single country.



The Lives and Livelihoods Fund concessional financing helps countries transition from relying on grant-funded development programs to self-reliance – independently driving strategic development to improve the living standards of their citizens. The Fund also enables the Islamic Development Bank, with its partners, to finance projects benefiting populations and sectors that could not be reached previously.

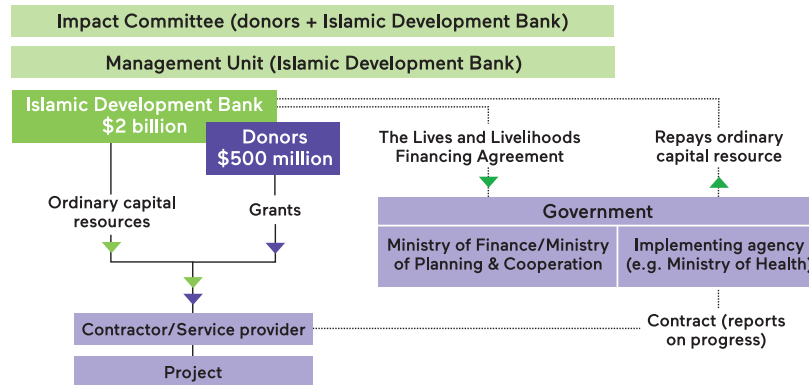
The Lives and Livelihoods Fund plays an indispensable role in funding development projects in member countries. Most projects (95%) financed through the Lives and Livelihoods Fund will be in least developed or lower middle-income member countries.

**The economic, social and health benefits of each individual project will be felt across countries and societies, multiplied in villages and families, and have an impact on millions of lives**



## Managing the Lives and Livelihoods Fund

The Islamic Development Bank's well-honed systems support the governing committee of donors and the day-to-day operations of the Lives and Livelihoods Fund. The Bank carefully structures, manages and monitors the appropriate Islamic mode of finance for every Lives and Livelihoods Fund project.



“We have complete confidence that the management team of the Lives and Livelihoods Fund, through its close cooperation with the Islamic Development Bank, will launch high-quality projects in vital sectors that will reflect positively on improving the living conditions of millions of people across the Islamic world.”

**Ali bin Abdullah al-Dabbagh,**  
Director Strategic Planning,  
Qatar Development Fund

First meeting of the Lives and Livelihoods Fund  
Impact Committee, Jeddah, September 2016



## Selecting projects to lift the poorest out of poverty

As economies stagger and aid budgets tighten, grants and official development assistance for lessening poverty are becoming scarcer and scarcer. The Lives and Livelihoods Fund looks to deal with this scarcity by financing projects especially aimed at freeing those trapped in poverty.

The Fund's Impact Committee, backed by the technical expertise of the Islamic Development Bank and other donors, ensures that the Lives and Livelihoods Fund finances projects that will make a difference to the poorest citizens in least developed member countries.

"[I am] delighted with the progress of the Fund since its inception...it was the result of the joint efforts of the parties involved...it will be active and effective in developing the lives and livelihoods of people in the beneficiary countries, particularly in rural areas."

**Impact Committee Chairman,  
Maher Al-Hadrawi, Executive  
Director of the King Salman  
Relief and Humanitarian  
Aid Center**




First meeting of the Lives and Livelihoods Fund  
Impact Committee, Jeddah, September 2016





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The Lives and Livelihoods Fund prioritizes allocations to projects that stimulate social and economic development.

Sector	Funding allocation
 Health	20%–60%
 Agriculture	20%–60%
 Infrastructure	Maximum 20%

“The Lives and Livelihoods Fund is a great example of the innovative financing that we need in order to achieve the 2030 development agenda.”

**Mohamed Al-Suwaidi, Abu Dhabi Fund for Development**

First meeting of the Lives and Livelihoods Fund Impact Committee, Jeddah, September 2016



## Ensuring relevant and ready-to-go projects for delivering results

The Lives and Livelihoods Fund finances projects in health, agriculture, and rural infrastructure that meet three criteria: relevance, readiness, and results.

**Relevance:** Projects financed by the Lives and Livelihoods Fund align with the mandate of the Fund and the Poverty Reduction Strategy of the member country benefiting from the finance. Selection of projects considers the country's development status and the incidence of poverty.

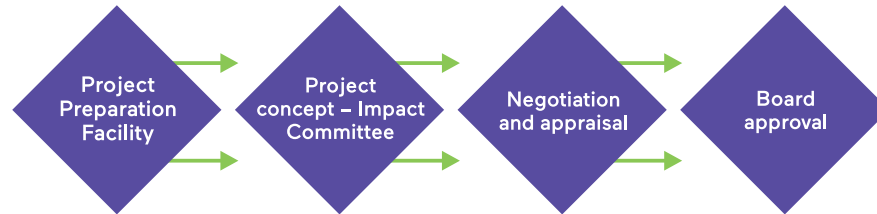
**Readiness:** Projects financed by the Lives and Livelihoods Fund are ready to go. The selection of projects considers the effective delivery of projects – the quality, maturity, and expected impact.

**Results:** Projects financed by the Lives and Livelihoods Fund should make an immediate impact on the lives of ordinary men, women, and children on the ground. Selection of projects also considers efficiency – the country's track record in implementing projects.



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By allocating 1% of its resources to the Project Preparation Facility, the Lives and Livelihoods Fund makes sure that the projects it finances are of the highest quality. Once projects enter the project pipeline, the Project Preparation Facility helps member countries shape and design them – to ensure relevance, readiness, and results – for submission to the Impact Committee and approval by the Board of the Islamic Development Bank. This support may involve, for example, commissioning technical, feasibility or impact studies, conducting baseline surveys or community consultations, or building capacity in project management.





## Health projects

In the health sector, the priorities are to combat infectious diseases like malaria and polio, ensure routine immunization, and strengthen primary healthcare systems. The Lives and Livelihoods Fund finances projects that provide the poorest citizens in member countries with essential healthcare that has lasting effects over time.

Projects to **strengthen health systems** will involve:

- ◆ Improving access to quality maternal, newborn, and child health services that contribute to ending preventable maternal, newborn, and child deaths
- ◆ Developing human resources for maternal, newborn, and child healthcare
- ◆ Enhancing access to quality, essential healthcare services by addressing barriers on both the supply and demand sides.

“Investments in health stimulate economic development, with economic benefits exceeding costs by up to 20 times.”

The Lancet Commission Report:  
Global Health 2035:  
A World Converging Within a  
Generation. 2013.



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Projects to **prevent and control communicable diseases** will involve:

- ♦ Controlling and eliminating malaria
- ♦ Preventing and controlling HIV/AIDS
- ♦ Preventing and controlling neglected tropical diseases
- ♦ Preventing and controlling other diseases threatening public health.

Projects **financing healthcare** will involve improving health insurance for the poorest through innovative, alternative, healthcare financing.

### Fighting malaria in Senegal

The Lives and Livelihoods Fund is providing financing of \$32 million to make the transition from the control phase to the pre-elimination phase in the fight against malaria in Northern Senegal.

The Lives and Livelihoods Fund financing provides 1 million rapid diagnosis tests, more than 700,000 anti-malaria doses, and long-lasting insecticide-treated nets for 2.5 million people. The pre-elimination phase marks an important milestone in Senegal's National Malaria Control Program to free the country from malaria by 2018.





## Agricultural projects

"...we also focus a lot on agriculture, because most of the poor in the world are farmers. Their livelihood is food because it feeds their families, besides providing some income to buy basic things like clothing and for education of their kids."

**Hassan Al-Damluji, Head Middle East Relations, Bill & Melinda Gates Foundation**

Bill & Melinda Gates Foundation 'will fund any innovative charitable work', Arab News, 13 January 2014

The livelihoods of most sub-Saharan and Asian rural populations depend on agriculture. In the least developed and middle-income member countries, smallholder farming is a significant driver of economic growth. Smallholder farmers produce about 80% of the food in these regions. But poor crop and livestock productivity, dependence on a narrow range of crops, inadequate access to inputs such as improved agricultural technologies and practices, and limited investment in private businesses and markets hold back progress.

The Lives and Livelihoods Fund finances projects that help smallholder farmers grow more and better staple crops, and rear more profitable livestock.



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- ◆ Projects to improve **crop productivity** will involve making early maturing and stress-tolerant improved crop varieties available to smallholder farmers and encouraging these farmers to adopt new technologies. Projects will build on technologies already developed by national agricultural research systems. Increasing rainwater-use efficiency, improving soil fertility, and stimulating markets will also be important.
  - ◆ Projects to raise **livestock productivity** will involve improving animal health and feed.
  - ◆ Projects to help farmers **diversify and add value** will help them deal with climate change and raise rural incomes.
  - ◆ Projects to **stimulate markets** will help smallholder farmers transport and store their produce, and will provide processing and packaging facilities.
  - ◆ Projects to **build capacity** will help smallholder farmers and their organizations raise crop and livestock production; manage soil fertility, water, and irrigation; and improve marketing and business operations.



**Lives and Livelihoods  
Fund financing for  
the Sahel Sustainable  
Pastoralism Development  
Program is helping to  
transform pastoralism**



### **Transforming pastoralism in the Sahel**

The livelihoods of nomadic Sahelian pastoralists roaming the grasslands of Burkina Faso, Chad, Mali, and Senegal are fragile. These nomads lack skills in natural resources management, access to markets, and measures to control transboundary livestock diseases. Lives and Livelihoods Fund financing for the Sahel Sustainable Pastoralism Development Program is helping to transform pastoralism.

#### **The program is:**

- ◆ Promoting better natural resources management to spread cost-effective improved products, services, and practices for small ruminant and livestock production among smallholder farmers and pastoralists
- ◆ Promoting livestock entrepreneurship to create jobs for young people
- ◆ Supporting improvements in animal health to boost livestock productivity.

**The Lives and Livelihoods Fund financing will benefit 1,270,000 rural people in the four countries:**

- ◆ Reducing poverty
- ◆ Generating jobs
- ◆ Encouraging investment.





## Infrastructure projects

Robust infrastructure is vital for transformative growth and social and economic development in poor communities. The Lives and Livelihoods Fund finances projects for basic infrastructure, such as generating and distributing **off-grid rural power**, installing **small-scale water and sanitation** schemes, and setting up **mobile communications** for digital payments.

Projects will involve power generation, transmission, and distribution for poor rural communities; small-scale water supply and sanitation projects for poor, currently unconnected communities; and rural infrastructure to promote digital financial inclusion.



**Lives and Livelihoods  
Fund financing  
is supporting the  
Government of  
Morocco's integrated  
rural development  
project in the region**

### **Wiping out pockets of poverty in Morocco**

Economic growth has bypassed isolated areas in Tangier-Tétouan-Al-Hoceima, the northernmost of Morocco's 12 regions, leaving pockets of poverty. Remote rural areas lack essential public services – potable water, sanitation, and links to markets. Lives and Livelihoods Fund financing is supporting the Government of Morocco's integrated rural development project in the region.

The project is providing a suite of public services to isolated rural communities that will substantially reduce poverty over the next five to ten years.

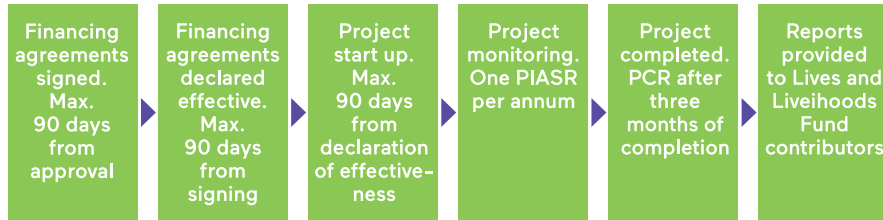
Over 740,000 rural people in more than 70 communes in seven provinces will join the ranks of Moroccans benefiting from the steady development and economic growth that the rest of the region has enjoyed in recent decades.



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## Implementing projects

Once financing agreements have been signed, the Islamic Development Bank sets up an in-country Project Management Unit (PMU), where necessary, to launch the project and monitor progress.



PCR: Project Completion Report; PIASR: Project Implementation Assessment and Support Report

Spanning the Muslim world, the Bank can count on robust relationships with top decision-makers and implementing agencies, and draw on its depth of technical expertise and know-how to ensure projects are carried out effectively. The Lives and Livelihoods Fund Management Unit reports on the progress of projects twice a year to the Fund's Impact Committee.



## Looking ahead

The Lives and Livelihoods Fund was launched on 29 September 2016. Founding members include the Islamic Solidarity Fund for Development (contributed \$100 million), the Bill & Melinda Gates Foundation (up to \$100 million), the King Salman Center for Relief and Humanitarian Aid (\$100 million), the Qatar Fund for Development, and the Abu Dhabi Fund for Development (each donated \$50 million). The Fund is seeking further contributions.

By making grants to the Lives and Livelihoods Fund, donors unlock Islamic Development Bank's lending resources for projects that will lessen poverty, and speed social and economic development. In this way, the Lives and Livelihoods Fund more than doubles the Islamic Development Bank's capacity for concessional funding in sectors that have been traditionally underserved by conventional development aid.

“Using donor  
grant funding for  
blending...purposes  
is not a new concept...  
The novelty is rather  
our resolve to take this  
blending mechanism  
to scale.”

**Dr. Ahmad Mohamed Ali,  
Former President, Islamic  
Development Bank Group**

40th Annual Meeting of the IsDB Group,  
Maputo, Mozambique, June 2015



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## Opportunities for donors

The Lives and Livelihoods Fund is an opportunity for donors across the world to collaborate to break the cycle of generational poverty. Each dollar contributed catalyzes substantially more resources, while drawing on the institutional networks and capacity for innovation of the Islamic Development Bank and the Bill & Melinda Gates Foundation.

Donors providing over 10% of the Fund's grant money in any one year join the Fund's Impact Committee. The Impact Committee ensures projects that are funded meet the Fund's objectives, and checks on their progress.

"It is a historic innovation in development finance. I am glad to participate in it, and invite others to do the same."

**Bill Gates, Bill & Melinda  
Gates Foundation**

40th Annual Meeting of the ISDB Group,  
Maputo, Mozambique, June 2015



## Opportunities for member countries

The Lives and Livelihoods Fund, by more than doubling the Islamic Development Banks's capacity for concessional lending, opens up important new opportunities for member countries to invest in projects which have high development impact but low prospects for commercial lending. The nature of such projects is that they deliver low economic returns in the short term. The Lives and Livelihoods Fund provides member countries with an opportunity to undertake these essential projects and benefit from the important social and economic returns they deliver in the longer term.

The Lives and Livelihoods Fund helps advance the Sustainable Development Goals by bringing together donors, countries, and philanthropists from across the world in a game-changing development idea. The Lives and Livelihoods Fund directly addresses 10 of the goals and many of the projects will have a knock-on effect on the other goals.



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## For more information

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This Guide references the Lives and Livelihoods Fund Operations Manual and Charter.





# Lives and Livelihoods Fund



QATAR FUND  
FOR DEVELOPMENT  
صندوق قطر للتنمية



Islamic Development Bank