



**Islamic Development Bank**

# **Guidelines for the Application to the Science, Technology and Innovation Transform Fund (IsDB-STIF)**



**Science, Technology &  
Innovation (STI) Department**

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## Acronyms and Abbreviations

**BoT:** Board of Trustees

**IsDB:** Islamic Development Bank

**IsDB-STI Fund:** The IsDB Science, Technology and Innovation Transform Fund

**LDMCs:** Least Developed Member Countries

**MCs:** Member Countries

**NGOs:** Non-Governmental Organization

**SAB:** Scientific Advisory Board

**SDGs:** Sustainable Development Goals

**SMEs:** Small and Medium Enterprises

**STI:** Science, Technology and Innovation

## **I. Establishment of the Fund**

The IsDB Science, Technology & Innovation Fund (IsDB-STIF) was established in July 2017, with an initial target size of five hundred million United States Dollars (US\$ 500 million). The Fund Capital shall consist of contributions by the Bank, member countries and non-member countries of the Bank, entities, institutions, foundations, corporates and individuals within and outside member countries.

The Bank's initial contribution to the Fund, as a Participant, shall be one hundred million United States Dollars (US\$ 100 million).

Seventy per cent (70%) of the Fund Capital shall be maintained as Waqf (endowment) for the IsDB-STI Fund in accordance with the Islamic Sharia'h rules governing Awqaf. The continuation of the Waqf portion shall be conditional on the continuation of the IsDB-STI Fund.

Thirty per cent (30%) of the Fund Capital, the income from the Waqf portion of the IsDB-STI Fund and IsDB-STI Fund projects' investments shall be used for financing operations, programs, projects and other activities aimed at achieving the objectives of the IsDB-STI Fund.

## **II. Purpose of the Fund**

The overall aim of the fund is to support the Muslim World with the power of innovation, facilitate the commercialization of technology, promote joint activities among member countries, research institutions, and ensure the development of entrepreneurship.

More specifically, the objectives of the IsDB-STI Fund are to:

- (i) Support the Muslim World with the power of innovation, especially social innovation to address key development challenges;
- (ii) Support and generate public good through facilitating the commercialization of technology developed through sustained partnerships among researchers and entrepreneurs from IsDB Member Countries (MCs) and non-member countries for socio-economic impact;
- (iii) Promote joint activities that would lead to innovation and entrepreneurship through the application of science and technology;
- (iv) Promote the continuity of and access to the chain of financing from various financing sources such as angel funds at early stages and hedge funds at later stages, in order to allow small innovative SMEs to flourish their own ideas and create new market; and
- (v) Devote a steady and predictable source of funds that is critical for developing STI.

## **III. Resources of operational utilization of the Fund**

The resources of the IsDB-STI Fund available for operational utilization in its activities shall consist of:

- (i) 30% or any other allocation as the non-endowment component of the Fund Capital.

- (ii) income from the IsDB-STI Fund Waqf portion;
- (iii) funds derived from operations or otherwise accruing to the IsDB-STI Fund; and
- (iv) other resources received by the IsDB-STI Fund as per the regulations of the Fund.

#### **IV. Beneficiaries of the Fund**

The IsDB-STI Fund will support eligible scientists, innovators, SMEs and institutions that need initial funding and growth capital for their ideas/projects. These ideas/projects will result in technologies and solutions that will contribute to the development effectiveness of IsDB Member Countries and Muslim communities in non-member countries.

#### **V. Operating Principles**

The Purpose of these Operating Principles of the IsDB-STI Fund is to provide guidance to recipient/beneficiaries, donors, contributors and participants on how the fund can be utilized.

Utilization of IsDB-STI Fund operational resources shall be in accordance with these guidelines and shall from time to time be adopted by the Board of Trustees, as it may have deemed necessary.

The projects and activities of the Fund will be governed by the following operating principles. Such principles may be further developed, as appropriate, based on the needs resulting from the operations of the IsDB-STI Fund thereof:

- (i) IsDB-STI Fund will support sustainability science ideas/projects with focus on innovations benefiting the Muslim World and having the following attributes:
  - disruptive, transformative and inspiring innovations that are linked to one or more SDGs;
  - feasible innovations having scalable solutions with high impact;
  - innovations that are adaptable, replicable, readily diffusible, affordable and accessible; and
  - diversity in sectors such as education, health, agriculture, water and sanitation and infrastructure;
- (ii) activities and projects of the IsDB-STI Fund will be guided by the needs and priorities of beneficiaries;
- (iii) the design of projects and activities of the IsDB-STI Fund shall incorporate financial sustainability considerations;
- (iv) activities and projects of the IsDB-STI Fund will not lead to any infringement of existing intellectual property rights;
- (v) appropriate system for monitoring and evaluation will be put in place in order to measure attainment of IsDB-STI Fund objectives and improve its future operations;
- (vi) activities and projects of the IsDB-STI Fund will be in conformity with the principles of Sharia'h.

## VI. Funding Categories

Innovators, scientists, SMEs, private companies, Non-Governmental Organizations (NGOs), governments and academic or research and development institutions based in IsDB Member and non-member countries, which fall under one of the following four categories, are eligible for the utilization the 30% non-endowment component of the Fund Capital:

**Category One: New Ideas with Proof of Concept:** this category supports scientists and innovators who have innovative ideas with demonstrated concept of practical potential and who are in need of initial funding/seed money to develop their ideas into pilot project interventions/development solutions with potential business proposal. Such candidates are eligible for receiving grant supports ranging from US\$ 50,000 to US\$100,000, subject to the following criteria:

- (a) **Innovativeness:** the idea must have enough argument to be an innovation (improvement over existing) or creative (something new). It must bring benefit and have a potential to help MCs and/or Muslim communities in non-member countries to address major development challenges related to education, health, water and sanitation, agriculture and infrastructure.
- (b) **Impact & Outreach:** the idea must have an impact to address a particular developmental challenge in any IsDB MC or non-MC (with priority given to LDMCs) related to one of the following SDGs: No Hunger (food security), good health and well-being, quality education, clean water and sanitation, affordable & clean energy, industry, innovation and infrastructure.
- (c) **Doable / Practical:** the idea must be scientifically sound and can be implemented using existing technologies.
- (d) **Scalable / Replicable:** the idea must be scalable/replicable in IsDB MCs (especially in LDMCs) without the need for a major reinvention or adjustment.
- (e) **Sustainability:** the idea must demonstrate a self-growing potential in terms of continuing its expected effect (benefits and/or services).
- (f) **Patentable with Commercial potential:** the idea must have a potential for patenting and developing into a commercial product or a service with an expected benefit.

**Category Two: Scaling up of Innovative Projects:** this category is designed to support candidates (mainly scientists, SMEs, entrepreneurs, NGOs and research institutions) who successfully piloted project interventions in a MC of the Bank or assisted Muslim communities in a non-member country, which involve innovative technologies/solutions and in need for additional funding to replicate and/or scale up the projects in other MCs, especially in LDMCs. Such candidates are eligible for up to US\$ 300,000 in the form of equity participation by the Bank, subject to the following criteria:

- (g) **Innovativeness:** the project must involve a proven technology or a solution to a specific problem/development challenge in one of the key sectors related to the following SDGs: No Hunger (food security), good health and well-being, quality education, clean water and sanitation, affordable & clean energy, industry, innovation and infrastructure. It must

clearly demonstrate how it assisted member countries or Muslim communities in non-member countries in overcoming this challenge.

- (a) **Impact and outreach:** the project must have key outcomes that demonstrate a clear impact on the community. The benefits of the projects must have reached large number of beneficiaries and brought out social changes to them by providing access to its services, facilities and products.
- (b) **Potential Replicability:** the project must encompass principle activities that can be easily replicated, transferred or adapted to other environment/countries, benefiting especially LDMCs;
- (c) **Sustainability:** the project design must have special measures, which would help ensuring that the project would be effective in contributing to the desired longer-term impact and would continue its effect (benefits and services) and self-growth;
- (d) **Patent Registration:** the technology involved in the project must has a registered patent status or trade mark, protecting others from using, offering for sale or selling it, etc. Please provide evidence;
- (e) **Business Model:** the project must have a robust embedded business model with positive feasibility study reflecting target markets, forecasted financial returns, social and economic indicators.

The IsDB-STI Fund participation in the projects should have definite exit timeline agreed upon with the project owners.

**Category Three: Commercialization of Technology:** this category is designed to support candidates (scientists, SMEs, entrepreneurs, NGOs and research institutions) which implemented and successfully scaled up innovative projects in a number of MCs and in need of additional funding for the commercialization of the services and products developed by those projects. Such candidates/institutions are eligible for up to US\$ 1 million (one million United States Dollars) as equity participation by the Bank, provided that their projects match the following criteria:

- (a) **Innovation:** the project has applied its underling scientific idea in an innovative way to address developmental challenges faced by MCs by contributing to one of the following SDGs: No Hunger (food security), good health and well-being, quality education, clean water and sanitation, affordable & clean energy, industry, innovation and infrastructure.
- (b) **Impact and outreach:** the project was able to deliver measurable outputs and outcomes that brought out social changes to large number of beneficiaries inclusively (e.g. including disadvantaged women and youth, children with disabilities, refugees, etc.) via its services and products.
- (c) **Replicability:** the core functions and activities of the project can be adopted to new environment and easily replicated in other MCs;
- (d) **Sustainability:** the project entails mechanisms that ensure its continuity and self-growth in the long term, independent of the initial funding;
- (e) **Business Plan & Market Opportunity:** the project must have clear business model highlighting, among others, its cost vs benefits, cash flow, target market, profit margin, etc.

as well as reflects economic feasibility of transferring the developed technology by the project into commercial product or service. It must also reflect a clear market analysis describing competitors and demonstrating potential market opportunities for the project;

- (f) **Patent registration:** the technology involved in the project must have registered patent status or registered trade mark, protecting others from using, offering for sale or selling it, etc.

The IsDB-STI Fund participation in the projects should have definite exit timeline and should be agreed upon with the project owners.

IsDB-STI Fund should have the right to appoint a non-executive board member / observer in the beneficiary institution if deemed necessary, with the right to advise the company management on the commercialization of the technology, and also have the right to request periodic reports and updates from the company/project owners.

#### **Category Four: Capacity Building in Science, Technology and Innovation:**

IsDB member countries (MCs) face significant developmental challenges related to key social and economic sectors, such as food security, climate change adaptation, high mortality rates due to spread of infectious and communicable diseases, poor education quality, limited access to safe drinking water, shortage in energy and environmental disasters, etc. It is internationally recognized that the application of Science, Technology and Innovation (STI) can be an effective tool in assisting IsDB MCs to address these challenges and hence contributing to the acceleration of inclusive and sustainable development.

But in order for STI to effectively contribute to sustainable development, member countries do require immediate and intensive Capacity Building (CB) support in STI aiming at (i) producing critical mass in STI human resources (including researchers and STI policy makers), (ii) strengthening institutional capacity for research and improving science education, (iii) enhancing knowledge and expertise in spinning-in, adapting, and spinning-out existing technologies and improving scientific cooperation, (iv) formulating and implementing adequate STI policies that support all of the above efforts.

All capacity building efforts need to take into account the increasing challenging technology environment and specifics of innovation in the context of developing countries: the key role of technology adaptation, the need to build the absorptive capacities and the importance of developing strong linkages and interaction between the various actors and key players in the national STI ecosystem of innovation.

Experience suggests that building appropriate STI capacity tailored to achieving each country's priority social and economic development objectives is the best and surest way to generate sustainable progress. Seen from this perspective, STI capacity building is not an end in itself but an indispensable tool or instrument for achieving these other priority objectives. Hence, the need for a renewed emphasis on STI capacity building to the top of the development agenda.

However, the challenge remains around what kind of STI capacity should developing countries build if their goal is to find practical solutions to social and economic development challenges.

Moreover, ignoring even one link in the STI chain or failing to strengthen the interactions between individual links, will reduce the development impact of these capacity building efforts.

Around this background, this category is designed to support the Governments of member countries (with priority given to LDMCs) in developing their technical and functional STI capacities to address major development challenges related to one of the following SDGs: No Hunger (food security), good health and well-being, quality education, clean water and sanitation, affordable & clean energy, industry, innovation and infrastructure.

Thus, this category calls for innovation, among Government entities, universities, research institutions, science foundations, technology parks and SMEs, to submit CB proposals that will strengthen the STI capacities of MCs.

Such proposal may involve various CB tools and activities, including the following:

*Soft Components*

- ✓ On-the-job training on areas related to STI policy formulation, patent development and application, commercialization of technology, absorption of technology, IP rights, etc.
- ✓ Organizing regular interactive workshops to share experience and learn from institutions with advanced knowledge in the STI field and policy formulation;
- ✓ Recruitment of experts to undertake specific assignments (e.g. delivery of intensive training in STI areas, preparation of analytical studies in STI, developing STI strategy & policy documents, etc.)
- ✓ Creation of institutional networks and scientific exchanges platforms.

*Hard Components*

- ✓ Procurement of advanced research equipment, laboratory facilities and software to support technology incubators, research centres, etc.
- ✓ Establishment of regional sustainable development centers/networks that could be linked by effective communication networks with senior scientists and engineers serving as advisors and mentors in critical fields.
- ✓ Acquisition of technology (including purchase of copyrights), etc.

Such candidates are eligible for receiving funds up to US\$ 100,000-150,000 by ways of grants to contribute to the financing of their proposed capacity development activities in the selected country, subject to the submission of a clear proposal that satisfies the following criteria:

**(a) Identification of STI Capacity Building Challenges (assessments/needs):** the proposal must start by clearly identifying existing key STI capacities in a particular IsDB MC (with priority given to LDMCs) and additional capacities needed (at the three levels: individual, institutional and enabling environment) to address a specific development challenge related to one of the following SDGs: No Hunger (food security), good health and well-being, quality education, clean water and sanitation, affordable & clean energy, industry, innovation and infrastructure.

**(b) Innovativeness of the Capacity Building Response:** the proposed CB intervention must articulate a clear and specific capacity building objective(s) with suggested activities, and clarify how these activities are expected to address the identified capacity gaps/challenges.

In addition, the proposed CB intervention must demonstrate the innovation and creativity behind it describing how the intervention is expected to boost STI capacities in MCs to address one of the above mentioned development challenges.

- (c) **Impact and Outreach:** the CB intervention must have key outputs and outcomes that demonstrate a clear impact on the various elements of the STI ecosystem. It must also reflect the type(s) and number of beneficiaries/institutions that will benefit from the intervention and the sort of capacity changes it will bring out to them.
- (d) **Sustainability:** the proposal must have special measures embedded in its design that will ensure the continuity of its impact/results in the long term.
- (e) **Estimated Cost & Implementation Plan:** the CB intervention must clearly reflect the proposed activities, their expected deliverables and the estimated cost for each activity as well as the proposed financing plan reflecting the amount requested from the Bank and the expected contribution of other donors. It must also have a clear implementation plan, including the plan for the engagement of the various stakeholders in the recipient country.

It is to be noted that IsDB support under this category will not cover the total cost of the proposed CB intervention, as it is considered a contribution to the total cost.

## **VII. Procedures for Applying for Financing under the Fund**

Eligible scientists, innovators, NGOs, private companies, research institutions which are in need of funding support under one of the four categories must express a call for innovation via STI Transform Fund by filling the online application form available at the IDB portal " Engaging and transforming communities" (accessible through the link: <https://www.isdb-engage.org>) the request must be accompanied by an initial idea concept note (in the case of Category one) or detailed project technical proposal / feasibility study (in the case of other categories) demonstrating, among others, the requested information under each category and supported by illustrative media means (e.g. photos, videos, demos, etc.).

## **VIII. Selection Process**

- **Screening:** The proposals will be initially reviewed by an independent external consultant in coordination with the STI Department. During the screening process, the consultant may contact the applicants (if required) and the STI Department may also seek the opinion of the relevant Departments and entities within the IsDB Group. The screening process will result in a shortlist of applicants under each category.
- **Initial Evaluation:** The shortlisted applications will then be evaluated by the members of the Scientific Advisory Board against the qualifying criteria mentioned under each category.
- **Final Evaluation:** The evaluation results will be sent back to the STI Department, which will be organizing a final evaluation and recommendation meeting for the selection panel involving the members of SAB; during this meeting the evaluation results will be validated and fine-tuned based on a consensus.

- **Selection:** The final evaluation will result in selecting the top innovative ideas and projects, which will be forwarded to the Board of Trustees (BoT) for consideration. The BoT, which will then decide on the size and allocation of funds to those ideas and projects.

Successful applicants will be contacted and informed about the Bank's decision and the implementation modalities that will be adopted for the disbursement of funds.

## **IX. Disbursement of IsDB Financing**

Disbursement of Funds will be in accordance with IsDB disbursement guidelines and procedures, as follows:

### **Category One:**

The owner of the idea will be requested to identify three idea/prototype development companies and select in consultation with the Bank the most appropriate one to assist in developing the idea into project initiative. A simple contract will then be prepared between the idea owner and the company and IsDB's funds will be directly disbursed to the company in accordance with the terms and conditions of the signed contract.

### **Category Two & Three:**

An Investment Agreement will be prepared between the Bank and the winning candidates in consultation with the Legal Department and the IsDB Investment committee. The funds will be disbursed in accordance with the terms and conditions of the Agreement.

### **Category Four:**

A Technical Assistance (TA) Agreement will be prepared between the Bank and the winning candidates and the disbursement of funds will be made against project deliverables, as per IDB's disbursement guidelines.