

ISLAMIC SOLIDARITY
FUND FOR DEVELOPMENT

Annual Report

1443-1444H
(2022)

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LIST OF ABBREVIATIONS

APIF	Awqaf Properties Investment Fund
AWP	Annual Work Programme
BOD	Board of Directors of the ISFD
BOG	Board of Governors of the ISFD
BTVET	Business, Technical and Vocational Education and Training
COMCEC	Standing Committee for Economic and Commercial Cooperation of the Organisation of Islamic Cooperation
CPI	Consumer Price Index
CSO	Civil Society Organisation
CUC	Cumulative Undisbursed Commitments
DM	Developed Markets
ECB	European Central Bank
EEP	Economic Empowerment Programme
EFM	External Fund Manager
EM	Emerging Markets
GDP	Gross Domestic Product
GHI	Global Hunger Index
GNI	Gross National Index
HDI	Human Development Index
HIMCs	High-Income Member Countries
ICD	Islamic Corporation for the Development of the Private Sector
ICERI	ICIEC-ISFD COVID-19 Emergency Response Initiative
ICIEC	Islamic Corporation for the Insurance of Investment and Export Credit
IDA	International Development Association
IDP	Internally Displaced Persons
IMF	International Monetary Fund
IsDB	Islamic Development Bank
ISFD	Islamic Solidarity Fund for Development
ITFC	Islamic Trade Finance Corporation

IWIF	Ihsan Waqf Investment Fund
KAAP	King Abdullah Programme for Charity Works
LDMCs	Least Developed Member Countries
LIMCs	Low-Income Member Countries
LMMCs	Low Middle-Income Member Countries
LLF	Lives and Livelihoods Fund
MCs	Member Countries
MC	Member Country
MPI	Multidimensional Poverty Index
MSME	Micro, Small and Medium Enterprises
MTM	Market to Market
NGO	Non-Governmental Organisation
OCR	Ordinary Capital Resources
OIC	Organisation of Islamic Cooperation
OPHI	Oxford Poverty and Human Development Initiative
PwC	PricewaterhouseCoopers
QnP	Quality and Prioritisation
OED	Operations Evaluation Department
SDGs	Sustainable Development Goals
SERVE	Strengthening the Economic Resilience of Vulnerable Enterprises
SME	Small and Medium Enterprises
SPRP	Strategic Preparedness and Response Programme
STEP	Skills, Training, and Education Programme
STI	Science, Technology, and Innovation
TVET	Technical and Vocational Education and Training
UN	United Nations
UMMCs	Upper Middle-Income Member Countries
USA	United States of America
UNDP	United Nations Development Programme
WBG	Waqf BID-Guinée (IsDB-Guinea Waqf)

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LETTER OF TRANSMITTAL

In the name of Allah, the Beneficent, the Merciful

H.E. the Chair, ISFD Board of Governors,

Dear Mr. Chair,

Assalamu Alaikum Warahmatullah Wabarakatuh.

In accordance with the Regulations of the Islamic Solidarity Fund for Development, and in my capacity as Chairman of the Board of Directors, I have the honour to submit for the kind attention of the esteemed Board of Governors, the Annual Report of the Islamic Solidarity Fund for Development for 1443-1444 (2022).

The report covers the operations and activities as well as the audited financial statements of the ISFD for the year ending 31 December 2022.

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



Dr. Muhammad Al Jasser

President, Islamic Development Bank

Chairman of the Board of Directors, Islamic Solidarity Fund for Development

MEMBERS OF THE ISFD BOARD OF DIRECTORS 2022



H.E. Dr. Muhammad Al Jasser



Hon. Hamed Arabi Elhouderi



Hon. Murat Zaman



Hon. Seyed Abbas Hosseini



Hon. Abdulghaffar Al Awadhi



H.E. Dr. Hamad Sulaiman Al Bazai



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Hon. Mrs Anuska Ramdhani



Hon. Tamerlan Taghiyev

THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT IN BRIEF

Establishment : The Islamic Solidarity Fund for Development (ISFD) was established in 2005 as a special fund within the Islamic Development Bank (IsDB) with the aim of:



Fighting poverty and promoting pro-poor economic growth in member countries



Providing financial support to enhance the productive capacity and sustainable means of income generation for the poor



Advancing human development, especially reducing illiteracy and eradicating diseases/epidemics



VISION

Reduced poverty in OIC member countries



MISSION

Lead innovative poverty reduction programmes, designed in collaboration with the IsDB, by developing strong partnerships with the IsDB, donors, and key stakeholders, with a focus on comprehensive human development (namely education, women and youth economic empowerment, community development, and health) in OIC member countries, the least developed member countries (LDMCs).

THE FUND'S PRIORITY AREAS INCLUDE

- Human development (education, health, water, and sanitation)
- Agricultural and rural development
- Basic rural infrastructure development
- Capacity building
- Women and youth empowerment

CAPITAL

The ISFD has an approved targeted capital of **USD 10 billion**. As at the end of 2022, the committed capital of the ISFD stood at USD 2.6 billion and the paid-up capital at USD 2.53 billion.



Poverty - What does it mean?

For the ISFD and the IsDB at large, poverty is a multidimensional phenomenon that goes beyond the traditional income poverty. It also involves acute deprivations in health, education, and living standards, including housing, water, and sanitation.

CHAIRMAN'S MESSAGE



The ISFD will play a vital role in the IsDB realigned strategy 2023-2025, particularly in tackling poverty and building resilience through the inclusive human capital development pillar.



The impact of COVID-19 beyond the health aspect has pushed more than 100 million additional people into extreme poverty worldwide, about half of them living in IsDB member states. Despite the optimism about a recovery from the 2021 recession caused by the pandemic, the multiple crises of 2022, including the Russia-Ukraine conflict, natural disasters in Asia and East Africa, and geopolitical tensions, have affected the prospects of economic recovery and pushed up food and energy prices to alarming levels, resulting in global food insecurity and significant disruption of activities.

In these circumstances, the role of the Islamic Solidarity Fund for Development (ISFD) has never been as critical as it is now. Hence, the ISFD contributed USD 232 million under the IsDB Group Strategic Preparedness and Response Program (SPRP). In addition, it allocated USD 75 million to the IsDB Group Food Security Response Program (FSRP) in response to the food insecurity crisis in member states.

Since starting its operations in 2007, ISFD's cumulative approvals for programs and projects have reached USD 1.3 billion as of 31 December 2022, leveraging around USD 8.74 billion from the IsDB, governments, donors, and development partners.

The ISFD will play a vital role in the IsDB realigned strategy 2023-2025, particularly in tackling poverty and building resilience through the inclusive human capital development pillar. The Fund's interventions will target the critical human development sectors (education and health), economic empowerment, and social development.

The ISFD's target capital is USD 10 billion, to be contributed by governments and institutions of member states. As of 31 December 2022, capital commitments stood at USD 2.60 billion, i.e., 26% of the target capital. The paid-up amount stood at USD 2.53 billion, and USD 7.47 billion is yet to be mobilized to accomplish the target capital.

Under the new strategy, the Fund works closely with member states on innovative solutions to complement its capital resources, such as the Ihsan Waqf Investment Funds (IWIF) and Country Funds. Through these funds, the ISFD will invest with member states, partners, and philanthropists to mobilize additional resources to implement its programs. For example, an IWIF for Al-Quds was established with a target capital of USD 100 million.

The ISFD also launched the Global Islamic Fund for Refugees (GIFR) in partnership with the UN Refugee

Agency (UNHCR), with a target capital of USD 500 million to support projects and programs for refugees in member states.

Over the past year, the ISFD has worked closely with development partners to enhance member states' health and education sectors, support community development, and on programs of economic empowerment for women and youth. However, sufficient resources must be mobilized to achieve a significant reduction in poverty in member states. Hence, I call on all member states that have yet to announce or pay their expected contributions to the Fund to do so. I also urge member states that have paid their contributions to consider making new commitments to the Fund.

I want to express my gratitude to our member states, the honorable governors, and the esteemed Board of Directors for their continued support for the ISFD. I would also like to thank Dr. Hiba Ahmed, the new ISFD Director-General, and her team for their devotion. Without their dedicated efforts, the fund could not have achieved its objectives of assisting our member states in reducing poverty.



Dr. Muhammad Al Jasser

President, IsDB

Chairman, ISFD Board of Directors

MESSAGE OF THE DIRECTOR-GENERAL



The major focus of the ISFD is our Least Development Member Countries (LDMCs). These countries account for 22% of the world's population; yet they only generate 7% of global GDP, while accounting for 40% of the world's poor.



I would like to start by expressing my sincere thanks to H.E. the President of the Islamic Development Bank Group (IsDBG) for being the Chair of the ISFD Board of Directors and for giving me the opportunity to serve as Director General of the Islamic Solidarity Fund for Development (ISFD). The latter is the IsDBG's arm for fighting poverty in our Member Countries (MCs).

Poverty and deprivation are rampant in our MCs, especially after the COVID-19 pandemic and the geopolitical tensions recently seen globally and in the countries we serve. Of the estimated 1.2 billion deprived population globally, 490 million live today in our MCs. This depicts vividly the size of the challenge confronting us in alleviating poverty in all its forms by 2030 and meeting the SDGs.

The major focus of the ISFD is our Least Development Member Countries (LDMCs). These countries account for 22% of the world's population; yet they only generate 7% of global GDP, while accounting for 40% of the world's poor. The repercussions of the COVID-19 pandemic, global tensions, inflation (especially rising food and energy prices),

rising interest rates, and the slowing down of the global economy have worsened the situation for LDMCs and other countries. That is why almost 100% of approvals in 2022 went to LMDCs.

Against this stark background, I would like to echo H.E. the President's emphasis on the critical role that the ISFD needs to play and the renewed sense of urgency of increasing ISFD concessional and grant resources and impact on the ground, especially in hard-to-reach communities while serving the poor, youth, women, and marginalized populations.

To better deliver on its poverty reduction mandate, over the last year the ISFD did not only draw lessons from its past experience but also developed a focused pathway for the future.

We reviewed the ISFD's strategy and realigned it with the IsDBG new strategy and priorities. During this exercise, the ISFD identified the second strategic objective of the IsDBG strategy "tacking poverty and building resilience" to be an area of strategic focus and leadership for a consolidated and coordinated impact.

During 2022 we also reviewed the ISFD operations since inception and clearly identified several challenges among which are the:

- Stagnation of the resource mobilization efforts, especially capital contributions from MCs.
- Substantial decline in the ISFD net income generated from investments of its capital resources.
- Limited impact of poverty reduction activities on the ground, which is mainly a consequence of the gap between the limited available resources to alleviate poverty and the substantial post-COVID-19 needs in MCs.
- Lack of visibility of the ISFD operations both inside and outside the IsDBG.

But for every challenge we are committed to find a solution. To mobilize additional capital contributions, calculated in 2007 based on the criteria set by the ISFD Board of Governors, the ISFD is actively engaged in a new approach by creating "Country Programs". These tailored initiatives put beneficiaries in the heart of financing and provide win-win arrangements

that not only meet our Member Countries' priorities but also the ISFD mandate and the IsDBG strategic objectives. We are confident that a win-win approach, rather than a one size fits all, will encourage MCs to commit additional capital resources to serve the poorer segments of their populations. It recognizes the current Member Countries' limitations and competing priorities, especially post the COVID-19 pandemic. The resource mobilization challenge will not remain our only main priority but also the effective and efficient use of our resources. For both the ISFD will count on the support of MCs, the Board of Governors, the Board of Directors, and IsDBG Management and specialized teams.

To enhance the impact of its operations, the ISFD is now more focused on funding few, well-designed, and targeted flagship programs and avoiding standalone and scattered projects. The Fund is planning to conduct a portfolio analysis and clean-up, which will reduce its Cumulative Undisbursed Commitments (CUC) and free up resources for new more impactful operations. The ISFD BOD approved the ISFD financial management policy and set in motion the right internal checks and balances to ensure the long-term financial sustainability of the ISFD.

We also enhanced the visibility of the Fund. Our new branding strategy, tools, and materials were developed in 2022 to emphasize our role as the poverty reduction arm of the IsDBG. We are actively engaged with partners to showcase the ISFD's programs, track record, and impact.

Nothing is effectively implemented without having a strong institution and work enablers. In addition to working on the review of the portfolio pipeline and work program, operationalization of resource mobilization, creation of country fund pilots, boosting branding and communication, and enhancing ISFD financial management, the ISFD spent most of 2022 organizing itself internally and based on the ISFD Transformation Program recommendations. We are committed to setting up the financial management and technical committees and to becoming full members of the IsDB investment and operations management committees. The ISFD developed a new organizational structure accompanied with an expert hiring plan until 2025. The ISFD has also signed several Service Level Agreements with different IsDB business units to improve service delivery, business processes, and accountability.

It is working with the IsDB strategy and resilience departments to build on the IsDBG work in the area of developing a comprehensive poverty reduction strategy with specific Key Performance Indicators and operational program. This is to avoid duplication of offering and better coordinate efforts for greater poverty reduction impact. The ISFD is engaged in developing its policy framework and reviewing the current policies that affect its business. In addition to the financial management policy, already approved in 2022, the ISFD will present its loans and grant, risk management, and investment policies to the ISFD BOD for approval in 2023. Finally, special attention was given to data, research and technology utilization and enablement. In this regard, our work will focus on benefiting from IsDB business units and entities that specialize on these

aspects as well as developing our own internal strength in these areas.

I end by saying that although the task in front of us is huge, as we look into the future, we remain committed to delivering our mandate with excellence and supporting our MCs face their challenges and achieve the SDGs.



Dr. Hiba Ahmed

Director General

Islamic Solidarity Fund for Development

EXECUTIVE SUMMARY

It has been three years since the onset of one of the most devastating health crises the world has seen in the modern era. The socio-economic ramifications of the COVID-19 pandemic and its aftermath were always going to be damaging, and they are even more so to the world's poor. A high and sticky inflationary trend which started in 2021, against the backdrop of high energy and food prices, prompted central banks around the world on a course of higher policy rates. The world's average CPI inflation went from 3.25% in 2020 to 9.8% in 2022.

Poverty and deprivation are rampant in MCs, a fact made stark by the Oxford Poverty and Human Development Initiative (OPHI) Multidimensional Poverty Index. Of the estimated 1.2 billion deprived population globally, a significant 490 million live in our MCs. This depicts vividly the size of the challenge facing our nations to eradicate this evil by 2030 and meet SDG1. Issues that are at the top of the poverty alleviation agenda are ensuring better food and energy security in our MCs. Since 2021, food inflation is extremely high in MCs, which were already struggling on accounts of food availability, affordability, and sustainability.

ROLE OF THE ISFD IN POVERTY REDUCTION

The ISFD was established with the purpose of financing different productive and service projects and programmes that help reduce poverty in OIC member countries in accordance with the Regulations.

Since its establishment, the ISFD has cumulatively approved around USD 1.3 billion¹ of concessional loans, grants, and investment to finance projects and programmes for poverty alleviation. The cumulative grants have reached USD 134 million, (this amount represents what has been cumulatively committed to underlying projects and operations from the overall grants' allocations), while the loans are USD 1.10 billion, and the investments have reached USD 81 million. The Fund's financing went

to standalone projects and flagship programmes. The ISFD's cumulative financing contributed to USD 8.74 billion worth of relevant projects in partnership with the IsDB (USD 4.25 billion), MCs, and other donors for the remaining amount.

OPERATIONS EVALUATION AND EFFECTIVENESS

The IsDB's Operations Evaluation Department (OED) has conducted an evaluation² of eight projects funded jointly by the ISFD in eight MCs. They covered various sectors, including microfinance (economic empowerment), education, health, and community development. The overall assessment concluded that out of eight projects two were successful, five partly successful, and one unsuccessful. Projects were relevant, with 76% average score, and around 50% average score for efficiency, effectiveness, and sustainability. It is also observed that the ISFD's active and completed projects have contributed significantly to the progress towards meeting the SDGs³.

ISFD INTERVENTION IN 2022

The ISFD approved in 2022 USD 102 million⁴ of financing. The total approval is composed of USD 34 million for loans, USD 18 million for grants, and USD 50 million for investments. This was for 14 MCs and three regional programmes: the Global Islamic Fund for Refugees (GIFR), STEP and the Alliance to Fight

¹ Source: ISFD & IsDB (Corporate Performance Department) 2022.

² Source: IsDB - Operations Evaluation Department (2022)

³ Source: IsDB-Corporate Performance Division (2022)

⁴Source: ISFD & IsDB- Corporate Performance Department 2022.

Avoidable Blindness 2 (AFAB 2).

In 2022, the ISFD financing was in line with the Fund's new strategy, as it was in five key sectors, namely, community development (USD 50 million), microfinance and economic empowerment (USD 20 million), education (USD 13 million), health (USD 8.94 million) and agriculture USD 10.2 million. Of the approved financing, around USD 47 million went to Sub-Saharan Africa (14 countries), Asia (USD 2.2 million) and regional programmes across the OIC MCs (USD 53 million).



ISFD RESPONSE TO THE FOOD SECURITY CRISIS

In response to the food security crisis, the ISFD Board of Directors (BOD) held an extraordinary meeting jointly with the IsDB Board of Executive Directors (BED) on 28 July 2022 and approved the ISFD's contribution of USD 75 million to the IsDB Group Food Security Response

Programme (FSRP). This included an envelope of USD 15 million for concessional loans available immediately. For the immediate and short-term track, the ISFD allocated USD 25 million, while the remaining USD 50 million have been allocated for the long-term track.

PROGRESS IN THE ISFD IMPLEMENTATION STRATEGY

The 11th and 12th Meetings of the ISFD BOG held in Tunisia and in Morocco respectively highlighted the importance for the ISFD to enhance its efficiency and impact and address performance gaps. Hence, the ISFD BOD approved in September 2020 the ISFD strategy and organisational structure. The first phase of fixing the basics includes 10 key initiatives with defined owners, actions, deliverables, and dependencies required to make the outcomes of the Transformation Study fully actionable. In 2022, the ISFD continued the process of implementation with considerable progress in each of the 10 initiatives.

RESOURCE MOBILISATION

The resource mobilisation for the ISFD capital remains the main challenge. The 2030 Strategy recommended enhancing the effort to secure additional capital contributions from member countries. Efforts have continued in 2022. A total of USD 6.28 million of payment and commitment was mobilised from three MCs.

In 2022, the ISFD launched the second Ihsan Waqf Investment Fund (IWIF) called the Global Islamic Fund for Refugees (GIFR). It is the largest IWIF in terms of target capital that the ISFD has established so far. The Fund will be operating in MCs with a focus on refugee-related areas.

CORPORATE GOVERNANCE

The Board of Governors (BOG) of the ISFD held its 15th Annual Meeting in Sharm El-Sheikh, Arab Republic of Egypt, on 3 June 2022. The BOG took note of the Annual Report of the ISFD for the year 2021 and approved the audited financial statements of accounts for the financial year 1442/1443 (2021). In 2022, the Board of Directors (BOD) met six times, including an

extraordinary meeting for the food security crisis.

ISFD CAPITAL RESOURCES

The ISFD has an approved capital of USD 10 billion. The capital commitments as at the end of 2022 amounted to USD 2.6 billion, representing 26% of the target capital. A new commitment of USD 5 million from Iraq was made in 2022. The paid-up capital reached USD 2.532 billion at the end of 2022, with member countries contributing USD 1.532 billion and the IsDB USD 1 billion. There were two new payments of USD 1.2 million in 2022. The total value of the ISFD resources in kind is USD 7.43 million.

INVESTMENT OF CAPITAL RESOURCES

At year-end 2022, the total assets of the Fund increased by USD 37 million to USD 3,180 million compared, to USD 3,143 million at year-end 2021. Treasury assets represented 67% of total assets. The asset mix is shifting gradually towards more growth assets, as more funds are deployed with External Fund Managers (EFMs) and invested per the ISFD's approved Investment Policy. The Fund's resources at year-end 2022 stood at USD 3,045 million, reflecting a net increase of USD 46 million versus the year-end 2021 balance of USD 2,999 million.

INCOME

The ISFD reported USD 49.3 million net income for the year ended 31 December 2022, up by USD 32.8 million from the USD 16.5 million net income reported in the corresponding year ended 31 December 2021.

DISBURSEMENTS

During 2022, the Fund's total approvals reached USD 102.2 million, while total disbursements amounted to USD 59 million. As of 31 December 2022, the ISFD's

total undisbursed commitments stood at USD 507.5 million up by 27.1 million or 6% from USD 480.4 million as at year end 2021. The ISFD's total disbursements since inception have reached USD 483.63 million as per year end 2022. If we take into consideration the disbursements for LLF projects, this amount reaches USD 508 million since inception.⁵

INVESTMENT POLICY

The onboarding and funding of new mandates with the EFMs Russell Investments, Acadian, and Axiom has driven asset allocation significantly closer to the



Strategic Asset Allocation compared to the beginning of 2022. Russell Investments was appointed as a multi-asset management solution, with significant allocation to Developed Market (DM) equity but also to global listed real estates and listed infrastructure (both 10% of the mandate of USD 350 million). Acadian manages a global equity mandate with an initial allocation of USD 60 million and Axiom a USD 20 million global equity mandate at inception.

⁵ Source: IsDB-Financial Control Department and IsDB-Corporate Performance Department 2022





PART 01

GLOBAL ECONOMIC CONTEXT

GLOBAL ECONOMIC CONTEXT

The COVID-19 pandemic is largely behind us thanks to a successful global vaccination roll-out. Nevertheless, the world economy is still feeling its socio-economic fallout in 2022. Major central banks were caught wrong footed by high and persistent inflation, while their response, although belated, was resolute in applying successive and significant policy rate hikes. Long-term yields climbed up rapidly, while the US dollar strengthened, creating a difficult backdrop for the global economy in 2022 and a challenging outlook in 2023. This came at a time when household budgets became squeezed, leading to a global cost-of-living crisis in many parts of the world, as food and energy prices shot in the middle of 2022, just as COVID-19 pandemic-related fiscal support started waning.

Worsening geopolitical risk due to the Russia-Ukraine conflict worsened the energy and food crises, stoking inflationary pressure, especially in LDMCs. China has maintained a zero-COVID policy for most of 2022, while persisting waves of the pandemic continue to disrupt economic activities. The global economy is now expected to grow at a lower rate in 2023.

INFLATION AND YIELDS

Loose monetary policy due to large scale asset purchase programmes (quantitative easing) by major monetary authorities and policy rates kept near or below zero in many parts of the developed world created the conditions for high and persistent inflation due to the stimulative effects this has on demand. US CPI inflation reached 9% in June 2022. Other countries had similar experiences where inflation was further compounded by extremely high natural gas prices and energy shortages. Globally, the median inflation rate is estimated at 9%.

As a direct consequence of central banks' policy, rate hikes drove long-term yields to high levels. The US Federal Fund's rate went from 0-0.25% at the start of

2022 to 4.25-4.5% in December, while the European Central Bank (ECB) key policy rate went from -0.5% to 2%. Ten-year bond yields for the US, the Eurozone, and the UK shot up by 2.37%, 2.7%, and 2.7%, respectively. A corollary of rising global yields was sharp declines in global asset prices.

The effect of the fiscal measures to mitigate COVID-19 economic shock left many developing countries with a significantly larger debt servicing burden. According to World Bank estimates, IDA-eligible countries are expected to pay USD 62 billion in debt servicing in 2022, the highest it has been since 2000. The World Bank report notes that rising rates and slowing global growth risk tipping many countries into debt crisis. In fact, 18 LDCs are either in high risk of falling into debt distress or are already in debt distress.

ECONOMIC GROWTH

Global GDP growth is expected to sharply slow down from 2.9% to 1.7% in 2023. The latest World Bank projections at the end of 2022 are markedly different from those of June 2022 when global GDP was expected to remain roughly flat at 3%. For advanced economies, growth is forecasted to significantly slow down to 0.5%, shedding 2.2% from the June projections, and for emerging and developing economies, growth is expected to remain flat at 3.4%, albeit 0.8% lower than the June forecasts. These trends are strongly indicative of the worsening economic prospect since June, predominantly due to simultaneously higher policy rates, worsening financial conditions, and continued disruptions from the Russia-Ukraine conflict.

In the ISFD MCs, GDP growth recovered post COVID-19 as economies returned to normality as real GDP growth bounced back from an average of -1.38% to 5.0% in 2021, with most countries registering growth, except for Chad, Sudan, Suriname, and Yemen.

In 2022, average growth kept up a high pace and is estimated to have reached 5.3%, despite rising energy and food prices. However, this trend was not uniform across all income brackets. For low-income MCs, growth resumption was sluggish in 2021 at 1.49% but is expected to be steady in 2022 at 2.7% and through to 2023 at 3.85%.

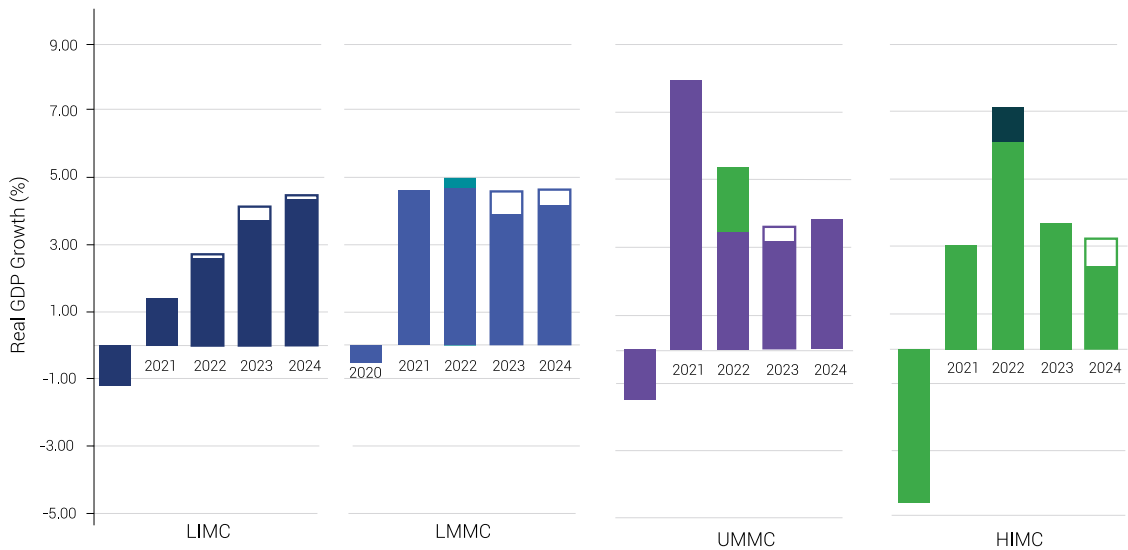


Figure 1.1 Real GDP Growth (2020-2024)

Source: WB 2023 Global Economic Prospects, ISFD team calculations

Note: Median and PPP weighted average real GDP growth are calculated for ISDB MCs. The boundaries show the 1st and 3rd quartiles of the sample.

The combined effects of high inflation, soaring yields, weaker global economy, and restrained fiscal space in the Member Countries will put additional strains on people living in extreme poverty and risk pushing more people below the poverty line.





PART 02

POVERTY IN OIC MEMBER COUNTRIES

POVERTY IN OIC MEMBER COUNTRIES

The fallouts from the COVID-19 pandemic have disproportionately affected the developing countries. As poverty reduction went into reverse gear in 2020, conditions in 2022 have offered no respite, as rising prices, especially food and energy, have weighed on poverty reduction trends. The emerging challenges for our MCs in the area of poverty alleviation will shape the intervention of the Fund.

People living on less than USD 1.9 per day went from 739.5 million in 2015 to 641.4 million on the eve of the COVID-19 pandemic in 2019. However, the number of people living in extreme poverty is estimated to have increased by a staggering 72.4 million globally between 2019 and 2020. The comparison is starker when considering pre-pandemic trends as 92.7 million more people are estimated to have fallen into extreme poverty compared to the year's pre-pandemic projection, 14.9% of the 2020 pre-COVID-19 projections.

The year 2021 was a year of recovery as the gap between the pre- and post-COVID-19 projections shrunk to 14.1%. Regional estimates for Sub-Saharan Africa show a slight increase in the gap in 2021 due to sluggish emergence of countries in this region from the effects of COVID-19, while it shows a significant increase in 2022 to 6.1% in the pessimistic scenario. Poverty estimates compared to pre-COVID-19 projections are more pronounced in the MENA region, as the gap widened by a significant 10 percentage points from 25.1% to 35.2%. There are now 33.8 million people living in extreme poverty, compared to 25 million projected before the pandemic.

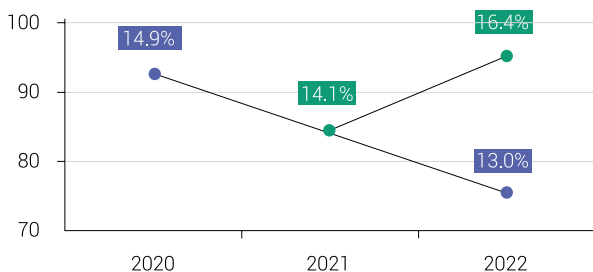


Figure 2.1 Global nowcast of extreme poverty



Figure 2.2 SSA nowcast of extreme poverty

Source: Lakner et al (2022) retrieved from (<https://blogs.worldbank.org/opendata/pandemic-prices-and-poverty>). Data are not available for South Asian countries and are only available at a regional level. Sub-Saharan Africa and the Middle East and North Africa are used as a proxy for ISFD MCs. The Y-axis denotes the number of people living in extreme poverty in millions.

Note: the graph shows the number of people living on less than USD 1.9 per day as the additional population living in extreme poverty compared to the pre-COVID-19 pandemic. The authors included two scenarios for the effects of rising food prices. A baseline scenario which assumes a uniform effect over the population and a pessimistic scenario which assumes a disproportionate effect of higher food prices on the poor

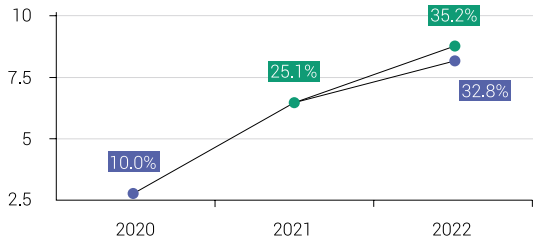


Figure 2.3 MENA nowcast of extreme poverty



MULTIDIMENSIONAL POVERTY IN OIC MEMBER COUNTRIES

According to the latest Global Multidimensional Poverty Index (MPI) report,⁶ there are now 1.2 billion people living in extreme poverty, of these 490 million live in ISDB MCs. The MPI, which is published by the Oxford Poverty and Human Development Initiative (OPHI), tracks acute deprivation in health, education, and living standards that people face simultaneously across 100 countries.

SSA accounts for more than half of extreme poverty, with 56.5% of the total for OIC countries, followed

by Asia (33.2%) and MENA (10.4%). Countries with high headcount and high deprivation intensity are predominantly in the Sahel region (Niger, Chad, Burkina Faso, and Mali), which collectively are home to 68.77 million extremely poor people in 2020. In addition, these countries suffer from high intensity of deprivation⁷ and the largest factor contributing to their high MPI reading are standard of living (c. 40%), education (c. 40%). Nigeria, Pakistan, and Bangladesh account for the biggest extremely poor populations living in a single country, with 96.7 million, 87.1 million and 41.3 million respectively.

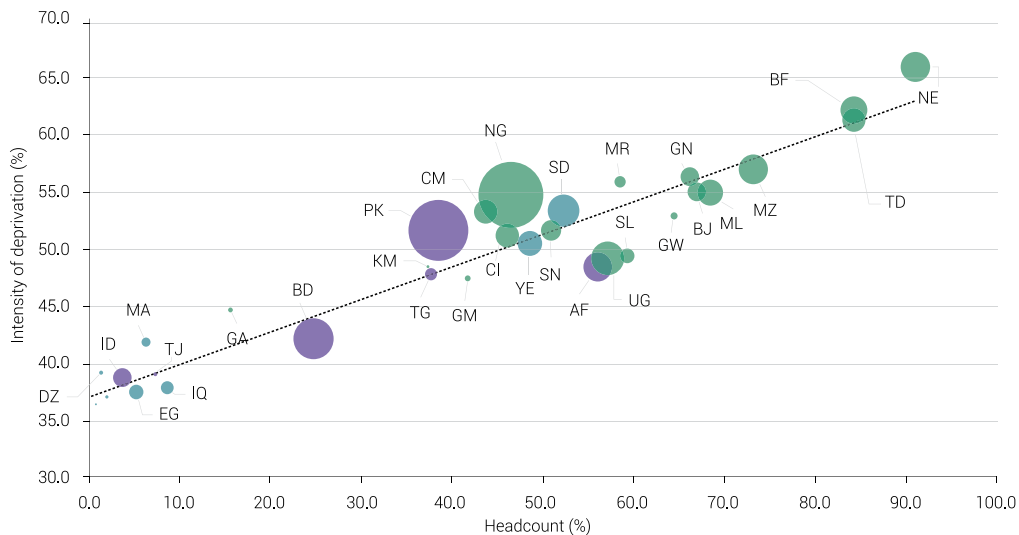


Figure 2.4 MPI headcount and intensity for ISFD MCs (See Annex IV of MCs abbreviation)

Source: OPHI data and ISFD team calculations. Size of bubble represents the size of the population living in extreme poverty. Note: The data coverage includes 40 countries in the low-income, low middle-income and high middle-income brackets. The graph shows countries by region.

⁶Data are retrieved from the annual Global MPI report for 2022.

⁷This intensity of deprivation is the average deprivation score, i.e., the extent a person is deprived in 10 indicators spanning health (nutrition and child mortality), education (years of schooling and attendance), and living standards (cooking fuel, sanitation, drinking water, electricity, housing, and assets).

FOOD SECURITY IN OIC MEMBER COUNTRIES

The year 2022 saw a continued increase in food prices, a trend that started in 2020 due to high demand, disruption in supply chains, rising energy prices leading to a spike in the prices of fertilisers, and droughts. The conflict in Ukraine exacerbated the global food crisis driving the prices of cereals and vegetable oils significantly higher. The FAO cereal price index went up 20% between January and March 2022 and the vegetable oil price index by 33.3%. According to FAO data, the global food crisis resulted in an increase in the number of undernourished from 618.4 million in 2019 to 721.7 million in 2020 (16.7% yearly increase) and 767.9

33.3% face a high food vulnerability with moderate to low food resilience.¹¹

ENERGY CRISIS IN OIC MEMBER COUNTRIES

The energy crisis which started with roaring oil and gas prices in 2021, led to severe knock-on effects with repercussions affecting prices of fertilisers and food. However, the direct effect of these trends is also noticeable. According to the IEA data, the number of people who live without electricity is estimated to have increased by 20 million in 2022, reaching 775 million people worldwide.

This increase is happening mostly in the SSA region



million in 2021 (6.4%).⁸ This largely affected countries in Central and South Asia and Sub-Saharan Africa. Therefore, the prevalence of hunger soared in 2020 and 2021, particularly in SSA, going from 20.1% in 2019 to 32.2% in 2021.⁹

The effects of the global food crisis led to a deterioration in the food security of ISFD MCs. Increasing food prices in 28 MCs for which data are available, food-insecure people¹⁰ are estimated at 152 million as of 2020. Of the MCs with data, 35% are highly food-vulnerable, while

where the number of people without electricity access is nearly as high as its peak in 2013. The combination of low-quality fuels and inefficient equipment, means that people living in poverty in emerging and development countries pay more inflated energy bills to meet their energy needs. According to IEA estimates, the number of people spending at least 10% of their income on energy used in the home increased by 160 million between 2019 and 2022.¹²

⁸Data retrieved from <https://www.fao.org/hunger/en/>

⁹The data are taken from the FAO food price index and FAO report "The State of Food Security and Nutrition in the World" (2022) (retrieved from <https://www.fao.org/publications/sofi/2022/en/>)

¹⁰Food Security is obtained when all people, at all times, have physical and economic access to sufficient, safe, and nutritious food that meets their dietary needs and food preferences for an active and healthy life. It has four dimensions: availability, accessibility, utilisation, and stability.

¹¹Data are taken from the Global Food Security Index (<https://impact.economist.com/sustainability/project/food-security-index/>)

¹²IEO (2022) World Energy Outlook 2022.

INFLATION IN OIC MEMBER COUNTRIES

Global inflationary pressures had a particularly strong impact on MCs. The median CPI inflation rate soared to 5.3% in 2021 and 8.06% in 2022 from a low median rate of 1.8% in 2020. MCs most affected by inflation are Sudan, Türkiye, Iran, and Suriname where rates have surpassed 30% and in some instances by far.

LDMCs are particularly vulnerable to food inflation, which shot up in some MCs to record highs. The median

CPI food and non-alcoholic beverage inflation reached 12.2% in 2022. Also, as the figures show, there is a wider variation in member countries' experience with food inflation. Countries experiencing very high food inflation in 2022 include Burkina Faso (26.4%), Lebanon (208%), Nigeria (23.3%), Pakistan (31%), Sierra Leone (35.2%), Suriname (39.9%), and Türkiye (93%). Some of these countries already suffer from severe food insecurity on availability and affordability criteria and will certainly push more people into food poverty and malnutrition.

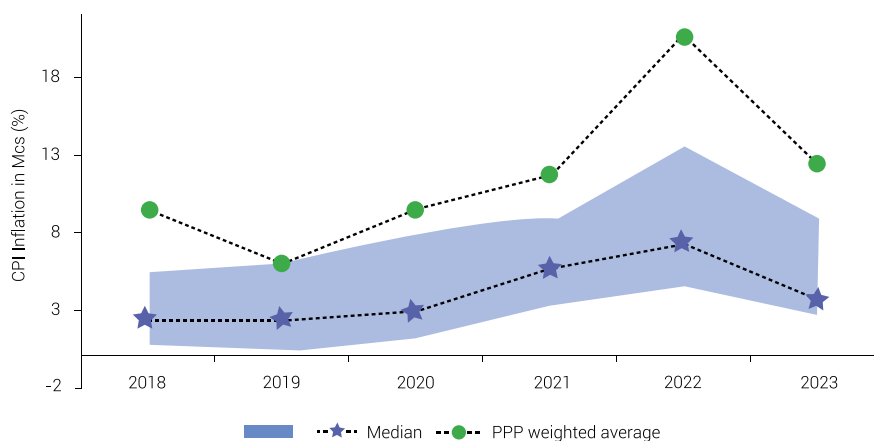


Figure 2.5 CPI inflation in MCs (%)

Source: IMF World Economic Outlook

Note: figures for 2023 are IMF forecasts. The band represents the 1st (25%) and 3rd (75%) quartiles of the available MCs sample.

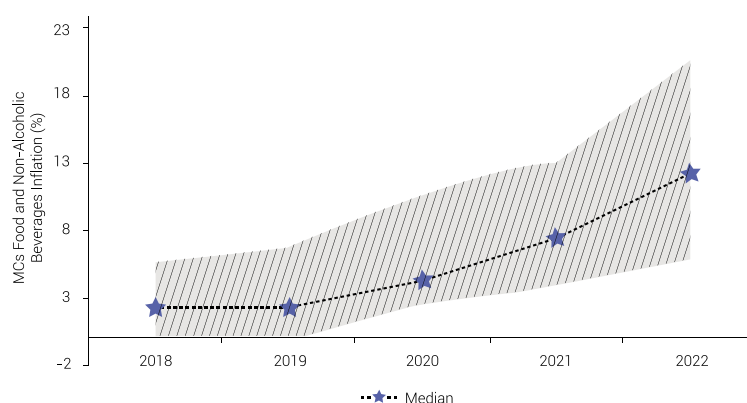


Figure 2.6 Food and non-alcoholic beverages inflation in MCs (%)

Source: IMF Macroeconomic and Financial Data.

Note: figures for 2023 are IMF forecasts. The band represents the 1st (25%) and 3rd (75%) quartiles of the available MCs sample.





PART 03

ROLE OF THE ISFD IN POVERTY REDUCTION IN OIC MEMBER COUNTRIES

ROLE OF THE ISFD IN POVERTY REDUCTION IN OIC MEMBER COUNTRIES

The ISFD was established as a special fund within the IsDB, pursuant to a decision adopted by the Third Extraordinary Session of the Organisation of Islamic Conference Summit held in Makkah Al-Mukarramah on 5-6 Dhual Qa'dah 1426H (7-8 December 2005G). The Fund was established with a target capital of USD 10 billion with the purpose of financing different productive and service projects and programmes that help reduce poverty in OIC member countries in accordance with the Regulations.

Article 14 of the ISFD Regulations stipulates that poverty reduction considerations shall be reflected in all activities of the Fund by targeting interventions in, inter alia, social and human development, basic infrastructure, capacity building, agricultural and rural development, and other activities deemed pro-poor with a view to:

- Providing income and employment
- Generating opportunities for the poor
- Enhancing the role of women in socio-economic development
- Providing the poor and the vulnerable with social safety nets and other enablers of poverty reduction

In 2020, the ISFD embarked on a new transformation strategy, the new vision driven from this strategy is to have poverty reduced in OIC MCs by 2030.

As the Fund's capital is an endowment (Waqf), operations which are for the essential grants and concessional loans are funded from the retained income. Since 2017, the BOD has authorised the ISFD to fund some programmes in the development of Waqf and economic empowerment. The resources invested are taken from the Fund's capital resources. This allows the Fund to invest directly with the poor and enhance their employment and income-generation opportunities.

OPERATIONS SINCE INCEPTION

Since its launch in 2007, the ISFD has cumulatively approved around USD 1.3 billion¹³ of concessional loans, grants, and investments to finance projects and programmes for poverty alleviation. The cumulative grants have reached USD 134 million, (this amount represents what has been cumulatively committed to underlying projects and operations from the overall grants' allocations), while the loans are USD 1.10 billion, and the investments have reached USD 81 million. The Fund's financing went to standalone projects, flagship programmes, and joint initiatives with the IsDB, such as the LLF where the ISFD contributed grants of USD 100 million. The ISFD cumulative financing contributed to USD 8.74 billion worth of relevant projects in partnership with the IsDB (USD 4.25 billion), MCs, and other donors for the remaining amount.

Since inception, the ISFD was approving an average financing of USD 70 million per year. There were some exceptional years where the ISFD approval was exceeding USD 100 million. This was the case for example in 2016 where the ISFD approved USD 100 million for the LLF. The figures below show the ISFD approvals evolution since inception and its distribution by financing mode.

¹³ This USD 1.3 billion is composed of USD 1.21 billion (ISFD's cumulative approvals as per the IsDB database), USD 87.1 million of ISFD approvals (GIFR USD 50 million, PSEIWIF USD 20 million, Investment BEN1007 USD 9.7 million, ICERI USD 1.17 million, scholarships USD 3.23 million, STEP USD 3 million), and USD 2.63 million for STI (%30 of the amount recorded in IsDB database).
Source: ISFD and IsDB Corporate Performance Department 2022.

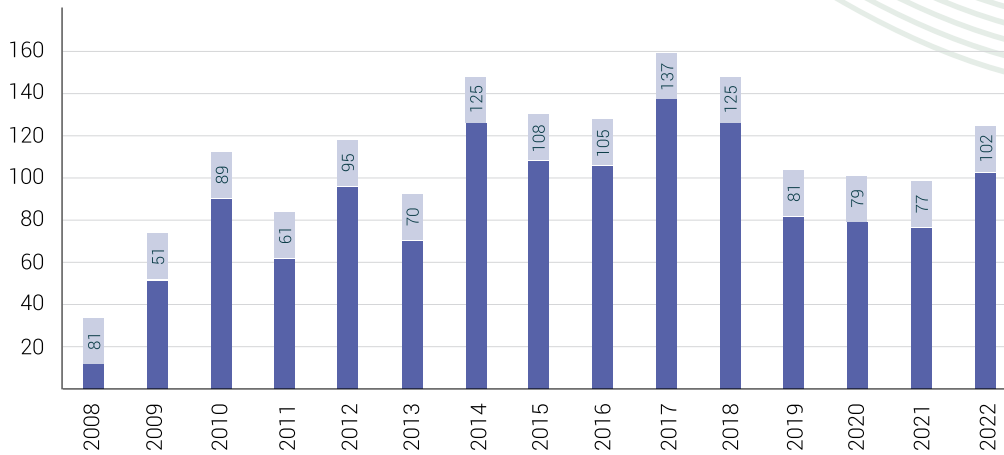


Figure 3.1: Approvals by year since inception



Figure 3.2: Approvals by mode of financing since inception



GEOGRAPHIC COVERAGE

The ISFD operations are essentially for the LDMCs which represent 74% (USD 965 million). This percentage reached 96% in 2020. The ISFD's new strategy for poverty reduction stipulates that 80% of the ISFD financing should go to the LDMCs. The remaining 20% should go to non-LDMCs.

In total, 51 out of 57 MCs benefited from the ISFD financing since inception, of which Senegal, Mali and Guinea are the top three in Africa, while Pakistan, Kyrgyz Republic and Tajikistan are the top three in Asia.

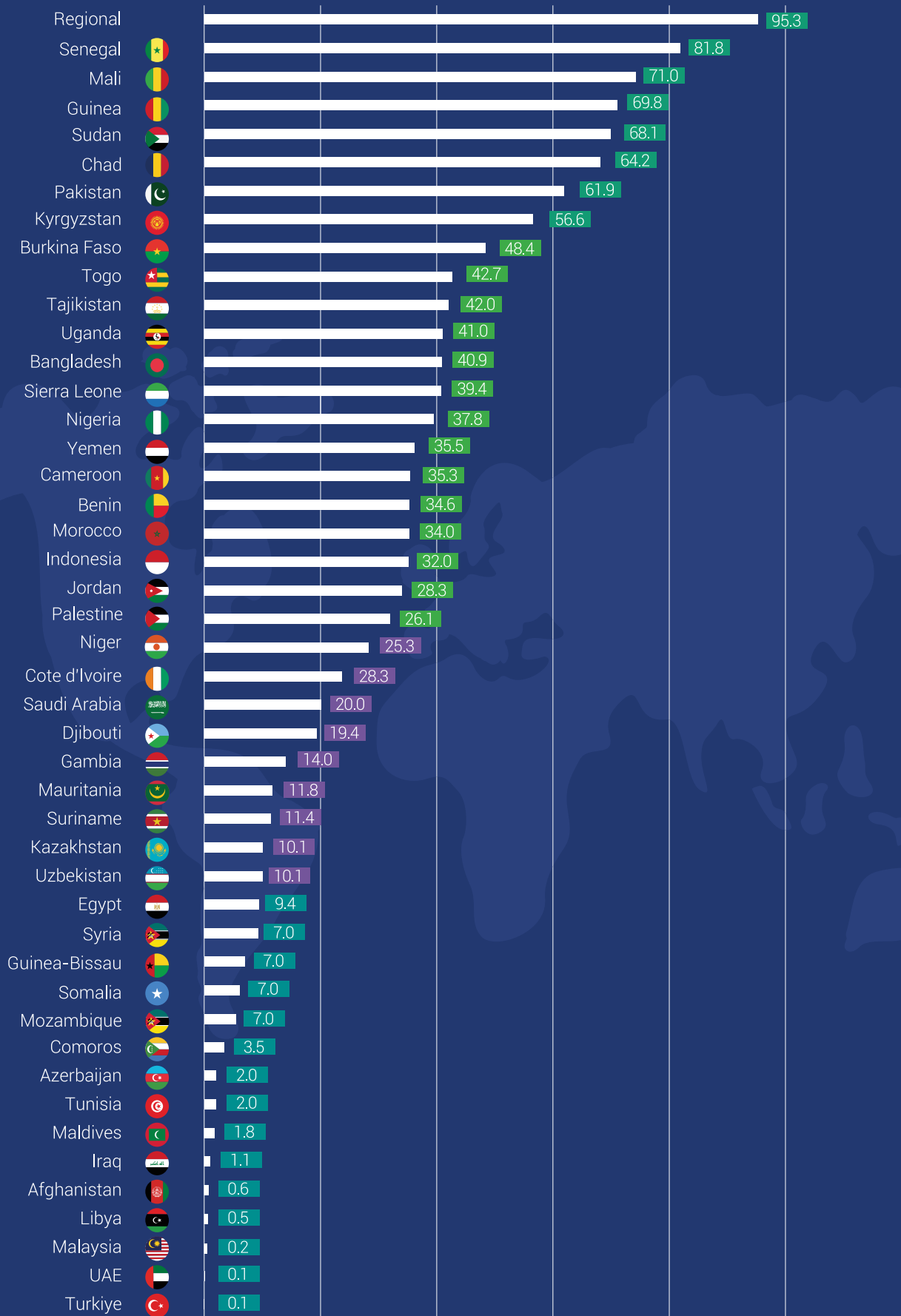


Figure 3.3: Approvals by country since inception

SECTOR DISTRIBUTION

The ISFD projects and programmes cover a range of key sectors for social and economic development. Agriculture¹⁴ represents the highest share of funding (25%). Agriculture is a strategic sector for many MCs recipient of ISFD financing, particularly in the time of food security crisis. The health sector represents 20%. This sector has largely benefited from ISFD financing, particularly during the COVID-19 period.

The education sector (18%) is also strategic for the ISFD. Over the last years, the ISFD was focusing on the issue of out-of-school children. Energy, which represents 12%, is also strategic for poverty reduction in every aspect. Economic empowerment and microfinance in general represent 11% of approvals, while community development represents 5%.

As per the new strategy of the Fund, the new mission of leading innovative poverty reduction programmes, with a focus on comprehensive human development (education, women and youth economic empowerment, community development, and health) in LDMCs is expected to result in more approvals in the coming years for these sectors.

Another aspect of the new strategy is that the ISFD financing will be progressively delivered through flagship programmes, which means fewer standalone projects. There are already eight flagship programmes:

1. The Out-of-School Children Programme, which focuses on the basic education and enrolling children in basic education.
2. The STEP Programme which focuses on supporting capacity building and skill enhancement besides education for IDPs and refugees.
3. The Alliance to Fight Avoidable Blindness.
4. The Tadamon CSOs Pandemic Response Accelerator Programme, which was introduced as part of response to the COVID-19 pandemic.



5. The ISFD NGO Empowerment for Poverty Reduction Programme for supporting capacity building for the CSOs and NGOs in member countries.
6. Trade Finance for LDMCs with the ITFC, which was introduced as part of the ISFD contribution to the food security crisis and will be supporting trade finance for food commodities in the LDMCs.
7. The ICIEC-ISFD COVID-19 Emergency Response Initiative (ICERI) in collaboration with the ICIEC to facilitate importing medical goods and strategic commodities by the LDMCs.
8. The SERVE Programme (Strengthening the Economic Resilience of Vulnerable Enterprises), designed to strengthen the resilience of vulnerable enterprises negatively affected by the pandemic in economic empowerment.

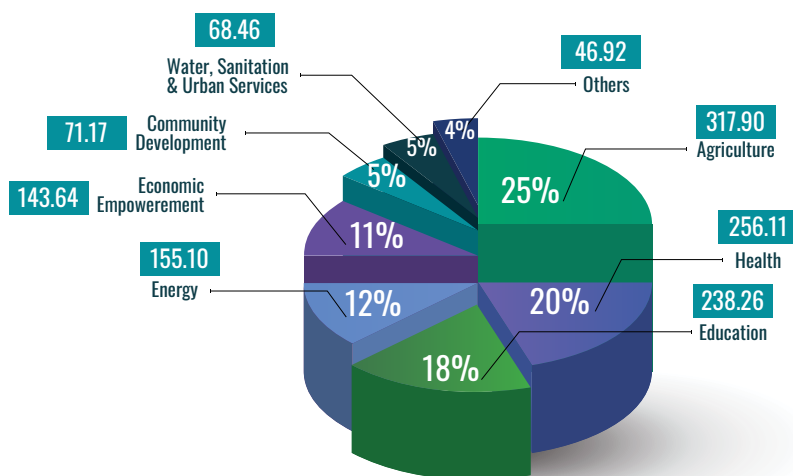


Figure 3.4: ISFD approvals since inception by sector

¹⁴ Source: ISFD & IsDB (Corporate Performance Department) 2022.

OPERATIONS EVALUATION

The ISFD started its operations in 2007. So far, around 100¹⁵ projects and programmes have been completed. The IsDB's Operations Evaluation Department has conducted an evaluation¹⁶ of eight projects funded jointly by the ISFD. These projects were in eight MCs: Benin, Kyrgyz Republic, Kazakhstan, Tajikistan, Burkina Faso, Mauritania, Mali, and Pakistan. They covered various sectors, including microfinance (economic empowerment), education, health, and community development.

The full evaluation results are given in Annex V (evaluated

projects). Regarding the overall assessment, out of eight projects, two were successful, five partly successful, and one unsuccessful. The projects were relevant with 76% average score. For efficiency, effectiveness, and sustainability, the average scores were around 50%.

In terms of dissemination and outreach activities, an edition was published dedicated to the ISFD after the joining of the new ISFD Director-General and launching of the new ISFD Brand Identity. The ISFD also issued an ISFD branding video, a new logo, leaflets (small brochures about the ISFD vision, mission and various programmes and interventions), and a new video on the NGO Empowerment for the Poverty Reduction Project in Yemen (TADAMON).

MAMADOU'S SUCCESS STORY

THE ISDB GROUP WAS THERE!

Mamadou Abdullah, a Technology School student at Najala University in Freetown, the capital of Sierra Leone, still carries painful memories of the civil war in his country (1991-2002). He was born in its furnace and lived a childhood full of fear, terror, and devastating poverty.

Mamadou, who was speaking to a local radio program in Freetown, presented a valuable testimony about the role of the Islamic Development Bank as one of the most prominent supporters of building and rehabilitating what was destroyed by the war.

"The IsDB and the ISFD, through the Community Development Program, were present there to dry the tears of Sierra Leone through a number of programs, including the Community Development Program in Sierra Leone.

"My father died in the war, and my mother continued to struggle to raise me and my brothers, and her efforts culminated in a bright success after obtaining financing through the SMEs Program supported by the Islamic Development Bank. She benefited from that in poultry farming, which started at home and soon expanded by obtaining a small farm next to our house and the project kept growing, developing, and expanding" he said.

He added that the Community Development Program in Sierra Leone is a major success story which established and completed 215 infrastructure projects, held awareness sessions for health education and distributed educational materials in 675 villages, established 150 groups of small projects whose membership consists of 95 percent of females, in addition to 63 master trainers trained by MYRADA (Indian NGO) on concepts of community development and sustainable livelihoods.



¹⁵Source: ISFD & IsDB (Corporate Performance Department) 2022.






¹⁶Source: IsDB (Operations Evaluation Department)

DEVELOPMENT EFFECTIVENESS AND ALIGNMENT WITH THE SDGS

The ISFD is monitoring the impact of its projects. Projects and programmes are in alignment with the SDGs. The outcomes of the completed projects are given in the tables below¹⁷:

CSI - SDG GOAL (KEY)	CSI - SDG GOAL (TEXT)	INDICATOR	EXPECTED RESULT
2	Zero Hunger 	Area irrigated (hectares)	79,400
		Seed production and processing facilities established	5
		Water resources developed for multiple use (m3)	6,210,000
3	Good Health 	Health facilities constructed, upgraded, or equipped (number)	5,335
		Health personnel trained, e.g., doctors, nurses, paramedics, technicians (number)	132,958
		Number of beds added to health facilities (number)	1,580
		Number of beds added to health facilities (number)	44,217,765
		People reached through preventive healthcare awareness campaigns (number)	38,000,000
		Preventive healthcare - Number of long-lasting insecticidal nets (LLINs) distributed (number)	2,280,000
4	Quality Education 	Accommodation rooms built in educational institutions (number)	46
		Classrooms built or upgraded in educational institutions (number)	647
		Educational institutions built, upgraded, or equipped (number)	1,906
		Students who benefited (number, per year)	126,579
		Teachers/faculty/staff trained (number)	3,002
6	Clean Water 	Households provided with access to improved sanitation (i.e., latrines, sewage system) (number)	796
		Households provided access to safe water supply systems (number)	67,744
		Water supply network installed or upgraded (length in kilometres)	476
7	Clean Energy 	Households connected to electricity (number)	10,160
		Installed energy generation capacity using renewable sources (MW equivalent)	150
		Substations installed, upgraded, or rehabilitated (MVA)	16
		Transmission/distribution lines installed, upgraded, or rehabilitated (kilometre)	1,455

¹⁷ Source: ISDB-Corporate Performance Division (2023). The data are subject to regular change as they are updated continuously.

8	Decent work 	Jobs for farmers created	50
		Market centres established, upgraded, or rehabilitated (number)	361
		People employed (number)	7,857
		People with access to microfinance increased (number)	296,545
9	Infrastructure 	Expressways/highways built, upgraded, or rehabilitated (kilometre)	78
		Local/rural roads built, upgraded, or rehabilitated (kilometre)	14,350
11	Urban 	Sewerage network installed or upgraded (length in kilometre)	2,524
		Shelters/houses built, upgraded, or rehabilitated (number)	8,115
13	Climate 	Greenhouse gas (GHG) emissions reduced (tonnes, CO2 equivalent)	204,000
17	Partnership 	People trained (number)	14,444

OPERATIONS IN 2022

The ISFD has currently around 437 active projects. In 2022, the ISFD approved USD 102¹⁸ million in financing. The total approval is composed of USD 34 million for loans, USD 18 million for grants, and USD 50 million for investments in the Global Islamic Fund for Refugees (GIFR). The approval was for 14 MCs and three regional programmes, USD 50 million for the GIFR, USD 3 million for STEP and USD 1.32 million for the Alliance to Fight Avoidable Blindness 2 (AFAB 2).

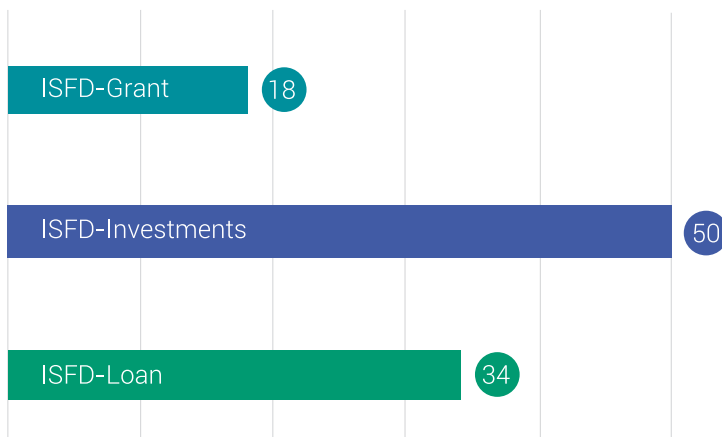


Figure 3.5: Approvals by financing mode in 2022

¹⁸ Source: ISFD & IsDB (Corporate Performance Department) 2022.

The ISFD financing in 2022 was in line with the Fund's new strategy, as it was in the five key sectors of community development (USD 50 million), microfinance and economic empowerment (USD 20 million), education (USD 13 million), health (USD 8.94), and agriculture USD 10.2 million.



Figure 3.6 Approvals by sector in 2022

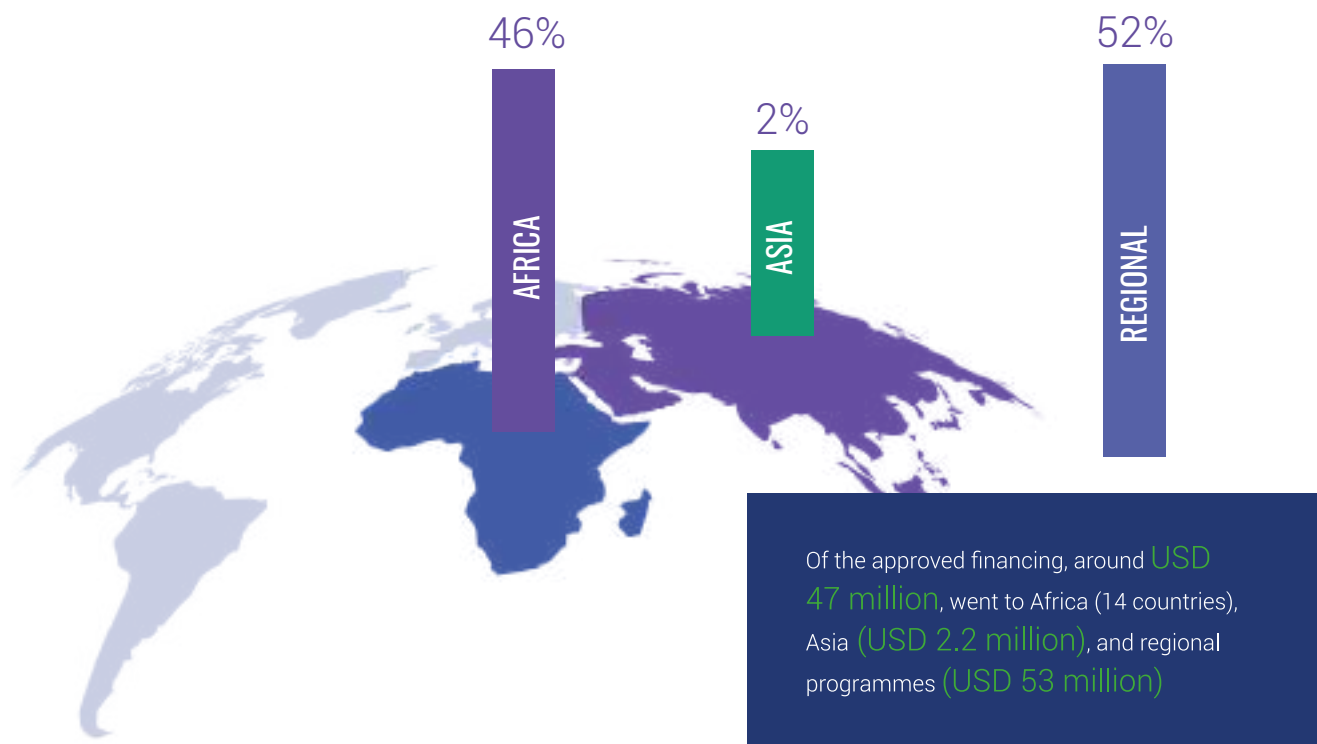
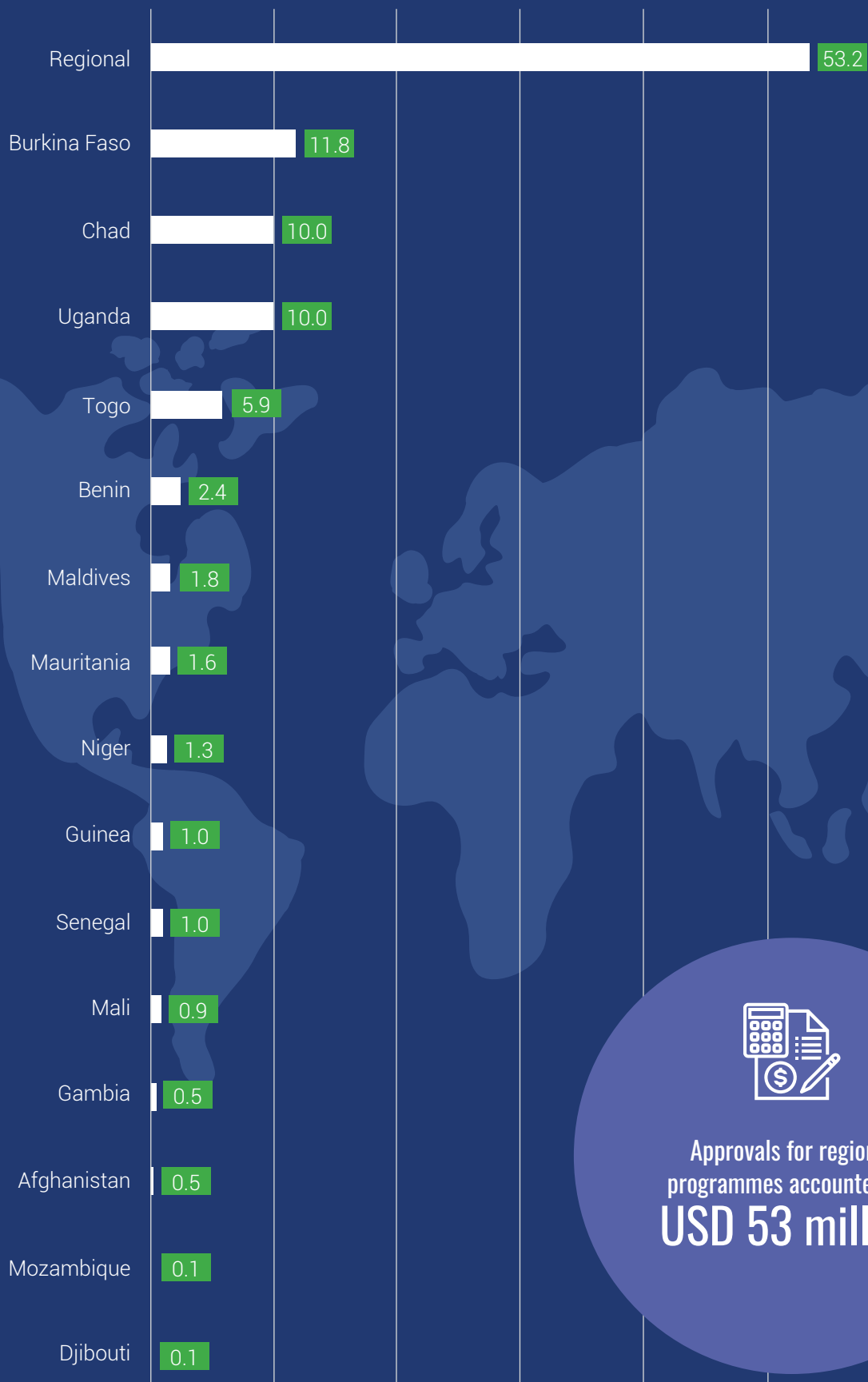


Figure 3.7: Approvals by region in 2022





 Approvals for regional programmes accounted for **USD 53 million**

Figure 3.8 Approvals by country in 2022

1. GLOBAL ISLAMIC FUND FOR REFUGEES

The ISFD and the United Nations High Commissioner for Refugees (UNHCR) have agreed to establish the Global Islamic Fund for Refugees (GIFR). Based on the model of Ihsan Waqf Investment Fund, the income from investments will be used to support humanitarian and economic empowerment of refugees, internally displaced persons (IDPs), stateless people, and their host communities in MCs. Focus of its operations will be on programmes for education and job creation, health, water, sanitation and hygiene, shelter, climate action, including green energy, and emergency response to foster their resilience and increase prospects for a normal and dignified life in existing situations and upon return to home countries. The ISFD BOD approved the ISFD's contribution of USD 50 million as an endowment. The partner UNHCR has also contributed USD 50 million.

2. SKILLS, TRAINING AND EDUCATION PROGRAMME (STEP) FOR REFUGEES AND IDPs IN ISDB MEMBER COUNTRIES

The Skills, Training and Education Programme (STEP) has the objective to support the refugees, IDPs, and host communities in IsDB member countries. STEP is emanating from the strategic objective of reducing poverty and building resilience.

The BOD approved an ISFD grant allocation not exceeding USD 3 million to be committed for a period of five years (USD 0.6 million for each year). The total cost of the Programme is USD 100 million. By the end of 2027, the programme is expected to benefit 650,000 children and youth of refugees, IDPs and host communities.

ISFD & UNHCR LAUNCH GLOBAL ISLAMIC FUND FOR REFUGEES



New York, USA, 23 September 2022 - On the sidelines of the 77th U.N. General Assembly in New York, the plight of refugees around the world took center stage with a promising future of solid support during the launch of the joint Global Islamic Fund for Refugees (GIFR) by the Islamic Development Bank's poverty alleviation arm, the ISFD (the Islamic Solidarity Fund for Development) and the UNHCR (United Nations High Commissioner for Refugees).

At the event, U.N. High Commissioner for Refugees, Filippo Grandi, and the Director General of the Islamic Solidarity Fund for Development, Dr. Hiba Ahmed, respectively, announced a contribution of USD 50 million as an initial capital investment for the GIFR. Representing IsDB Group Chairman, H.E. Dr. Muhammad Al Jasser, at the ceremony, the IsDB Vice President, Operations, Dr. Mansur Muhtar, reaffirmed the Bank's commitment to partner with the UNHCR through the ISFD to address the multi-dimensional aspects of poverty facing refugees and to help secure the best for the refugees as integral parts of the IsDB's mandate.

Reiterating that the target for the programme is USD 1 billion, Dr. Muhtar stated: "I firmly believe that together we can make a difference. We must renew our commitment to ensure that all refugees receive their basic fundamental rights of access to education, health, water, sanitation, and shelter,".

The ISFD Director General, Dr. Hiba Ahmed, also stated: "The GIFR is a novel and Shari'ah-compliant financing tool that seeks to avail sustainable financial resources for humanitarian responses to aid the millions of forcibly displaced people around the world."

The UNHCR Chief, Mr. Grandi, commended the humanitarian partnership with the IsDB, stating: "This partnership comes at a time when millions of people are still fleeing their homes because of war, conflict, persecution, and climate change."

3. ALLIANCE TO FIGHT AVOIDABLE BLINDNESS (AFAB 2)

The ISFD BOD approved for this programme a grant of USD 1.32 million. This includes a part of USD 0.24 million for the regional programme of the Capacity Development Programme for Eye Health Decision-Makers and Professionals. The second part of USD 1.08 million is to combat blindness in the following MCs: Chad, Djibouti, Guinea-Bissau, Mali, Mauritania, Mozambique, Niger, and Togo.

4. LIVES AND LIVELIHOOD FUND (LLF)

The Skills, Training, and Education Programme (STEP) has the objective to support the refugees, IDPs, and host communities in ISDB member countries. STEP is emanating from the strategic objective of reducing poverty and building resilience.

The BOD approved an ISFD grant allocation not exceeding USD 3 million to be committed for a period of five years (USD 0.6 million for each year). The total cost of the Programme is USD 100 million. By the end of 2027, the programme is expected to benefit 650,000 children and youth of refugees, IDPs, and host communities.

Benin: USD 2.42 million

to support the Integrated Agriculture Value-Chain Development Project

Burkina Faso: USD 1.78 million

to support the Integrated Agriculture Value-Chain Development Project

Mauritania: USD 1.51 million

to support the Maternal and Neonatal Healthcare Services Project

Maldives: USD 1.78 million

to support People's Livelihoods in the Fishery Sector in Maldives through Sustainable Energy

Togo: USD 5.64 million

to support the Project to Strengthen the Health System and Primary Healthcare

MY STORY WITH THE ISDB, THE ISFD AND SPARK

(Adopted from the Tadamon CSOs Pandemic Response Accelerator Programme)



Thank you, SPARK, IsDB and ISFD for your kind support through the TADAMON CSOs Pandemic Response Accelerator Programme.

I am Amal, 21 years old from Syria / Daraa. I finished the third secondary / general sciences at Bar Elias High School, and I am currently studying accounting at the CIS Institute.

I owe SPARK, IsDB and ISFD a big thanks, since they gave me an opportunity to complete my education. They are the ones who supported at in a time when I could not do it alone without help. I consider them my dearest friends, as the proverb goes - "A friend in need is a friend indeed."!!

It started after I saw a link to register for SPARK's Scholarship Program, I submitted my application and after a while, I had the precious opportunity to complete my education, which I always dreamed of finishing, especially in these difficult circumstances.

Currently, I am in my second year, and I am still learning a lot about accounting. Now, I want to finish my studies, so I see myself after 5 years in one of the international companies in a suitable job in this domain. I hope to continue my education in accounting at the university.

In the end, I want to say that "Amal is not just a name that I own, but it's the "hope" and the light that illuminates my life and inspires me to the right path."

Again, I have to thank those who enabled me to get my passport to the future through their inspirational platforms.

5. STRENGTHENING THE ECONOMIC RESILIENCE OF VULNERABLE ENTERPRISES (SERVE)

This programme aims at strengthening resilience of vulnerable Small and Medium Enterprises (SMEs). It supports microfinance by providing the needed liquidity to sustain business and jobs. The programme provides (a) lines of finance to Islamic microfinance institutions; and (b) project audit and monitoring. Under this programme, two concessional loans of USD 10 million each were provided to Chad and Uganda.

6. OUT-OF-SCHOOL CHILDREN (OOSC)

This project is in the context of the ISFD flagship Programme for Out-of-Schools Children. The objective is to support the governments' efforts to ensure increased access for out-of-school boys and girls, aged 9 to 12, in Burkina Faso. More specifically, the project aims to enrol 80,190 out-of-school children, improve retention rates, and strengthen the quality of education through 3 comprehensive and validated education strategies designed to address the multiple barriers to education faced by some of the hardest to reach OOSC in Burkina Faso. Under this project, a concessional loan of USD 10 million was provided to Burkina Faso.

7. REGIONAL SOIL FERTILITY MAPPING PROGRAMME

The Regional Soil Fertility Mapping Programme (RSFMP) for West Africa seeks to alleviate constraints impeding the development of the intensive agriculture sector in West Africa. By the end of the 3-year implementation period, the project will have developed a balanced fertiliser and integrated soil fertility management recommendations targeting specific crops, under specific soil and agro-climatic conditions that will sustainably increase yields and nutritional quality and result in increased returns on fertiliser investments. The ISFD has approved USD 4.25 million in loans to support agriculture in the following MCs: Niger (USD 1 million), Senegal (USD 1 million), Guinea (USD 1 million), Mali (USD 0.75 million), and the Gambia (USD 0.50 million).

8. TADAMON CSOs ACCELERATOR - SAVE CHILDREN (SAVING LIVES/INCREASING FINANCIAL RESILIENCE/CHILDREN LEARN)

The project contributes to the component "Emergency Medical Response through CSOs" of the Tadamon CSOs Pandemic Response Accelerator Programme. The project supports Afghanistan's health system. Through this project, the ISFD BOD approved a grant of USD 0.45 million.

ISFD RESPONSE TO THE FOOD SECURITY CRISIS

The food security crisis that the world is facing emerged following the conflict triggered in Eastern Europe. Many MCs, particularly those which are food importers, are impacted. This is the case of 36 MCs essentially in the Sub-Saharan Africa and MENA regions. In response to this crisis, the IsDB BED and the ISFD BOD held an extraordinary meeting on 28 July 2022 and approved the IsDB Group Food Security Response Programme (FSRP). It is a programme of USD 10.54 billion for the period July 2022-December 2025. Of this amount, the

ISFD will contribute up to USD 75 million, including an envelope of USD 15 million for concessional loans available immediately. The ISFD allocation is from:

- I. Re-allocation of unutilised resources under the SPRP.
- II. Adjustment of the scope of some active ISFD programmes toward food security and alignment with FSRP programme objectives.
- III. New allocations for 2023 and 2024. For the immediate and short-term track, the ISFD allocated USD 25 million, while the remaining USD 50 million have been allocated for the long-term track. The table below shows the allocation details.

TRACK	AMOUNT IN USD	SOURCE OF FUNDS	TYPE	SCOPE
Short term	2,500,000	ICERI	Grant	The ICERI programme to be implemented by the ICIEC to support import of food items for the LDMCs
Short term	2,500,000	TADAMON Accelerator	Grant	Food security projects by CSOs
Short term	10,000,000	Trade Finance with the ITFC	Loan	Extending trade financing to export and import food items for the LDMCs
Short term	10,000,000	Waqf Fund (ABC Fund)	Capital	The Agri-Business Capital Fund (ABC Fund) under the value-chain development initiative
Sub-total - 1	25,000,000			
Medium term	5,000,000	SERVE	Loan	Value chain-backed economic empowerment non-sovereign lines of finance to FIs support MSMEs focusing on food security
Medium term	5,000,000	Regional soil fertility	Loan	Regional soil fertility
Medium term	15,000,000	Waqf development	Capital	Value chain-backed economic empowerment non-sovereign lines of finance to FIs support MSMEs focusing on food security
Medium term	2,000,000	Budget 23 - 24	Grant	Value chain-backed economic empowerment non-sovereign lines of finance to FIs to support MSMEs focusing on food security
Medium term	20,000,000	GFF for MSMEs	Loan	MSMEs involved in the agriculture/food security sector
Medium term	3,000,000	GFF for MSMEs	Grant	MSMEs involved in the agriculture/food security sector
Sub-total - 2	50,000,000			
Total	75,000,000			

Table 3.2 ISFD allocation for FSRP

IMPLEMENTATION OF THE 2030 STRATEGY

The 11th and 12th Meetings of the ISFD BOG held respectively in Tunisia in 2018 and in Morocco in 2019 highlighted the importance for the ISFD to enhance its efficiency and impact and address performance gaps. Based on this, the ISFD BOD approved in September 2020 the ISFD strategy and organisational structure. This strategy of transformation is progressively implemented in three main phases:

- Fixing the basics (2020-2021).
- Transitioning into a strong focus on making the strategy a reality (2022-2024).

- Realisation of excellence in poverty reduction through to 2030 (2025-2030).

The first phase of fixing the basics includes 10 key initiatives with defined owners, actions, deliverables, and dependencies required to make the outcomes of the Transformation Study fully actionable. These 10 initiatives are supported by a temporary cross-cutting initiative, namely the establishment of a Programme Management Unit to oversee the implementation.

In 2022, the ISFD continued the process of implementation. The table below provides a summary of the status of progress of each of the 10 initiatives.

STATUS OF PROGRESS IN THE IMPLEMENTATION OF THE ISFD'S 10 INITIATIVES

No	Name of the initiative	Status
1	Policy Framework & Policy Review	<ul style="list-style-type: none"> ▪ Developed five policies: Loans, Grants, Risk Management, Investment, and Financial Management.
2	Business Process Architecture	<ul style="list-style-type: none"> ▪ Full Standard Operating Procedures (SOPs) have been developed for ISFD key functions: Poverty Alleviation, Resource Mobilisation, and Corporate Support.
	SLA Framework IsDB/ ISFD	<ul style="list-style-type: none"> ▪ Developed 15 SLAs with the following departments/units: <ul style="list-style-type: none"> • Admin services; HRMD; IMDT; Legal Division; Treasury Department; FCD; EED; RCI; LLF; OED; ESID; RSD; Investment Department; COO; STI. • The aligned SLAs have been cleared by the Legal Department
3	Organisational Transformation & Expert Hiring	<ul style="list-style-type: none"> ▪ Governance matters: <ul style="list-style-type: none"> • Based on the ISFD BOD resolution, the issue of establishing the Executive Committee and other important related matters needs to be submitted to the Board Sub-Committee on ISFD Transformation for discussion and guidance.
		<ul style="list-style-type: none"> ▪ Organisational Structure: <ul style="list-style-type: none"> • The ISFD submitted an organisational structure, and it is under consideration by the Management.
		<ul style="list-style-type: none"> ▪ Expert hiring: <ul style="list-style-type: none"> • The ISFD has put together a recruitment plan in alignment with the HRMD until 2025 to fill the vacancies. The position of Lead Fund Management Specialist has been filled.

4	Poverty Alleviation Strategy Operationalisation and Impact	<ul style="list-style-type: none"> ISFD and IsDB relevant business units worked together to implement the new poverty alleviation approach, approved by the ISFD BOD in September 2020. 20 to 30% of ISFD resources was allocated to projects and programmes, with focus on four main poverty reduction sectors (education, economic empowerment, community development, and health). 80 to 90% of ISFD resources was allocated to the LDMCs.
5	Pipeline & Work Programme Review	<ul style="list-style-type: none"> The ISFD is working on reviewing its pipeline & work programme.
6	Resource Mobilisation Operationalisation	<ul style="list-style-type: none"> Developed a Resource Mobilisation Policy which covers: Fund Mobilisation Definitions of IWIF and CWS, Resources Mobilisation Process, Investment Objectives and Constraints, Governance, and Performance Reporting and Control.
7	Country Funds Pilot	<ul style="list-style-type: none"> The ISFD developed a draft Concept Note on the proposed country funds. The draft Concept Note covers areas such as: The contributors, purpose, scope, life and nature, structure and size of the fund, beneficiaries, funding procedures, processes and modalities, as well as fund management.
8	Review of Brand Communications	<ul style="list-style-type: none"> Developed ISFD Brand Identity, new Logo, and Communications Strategy.
9	Financial Management	<ul style="list-style-type: none"> The Financial Sustainability Model developed by PwC is currently implemented. Completed the Financial Management Policy. Drafted the job description of financial management role.
10	Data & IT Enablement	<ul style="list-style-type: none"> Documented and detailed ISFD business requirements from ISFD perspective. Developed a plan with the Information Management and Disruptive Technology Department to provide the most critical IT requirements for 2023.

Table 3.3 Status of progress in the implementation of the ISFD's 10 initiatives

RESOURCE MOBILISATION

ISFD CAPITAL

The resource mobilisation for the ISFD capital remains the main challenge. The 2030 Strategy recommended to enhance the effort to secure additional capital contributions from member countries. Efforts have continued in 2022. As the table across indicates, a total of USD 6.28 million of payment and commitment was mobilised from three MCs. This amount remains good compared to yearly result over the last five years. The table across shows the detail of the payment and commitment registered in 2022:

Country	Contribution	Amount (USD million)
Iraq	Commitment	5.00
Bangladesh	Payment	1.00
Benin	Payment	0.28

Table 3.4 Contributions to the ISFD capital in 2022

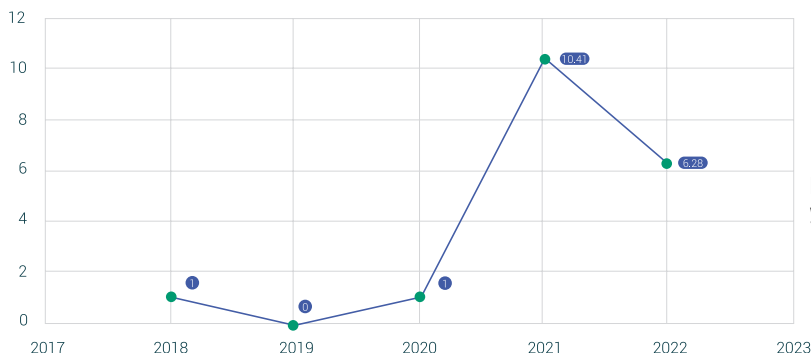


Figure 3.9 Contributions to the ISFD capital over the last 5 years (payment and commitments)

COMPLEMENTARY RESOURCES FOR THE CAPITAL

In 2012, the ISFD BOG adopted a resolution (ISFD/BG/3-433) calling on MCs to take all measures to support the efforts of the ISFD in resource mobilisation, such as allocating a suitable Waqf in favour of the Fund that can be developed to generate revenues that can enhance its resources with the following considerations:

- The allocated Waqf shall be considered an addition to the financial contribution of the member country concerned to the capital of the ISFD.
- At least 50% of the income generated from the Waqf investments will be used by the ISFD to finance projects in the member country concerned, and the remaining amount will be used to finance other activities of the Fund. Since the adoption of the resolution, two countries, Benin and Burkina Faso, have allocated plots of land.

In 2022, the processes of the valuation and registration of these two plots of land in the ISFD books have been completed. The next step will be to conduct feasibility studies for the two plots of land to determine the most viable and cost-effective investment that can be undertaken on these two plots of lands.



THE AL-QUDS EMPOWERMENT FUND

The first Ihsan Waqf Investment Fund that the ISFD established was the Al-Quds Empowerment Fund in 2021. This special fund, which has an initial target capital of USD 100 million, was established in partnership with businessmen from Palestine. The objective of the Fund is to support the empowerment and social development of the population of Al-Quds. The ISFD has contributed an endowment of USD 20 million over 10 years. Four other donors contributed each USD 10 million grants over 10 years. Other contributions are expected from new donors. The Fund is starting its operations this year. Other contributors have already expressed their interest in joining the Fund, and the Fund's ambition is to double its resources for operations from USD 5 million in 2023 to USD 10 million in 2024.



IHSAN WAQF INVESTMENT FUNDS

As recommended by the 2030 strategy, the Fund has continued the efforts to mobilise resources through its innovative instrument of Ihsan Waqf Investment Funds (IWIF). The concept of IWIF utilises the principles of Waqf in its variant of Temporary Cash Waqf whereby the contributions (i.e., the principal) from benefactors is preserved, while striving to generate income from investing the principal to fund poverty alleviation programmes.

In the IWIF structure, donors are not motivated by financial return, but rather by delivering sustainable social outcomes. The ISFD and benefactors make their contributions to the IWIF through the designated Fund Manager. The Fund Manager is entrusted to manage the IWIF and invest its capital. The ISFD receives the net returns generated from the IWIF to be used to fund poverty alleviation programmes.

In 2021, the ISFD established the first IWIF called the Al-Quds Empowerment Fund with a target capital of USD 100 million. In 2022, the ISFD launched the second IWIF called the Global Islamic Fund for Refugees (GIFR), the largest IWIF in terms of target capital that the ISFD has established so far. The GIFR will be operating in MCs with focus on the areas related to refugee challenges, such as education, job creation, health, water, sanitation and

hygiene, shelter, climate action including green energy, and emergency response to foster the resilience of refugees. The Fund is expected to start its operation in 2024.

ISFD PIPELINE OF COUNTRY FUNDS

Following the recommendation of the ISFD Transformation Study, the ISFD is developing a new initiative of country funds. The concept consists of establishing a new IWIF with sovereign participation either from the recipient country (borrowing) or from a donor country. The approach will be proposed in the context of a Member Country Partnership Strategy (MCPS) where it is relevant to poverty reduction.

Through this new innovative tool, the ISFD intends to have a shift business model enabling proximity to MCs to address specific challenges and needs related to poverty alleviation. This also allows the ISFD to engage more effectively with donors and partners interested in these specific countries.





PART 04

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

ACTIVITIES OF THE BOARD OF GOVERNORS

The Board of Governors (BOG) of the ISFD held its 15th Annual Meeting in Sharm El-Sheikh, Arab Republic of Egypt, on 3 June 2022 (4 Dhul Qadah 1443) under the chairmanship of H.E. Hala Helmy Al-Said, Egyptian Minister of Planning and Economic Development, IsDB Governor for the Arab Republic of Egypt, and Chair of the Board of Governors of the ISFD. The BOG listened to the report of the Procedures Committee and consequently:

- i. Took note of the Annual Report of the ISFD for the year 2021 and approved the audited financial statements of accounts for the financial year 1442/1443 (2021);
- ii. Approved the appointment of Deloitte & Touche as Auditors for the ISFD Accounts for the Financial Year 1444/1445 (2023); and
- iii. Adopted the recommendation that the 16th Annual Meeting of the Board of Governors of the ISFD will be held in conjunction with the 48th Annual Meeting of the IsDB Board of Governors in 1444 (2023).

ACTIVITIES OF THE BOARD OF EXECUTIVE DIRECTORS

As per ISFD Regulations, the Board of Executive Directors (BED) of the IsDB is the Board of Directors (BOD) of the ISFD. H.E. The President of the IsDB is the Chairman of the BOD. The BOD manages and administers the business and affairs of the Fund. It approves the annual work programme, financing operations and policies and

makes decisions on strategic matters in accordance with the powers delegated by the BOG, in line with ISFD Regulations. The BOD usually meets four times a year. In 2022, the BOD met six times, including an extraordinary meeting on the food security crisis:

A. BOD MEETING NO. 78 (13 FEBRUARY 2022):

During this meeting, the BOD cleared the draft agenda of the 15th Annual Meeting of the BOG of the ISFD. The item was adopted vide resolution no. ISFD/BoD/13/2/022/78/1

B. BOD MEETING NO. 79 (18 APRIL 2022):

In this meeting, under the section of:

- i. Strategic and Policy Matters, the BOD cleared:
 - The documents of the 15th Annual Meeting for submission to the BOG vide Resolution No. ISFD/BoD/18/4/022/79/2;
 - The BOD also approved the 14th Annual Report of the ISFD (2021) for submission to the 15th Annual Meeting of the BOG vide Resolution No. ISFD/BoD/18/4/022/79/3.
- ii. Audit, Risk and Compliance Matters, the BOD cleared:
 - The Audited Financial Statements of the ISFD for 2021 and recommended that the BOG approve the Financial Statements for 2021 in its 15th Annual Meeting of the BOG vide Resolution No. ISFD/BoD/18/4/022/79/6.

- The Nomination of External Auditors for 2023 and recommended that the BOG reappoint Deloitte and Touche & Company as the External Auditors of the ISFD for 2023, vide Resolution No. ISFD/BoD/18/4/022/79/7.
- iii. Projects and Programmes : the BOD approved the Skills, Training and Education Programme (STEP) for Refugees and IDPs in MCs, with an allocation of an ISFD grant not exceeding USD 3 million for a period of five years (USD 0.6 million per year).
 - iv. Item for information : the BOD took note of the Progress Report on ISFD Response to COVID-19.

C. BOD MEETING NO. 80 (1 JUNE 2022)

Under the item of Audit, Risk and Compliance Matters, the BOD took note of the report of the 14th Meeting of the ISFD Audit Committee and approved all recommendations of the Committee vide Resolution No. ISFD/BoD/01/06/022/80/8.

D. BOD SPECIAL MEETING (28 JULY 2022)

In this exceptional meeting held virtually for the IsDB Group Food Security Response Programme (FSRP), the ISFD BOD approved a programme facility of up to USD 75 million of ISFD loan, to be allocated over the Operations Plan for the period 2022-2025, to respond to the impact of the food crisis and improve member countries' food security. The BOD delegated authority to the Chairman of the Board to approve (i) financing for any individual project under this programme and the earmarked allocation; and (ii) the repurposing of agriculture/food security-related projects of any approved ISFD financing to support activities under this programme.

E. BOD MEETING NO. 81 (11 SEPTEMBER 2022):

The Chairman introduced the new ISFD Logo aiming at ensuring better visibility of the Fund. The Director-General of the ISFD briefed the Board on the

performance of the Fund. The BOD commended the efforts of the new Director-General of the ISFD and her team for the update and took note of the brief.

- i. Audit, Risk and Compliance Matters : the BOD took note of the Report on the 15th Meeting of the Audit Committee. The BOD approved all recommendations of the Committee vide Resolution No. ISFD/BoD/11/09/022/81/10.
- ii. Projects and Programmes : the BOD approved the establishment of the Global Islamic Fund for Refugees (GIFR), with an allocation of USD 50 million to be sourced from ISFD Waqf capital resources.
- iii. Items for information : the BOD took note of the Progress Report on ISFD Contributions to "Strengthening the Economic Resilience of the Vulnerable Enterprises (SERVE) Under the IsDB SPRP for the Republic of Chad and the Republic of Uganda.

F. BOD MEETING NO. 82 (11 DECEMBER 2022)

In this meeting, under the items of:

- i. Strategic and Policy Matters : the BOD approved:
 - The Outline of the 15th ISFD Annual Report - 2022 (1443H-1444H) vide Resolution No. ISFD/BoD/11/12/022/82/12;
 - The ISFD Annual Work Programme 2023 – 2025 and Budget 2023 vide Resolution No. ISFD/BoD/11/12/022/82/13;
 - The proposal from the Government of Iraq to increase its contribution to ISFD capital, vide Resolution No. ISFD/BoD/11/12/022/82/14; and
 - The proposed schedule of meetings of the ISFD BOD 1444-1445 (2023), vide Resolution No.



ISFD/BoD/11/12/022/82/15.

- ii. Audit, Risk and Compliance Matters : the BOD took note of the Report on the 16th Meeting of the Audit Committee of the ISFD, vide Resolution No. ISFD/BoD/11/12/022/82/16.
- iii. Items for information : the BOD took note of the RRP on Regional Soil Fertility Mapping Programme

(RSFMP) of West Africa (the Gambia, Mali, Senegal, Niger, and Guinea) and the Progress Report on the implementation of the IsDB Group Food Security Response Programme.

APPOINTMENT OF THE NEW DIRECTOR-GENERAL OF THE ISFD



Pursuant to Administrative Decision No. 24 under the signature of H.E. the President of the IsDB, Chairman of the ISFD BOD, Dr. Hiba was appointed on 19 June 2022 as Director-General of the ISFD. Since the Director-General has joined the Fund, she undertook a review of the ISFD business model and held a retreat for the ISFD staff with virtual participation of H.E. the President.

The ISFD strategy has been reviewed and realigned with the new IsDB Group Strategy. A new fast-track process for the implementation of the ISFD Strategy's 10 initiatives has been put in place, particularly the following five quick-wins:

- I. Organisational structure and expert hiring
- II. Resource mobilisation operationalisation
- III. Country funds pilot
- IV. Financial management
- V. Policy framework and policy review

This should allow the ISFD to be well positioned with the IsDB Group. It should also allow it to improve and optimise the ISFD financial resources, with a focus on designing innovative poverty alleviation programmes and mobilising more resources for the Fund.

Dr. Hiba Ahmed

Dr. Hiba, a Sudanese citizen, graduated from the Department of Economics, University of Khartoum.

She earned her Ph.D. from the University of Michigan and several post graduate certificates in economics and sustainable development from Harvard. She began her career in the Central Bank of Sudan.

She worked for the World Bank, Aramco, the UNDP, the United States Agency for International Development, and the International Food Policy Research Institute focusing on economic development and poverty alleviation.

In 2019, she returned to Sudan where she held the position of Director-General of the General Authority for Investment and Private Sector Development.

In 2020, she was appointed Minister of Finance and Economic Planning, making her the first female Minister of Finance in Sudan.

As Minister, she led international cooperation efforts, including the "Friends of Sudan" initiative comprising more than 40 donors and was responsible for resource mobilisation of up to USD 2 billion for the country in 2020.

During her tenure, she also led Sudan's USD 60 billion debt restructuring and was responsible for administering the IMF's Staff-Monitored Programme for Macroeconomic Stabilisation.





PART 05

FINANCIAL OVERVIEW

FINANCIAL OVERVIEW

ISFD CAPITAL RESOURCES

The ISFD has an approved capital of USD 10 billion. The capital commitments, as at the end of 2022, amounted to USD 2.6 billion, representing 26% of the target capital (Figure 5.1 below). These commitments are composed of USD 1.6 billion committed by member countries and USD 1.0 billion by the IsDB. The largest commitments were made by Saudi Arabia (USD 1.0 billion) and Kuwait (USD 300 million). A new commitment of USD 5 million from Iraq was made in 2022.

Paid-up capital reached USD 2.532 billion at the end of 2022, with member countries contributing USD 1.532 billion and the IsDB USD 1 billion. There were two new payments of USD 1.2 million in 2022.

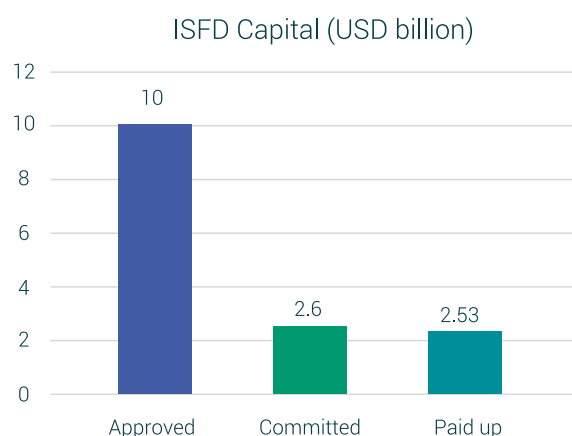


Figure 5.1: State of the ISFD Capital since inception

RESOURCES IN KIND

In 2022, the processes of the valuation and registration of the two plots of land of Benin and Burkina Faso were completed. The two plots of land were registered on ISFD books as contributions for USD 5.542 million by the Republic of Benin and USD 1.89 million by the Republic of Burkina Faso. The total value of the ISFD complementary resources for the capital in kind is USD 7.43 million.

INVESTMENT OF CAPITAL RESOURCES

At year-end 2022, the total assets of the Fund increased by USD 37 million to USD 3,180 million, compared to USD 3,143 million at year-end 2021. A major structural change that took place in 2022 was the deployment of USD 430 million with external fund managers. This was funded by:

1. USD 362 million Wakala placement position liquidated by OCR in December 2021, the proceeds of which were received in the first half of 2022 (which resulted in USD 349.7 million decrease in other assets); and
2. USD 70.8 million net decrease in treasury assets on account of maturing sukuk.

Treasury assets represented 67% of total assets. The asset mix is shifting gradually to growth assets, as more funds are deployed with EFMs and invested per the Strategic Asset Allocation of the approved Investment Policy. The Fund's resources at year-end 2022 stood at USD 3,045 million, reflecting a net increase of USD 46 million versus the year-end 2021 balance of USD 2,999 million. The major movements in the Fund's net assets are summarised below:

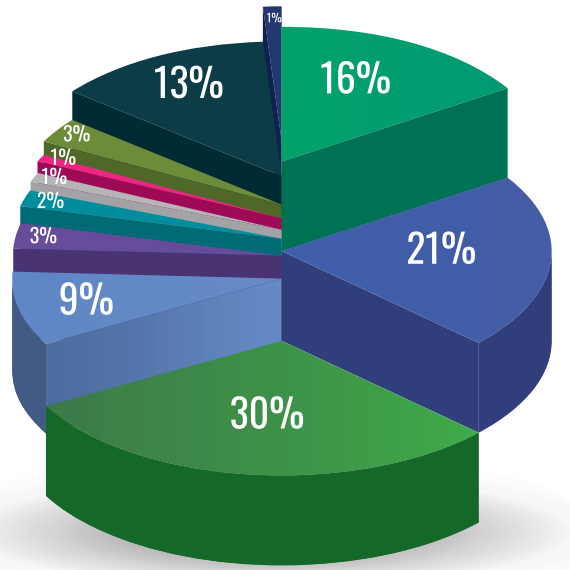
Net income for the year of
USD 49.3 million

Net contributions of
USD 3.4 million
Burkina Faso : USD 1.9 million
The Republic of Bangladesh : USD 1 million
Republic of Benin : USD 0.5 million

USD 4.1 million
fair value gains from investments
in equity and funds.

Grant allocation of
USD 11.1 million
(see Annex 5 for detailed list).

a US Growth Private Equity fund, NextEnergy (c. USD 15 million) a UK infrastructure solar electricity fund and ASIIP Aberdeen Standards (c. USD 15 million) a GCC infrastructure fund.



- Cash and Cash Equivalent
- Commodity Murabaha Placements
- Investment In Sukuk
- DM Equity
- EM Equity
- Private Equity
- Real Estate
- Infrastructure
- Leasing and Private Debt
- Loans and Other Operational Assets
- Land

Figure 5.2 ISFD asset allocation as of year-end 2022



ASSETS

At year-end 2022, treasury assets accounted for 67% of total assets. The maturity profile of these treasury assets is biased towards short duration instruments (cash and cash equivalent less than 3 months 16%, commodity Murabaha between 3 and 12 months 21.4% and Sukuk 29.5%).

The asset mix is shifting gradually, as more funds are deployed with EFMs and invested as per the ISFD’s approved Investment Policy. Of the USD 3.18 billion in total assets, USD 403.93 million are loans and other operational assets (13%). At the start of the year, there was no allocation to Developed Markets (DM) equity. However, with the funding of three new EFM mandates with Russell Investments, Acadian, and Axiom, the allocation to DM equity stands at 8.7% of total assets (USD 276.58 million) and that to Emerging Market (EM) equity stands at 2.6% (USD 102.43 million).

The year-end allocations to alternative asset classes (private equity, real estate, infrastructure) are low at 2.4%, 1.4% and 1.4%, respectively. However, 2022 saw the signing of four alternative asset mandates with IDI EM (USD 60 million), which is a fund-of-funds solution for EM Private Equity, Carlyle (USD 50 million) which is

INCOME

The ISFD reported USD 49.3 million net income for the year ended 31 December 2022, up by USD 32.8 million from USD 16.5 million net income reported in the corresponding year ended 31 December 2021. Treasury assets contributed to USD 42.548 million, despite registering MTM losses on sukuk portfolio (loss increased from USD 3.7 million in 2021 to USD 14.2 million in 2022) driven by increasing interest rate environment in 2022.

Non-treasury assets generated an income of USD 23.986 million, including USD 11.921 million Fair Value (FV) gains on the investments managed by Russell Investments, Acadian, and Axiom. However, this was reduced due to impairment charges for 2022 of USD 16.709 million. Finally, income from loans and other assets amounted to USD 4.71 million, while total expenses for the year were USD 4.787 million. The normalised income, which adds back FV losses due to Sukuk managed by the Treasury Department is USD 63.465 million.

PROFITABILITY RATIOS

Return on equity increased to 1.6% from 0.5% primarily due to net income increase by USD 32.8 million. Return on treasury assets has also increased from 2.0% to 2.7% (excluding Sukuk MTM and FV losses) as a result of higher profits from treasury assets driven by overall global reference rate increases in 2022.

A marked increase in return on investments from 2.4% at year-end 2021 to 5.0% at year-end 2022 is on account of MV gains on managed fund investments with EFM (USD 11.9 million) and an increase in dividends by USD 4.9 million

Performance Ratios	YE 2022	YE 2021
Return on equity	1.6%	0.5%
Return on treasury assets, coupon	2.7%	2.0%
Return on investments	5.0%	2.4%

Table 5.1 Return on investments per broad asset classification

DISBURSEMENTS, REPAYMENTS, AND COMMITMENTS

During 2022, the Fund's total approvals of its various projects and programmes reached USD 102.2 million, while total disbursements amounted to USD 59 million.

The Fund continues to receive support from the Member Countries through capital contributions which in 2022 amounted to USD 3.4 million and project and loan repayments totalling USD 11.3 million. As of 31 December 2022, the ISFD's total undisbursed commitments stood at USD 507.5 million, up by 27.1 million, or 6% from USD 480.4 million as at year-end 2021. The ISFD total disbursements since inception have reached USD 483.63 million as per year-end 2022. If we take into consideration the disbursements for LLF projects, this

amount reaches USD 508 million since inception. The graphic below shows disbursements against approvals since inception.¹⁹

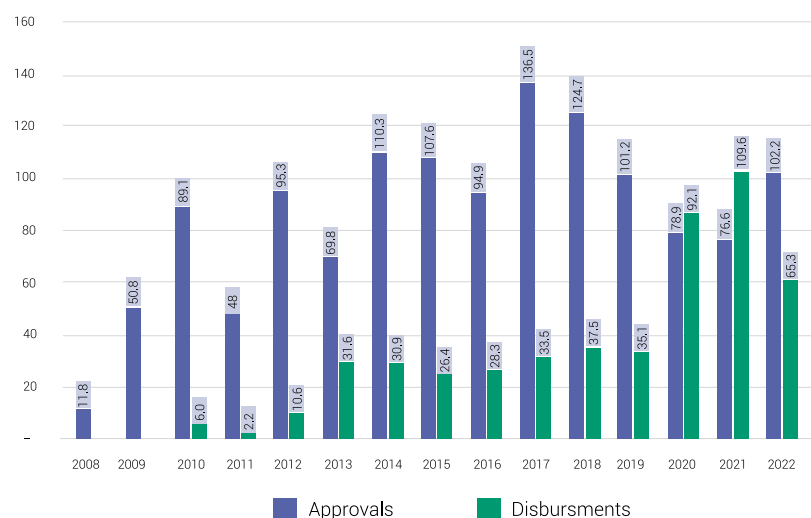


Figure 5.3: Cumulative disbursements against approvals since inception (USD million)

¹⁹Source ISDB-Financial Control Department and ISDB-Corporate Performance Department 2022

INVESTMENT POLICY

The onboarding and funding of new mandates with the EFMs Russell Investments, Acadian, and Axiom has driven the asset allocation significantly closer to the Strategic Asset Allocation compared to the beginning of 2022. Russell Investments was appointed as a multi-asset management solution with significant allocation to DM equity but also to global listed real estates and listed infrastructure (both 10% of the mandate of USD 350 million). Acadian manages a global equity mandate with an initial allocation of USD 60 million and Axiom a global equity mandate for USD 20 million at inception.

The current allocation for the assets governed by the SAA approved in February 2020 puts 19.5% in DM equity and 5.9% in EM equity versus the SAA allocations of 20% and 5% respectively. This is within the allocation range for listed equity of +/-10%. The current allocation to PE is 5.3%; however, once the executed mandates with IDI EM and Carlyle are fully funded, the allocation will become 13% of the current portfolio. The current allocation to the real estate asset class is 3.2%, versus the SAA allocation of 20%. For infrastructure, the fully-funded allocation is 4.9% versus 5% allocation in the SAA, while for leasing and private debt the fully-funded allocation is 7.2% against 10% in the SAA

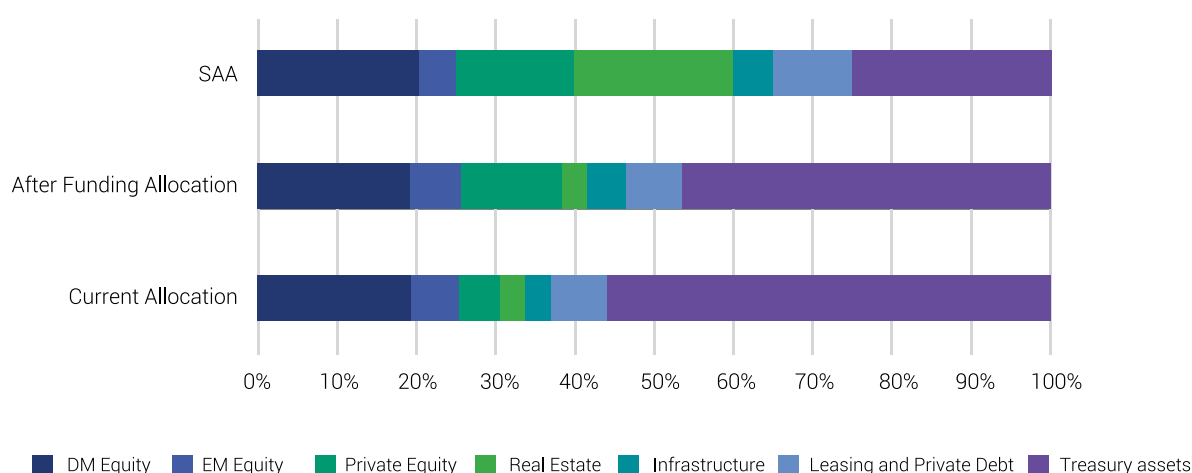


Figure 5.4 ISFD asset allocation under the Investment Policy

APPROVAL CAPACITY

The ISFD is planning to conduct in 2023 a full review of its portfolio, in coordination with the relevant departments in the IsDB. The purpose of the review is to clean the portfolio and re-scope, cancel, or scale up the relevant programmes and projects. This exercise should result in significant reduction of the Cumulative Undisbursed Commitments (CUC). For the approval capacity, it was affected by the low relative income registered in 2021 and 2022, compared to the period before 2020. Normalised income for 2022 is USD 63.465 million, of which 10% (USD 6.347 million) is earmarked to the Equity Preservation Fund, which has reached USD 33.486 million at year-end 2022. The retained earning ended 2022 at USD 453.254 million, an increase of USD 31.847 million from 2021.

ISFD Net Assets	USD '000
Fund Resources	2,532,948
Fund Resources in Kind	7,439
Retained Earnings	453,254
Fair-Value Reserve	17,443
Equity Preservation Fund	33,486
Pension Fund Reserve	114
Total Funds	3,044,684

Table 5.2 Breakdown of ISFD Total Resources



ANNEX **01**

**LIST OF
APPROVALS
IN 2022**

PROJECT NAME	COUNTRY	PROJECT SIZE	ISFD CONTRIBUTION AMOUNT (USD)	ISFD TYPE OF CONTRIBUTION
Regional Soil Fertility Mapping Programme (RSFMP) for West Africa	Guinea	2.40	1.00	Loan
Regional Soil Fertility Mapping Programme (RSFMP) for West Africa	Senegal	2.40	1.00	Loan
Regional Soil Fertility Mapping Programme (RSFMP) for West Africa	Gambia	1.34	0.50	Loan
Regional Soil Fertility Mapping Programme (RSFMP) for West Africa	Mali	1.50	0.75	Loan
Regional Soil Fertility Mapping Programme (RSFMP) for West Africa	Niger	2.00	1.00	Loan
Out-of-School Children & Adolescents Project in Burkina Faso	Burkina Faso	43.00	10.00	Loan
AFAB2 diagnostic mission with Saudi Arabia (capacity building IOTA)	Mali	0.02	0.02	Grant
Cataract Treatment Campaigns in Mali under the Alliance to Fight Avoidable Blindness (AFAB)	Mali	0.15	0.15	Grant
AFAB2 cataract treatment campaigns	Mozambique	0.11	0.11	Grant
AFAB2 - scholarship programme	Chad	0.04	0.04	Grant
AFAB2 - scholarships for ophthalmologists	Guinea Bissau	0.04	0.04	Grant
AFAB2 scholarships for ophthalmologists	Mauritania	0.04	0.04	Grant
AFAB2 - scholarships for ophthalmologists	Niger	0.08	0.08	Grant
AFAB2 - pilot programme for screening URE	Niger	0.16	0.16	Grant
AFAB2 - five cataract treatment campaigns in Togo	Togo	0.12	0.12	Grant
AFAB-2 - scholarship programme	Togo	0.07	0.07	Grant
AFAB-2 - pilot programme for screening and managing uncorrected refractive error campaigns in 125 secondary schools in Togo	Togo	0.09	0.09	Grant
AFAB-2 - pilot programme for screening and managing uncorrected refractive error campaigns in 140 primary schools in Niger	Niger	0.09	0.09	Grant

Capacity Development Programme for Eye Health Decision-Makers and Professionals under the Alliance to Fight Avoidable Blindness in partnership with the International Agency for the Prevention of Blindness	Regional	0.52	0.24	Grant
Cataract treatment campaigns in Djibouti under the Alliance to Fight Avoidable Blindness	Djibouti	0.08	0.08	Grant
SERVE Project	Chad	25.00	10.00	Loan
SERVE Project	Uganda	20.00	10.00	Loan
STEP Programme	Regional	99.64	3.00	Grant
TADAMON CSOs Accelerator-Save the Children (saving lives/increasing financial resilience/children learn)	Afghanistan	47.42	0.45	Grant
LLF - Integrated Agriculture Value-Chain Development	Benin	00	2.42	Grant
LLF - Integrated Agriculture Value-Chain Development	Burkina Faso	00	1,78	Grant
LLF - Support Project to Strengthen the Health System and Primary Healthcare	Togo	63.37	5.65	Grant
LLF - Support for People's Livelihoods in the Fisheries Sector in Maldives through Sustainable Energy	Maldives	13.61	1.78	Grant
LLF- Support for Maternal and Neonatal Healthcare Services Project	Mauritania	18.19	1.51	Grant
Global Islamic Fund for Refugees (GIFR) - with UNHCR	Regional	500.00	50.00	Capital
Total		841.48	102.17	
Loans		97.64	34.25	
Grants		243.84	17.92	
Investments		500.00	50.00	

ANNEX **02**

SUMMARY DESCRIPTION OF APPROVALS IN 2022

SKILLS, TRAINING, AND EDUCATION PROGRAMME (STEP) FOR REFUGEES AND IDPs IN MCs

PROJECT DESCRIPTION:

The Skills, Training, and Education Programme (STEP) is derived from the approved operational strategy and the 5 year action plan of the fragility and resilience policy to reduce poverty and improve livelihoods by supporting refugees, IDPs, and host communities in MCs. The programme is designed to address the needs of refugees, IDPs, and host communities through a holistic approach ensuring that they access skill development and economic and social opportunities. STEP is designed to restore hope for young refugees, IDPs, and vulnerable hosting communities.

THE SCOPE OF THE PROGRAMME INCLUDES:

- i. Providing smart education to increase access to basic education for refugee and IDP children through virtual and blended learning (online and classroom)
- ii. Conducting skill development projects for young refugee and IDPs
- iii. Increasing access to higher education in emergency programmes to provide better academic opportunities for refugees and IDPs
- iv. Setting up entrepreneurship development projects and green job opportunities
- v. Programme management



TOTAL PROJECT COST:
USD 100 MILLION



ISFD CONTRIBUTION:
USD 3 MILLION (GRANTS)

OUT-OF SCHOOL-CHILDREN AND ADOLESCENTS ACCELERATED LEARNING PROJECT - BURKINA FASO



DESCRIPTION:

The proposed project is derived from the Multi-year Financing Facility for the ISFD - EAA Enroll and Retain Out-Of-School Children (OOSC) Programme which was approved in April 2018 by the ISFD BOD. The development objective of the project is to support the government's efforts to ensure increased access of out-of-school boys and girls, aged 9 to 12, to gender-responsive and inclusive education through Speed Schools and targeted primary schools in Boucle du Mouhoun, Centre Nord, East, Central East, North and Sahel regions in Burkina Faso. The project scope includes:

- i. Expanding access and attendance to safe learning opportunities
- ii. Enhancing delivery of quality education and retention
- iii. Strengthening institutional capacity building
- iv. Supporting project management, coordination, monitoring and audit
- v. Contingency Emergency Response Component (CERC)



TOTAL PROJECT COST:
USD 43 MILLION



ISFD CONTRIBUTION:
USD 10 MILLION (LOAN)

ALLIANCE TO FIGHT AVOIDABLE BLINDNESS - SECOND GENERATION (AFAB 2)

PROJECT DESCRIPTION:

The Alliance to Fight Avoidable Blindness - Second Generation (AFAB2) is a joint programme with Ministries of Health through National Programmes in MCs, non-governmental organisations, training centres, and donor institutions. The programme has registered notable success since its inception, with a real impact for the benefitting MCs, particularly in Africa.

The second generation of the AFAB2 programme aims to contribute to improving the quality of life of persons with visual disability and uplifting their socio-economic status in IsDB member countries. The programme aims specifically at providing comprehensive, accessible, and sustainable eye care services in 13 MCs. In 2022, the BOD approved grants of USD 0.24 million for the regional component of the programme and grants of USD 1.08 million for the benefit of the following MCs:



PROJECT NAME	COUNTRY	PROJECT SIZE (USD)	ISFD GRANT (USD)
AFAB2 - Scholarship programme	Chad	36,000	36,000
Cataract treatment campaigns in Djibouti under the AFAB	Djibouti	76,000	76,000
AFAB2 - Scholarships for ophthalmologists	Guinea Bissau	42,000	42,000
AFAB2 - Diagnostic mission with Saudi Arabia (capacity building IOTA)	Mali	23,000	23,000
Cataract treatment campaigns in Mali under the AFAB	Mali	149,000	149,000
Total for Mali		172,000	
AFAB2 - Scholarships for ophthalmologists	Mozambique	38,000	38,000
AFAB2 - Cataract treatment campaigns	Mozambique	110,000	110,000

Total for Mozambique	148,000		
AFAB2 - Scholarships for ophthalmologists	Niger	75,000	75,000
AFAB2 - Pilot programme for screening URE	Niger	158,000	158,000
AFAB 2 - Pilot programme for screening and managing uncorrected refractive error campaigns in 140 primary schools in Niger	Niger	92,000	92,000
Total for Niger	325,000		
AFAB2 - Five cataract treatment campaigns in Togo	Togo	120,000	120,000
AFAB2 - Scholarship programme	Togo	73,000	73,000
AFAB2 - Pilot programme for screening and managing uncorrected refractive error campaigns in 125 secondary schools in Togo	Togo	94,000	94,000
Total for Togo	287,000		
Capacity Development Programme for Eye Health Decision-Makers and Professionals under the AFAB in partnership with the International Agency for the Prevention of Blindness	Regional	515,000	240,000



TOTAL PROJECT COST:
USD 1.60 MILLION



ISFD CONTRIBUTION:
USD 1.32 MILLION (GRANTS)

REGIONAL PROGRAMME - GLOBAL ISLAMIC FUND FOR REFUGEES

The ISFD and the UNHCR have agreed to cooperate to establish the "Global Islamic Fund for Refugees" (GIFR) to provide sustainable capital resources to support humanitarian and economic empowerment of refugees, IDPs, stateless people, and their host communities (targeted beneficiaries) in MCs.

The target capital for the GIFR is USD 500 million. The co-founders, the ISFD and UNHCR, are contributing each USD 50 million of the total proposed capital, as start-up capital for the Fund. The income from investments of the capital will be used to finance projects and programmes for the targeted beneficiaries.

The targeted domains of intervention are education, job creation programmes, health, water, sanitation and hygiene, shelter, climate action including green energy, and emergency response to foster the resilience of refugees. The Fund's operations will help increase prospects for a normal and dignified life of the targeted beneficiaries in existing situations and upon return to their home countries.



TOTAL PROJECT COST:
USD 500 MILLION



ISFD CONTRIBUTION:
USD 50 MILLION (WAQF)

THE MAIN OBJECTIVES OF THE GIFR INCLUDE:

- i. The provision of a Sharia-compliant continued, predictable, and impactful source of global funding for the humanitarian and socio-economic needs and requirements of refugees in MCs.
- ii. The mobilisation of potential Waqf, non-Waqf, and other donations and contributions from governments, NGOs, private foundations and philanthropists, financial and development institutions, business corporations, high net worth individuals, and the public locally, regionally, and worldwide.
- iii. The generation of financial and non-financial income/ assistance from appropriated Waqf investments and received contributions.
- iv. The allocation of suitable funds to designated programmes and projects to support refugees, IDPs, and host communities in targeted sectors, countries, and situations.

STRENGTHENING THE ECONOMIC RESILIENCE OF THE VULNERABLE ENTERPRISES (SERVE) - REPUBLIC OF CHAD

PROJECT DESCRIPTION:

The Project is designed to support enterprises in targeted regions by providing an integrated economic empowerment package that will enable economic opportunities, allow them to recover from the COVID-19 pandemic and sustain inclusive growth of the individual entrepreneurs and MSMEs. The project comprises five components:

- i. Financing facility for scaling up financial access to small producers, income-generating activities (IGAs), vocational training graduates (VTGs), and MSMEs.
- ii. Enhancing the monitoring and governance capacity for the MFIs through building management information system (MIS).
- iii. Technical assistance for the targeted beneficiaries, capacity building for the implementing partners, and feasibility studies for potential sectors/products.
- iv. Support for the Project Management Unit and the Executing Agency.
- v. Financial Audit.



TOTAL PROJECT COST:
USD 25 MILLION



ISFD CONTRIBUTION:
USD 10 MILLION (LOANS)

STRENGTHENING THE ECONOMIC RESILIENCE OF THE VULNERABLE ENTERPRISES (SERVE) - REPUBLIC OF UGANDA

PROJECT DESCRIPTION:

The overarching goal of the project is to build the resilience of MSMEs to endure and be able to absorb the shock of the COVID-19 pandemic crisis by providing the needed liquidity for business continuity and related capacity building.



- i. Financing facility for scaling up financial access to MSMEs .
- ii. Capacity building.
- iii. Project management.
- iv. Financial audit.
- v. Contingency Emergency Response Component (CERC).



TOTAL PROJECT COST:
USD 20 MILLION



ISFD CONTRIBUTION:
USD 10 MILLION (LOANS)

REGIONAL SOIL FERTILITY MAPPING PROGRAMME (RSFMP) FOR WEST AFRICA

PROJECT DESCRIPTION:

The project seeks to alleviate constraints impeding the development of intensive agriculture sector in several MCs. It aims to contribute to the efforts of the governments to improve crop production and food security. This will be achieved through better knowledge of their soil fertility status and improved fertiliser use. The programme will also develop capacity and provide financing for this specialised equipment. It proposes to conduct plant response trials of nutrients identified for the obtained soil samples. RSFMP approvals in 2022 is as follows



COUNTRY	TOTAL PROJECT COST (USD MILLION)	ISFD CONTRIBUTION (USD MILLION)
Senegal	2.34	1
Guinea	2	1
Niger	2	1
Mali	1.83	0.75
The Gambia	1.34	0.5

TADAMON CSOs ACCELERATOR

PROJECT DESCRIPTION:

The proposed project aims to support Afghanistan's health system to ensure that healthcare remains available and accessible to people. The project contributes to the component "Emergency Medical Response through CSOs" under the Tadamon CSOs Pandemic Response Accelerator Programme.

- i. Support Mirwais Regional Hospital: Provide comprehensive support to improve management and services at the Mirwais Hospital, focusing on capacity building for key hospital staff.
- ii. Trauma care: Continue to help the Mirwais Hospital and other hospitals enhance emergency departments and/or surgical capacities.



TOTAL PROJECT COST:
USD 47.42 MILLION



ISFD CONTRIBUTION:
USD 0.45 MILLION (GRANT)

LLF- SUPPORT TO MATERNAL AND NEONATAL HEALTHCARE SERVICES PROJECT WITH REVERSE LINKAGE MODALITY - MAURITANIA



PROJECT DESCRIPTION:

The project will improve access to the reproductive, maternal, neonatal, child and adolescent health and nutrition services in five wilayas in addition to one referral hospital in Nouakchott through equipping health facilities with emergency obstetrical and neonatal care equipment and contribute to human capital development through capacity building for health workforce and demand creation to increase utilisation of RMNCAH-N services.

THE PROJECT HAS SIX COMPONENTS, NAMELY:

- i. Improving access to the reproductive, maternal, neonatal, and child healthcare services through the acquisition and installation of medical and paramedical equipment.

- ii. Capacity building for health workforce and the training of healthcare providers.
- iii. Institutional capacity development under Reverse Linkage.
- iv. Project implementation support.
- v. Financial audit service.
- vi. Contingency Emergency Response Component (CERC).



TOTAL PROJECT COST:
USD 18.19 MILLION



ISFD CONTRIBUTION:
USD 1.51 MILLION (GRANT)

LLF- STRENGTHENING HEALTH SYSTEM AND PRIMARY HEALTHCARE PROJECT - TOGO

PROJECT DESCRIPTION:

The project will contribute to the achievement of the objectives of the NHDP (2017- 2022) aiming at ensuring the highest possible level of health for the entire population by making every effort to develop an efficient health system based on public and private, individual, and collective initiatives, accessible and equitable, which satisfies the right to health of all, the most vulnerable. The key expected results include:

- i. Increased use of maternal, new-born, and child health (MNCH) services, coupled with the control of major communicable diseases across the country;
- ii. Construction of 30 health infrastructures, the rehabilitation of 26 others, and the supply of related equipment;
- iii. Acquisition of 20 vehicles, 100 motorbikes, and 20 medicalised ambulances for coordination and supervision, outreach activities, and medical evacuation, respectively;
- iv. Training of 200+ health personnel and 82 technicians on the use of biomedical equipment;
- v. Training of 1000+ health personnel on a wide range of health topics, including MNCH, emergency obstetrical neonatal care (EmONC), integrated management of childhood illness (IMCI), and infection and prevention control;
- vi. Training of about 2,300 community health workers (CHWs) to deliver integrated promotional, prevention, and care services in their communities; and
- vii. Supply of drugs, reagents for HIV/AIDS, Tuberculosis and Malaria diagnostic/testing, prevention and treatment

THE PROJECT WILL BE EXECUTED ALONG WITH THE FOLLOWING SIX COMPONENTS:

- i. Improved service delivery.
- ii. Improved quality of services.
- iii. Improved governance of the health sector.
- iv. Support for project implementation.
- v. Financial audit.
- vi. Contingency emergency response.



TOTAL PROJECT COST:
USD 63.37 MILLION



ISFD CONTRIBUTION:
5.64 MILLION (GRANTS)

LLF- SUPPORT FOR PEOPLE’S LIVELIHOODS IN THE FISHERY SECTOR THROUGH SUSTAINABLE ENERGY - MALDIVES

PROJECT DESCRIPTION:

The project will help boost post-COVID economic recovery of the fisheries sector of Maldives through promoting and facilitating access to technologies and techniques to increase profitability, improve catch quality, reduce postharvest losses, and reduce reliance on fossil fuels in line with the Strategic Action Plan (SAP) of the Government of Maldives for 2019-2023. The specific objective of the project is to establish refrigerated sea water (RSW) and solar PVC systems on board 200 fishing vessels.

The expected project outcome is the life and livelihood in the fishery sector of Maldives improved through renewable energy.

The project will contribute to the following results:

- i. 200 small and medium enterprises covered by financial or non-financial assistance (% youth-owned, % women-owned, % farmers cooperatives) by 2026 (CSI: 10203)
- ii. 1.6 MW Installed energy generation capacity using

- renewable sources increased (CSI 5200) by 2026
- iii. 3,000 tonnes of fish storage capacity upgraded by 2026
- iv. Quality of catches improved (spoil reduction) from 85% in 2022 to 95% in 2026
- v. Increased income of the fishers by at least 10% from 2022 to 2026
- vi. CO2 emission reduced by 2,104 tonnes per year from 2026



TOTAL PROJECT COST:
USD 13.61 MILLION



ISFD CONTRIBUTION:
USD 1.78 MILLION (GRANT)

LLF- INTEGRATED AGRICULTURE VALUE-CHAIN DEVELOPMENT - BENIN

The main objective of the project is to help reduce high importation rate of rice and enhance economic growth through improved production, processing, value addition, marketing, and enhancing private sector participation. The expected results are:

- i. Rehabilitation of 1,000 hectares and development of 150 hectares of land under rice cultivation
- ii. Certified rice seed produced for 12,000 hectares of land

- iii. Rice productivity increased from 4 tonnes/hectare to 6 tonnes/hectare
- iv. Increase in national rice production by 50%
- v. Storage facilities constructed for seed, fertiliser, paddy, and milled rice
- vi. Six parboiled rice processing plants constructed
- vii. Twelve commercial milled rice platforms constructed and equipped

- viii. Increase in rice self-sufficiency from 11% to 25%.
The direct targets are about 50,000 households.

THE PROJECT SCOPE INCLUDES FOUR COMPONENTS, NAMELY:

- i. Raising rice production and productivity
- ii. Strengthening the link to markets
- iii. Policy and institutional support
- iv. Project management and coordination

Human and institutional capacity development will be a cross-cutting intervention. The project is designed within a regional programme with the following objectives:

- i. Developing regional network of seed developers constituted by the national agricultural research centres in each of these countries with support from Africa-Rice; and
- ii. Developing farmer-market linkages ICT-based solutions with support from Manobi.



TOTAL PROJECT COST:
USD 18.4 MILLION



ISFD CONTRIBUTION:
USD 2.43 MILLION (GRANT)

LLF- INTEGRATED AGRICULTURE VALUE-CHAIN DEVELOPMENT - BURKINA FASO

The overall goal of the project is to contribute to inclusive growth through enhanced agriculture productivity and agricultural value-chain development that will commercialise important smallholder-produced crops, with a focus on three crops: rice, maize, and cassava. Collectively and in integration with other crops, including vegetables and livestock (especially small ruminants and poultry), the project could significantly boost the incomes and livelihoods of smallholder farmers and others along the value chains developed. The development objective is to:

- i. Increase incomes of smallholders and agriculture service providers;
- ii. Facilitate the development of rural enterprises and

institutions involved in the crop value chain and access to finance; and

- iii. Enhance the capacity of farmer organisations in undertaking rural development projects.

THE PROJECT SCOPE INCLUDES FOUR COMPONENTS, NAMELY:

- i. Agriculture productivity enhancement: To enable Burkina Faso to meet national demand and increase the added value of the three targeted crops, it is necessary to intervene in the production link in view of the major constraints that prevent their development. This component is subdivided into two sub-components:
 - a. Development of production support

infrastructure, in particular the development of 730 hectares of perimeters with total water control in Dangoumana (Commune of Sono) and the construction of agricultural greenhouses.

- b. Support for development through the provision of agricultural inputs and capacity building for producers on innovative production technique.
- ii. Value addition and market access: This component aims to increase the competitiveness of the targeted value chains (rice, maize, and cassava) by improving the capacities of actors in the processing and marketing links. The component is sub-divided into two sub-components: (i) support for the processing of agricultural products through the construction of conservation and storage facilities and the establishment of new processing units; and (ii) improvement of marketing of agricultural products through the rehabilitation/construction of rural roads and training in processing.



TOTAL PROJECT COST:
USD 16 MILLION



ISFD CONTRIBUTION:
USD 1.78 MILLION (GRANTS).



ANNEX **03**

**STATEMENT OF
CONTRIBUTION TO
THE ISFD CAPITAL
AS AT 31 DECEMBER
2022**

COMMITTED AND FULLY PAID

NO	COUNTRY	COMMITMENTS (in USD 000)	PAID AMOUNT (in USD 000)	REMARKS
1	Saudi Arabia	1,000,000	1,000,000	Fully paid
2	Kuwait	300,000	300,000	Fully paid
3	Algeria	50,000	50,000	Fully paid
4	Qatar	50,000	50,000	Fully paid
5	Malaysia	20,000	20,000	Fully paid
6	Kazakhstan	11,000	11,000	Fully paid
7	Egypt	10,000	10,000	Fully paid
8	Pakistan	10,000	10,000	Fully paid
9	Indonesia	10,000	10,000	Fully paid
0 1	Mauritania	5,000	5,000	Fully paid
11	Morocco	5,000	5,000	Fully paid
12	Oman	5,000	5,000	Fully paid
13	Türkiye	5,000	5,000	Fully paid
14	Tunisia	5,000	5,000	Fully paid
15	Gabon	4,000	4,000	Fully paid
16	Brunei	3,000	3,000	Fully paid
17	Jordan	3,000	3,000	Fully paid
18	Yemen	3,000	3,000	Fully paid
19	Burkina Faso	2,200	2,238	Fully paid
20	Bahrain	2,000	2,000	Fully paid
21	Syria	2,000	2,000	Fully paid
22	Cameroon	2,000	2,000	Fully paid
23	Nigeria	2,000	2,000	Fully paid
24	Guinea	2,000	2,000	Fully paid
25	Lebanon	1,000	1,000	Fully paid
26	Suriname	500	500	Fully paid
27	Azerbaijan	300	424	Fully paid
28	Uzbekistan	300	300	Fully paid
29	Mozambique	200	200	Fully paid

COMMITTED BUT PARTIALLY PAID

NO	COUNTRY	COMMITMENTS (in USD 000)	PAID AMOUNT (in USD 000)	REMARKS
1	Sudan	36,100	944	1st Instalment
2	Bangladesh	13,000	11,000	1st-11th Instalments
3	Benin	6920	1553	1st-3rd Instalments
4	Iraq	6,000	1,000	
5	Cote d'Ivoire	5,000	980	1st Instalment
6	Mali	4,000	2,000	1st Instalment
7	Togo	2,000	1,000	1st Instalment
8	Gambia	1,220	12	1st Instalment
9	Sierra Leone	1,000	300	1st Instalment
10	Palestine	500	186	1st Instalment
11	Turkmenistan	300	100	1st Instalment

COMMITTED BUT NOT PAID

NO	COUNTRY	COMMITMENTS (in USD 000)	PAID AMOUNT (in USD 000)	REMARKS
1	Senegal	10,000	-	No payment
2	Chad	2,000	-	No payment
3	Niger	2,000	-	No payment
4	Maldives	1,000	-	No payment
5	Comoros	650	-	No payment
6	Guinea-Bissau	200	-	No payment
7	Uganda	100	-	No payment
8	Albania	10	-	No payment

NO COMMITMENT

NO	COUNTRY	COMMITMENTS (in USD 000)	PAID AMOUNT (in USD 000)	REMARKS
1	Afghanistan		-	No commitment
2	Djibouti		-	No commitment
3	Guyana		-	No Commitment
4	Iran		-	No commitment
5	Kyrgyz Republic		-	No commitment
6	Libya		-	No commitment
7	Somalia		-	No commitment
8	Tajikistan		-	No commitment
9	United Arab Emirates		-	No commitment

ISLAMIC DEVELOPMENT BANK

NO	COUNTRY	COMMITMENTS (in USD 000)	PAID AMOUNT (in USD 000)	REMARKS
1	IsDB	1,000,000	1,000,000	Fully paid
	GRAND TOTAL	2,605,500	2,532,827	

ISFD RESOURCES IN KIND

(in USD 000's)

1	Benin Waqf Land	5,542
2	Burkina Faso	1,896

ANNEX 04

ISDB MEMBER COUNTRY ABBREVIATION²⁰

²⁰UN Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (<https://www.un.org/ohrls/content/list-lDCs>) 2023.

LDMCs		Non LDMCs			
Afghanistan	AF	Albania	AL	Nigeria	NG
Bangladesh	BD	Azerbaijan	AZ	Oman	OM
Benin	BJ	Bahrain	BH	Pakistan	PK
Chad	TD	Brunei Darussalam	BN	Palestine	PL
Comoros	KM	Cameroon	CM	Qatar	QA
Djibouti	DJ	Egypt	EG	Saudi Arabia	SA
The Gambia	GM	Gabon	GA	Suriname	SR
Guinea	GN	Guyana	GY	Syria	SY
Guinea-Bissau	GW	Indonesia	ID	Tajikistan	TJ
Mali	ML	Iran	IR	Tunisia	TN
Mauritania	MR	Iraq	IQ	Türkiye	TR
Mozambique	MZ	Jordan	JO	Turkmenistan	TM
Niger	NE	Kazakhstan	KZ	United Arab Emirates	AE
Senegal	SN	Kuwait	KW	Uzbekistan	UZ
Sierra Leone	SL	Kyrgyz Republic	KG		
Somalia	SO	Lebanon	LB		
Sudan	SD	Libya	LY		
Togo	TG	Malaysia	MY		
Uganda	UG	Maldives	MV		
Yemen	YE	Morocco	MA		



ANNEX **05**

**EVALUATED
PROJECTS**

N	Country	Project	Sector	Outcome	Output	Impact	Overall Performance (%)				Overall Assessment
							Relevance	Effectiveness	Efficiency	Sustainability	
1	Burkina Faso	Basic Education Development Project Phase IV	Education	Basic education in Burkina Faso expanded and upgraded as well as services	<p>The schools and related facilities have been completed as expected. 4,500 additional student places were created, including more than 2,250 for girls (53.67% in 2016).</p> <ul style="list-style-type: none"> 30 primary school complexes were built, furnished and were operational by end 2015. 29 boreholes drilled, equipped, and functional 30 teachers' houses with relevant facilities (latrines and kitchen) constructed. <p>Teacher Training College (TTC) of Tenkodogo was built, equipped, and furnished. The College is operational since February 2017 with more than 500 students.</p>	Basic Education enrolment rate: 94.5% in 2019	96	74	45	58	Successful
2	Mali	Millennium Village Project	Healthcare facilities, agriculture, and basic water supply	<ul style="list-style-type: none"> Accelerate the achievement of the MDGs in all project sites through multi-sectoral interventions. Use science in designing a set of innovative, widely applicable tools and systems for achieving the MDGs. Develop local and national capacity to sustain and scale up their critical efforts. 	<ul style="list-style-type: none"> 5 health mutual funds created. Agricultural input programmes created. Improvement of soil and water irrigation. Dissemination of good agronomic practices, including the combination of organic and mineral fertilisers Strengthening agricultural extension and monitoring services. Promotion of crop and livestock diversification for income and nutrition. Support for good post-harvest management of agricultural products. Promotion of the milk value chain through the Dioro mini dairy. Supporting the processing of paddy rice through the Women Parboilers Cooperative of Dioro. Structuring of cooperatives around market gardening productions. 	Over 92,000 inhabitants (over 5,500 households of the rural communes of Dioro and services) Sanitation and Education also benefited from the technical assistance provided by the Millennium Promise.	61	30	28	34	Partly Successful
3	Pakistan	Support to the Polio Eradication Programme (PEP) PHASE II PROJECT	Healthcare facilities	To stop wild poliovirus transmission in Pakistan by May 2016 and maintain a "Polio-free" status for the subsequent three years through countrywide mass Polio vaccination campaigns targeting all children below five years of age, along with extensive community sensitisation and mobilisation as well as high standard surveillance activities.	<ul style="list-style-type: none"> OPV and related commodities procured and delivered. National and sub-national immunisation polio vaccination campaigns undertaken. SM campaigns undertaken. Surveillance for PEP strengthened. Enabling activities dully undertaken. 	To contribute to the improvement of health and wellbeing of Pakistani children through the eradication of polio.	90	77	80	76	Successful

4	Mauritania	Vocational Literacy Programme for Poverty Reduction Project	Education	<p>Improve the literacy competencies, job skills and productivity of illiterates and poor people through access to non-formal education, vocational training, and/or to micro-finance service.</p> <p>The main outcome of the programme is stated as improving the livelihoods of low-income people through improving their access to microfinance facilities, market-oriented training, and business opportunities.</p> <p>The programme will facilitate networking with active operators of the private business opportunities sector to help the active poor population, particularly heads of households (men and women), establish their income-generating activities and therefore graduate from dependency to self-sufficiency.</p> <p>The programme will also provide adequate capacity building in favour of qualified microfinance intermediaries to deliver Islamic microfinance services responding to the needs and preferences of the target beneficiaries.</p>	<ul style="list-style-type: none"> • A non-formal basic education system is established and functional. • A vocational training and apprenticeship system based on the "learning by doing" approach is in place and functional. • Vocational Literacy Programme efficiently conducted. 	Contribute to illiteracy and poverty reduction through increased access to knowledge and financing services by the poor.	85	15	10	5	Unsuccessful
5	Benin	The Integrated Microfinance Support Project	MFSP	<p>The achievement of this target is 88.22%. Indeed, out of a total of 35,000 promoters to supervise, 30,877 promoters were actually supervised.</p>	<ul style="list-style-type: none"> • 117,818 women (beneficiaries and promoters) were reached by the programme, out of a total of 120,517 beneficiaries and promoters. The result is a 90% proportion of women in the programme portfolio. This is in line with the target set in relation to the proportion of women in the programme portfolio. • The achievement of this target is 88.22%. Indeed, out of a total of 35,000 promoters to supervise, 30,877 promoters were actually supervised. 		85	59	68	59	Partly Successful
6	Tajikistan	Microfinance Support Project for Rural Areas	MFSP	<p>The project's overall intended outcomes were to:</p> <ul style="list-style-type: none"> • provide and increase access for the marginalised urban and rural poor farmers with financing opportunities through appropriate, reliable, and affordable microfinance services; and • contribute to the development of accountable and capable Shari'ah-compliant financial institutions and clients, engaging in business with more fairness and effectively impacting the living conditions of the beneficiaries and the overall economy. 			62	50	48	52	Partly Successful

7	Kazakhstan	Microfinance Support Project for rural areas	MFSP	<ul style="list-style-type: none"> • USD 22.4 million (KZT 3.4 billion) disbursed to the beneficiaries under the Murabaha facility. • Average loan (Murabaha) of USD 21,000 (KZT 3.21 million) against USD 5,000 at appraisal. • 9,000 jobs were created or supplied by the project across the country. • The livelihoods of low-income rural people were improved through improving their access to microfinance facilities and expanding entrepreneurial activity in rural areas. • The Islamic finance market and products were enhanced. 	<ul style="list-style-type: none"> • Murabaha scheme facility benefiting about 1,049 farmers across the 14 regions/oblasts of the country (against 7,000 at appraisal). • 20% of the beneficiaries are women, against 50% at appraisal. • The project has contributed to increasing the financial inclusion of beneficiaries, as most of the beneficiaries reportedly were using the financing for their business for the first time. • Training programme on the principles and methodology of Islamic finance for all the employees involved in the credit approval process in all of the 14 regions of the country. 	<p>The project's overall intended outcomes were to:</p> <ul style="list-style-type: none"> • provide and increase access for the marginalised urban and rural poor farmers with financing opportunities through appropriate, reliable, and affordable microfinance services; and • contribute to the development of accountable and capable Sharia'h-compliant financial institutions and clients, engaging in business with more fairness and effectively impacting the living conditions of the beneficiaries and the overall economy. 	65	66	54	50	Partly Successful
8	Kyrgyz	Microfinance Support Project for rural areas	MFSP	<ul style="list-style-type: none"> • USD 13.27 million disbursed to the beneficiaries under the microloan. • Average loan of USD 5,804, • Increase of the beneficiaries' income by about 25% to 50%. • 200 beneficiaries created companies or established new businesses. • Improved the livelihoods of low-income rural people. • Enhanced financial literacy of the beneficiaries. 	<ul style="list-style-type: none"> • Microloans for 2,286 beneficiaries in all the regions of the country. • Training and exchange of experience in the field of Islamic finance at Bank of Khartoum in Sudan for six (6) employees of 2 Executing Agencies. 	<p>The project's overall intended outcomes:</p> <ul style="list-style-type: none"> • Provide and increase access for the marginalised urban and rural poor farmers with financing opportunities through appropriate, reliable, and affordable microfinance services; and • Contribute to the development of accountable and capable Sharia'h-compliant financial institutions and clients, engaging in business with more fairness and effectively impacting the living conditions of the beneficiaries and the overall economy. 	63	51	54	51	Partly Successful



ANNEX **06**

**AUDITED
FINANCIAL
STATEMENTS**



Reducing Poverty معاً لمكافحة الفقر

ISFD

صندوق التضامن الإسلامي للتنمية
Islamic Solidarity Fund for Development

THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT

**Financial Statements and Independent Auditor's Report
For the year ended 31 December 2022**

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
YEAR ENDED 31 DECEMBER 2022**

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INDEPENDENT AUDITOR'S REPORT

Your Excellencies the Chairman and Members of the Board of Governors
Islamic Development Bank – The Islamic Solidarity Fund for Development
Jeddah, Kingdom of Saudi Arabia

Report on the Audit of the Financial Statements Opinion

We have audited the accompanying financial statements of Islamic Development Bank – The Islamic Solidarity Fund for Development ("the Fund") which comprise the statement of financial position as of December 31, 2022, and the related statement of financial activities, the statement of waqf equity, the statement of cash flows and the statement of ghallah for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2022, and the results of its activities and its cash flows for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI").

In our opinion, the Fund has also complied with the Shari'ah Rules and Principles as determined by the Group Shari'ah Board of the Islamic Development Bank Group during the year under audit.

Basis for Opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the fund in accordance with the AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions ("AAOIFI Code"), and we have fulfilled our other ethical responsibilities in accordance with the AAOIFI Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in the Fund's 2022 Financial Statement

Other information consists of the statement of service performance appended to the Fund's financial statements for the year ended December 31, 2022, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Your Excellencies the Chairman and Members of the Board of Governors
Islamic Development Bank – The Islamic Solidarity Fund for Development
Jeddah, Kingdom of Saudi Arabia

Responsibilities of Management and Those Charged with Governance for the Financial Statements

These financial statements and the Fund's undertaking to operate in accordance with Shariah Rules and Principles are the responsibility of the Fund's management and those charged with governance.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Financial Accounting Standards issued by AAOIFI and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Your Excellencies the Chairman and Members of the Board of Governors
Islamic Development Bank – The Islamic Solidarity Fund for Development
Jeddah, Kingdom of Saudi Arabia

Auditor's Responsibilities for the Audit of the Financial Statements - continued

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte and Touche & Co.
Chartered Accountants


Waleed Bin Moh'd. Sobahi
Certified Public Accountant
License No. 378



22 Ramadan, 1444
April 13, 2023

THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

(All amounts in thousands of United States Dollars unless otherwise stated)

	Notes	2022	2021
ASSETS			
Cash and cash equivalents	4	603,631	5,742
Commodity murabaha placements	5	461,440	1,065,379
Investment in sukuk	6	904,724	1,069,474
Treasury assets		2,069,795	2,160,597
Instalment sale	7	29,566	31,737
Loans (Qard)	8	364,166	320,040
Loan and project assets		395,722	351,777
Investment in syndicated istisna'a fund	9	17,937	11,921
Investment in syndicated Ijarah	10	37,649	70,634
Investment in musharaka fund	11	6,000	5,000
Investment in an associate	12	257	89
Equity investments	13	49,807	60,642
Investment in funds	14	131,100	124,708
Wakala investments	15	441,921	-
Investment in real estate	16	7,439	-
Investment assets		691,310	272,394
Other Assets			
Accrued income and other assets	17	3,209	352,920
Land		-	5,355
TOTAL ASSETS		3,180,036	3,143,043
LIABILITIES			
Accrued expenses and other liabilities	16	6,743	6,208
Grants payable	19	128,610	139,091
TOTAL LIABILITIES		135,353	145,299
WAGF EQUITY			
Waqf corpus – cash	1	2,532,947	2,531,664
Waqf corpus – in-kind	16	7,439	5,355
Accumulated surplus		463,264	421,406
Equity preservation fund	20	33,886	27,140
Fair value reserve		17,443	13,162
Pension fund reserve		114	27
TOTAL WAGF EQUITY		3,044,683	2,998,754
TOTAL LIABILITIES AND WAGF EQUITY		3,180,036	3,143,043

The notes from 1 to 30 form an integral part of these financial statements.

THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED 31 DECEMBER 2022

(All amounts in thousands of United States Dollars unless otherwise stated)

	Notes	2022	2021
Income from:			
Treasury assets			
Commodity murabaha placements		19,278	8,173
Wakala placement		-	2,470
Investment in sukuk	6	23,271	35,965
Syndicated Murabaha		-	32
Loans and projects assets			
Instalment sale		504	302
Loans (Qard)		4,710	3,268
Investment assets			
Investment in syndicated istisna'a fund		742	498
Investment in syndicated ijarah		3,194	3,233
Investment in an associate	12	4	4
Equity investments		3,248	452
Investment in funds		4,875	2,770
Wakala investments	15	11,921	-
		71,760	57,167
Impairment charge for the year	21	(16,709)	(34,343)
Total income		55,041	22,824
Expenses			
Employee related expenses		(2,547)	(3,982)
General and administrative expenses		(3,188)	(2,384)
Net surplus for the year		49,306	16,458

The notes from 1 to 30 form an integral part of these financial statements.

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT
STATEMENT OF CHANGES IN WAQF EQUITY
YEAR ENDED 31 DECEMBER 2022**

(All amounts in thousands of United States Dollars unless otherwise stated)

	Waqf corpus - cash	Waqf corpus - in-kind	Accumulated surplus	Equity preservation Fund	Fair value reserve	Pension fund reserve	Total
Balance at 1 January 2021	2,586,221	5,355	428,969	25,126	(19,665)	(2,624)	3,023,992
Credit losses due to first time adoption of FAS 90	-	-	(16,594)	-	-	-	(16,594)
Revised balance as at 1 January 2021 after FAS 90 adjustment	2,586,221	5,355	412,375	25,126	(19,665)	(2,624)	3,006,998
Net surplus for the year	-	-	16,458	-	-	-	16,458
Change in fair value reserve, net (notes 13 & 14)	-	-	-	-	32,695	-	32,695
Movement during the year (note 12)	-	-	-	-	(68)	-	(68)
Grants allocation (note 19)	-	-	(5,413)	-	-	-	(5,413)
Transfer to equity preservation fund (note 20)	-	-	(2,014)	2,014	-	-	-
Movement during the year	-	-	-	-	-	2,651	2,651
Waqf corpus contribution returned	(54,557)	-	-	-	-	-	(54,557)
Balance at 31 December 2021	2,631,664	6,356	421,404	27,140	13,162	27	2,998,794
Net surplus for the year	-	-	49,306	-	-	-	49,306
Change in fair value reserve, net (notes 13 & 14)	-	-	-	-	4,817	-	4,817
Movement during the year (note 12)	-	-	-	-	164	-	164
Grants allocation (note 19)	-	-	(11,182)	-	-	-	(11,182)
Transfer to equity preservation fund (note 20)	-	-	(6,346)	6,346	-	-	-
Movement during the year	-	-	-	-	-	-	-
Waqf corpus contributions	1,283	7,439	-	-	-	-	8,722
Return of the in-kind contribution (note 16)	-	(5,365)	-	-	-	-	(5,365)
Balance at 31 December 2022	2,632,947	7,439	463,294	\$3,484	17,443	114	3,044,483

The notes from 1 to 30 form an integral part of these financial statements

THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT
STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2022

(All amounts in thousands of United States Dollars unless otherwise stated)

	Notes	2022	2021
Cash flows from operations			
Net surplus for the year		49,306	16,458
Adjustment for non-cash items:			
Unrealized fair value loss on investment in sukuk	6	14,169	3,685
Amortization of discount on investment in sukuk carried at amortized cost	6	(167)	(285)
Accrued coupon income on sukuk	6	702	770
Share of profit on investment in an associate	12	(4)	(4)
Share of gain on wakala investments	15	(11,921)	-
Accrued income on wakala placement		-	92
Impairment charge	21	16,709	34,343
Changes in operating assets and liabilities:			
Loans (Qard)		(46,112)	(56,421)
Accrued income and other assets		(12,549)	14,073
Accrued expenses and other liabilities		622	4,159
Grant payments		(20,683)	(17,999)
Unrealized foreign exchange loss		80	20
Net cash used in operating activities		(9,848)	(309)
Cash flows from investing activities			
Commodity murabaha placements		409,993	(164,232)
Investments in syndicated murabaha		-	8,633
Proceeds from wakala placement with a related party		362,280	-
Proceeds from redemption of investments in sukuk	6	149,636	241,796
Investments in syndicated Ijarah, net	10	32,858	(7,714)
Proceeds from sale of equity investments	13	5,706	-
Addition to investment in funds	14	(20,179)	(4,290)
Proceeds from sale of investment in funds	14	8,818	13,866
Investment in instalment sale		(511)	(26,679)
Investment in syndicated istisnaa fund		(4,947)	(6,809)
Investment in musharakah fund		-	(5,000)
Additions to wakala investments	15	(430,000)	-
Net cash from investing activities		506,454	49,571
Cash flows from financing activity			
Waqf corpus introduced		1,283	10,443
Return of waqf corpus		-	(65,000)
Net cash from / (used in) financing activities		1,283	(54,557)
Net change in cash and cash equivalents		497,889	(5,295)
Cash and cash equivalents at beginning of the year		5,742	11,037
Cash and cash equivalents at end of the year	4	503,631	5,742
Non-cash transactions			
Transfer of Sukuk from wakala placement		-	137,720
Contribution of in-kind asset as waqf corpus		2,084	-
Transfer of early terminated wakala placement to accrued income and other assets		-	362,280

The notes from 1 to 30 form an integral part of these financial statements.

THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT
STATEMENT OF GHALLAH
YEAR ENDED 31 DECEMBER 2022

(All amounts in thousands of United States Dollars unless otherwise stated)

		2022	2021
Opening balance of unappropriated ghallah		430,994	418,282
Ghallah for the year			
Surplus for the year		49,306	16,458
Fair value (gains)/loss on sukuk	6	14,157	3,685
Share of income/loss from associate	12	(4)	(4)
Ghallah attributed to waqf equity	20	(6,346)	(2,014)
Ghallah for the year		57,113	18,125
Total ghallah available for distribution		488,107	436,407
Ghallah distributions to beneficiaries		(20,683)	(17,999)
Opening balance of benefits/grants payable		138,081	150,667
Closing balance of benefits/grants payable		(128,610)	(138,081)
Benefits/grants allocated as payable	19	(11,112)	(5,413)
Closing balance of unappropriated ghallah		476,997	430,994

The notes from 1 to 30 form an integral part of these financial statements.

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022**

[All amounts in thousands of United States Dollars unless otherwise stated.]

1. INCORPORATION, ACTIVITIES AND OTHER

The Islamic Solidarity Fund for Development (ISFD) (the "Fund") is a waqf fund that was established by the decision of the 31st Annual Meeting of the Islamic Development Bank – Ordinary Capital Resource's ("ISDB or Bank") Board of Governors held in Kuwait on 4 Jumad-ul-Awwal 1427H (corresponding to May 31, 2006) and was launched as a Waqf during the 32nd Annual Meeting of the ISDB Board of Governors held in Dakar, Senegal, on 13 Jumad-ul-Awwal 1428H (corresponding to May 30, 2007).

The Fund's targeted capital (Fund's resources or Waqf Corpus) is USD 10 billion. The Fund has been established within the ISDB Group on the basis of voluntary contributions by all Member Countries (the "Waqifs") of the Bank, irrespective of their development status. The waqf corpus primarily comprises of cash contributions from ISDB and the member countries. Certain member countries have contributed land.

The purpose of the Fund is to help alleviate poverty, enhance development, eliminate illiteracy and eradicate disease and epidemics in the Organization of Islamic Cooperation (OIC) member states. ISFD formally began its operations on 1 Muharram 1429H (10 January 2008). In accordance with the Fund's Regulations, the Fund is managed and administered by the Board of Directors of the Fund (the Naib). As Naib of the Fund, Board of Directors of ISFD are responsible for its governance and oversight.

The resources of ISFD available for utilization in its activities consist of:

- I. income from the ISFD's investments;
- II. funds derived from operations or otherwise accruing to the Fund; and
- III. other resources received by the Fund.

As a supranational institution, the Fund is not subject to any national funding regulation, neither is supervised by any external regulatory authority nor is subject to any taxes or tariffs.

The Fund is required to carry out its activities in accordance with the Islamic Shari'ah Rules and Principles as determined by the Shari'ah Board of the Bank.

As a waqf fund of ISDB, which is a multilateral development Bank, the Fund is not subject to any local or foreign external regulatory authorities.

2. BASIS OF PREPARATION

Statement of compliance

The financial statements are prepared in accordance with the Financial Accounting Standards ("FAS") issued by the AAOIFI and the Islamic Shari'ah Rules and Principles as determined by the Shari'ah Board of the ISDB Group. In accordance with the requirements of AAOIFI, for matters for which no AAOIFI standard exists, the Fund seeks guidance from generally accepted accounting principles as per the conceptual framework of AAOIFI provided they do not contradict the Rules and Principles of Islamic Shari'ah.

Basis of measurement

The financial statements are prepared under the historical cost convention except for the following items:

- Investment in funds are measured at fair value through changes in waqf equity;
- Equity investments are measured at fair value through changes in waqf equity;
- Investments in associate and Musharaka fund are accounted for using the equity method of accounting;
- A portion of the investment in sukuk is measured at fair value through statement of financial activities designated as such at the time of initial recognition;
- Wakala investments are accounted for using the equity method of accounting; and
- Pieces of land contributed by the member countries are measured at fair values.

Functional and presentation currency

ISFD conducts most of its operations and makes disbursements in United States Dollar (USD). Therefore, the functional and presentation currency of ISFD is USD. Except as otherwise indicated, financial information presented in USD has been rounded to the nearest thousands.

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED 31 DECEMBER 2022**

[All amounts in thousands of United States Dollars unless otherwise stated]

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial assets and liabilities

Financial assets and liabilities are recognized in the statement of financial position when the Fund becomes a party to the related contractual rights or obligations.

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the Fund.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Fund.

Recognized financial assets and financial liabilities are initially measured at fair value. For concessional loans (Qard) fair value is best evidenced by the transaction amount. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through statement of financial activities) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through statement of financial activities are recognized immediately in statement of financial activities.

Financial assets

On initial recognition, financial assets are classified and measured at either of (i) amortised cost, (ii) fair value through changes in waqf equity or (iii) fair value through statement of financial activities, on the basis of both:

- a. the institution's business model for managing the investments; and
- b. the expected cash flow characteristics of the investment in line with the nature of the underlying Islamic finance contracts.

Financial assets comprise investments in debt-type, equity-type financial instruments and other investment instruments.

(i) Classification

Debt-type instruments

Categorization

Debt-type instruments are instruments, whereby the transaction structure results in creation of a monetary or non-monetary liability.

Investments in debt-type instruments are categorized into following a) non-monetary debt-type instruments or b) monetary debt-type instruments.

- a) Non-monetary debt-type instruments - these are debt-type instruments whereby the transaction structure results in creation of a non-financial liability or usufruct or services to be delivered in future; and are classified into the following categories: 1) at amortized cost, 2) at fair value through changes in waqf equity or 3) fair value through statement of financial activities

A non-monetary debt-type instrument is classified and measured at amortised cost only if investment is held within a business model whose objective is to hold such investment in order to collect expected cash flows till maturity of the instrument and the investment have a reasonably determinable effective yield.

A non-monetary debt-type instrument classified and measured at fair value through changes in waqf equity only if the investment is held within a business model whose objective is achieved by both collecting expected cash flows and selling the investment and the investment have a reasonably determinable effective yield.

A non-monetary debt-type instrument classified and measured at fair value through statement of financial activities include investments held for trading or designated at fair value through statement of financial activities at inception. At inception, a non-monetary debt-type instrument can only be designated at fair value through statement of financial activities if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise on measuring the assets or liabilities or quasi equity recognising the gains or losses on them on different bases.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial assets and liabilities (continued)

- b) Monetary debt-type instruments – these are debt-type instruments whereby the transaction structure results in creation of a financial liability / debt; and are classified and measured at cost, till the time the transaction of the back-end is executed and at amortised cost thereafter.

Equity-type instruments

Equity-type instruments are instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities and quasi-equity balances, including ordinary equity instruments and such other structured investment instruments that classify as equity instrument.

Investments in equity-type instruments are classified into the following categories: 1) at fair value through statement of financial activities or 2) at fair value through changes in waqf equity.

Equity-type investments classified and measured at fair value through statement of financial activities include investments held for trading or designated at fair value through statement of financial activities.

An investment is classified as held for trading if acquired or originated principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Any investments that form part of a portfolio where there is an actual pattern of short-term profit taking are also classified as 'held for trading'.

Investments designated at fair value through statement of financial activities are those which are managed and evaluated internally for performance on a fair value basis.

On initial recognition, the fund makes an irrevocable election to designate certain equity instruments that are not designated at fair value through statement of financial activities to be classified as investments at fair value through changes in waqf equity.

Other investment instruments

Other investment instruments are investment instruments which do not meet the definition of either debt-type or equity-type instruments.

Other investment instruments are classified into the following categories: 1) at amortized cost, 2) at fair value through changes in waqf equity or 3) fair value through statement of financial activities.

Other investment instrument is classified and measured at amortised cost only if investment is held within a business model whose objective is to hold such investment in order to collect expected cash flows till maturity of the instrument and the investment have a reasonably determinable effective yield.

Other investment instrument classified and measured at fair value through changes in waqf equity only if the investment is held within a business model whose objective is achieved by both collecting expected cash flows and selling the investment and the investment have a reasonably determinable effective yield.

Other investment instrument classified and measured at fair value through statement of financial activities include investments held for trading or designated at fair value through statement of financial activities at inception. At inception, other investment instrument can only be designated at fair value through statement of financial activities if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise on measuring the assets or liabilities or quasi-equity recognising the gains or losses on them on different bases.

(i) Recognition and derecognition

Investment securities are derecognised at the trade date i.e., the date that the Fund contracts to purchase or sell the asset, at which date the Fund becomes party to the contractual provisions of the instrument. Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Fund has transferred substantially all risk and rewards of ownership.

(ii) Measurement

Initial recognition

Investment securities are initially recognised at fair value plus transaction costs, except for transaction costs incurred to acquire investments at fair value through statement of financial activities which are charged to statement of financial activities.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial assets and liabilities (continued)

Subsequent measurement

Investments at fair value through statement of financial activities are re-measured at fair value at the end of each reporting period and the resultant re-measurement gain or loss is recognised in the statement of financial activities in the period in which they arise. Subsequent to initial recognition, investments classified at amortised cost are measured at amortised cost using the effective profit method less any impairment allowance. All gains or losses arising from the amortisation process and those arising on de-recognition or impairment of the investments, are recognised in the statement of financial activities.

Investments at fair value through changes in waqf equity are re-measured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments is recognised in the statement of changes in waqf equity and presented in a separate fair value reserve within waqf equity. When the investments classified at fair value through changes in waqf equity are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the statement of changes in waqf equity is transferred to the statement of financial activities.

Investments which do not have a quoted market price or other appropriate methods from which to derive a reliable measure of fair value when on a continuous basis cannot be determined, are stated at cost less impairment allowance, if any.

(iv) Measurement principles

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fee and points paid or received that are an integral part of the effective profit rate.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or an obligation settled between well-informed and willing parties (seller and buyer) in an arm's length transaction. The Fund measures the fair value of quoted investments using the market bid price for that instrument at the close of business on the statement of financial position date. For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Fund by discounting future cash flows at current profit rates for contracts with similar term and risk characteristics.

The table below summarizes Fund's major financial assets and liabilities and their measurement and recognition principles. Detailed accounting policies are provided in the relevant sections below. Majority of the Fund's financial assets are held in the name of ISDB on behalf of the Fund.

Item	Recognition principles
Commodity murabahah placements	Amortized cost
Investments in sukuk classified as either:	Fair value through statement of financial activities; or amortized cost
Syndicated Murabahah	Amortized cost
Installment sale	Amortized cost
Loans (Qard)	Disbursements plus accrued service fee less impairment
Investment in syndicated istina'a fund	Amortized cost less impairment
Investment in syndicated ijarah	Amortized cost less impairment
Investment in musharakah fund	Equity method of accounting
Equity investments	Fair value through changes in waqf equity
Investment in funds	Fair value through changes in waqf equity
Wakala Investments	Equity method of accounting
Investment in real estate	Fair value through changes in waqf equity
Due from related parties	Amortized cost
Due to related party	Amortized cost
Grant payable	Amortized cost

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial assets and liabilities (continued)

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset only when there is a legally enforceable right to set off the recognized amounts and the Fund intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under financial Accounting Standards ("FAS") issued by AAOIFI, or for gains and losses arising from a group of similar transactions.

Financial liabilities

The Fund derecognizes financial liabilities when, and only when, its contractual obligations are discharged or cancelled, or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

The Fund also derecognizes a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least ten percent different from the discounted present value of the remaining cash flows of the original financial liability. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in the statement of financial activities and statements of changes in waqf equity.

b) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and commodity murabaha placements through banks having a maturity of three months or less from the date of placement that are subject to an insignificant risk of changes in their fair value. Cash and cash equivalents are carried at cost less impairment in the statement of financial position.

c) Commodity murabaha placements

Commodity murabaha placements entails the purchase and sale of commodities at fixed profit. The buying and selling of commodities are limited by the terms of agreement between the Fund and other Islamic and conventional financial institutions. Commodity murabaha placements are carried at amortized cost less provision for impairment.

d) Investments in sukuk

Sukuk are certificates of equal value representing undivided share in ownership to tangible assets, usufructs, services or (in the ownership of assets of a particular project, classified as either measured at amortised cost or at fair value through the statement of financial activities.

Sukuk that are initially designated at fair value through statement of financial activities, if it eliminates or significantly reduces a measurement or recognition inconsistency. On initial recognition, these investments are measured at fair value based on quoted market prices. At the end of each reporting year, such investments are re-measured at fair value with the resulting gain or loss recognized in the statement of financial activities and classified within income from sukuk investments.

Sukuk that are acquired with positive intent and ability to hold them to contractual maturity are measured at amortised cost less allowance for credit losses.

e) Syndicated murabaha

The Fund participates in syndicated murabaha transactions originated by ISDB's affiliate International Islamic Trade Finance Corporation (ITFC). A murabaha is a cost-plus agreed profit sale contract whereby the lead-syndicator sells a commodity to a customer on deferred payment basis. The purchase of the commodity by the lead-syndicator is based on a binding promise from the customer to buy.

The amounts receivable from syndicated murabaha financing are stated at the selling price less unearned income to the reporting date, less repayments received and any provision for impairment.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Instalment sale

Sale whereby the Fund sells to a customer, an asset which it has purchased and acquired based on a promise from that customer to buy. The selling price includes the profit margin. Amounts receivable from the instalment sale transactions are stated at selling price, less unearned income, less repayments and allowance for credit losses.

g) Loans (Qard)

Loan (Qard) is a long-term concessional (non-interest bearing) facility provided to finance development projects in Member Countries bearing a service fee at a rate sufficient to cover the Fund's actual administrative expenses.

Loan (Qard) amounts outstanding represent amounts disbursed in respect of projects plus accrued service fees, less repayments received and allowance for credit losses.

h) Investment in musharaka fund

Musharaka is partnership in which the Fund contributes a certain percentage of capital and is entitled to share profits or loss proportionately. Musharaka is stated at net asset value being the cost (expected to be recovered) less amounts of Musharaka capital returned.

i) Investment in an associate

In accordance with ISDB's Articles of Agreement, Articles 17.2 and 17.5 which is applicable to the Fund as well, "The fund shall not acquire a majority or controlling interests in the share capital of the project in which it participates except when it is necessary to protect the Fund's interest or to ensure the success of such project or enterprise" and "The Fund shall not assume responsibility for managing any project or enterprise in which it has invested except when necessary to safeguard its investment".

Consequently, Fund does not exercise control over any of its investments to obtain benefits regardless of percentage of voting rights. For investments in which the Fund holds 20 per cent or more of the voting rights the Fund is presumed to have significant influence and hence such investments are accounted for and classified as investments in associates.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost (including transaction costs directly related to acquisition of investment in associate). The Fund's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The Fund's share of its associates' post-acquisition profits or losses is recognised in the statement of financial activities; its share of post-acquisition movement in reserves is recognised in changes in wool equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment and reduced by dividends. When the Fund's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Fund does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Fund determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Fund calculates the amount of impairment as being the difference between the fair value of the associate and the carrying value and recognises the amount in the statement of financial activities. Dilution gains and losses in associates are recognised in the statement of financial activities. The Fund's share of the results of associates is based on financial statements available up to a date not older than three months of the date of the statement of financial position adjusted for material transaction during the intervening period and conforming to the accounting policies of the Fund.

j) Equity investments

Equity investments are intended to be held for a long-term period and may be sold in response to liquidity needs, changes in fair values or within the overall context of the Fund's developmental activities. Accordingly, the Fund has opted to designate all of its equity investments at fair value through wool equity.

Listed investments are measured at market value.

Unlisted investments in equities and funds measured at fair value through wool equity.

THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Equity investments (continued)

Unlisted investments in equities and funds are carried at fair values determined by independent valuers. Initially and subsequently such investments are measured at fair value, and any unrealized gains or losses arising from the change in their fair value are recognized directly in waqf equity until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously recorded in waqf equity is recognized in the statement of financial activities. Any subsequent fair value gains post impairment is not reversed through the statement of financial activities and are recognized in fair value reserve in waqf equity.

k) Investments in funds

Investments in funds comprise of equity and other fund investments and are intended to be held for a long-term period and may be sold in response to needs for liquidity or changes in prices. Initially and subsequently such investments are measured at fair value and any unrealized gains or losses arising from the change in their fair value are recognized directly in waqf equity until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously recorded in waqf equity is recognized in the statement of financial activities. Any subsequent fair value gains post impairment is not reversed through the statement of financial activities and are recognized in fair value reserve in waqf equity.

Investments in funds whose fair value cannot be reliably measured are carried at cost less provision for any impairment in the value of such investments.

l) Investment in real estate

Investment in real estate are properties held to earn rentals and / or for capital appreciation, are measured initially at fair value and subsequently also at fair value since these represent specified assets contributed by one of the Waqifs. Any unrealised gain/losses resulting from re-measurement at fair value of investment in real estate is recorded directly in waqf equity under fair value reserve.

m) Wakala investments

Wakala is an agreement whereby one party (the "Muwakkil" / "Principal") appoints an investment agent (the "Wakeel" / "Agent") to invest the Muwakkil's funds (the "Wakala Capital") on the basis of an agency contract (the "Wakala") in return for a specified fee. The funds are managed in a fiduciary capacity and the Wakeel has no entitlement to these assets. Muwakkil bear all of the risks and earn all of the rewards on these investments except where the actual profit exceeds the expected profit on the investment. The agency fee can be a lump sum or a fixed percentage of the Wakala Capital. The agent decides in respect to the investments to be made from the Wakala Capital, subject to the terms of the Wakala agreement. However, the Wakeel bears the loss in cases of misconduct, negligence or violation of any of the terms of the Wakala agreements, accordingly, they are recognized on the statement of financial position.

The Fund applies the wakala venture approach under which the fund follows equity method of accounting, since the investments are made into transferrable assets and pools of assets (primarily stocks) where such assets are subject to frequent changes and replacements due to rebalancing and market conditions in accordance with the strategic and dynamic asset allocation at the discretion of the agent. Further the role of the agent is not limited whereby the agent performs day-to-day asset management function and, where applicable, is also responsible for replacement of assets or recoveries against them. For details of equity method of accounting and impairment, please refer investment in associates' policy.

n) Other investments

The fund has maintained investments in syndicated ijarah and syndicated istisna whereby the fund carries the same at amortised cost less allowance for impairment.

o) Waqf corpus

Waqf corpus is the amount contributed by the Waqif in the form of cash, in-kind assets or specified assets:

In case of cash contribution or contribution of in-kind assets (e.g., tangible or intangible assets or investments etc.), the Waqf corpus is their cash equivalents (cash waqf) and in case of specified assets, their value as of the date of the contribution comprises of the Waqf corpus (non-cash waqf).

Contributions by Waqif or others, not specifically defined as the Waqf corpus in terms of Waqf deed (or other form of declaration by Waqif), are not considered as the Waqf corpus and are recognised directly in statement of financial activities.

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Assets comprising waqf corpus

Initial recognition

Assets comprising of the Waqf corpus are initially recognized at fair value, with a corresponding amount recognized as waqf equity. For cash and in-kind assets contributed by the waqf their cash and cash equivalent value is the fair value of the assets.

Assets comprising of the Waqf corpus not expected to generate economic benefits (e.g., Masjid, manuscripts etc.) are initially recognized at nominal value.

Subsequent measurement

Assets comprising of the Waqf corpus (excluding cash contribution or contribution of in-kind assets) are measured at fair value, with a corresponding effect of fair value gains and losses to be recognized directly in Waqf equity. No depreciation or amortization is charged on such assets. The fair value is reviewed generally at the end of each financial reporting period and is re-measured in case of indications of significant changes from the previous valuation. Any subsequent changes in fair values are recognized directly in waqf equity under fair value reserve.

Income arising from assets comprising of the Waqf corpus is recognized in the statement of financial activities.

Assets comprising of the Waqf corpus which are not expected to generate economic benefits, other than the benefit of usage, (e.g., Masjid, manuscripts etc.) are carried at originally assigned nominal value and disclosed appropriately.

All other assets and liabilities including assets procured through proceeds of cash or in-kind contributions to the Waqf equity are subsequently measured in line with the accounting policies of the Fund.

In case of cash waqf, assets comprising waqf corpus are not required to be disclosed separately from the other assets not comprising waqf corpus.

q) Ghallah

Ghallah represents the net surplus from financial activities and other gains/losses attributable (adjusted for non-cash items and items not available for distribution except for depreciation, amortization and impairment on assets) to the beneficiaries.

r) Restricted funds

Funds received specifically to carry out certain activities or to be utilized for particular purposes like collection and distribution of Zakah or collection and distribution of specific contributions for a specific purpose are considered restricted funds.

Restricted funds received (distinguishing between Zakah and other significant restricted funds) are initially recorded as a liability. Their utilization, as well as other movements therein, are adequately disclosed in the notes to the financial statements. Corresponding amounts of respective assets pertaining to restricted funds are also required to be disclosed separately.

s) Revenue recognition

Commodity Murabaha placements through banks

Income from placements with other Islamic banks and conventional banks is recognized on effective yield basis over the period of the contract based on the principal amounts outstanding.

Investments in Sukuk

Income from investments in sukuk is accrued on an effective yield basis and is recognized in the income statement. For the sukuk designated at fair value through statement of financial activities, gains and losses resulting from the re-measurement of the fair values at the reporting date are also recognized in the statement of financial activities.

Syndicated murabaha

Income from syndicated murabaha is recognized on an effective yield basis over the period from the date of the actual disbursement of funds to their scheduled repayment dates.

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Revenue recognition (continued)

Isfina'a income and income from instalment sale

Isfina'a income and income from instalment sale are recognized using the effective yield over the period of respective transactions.

Dividend income from equity investments and investments in funds

Dividend income is recognized when the right to receive the payments is established.

Investment in syndicated Ijarah

Income from investments in syndicated Ijarah is recognized on an effective yield basis (which represents profit earned on Ijarah rentals i.e. rentals minus applicable depreciation on the underlying Ijara assets).

Wakala investment

Revenues, expenses, gains and losses, arising from investment in Wakala venture as well as the respective agent's remuneration (including both, fixed fee and variable remuneration) is recognized periodically, on a net basis.

Loan (Qard) service fees

ISFD charges loan (qard) service fee only to cover its actual administrative costs related to the signature of an agreement and disbursements made to the member countries. Thus, the loan (qard) service fee is calculated during the financial period starting from the signature date through to the date of the last disbursement only and not throughout the loan (qard) tenure (to maturity date).

The loan (qard) service fee is allocated and recognized in the statement of financial activities over the financial period.

t) Grant allocation from waqf equity

The Fund recognizes allocation of grants, whether conditional or unconditional, as an appropriation from its retained surplus when those are approved by the appropriate authority with a corresponding credit to liabilities. When such grants are disbursed to the beneficiaries such liability is reduced accordingly as and when the conditions are satisfied.

u) Impairment of financial assets

Impairment of Financial Assets held at amortized cost

The fund applies the credit loss approach to financing instruments measured at amortized cost, loan commitments, and treasury investments held at amortized cost. To assess the extent of credit risk, the financial assets are divided into three (3) categories:

- i. Stage 1 – No significant increase in credit risk;
- ii. Stage 2 – Significant increase in credit risk (SICR); and
- iii. Stage 3 – Credit impaired financial assets.

Allocation to different stages is based on the degree of deterioration in the credit quality of the financial asset. At each reporting date, the Fund assesses whether there has been a significant increase in credit risk. The Fund monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Fund will measure the loss allowance based on lifetime rather than 12-month ECL. Currently, the Fund has assessed Nil loss allowance on issued loan commitments and financial guarantee contracts.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Fund compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity of the current reporting date when the financial instrument was first recognized. In making this assessment, the Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Fund's historical experience and expert credit assessment including forward-looking information.

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment of financial assets (continued)

Multiple economic scenarios form the basis of determining the probability of default or initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

Forward-looking information includes the future prospects of the countries and industries in which the Fund's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. The Fund allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing rating transactions and/or days past due, given that macro-economic scenario data and models for certain countries are not readily available, in such cases proxy scenarios and models have been used.

The PDs used are forward-looking and the Fund uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Fund still considers separately some qualitative factors to assess if credit risk has increased significantly.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

All financial assets are allocated to stage 1 on initial recognition. However, if a significant increase in credit risk is identified at the reporting date compared with initial recognition, then the asset is transferred to stage 2 (Refer to note 28 Risk management). If there is objective evidence of impairment, then the asset's credit-impaired and allocated to stage 3 as described in note 28 Risk management.

With the exception of Purchased or originated credit-impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2).
- As for instruments classified in stage 3, loss allowance is quantified as the difference between the carrying amount of the instrument and the net present value of expected future cash flows discounted at the instrument's original effective profit rate (EPR) where applicable.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

For Sovereign:

Prolonged Civil War/ external arms conflict

For Non-Sovereign:

Company files for bankruptcy

Cancellation of Operating License

Clear evidence that the company will not be able to make the future repayments

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Fund assesses whether debt instruments that are financial assets measured at amortised cost or FVTW are credit-impaired at each reporting date.

Purchased or originated credit-impaired (POCI) financial assets.

THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Impairment of financial assets (continued)

POCI financial assets are treated differently because the asset is credit impaired at initial recognition. For these assets, the Fund recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A favourable change for such assets creates an impairment gain.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the financial asset, changes to the timing of the cash flows of the financial asset (principal and profit repayment), reduction in the amount of cash flows due (principal and profit forgiveness).

When a financial asset is modified the Fund assesses whether this modification results in derecognition. In accordance with the Fund's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Fund considers the following:

A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective profit rate. If the difference in present value is greater than 10% the Fund deems the arrangement is substantially different leading to derecognition. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Fund considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between the revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated-credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Fund monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Fund determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD of the reporting date based on the modified terms.

For financial assets modified as part of the Fund's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Fund's ability to collect the modified cash flows taking into account the Fund's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forbore loan is credit impaired due to the existence of evidence of credit impairment (see above) the Fund performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit-impaired. The loss allowance on forbore loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Impairment of financial assets (c continued)

Where a modification does not lead to derecognition the fund calculates the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Modification losses, if any, for financial assets are included in the statement of financial activities in "Losses on modification of financial assets". Then the fund measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfall from the original asset.

The fund derecognised a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the fund continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The fund considers the following as constituting an event of default:

- All contracts or obligors rated 21 in the fund's internal scale (equivalent to C in Moody's scale and D in both S&P's and Fitch Ratings' scale); or
- Moreover, the fund also uses a rebuttable presumption based on EPD. This rule is applied if the contractual payments are due for more than 180 days for sovereign contracts and 90 days for non-sovereign ones, unless there is reasonable and supportable information indicating that the contract is not credit-impaired.

This definition of default is used by the fund for accounting purposes as well as for internal credit risk management purposes. The definition of default is appropriately tailored to reflect different characteristics of different types of assets.

The fund uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore, credit impaired assets will include defaulted assets, but will also include other non-defaulted given the definition of credit impaired is broader than the definition of default.

Write-off

When the non-sovereign exposure is deemed uncollectible, it is written-off against the related impairment provision and any excess loss is recognized in the statement of financial activities. Such assets are written-off only after all necessary procedures have been completed and the amount of loss has been determined. Subsequent recoveries of amounts previously written-off are credited to the fund's statement of financial activities. Sovereign exposures are not written-off based on the fund's past experience, since its inception, fund has not written off any non-sovereign financial assets during the current and prior year.

Impairment of investments held at fair value through changes in waqf equity

The fund exercises judgment to consider impairment on the financial assets and investments in real estate through changes in waqf equity, at each reporting date. A financial asset held at fair value through changes in waqf equity is considered impaired if it has suffered a significant or prolonged decline in its value below cost. The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the fund evaluates among other factors, the normal volatility in share prices. In addition, the fund considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

The fund considers 30% or more, as a reasonable measure for significant decline below its cost, irrespective of the duration of the decline. Prolonged decline represents decline below cost that persists for 1 year or longer irrespective of the amount.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Zakat and tax

The Fund is considered a *Bait-ul-Mal* (public money), hence is not subject to Zakat or any Taxes.

w) Subsequent event

The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the reporting date.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in accordance with FAS issued by AAOIFI requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and incomes and expenses. It also requires Management to exercise its judgment in the process of applying the Fund's accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. The most significant judgments and estimates are summarised below:

Functional and presentation currency: Since most of the operations are conducted in USD and disbursements are made in USD, ISFD's functional and presentation currency is USD.

SIGNIFICANT JUDGEMENTS

Going concern: The Fund's management has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Comingling of funds total assets: The total assets of the Fund are represented by the waqf corpus as well as the accumulated surplus. Since the Fund is a cash waqf (except for investment in real estate represented by in-kind corpus), total assets have not been split between those representing waqf corpus and those representing other components of waqf equity (either than in-kind corpus) and those represented by the grants payable. Management believes that the most appropriate representation of the accumulated surplus and grants payable would be commodity Murabaha placements, if such a split was to be presented on the statement of financial position. Management continues to monitor the Fund resources on a totality basis.

Impairment of financial assets designated at fair value through waqf equity: The Fund's management has established thresholds to determine significant or prolonged decline in the value below cost of its financial assets designated at fair value through waqf equity as described in the policy notes above. It continues to exercise judgement in making impairment decisions consistently using the said threshold as well as taking into account all the relevant factors in determining that the established thresholds remain relevant as at period ends.

SIGNIFICANT ESTIMATES

Expected credit losses against financial assets

Expected credit losses against financial assets – The measurement of credit losses under FAS 30 across all categories of financial assets requires judgement. In particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

SIGNIFICANT ESTIMATES (continued)

Expected credit losses against financial assets (continued)

The Fund's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- (i) The Fund's internal credit grading model, which assigns PDs to the individual grades;
- (ii) The Fund's criteria for assessing if there has been a significant increase in credit risk necessitating the loss allowance to be measured on a 12 month or lifetime ECL basis and the applicable qualitative assessment;
- (iii) Development of ECL models, including the various formulas and the choice of inputs;
- (iv) Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- (v) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets is measured by using valuation techniques which require a certain degree of judgement and estimation.

Nonetheless, the actual amount that is realized in a future transaction may differ from the current estimate of fair value and may still be outside management estimates, given the inherent uncertainty surrounding valuation of unquoted investments.

Employee benefits liabilities

The Fund uses the projected unit credit method to determine the net present value of its defined benefit plans and the related service costs. In this regard, the Fund uses certain assumptions of discount rates, expected return on plan assets and rate of salary increases, which may differ from actual experiences. These estimates are updated on annual basis.

The effect of new and revised financial accounting standards

The following new FASs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these financial statements if found to be applicable.

Impact of initial application of FAS 37 Financial reporting by Waqf Institution

In the current year, the Fund, for the first time, has applied FAS 37 Financial reporting by Waqf Institution ("FAS 37"). FAS 37 as issued by the AAOIFI is effective for annual periods that begin on or after 1 January 2022. The standard provides the guidance on financial reporting by Waqf institution which was not previously covered under the existing AAOIFI standards.

FAS 37 introduces requirements with respect to the presentation and disclosure of the financial statements and inclusion of following statements:

a. The Statement of Ghallah.

Statement of ghallah is a presentation statement and a component of the financial statements. It presents, for the benefit of the users of the financial statements, in one place:

- i. the determination of Ghallah in line with the conditions of the Waqf or as essential for the achievement of Waqf objectives (which may, or may not, match with the accounting income
- ii. the benefits allocated / distributed during the period out of Ghallah available for distribution; and
- iii. balance available of unappropriated Ghallah as of the beginning and the end of the period (being a part of Waqf equity).

b. Risk management disclosure: Waqf equity sustainability

A Waqf Institution is required to disclose information that enables the users of the financial statements to evaluate the Waqf institution's objectives and policies for managing risk.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The effect of new and revised financial accounting standards (continued)

b. Risk management disclosure: Waqf equity sustainability (continued)

When the Waqf Institution is subject to corpus sustainability requirements by the Waqf deed or regulatory authorities, the nature of those requirements and how they are incorporated into the Waqf Institution's policies relating to the Waqf corpus management are required to be disclosed.

When the Waqf Institution has not complied with the sustainability requirements, the management is required to disclose the reasons and consequences of such non-compliance.

c. The statement of service performance

Waqf Institutions are required to prepare and present a statement of service performance, as part of the notes to the financial statements or as appended to the financial statements. The purpose of the statement of service performance is mainly to provide non-financial information to help users understand the operational performance of the Waqf Institution in correlation to its financial activities and state of affairs. The management of the Fund has appended this statement to these financial statements.

FAS 37 introduces new requirements with respect to the accounting of contributions received by Waqf in form of cash or in-kind assets or specified assets, asset comprising of the Waqf Corpus, and accounting for restricted funds. These requirements have been described in the policy notes above.

Following changes were made as a result of the adoption of FAS 37:

- a) Statement of ghalibah has been presented for the first time for the years ended December 31, 2022, and December 31, 2021.
- b) Statement of waqf equity has been presented for the years ended December 31, 2022, and December 31, 2021. This statement presents similar information as the changes in net assets that formed part of the statement of activities and changes in net assets in the financial statements for the year ended December 31, 2021.
- c) The term "fund resources" and "fund resources – in kind" under waqf equity were renamed as "waqf corpus-cash" and "waqf corpus – in-kind" respectively.
- d) Statement of service performance has been appended to the financial statements.

Financial Accounting Standard – 38 Wa'ad, Khayar and Tahawwut

The standard intends to set out principles for measurement, recognition and disclosure of Wa'ad (promise), Khayar (option) and Tahawwut (hedging) transactions that are carried out by Islamic financial institutions.

The Fund has evaluated the impact of this standard and concluded that it is not applicable as the Fund is not carrying any such instruments.

Standards issued but not yet effective

The following new FASs have been issued. The Fund intends to adopt these financial reporting standards when they become effective and is currently assessing the impact of these new FASs on its financial statements and systems.

- (i) Financial Accounting Standard – 39 "Financial Reporting for Zakah"

This standard aims at setting out accounting treatment of Zakah in the books of an Islamic financial institution, including the presentation and disclosure in its financial statements. The objective of this standard is to establish the principles of financial reporting related to Zakah attributable to different stakeholders of an Islamic financial institution. This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted. This standard is not applicable to the Fund as it is not a zakah payer.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The effect of new and revised financial accounting standards (continued)

Standards issued but not yet effective (continued)

(iii) Financial Accounting Standard – 40 "Financial Reporting for Islamic Finance Windows"

The objective of this standard is to establish financial reporting requirements for Islamic financial services offered by conventional financial institutions (in the form of Islamic finance windows). The standard shall be effective on the financial statements of the Islamic finance window of conventional financial institutions for the periods beginning on or after 1 January 2024 with early adoption permitted. This standard is not applicable to the Fund as it is not a conventional financial institution.

(iii) Financial Accounting Standard – 1 (Revised 2021) "General Presentation and Disclosures in the Financial Statements"

The revised FAS 1 describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable on all the Islamic financial institutions and other institutions following AAOIFI FASs. This standard sets out the overall requirements for presentation of financial statements, the minimum requirements for the contents of the financial statements and a recommended structure of financial statements that facilitate faithful presentation in line with Shari'ah principles and rules and comparability with the institution's financial statements of previous periods, and the financial statements of other institutions. This standard shall be effective on the financial statements of the institutions beginning on or after 1 January 2023 with early adoption permitted. The Fund is currently evaluating the impact of this standard on its financial statements.

(iv) Financial Accounting Standard - 42 "Presentation and Disclosures in the Financial Statements of Takaful Institutions"

This standard sets out the principles for the presentation and disclosure for the financial statements of Takaful institutions. It aims to ensure that the Takaful institutions faithfully present the information related to these arrangements to the relevant stakeholders as per the contractual relationship between the parties and the business model of the Takaful business in line with the Shari'ah principles and rules.

This standard improves the presentation and disclosure requirements, in line with the global best practices, and supersedes the existing FAS 12 "General Presentation and Disclosures in the Financial Statements of Islamic Insurance Companies".

This standard prescribes the set of financial statements that the institutions should periodically publish to satisfy the common information needs of users of financial statements. This standard also establishes the general principles for the presentation of information and adequately reflecting the rights and obligations of different stakeholders within Takaful business model. It stipulates the information that should be disclosed in the financial statements of Takaful institutions to achieve the objectives of accounting and financial reporting.

The standard shall be accompanied by, and read in conjunction with, FAS 43 "Accounting for Takaful, Recognition and Measurement", which covers the significant aspects of accounting for Takaful products.

This standard shall be effective on the annual financial statements of the Takaful institutions beginning on or after 01 January 2025 with early adoption of the standard is permitted if adopted alongside FAS 43 "Accounting for Takaful, Recognition and Measurement", provided that FAS 1 "General Presentation and Disclosures in the Financial Statements" has already been adopted or is simultaneously adopted.

FAS 42 shall not impact the financial statements as the Fund is not a Takaful institution.

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT
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YEAR ENDED 31 DECEMBER 2022**

(All amounts in thousands of United States Dollars unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The effect of new and revised financial accounting standards (continued)

Standards issued but not yet effective (continued)

(v) Financial Accounting Standard - 43 "Accounting for Takaful; Recognition and Measurement"

This standard sets out the principles for the recognition, measurement and reporting of Takaful arrangements and ancillary transactions for the Takaful institutions. It aims to ensure that the Takaful institutions faithfully present the information related to these arrangements to the relevant stakeholders as per the contractual relationship between the parties and the business model of the Takaful business in line with the Shariah principles and rules. The requirements of this standard are duly aligned with the international best practices of financial reporting for the insurance business.

This standard shall be effective on the financial statements of the Takaful institution for the annual financial reporting period beginning on or after 01 January 2025. Early adoption of the standard is permitted if adopted alongside FAS #2 "Presentation and Disclosure in the Financial Statements of Takaful institutions".

FAS 43 shall not impact the financial statements as the Fund is not a Takaful institution.

4. CASH AND CASH EQUIVALENTS

	2022	2021
Cash at bank	6,589	435
Short-term commodity murabaha placements (note 5)	497,042	5,307
	503,631	5,742

Commodity murabaha placements included within cash equivalents are those interbank placements, which have an original maturity equal to, or less than, three months. Placements with original maturities of above three months are disclosed in note 5.

5. COMMODITY MURABAHA PLACEMENTS

	2022	2021
Commodity murabaha placements through banks	1,172,727	1,087,002
Accrued income	6,778	3,761
Short-term commodity murabaha placements (note 4)	(497,042)	(5,307)
Provision for impairment (note 21)	(23)	(77)
	681,440	1,085,379

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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6. INVESTMENT IN SUKUK

	Counterparty rating					Total
	AAA	AA+ to AA-	A+ to A-	BBB to lower	Unrated	
31 December 2022						
Sukuk classified as fair value through statement of financial activities:						
- Governments	-	40,574	-	-	2,033	42,607
- Financial institutions	124,534	-	10,073	-	40,285	194,892
- Other entities	-	-	-	-	-	-
	124,534	40,574	10,073	-	42,318	237,499
Sukuk classified at amortised cost:						
- Governments	-	-	-	480,898	-	480,898
- Financial institutions	-	25,296	30,275	-	-	55,571
- Other entities	-	-	43,548	50,521	16,487	130,756
	-	25,296	73,823	531,419	16,487	667,225
Total	124,534	65,870	103,896	531,419	79,005	904,724

	Counterparty rating					Total
	AAA	AA+ to AA-	A+ to A-	BBB to lower	Unrated	
31 December 2021						
Sukuk classified as fair value through statement of financial activities:						
- Governments	-	41,725	-	35,974	-	77,699
- Financial institutions	136,516	-	10,152	-	-	146,668
- Other entities	-	-	-	-	34,234	34,234
	136,516	41,725	10,152	35,974	34,234	258,601
Sukuk classified at amortised cost:						
- Governments	-	-	-	560,720	2,044	562,764
- Financial institutions	-	43,316	30,269	-	60,269	133,854
- Other entities	-	-	63,698	50,559	-	114,257
	-	43,316	93,967	611,279	62,313	810,875
Total	136,516	85,041	104,119	647,253	96,547	1,069,476

The movement of the investments in sukuk is as follows:

	2022	2021
Balance at beginning of the year	1,069,476	1,179,818
Movements during the year		
Additions	-	137,720
Redemption of sukuk	(149,536)	(241,796)
Amortisation of discount on sukuk carried at amortised cost	147	285
Unrealised fair value losses	(14,159)	(3,685)
Movement in accrued income on sukuk carried at amortised cost	(702)	(770)
Less: impairment charge for the year	(512)	11,076
Unrealised foreign exchange translation loss	(10)	(20)
Balance at end of the year	904,724	1,069,476

Sukuk investments as of December 31 are net of provision of impairment of USD 1,588 (2021: USD 1,076) (note 21)

Income from investments in sukuk is comprised of the following:

	2022	2021
Coupon income	37,263	39,365
Amortization of discount on sukuk carried at amortised cost	147	285
Unrealised fair value losses	(14,159)	(3,685)
	23,251	35,965

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7. INSTALMENT SALE

	2022	2021
Gross amounts receivable	33,961	33,961
Accrued Income	889	378
Less: provision for impairment (note 21)	(5,294)	(2,602)
	29,556	31,737

In 2020, ISFD entered into installment sales contracts worth USD 35 million with member countries which were part of the COVID-19 emergency response. The net impairment charge for the year was USD 2.692 (2021: USD 2.602).

8. LOANS (QARD)

	2022	2021
Loans (qard)	381,148	335,056
Less: provision for impairment (note 21)	(15,002)	(15,016)
	366,146	320,040

The movement in provision for impairment against loans (qard) is summarized as follows:

	2022	2021
Balance at the beginning of the year	15,016	5,085
Impact of first-time adoption of FAS 30 implementation	-	13,254
Revised balance at the beginning of the year	15,016	18,339
Reversal of impairment during the year	(14)	(3,323)
Balance at the end of the year	15,002	15,016

9. INVESTMENTS IN SYNDICATED ISTISNA'A FUND

	2022	2021
Investment in syndicated Istisna'a fund	18,141	12,114
Provision for Impairment (note 21)	(224)	(193)
Balance at end of the year	17,937	11,921

In 2020, SFD co-invested in istisna'a project to construct a damitory in the US with estimated total cost of USD 89.6 million (ISFD's share is 22.3%(2021: 22.3%).

10. INVESTMENT IN SYNDICATED IJARAH

	2022	2021
Balance at beginning of the year	70,634	63,702
Disbursements	-	10,554
Repayments	(32,868)	(2,840)
Impairment reversal / (charge) for the year	73	(782)
Balance at end of the year	37,849	70,634

ISFD entered into 9 non-sovereign ijarah projects syndicated with KDB, whereby the latter acts as lead syndicator. 7 of the 9 projects repaid their dues ahead of schedule. Income on investment in syndicated ijarah amounted to USD 3.2 million (2021: USD 3.2 million). Investment in ijarah is net of provision for impairment of USD 709 (2021: USD 782).

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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11. INVESTMENT IN MUSHARAKAH FUND

	2022	2021
Investment in musharakah fund	5,000	5,000

In 2021, ISFD invested in a musharakah fund. The total commitment to the fund equals to USD 50 million which shall be disbursed in equal instalments of USD 5 million over the next 10 years.

12. INVESTMENT IN AN ASSOCIATE

	2022	2021
Balance at beginning of the year	89	153
Share of reserves of an associate recognised directly in waqf equity	144	(68)
Share of net results	4	4
Balance at end of the year	237	89

13. EQUITY INVESTMENTS

	2022	2021
Balance at beginning of the year	60,042	81,607
Disposal	(4,392)	-
Realised fair value gain on disposal transferred to statement of financial activities	686	-
Net unrealised fair value gains reported through changes in waqf equity	8,448	14,711
Impairment charge for the year	(12,997)	(36,276)
Balance at end of the year	49,807	60,042

The Fund's equity investments represent USD 27.3 million (2021: USD 17.5 million) invested in unlisted equity securities and USD 22.5 million (2021: USD 42.5 million) invested in listed equity securities. Equity investments are net of provision for impairment of USD 67.4 million (2021: USD 54.4 million).

14. INVESTMENT IN FUNDS

	2022	2021
Balance at beginning of the year	124,708	116,300
Additions	20,179	4,290
Disposals	(8,818)	(13,866)
Net unrealised fair value (losses) / gains reported through changes in waqf equity	(4,361)	17,984
Impairment charge for the year	(618)	-
Balance at end of the year	131,100	124,708

15. WAKALA INVESTMENTS

	2022	2021
Balance at the beginning of the year	-	-
Additions during the year	430,000	-
Share of gain for the year	11,921	-
Balance at end of the year	441,921	-

This represents investments in securities portfolio managed by external portfolio managers and held for trading as at 31 December 2022:

	2022	2021
Cash	4,350	-
Investment in equity instruments	48,693	-
Investment in exchange traded funds	32,836	-
Investment in funds	356,043	-
	441,921	-

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15. WAKALA INVESTMENTS (continued)

EFM fees comprise annual fund management fee calculated as percentage on the net asset value of the portfolio and specific annual performance fee.

16. INVESTMENT IN REAL ESTATE

The Government of the Republic of Benin (a member country) vide Article 3 of the Decree No. 2014-137 dated 20th February 2014 had allocated a piece of land to ISFD for 70 years, non-renewable, that will be developed (by ISFD) to generate revenues for the Fund. The value of the land allocated was independently assessed by a consultant to be USD 5.35 million and was recorded at fair value at the date of the contribution in the books of ISFD, with corresponding increase in the waqf corpus. The allocated piece of Land was registered in the name of Islamic Development Bank for the benefit of ISFD.

In December 2022, the Government of the Republic of Benin replaced its land previously contributed at USD 5.35 million valuation with the new land valued at USD 5.54 million. In addition, in 2022, the Government of Burkina Faso allocated land to ISFD worth USD 1.89 million. These lands shall be developed by ISFD to generate revenues for the Fund.

The aforementioned lands were specified as the waqf corpus and recorded as specified contribution to the corpus. The allocated lands are registered in the name the Fund.

17. ACCRUED INCOME AND OTHER ASSETS

	2022	2021
Due from related parties (note 22)	1,453	351,776
Accrued Ijarah and other income	1,754	1,144
	3,207	352,920

18. ACCRUED EXPENSES AND OTHER LIABILITIES

	2022	2021
Due to related parties (note 22)	941	272
Pension liability	931	1,053
Accrued expenses and other liabilities	4,871	4,880
	6,743	6,205

19. GRANTS ALLOCATION AND PAYABLE

The Board of Directors of ISFD vide resolution no ISFD/BOD/21/12/436/(52)/31 approved the following.

- 1) A grant of USD 100 million for "Lives and Livelihood Fund" (LUF) in its 51st meeting held in Maputo, Mozambique, in June 2015. The approved amount will be disbursed in line with Lives and Livelihood Fund's requirements for the underlying projects starting 1437H (2016). As at 31 December 2022, USD 85.8 million (2021: 71.1 million) has been disbursed.
- 2) 10% of normalized net annual income (net income less unrealized marked to market gains / (losses) as grant allocation.

The Board of Directors of ISFD vide resolution no. ISFD/BOD/12/11/017/ (59)/13 approved that the Fund shall contribute USD 100 million as an exceptional grant from its retained earnings to the ISDB - Science, Technology and Innovation Fund (STI). The approved amount shall be disbursed in two annual instalments of USD 50 million each. As at 31 December 2022, ISFD has disbursed USD 50 million. STI fund is expected to be liquidated (once approved by the governing body in 2023), and, hence, it is envisaged that USD 50 million previously contributed resources will be returned to the Fund.

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19. GRANTS ALLOCATION AND PAYABLE (Continued)

The Board of Directors of ISFD approved the following grants from ISFD's normalized net income (net income adjusted for unrealized gains/losses), appropriated from net income in the statement of changes in waqf equity:

	2022	2021
Grant Allocation		
Grant Allocation - 10%	(5,112)	(1,413)
UNDP & IDB & ISFD NGOs Empowerment Program	(5,000)	(1,000)
Other	(1,000)	(3,000)
Total grant allocation	(11,112)	(5,413)

Grants payable as at 31 December 2022 amounted to USD 128.6 million (31 December 2021: USD 138.1 million) and is primarily comprised of amounts payable to STI of USD 50 million (2021: USD 50 million) (the Fund is expected to be liquidated in 2023) LLF USD 14.7 million (2021: USD 28.9 million) General Grant Allocation of USD 30.5 million (2021: USD 30 million), ICER Program USD 5 million (2021: USD 5 million) and NGOs Empowerment Program USD 4.24 million (2021: USD 3 million). The movement during the year mainly comprises disbursements of USD 14.7 million to LLF (2021: USD 12.7 million)

20. EQUITY PRESERVATION FUND

The Board of Directors (BoD) of ISFD by resolution number BOD/16/03/437/ (54) Special/5 approved the establishment of a Special Equity Preservation Fund "the Reserve" and that annual allocation be made to the Reserve in the amount of 5% of the normalized net annual income (net income less unrealized 'or' value gains / losses) of ISFD in the years 1437H-1441H (2016-2019) and 10% in the following years.

At its 82nd meeting held on 11 December 2022, BoD resolved to increase the capital preservation rate from its current 10% to 15% in 2023 and to 25% in 2024 and beyond.

21. PROVISION FOR IMPAIRMENT OF TREASURY, PROJECT AND INVESTMENT ASSETS

Provision for impairment comprised of the following:

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Commodity murabaha placements	23	-	-	23
Investment in sukuk	1,588	-	-	1,588
Installment sale	-	-	5,294	5,294
Loans (Qard)	5,704	2,337	4,761	18,002
Investment in syndicated istisna'a fund	224	-	-	224
Investment in syndicated ijarah	709	-	-	709
	8,448	2,337	12,055	22,840
Equity investments				47,464
Investment in funds				6,751
				74,245
	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Commodity murabaha placements	77	-	-	77
Investment in sukuk	1,076	-	-	1,076
Installment sale	-	-	2,602	2,602
Loans (Qard)	3,570	466	10,780	15,016
Investment in syndicated istisna'a fund	193	-	-	193
Investment in syndicated ijarah	782	-	-	782
	5,698	466	13,382	19,746
Equity investments				54,457
Investment in funds				5,333
				79,536

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21. PROVISION FOR IMPAIRMENT OF TREASURY, PROJECT AND INVESTMENT ASSETS (continued)

The movement in provision for impairment is as follows:

	2022	2021
Opening balance	79,536	28,599
Impairment charge due to first time adoption of IAS 30	-	16,594
Adjusted opening balance	79,536	45,193
Charge for the year	16,709	34,343
Closing balance	96,245	79,536

In accordance with the fund's policy, cumulative market value losses of particular equity investments have been deemed as a significant or prolonged decline and were charged as equity impairment amounting to USD 12.9 million (2021: USD 34.3 million) and included in charge for the year of USD 16.7 million (2021: USD 34.3 million).

22. RELATED PARTIES

The Fund is managed by IsDB and its transactions are done through IsDB and its affiliated entities. Principal arrangements related to syndicated financing are with OCR and APIF (notes 9 and 10). Development activity transactions, which are entered into with Member Countries, represents all the financing activities (i.e., loans (qard) and investments in syndicated (jarah) of the Fund and related income, which has been disclosed in the statement of financial activities. The fund has also invested in sukuk issued by IsDB and other member countries.

(i) Due from related parties

	2022	2021
IsDB – Ordinary Capital Resources	-	351,774
IsDB – Special Account Resources Waqf Fund	1,452	-
Kuwait Development Fund	1	-
	1,453	351,774

(ii) Due to related parties

	2022	2021
IsDB – Ordinary Capital Resources	114	-
Islamic Corporation for the Insurance of Investment and Export Credit (IICIEC)	12	92
Somalia Trust Fund	8	-
Bill and Melinda Gates Foundation	3	-
Islamic Corporation for the Development of the Private Sector (ICD)	2	-
IsDB – Pension Fund	-	177
IsDB – Medical Fund	-	3
	141	351,774

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23. MATURITY PROFILE OF ASSETS AND LIABILITIES

31 December 2022	Assets and liabilities maturity periods					Total
	Less than 3 months	3 to 12 months	1 to 5 Years	Over 5 Years	No fixed Maturity	
Assets						
Cash and cash equivalents	503,631	-	-	-	-	503,631
Commodity murabaha placements	681,440	-	-	-	-	681,440
Investment in sukuk	48,646	63,543	761,861	10,449	-	904,724
Installment sale	-	-	-	29,556	-	29,556
Loans (Qard)	-	21,135	103,549	241,482	-	366,166
Investment in syndicated istisna'a fund	-	-	-	17,937	-	17,937
Investment in syndicated ijarah	2,924	3,559	19,047	12,897	-	37,897
Investment in musharakah fund	-	-	-	-	5,000	5,000
Investment in an associate	-	-	-	-	257	257
Equity investments	-	-	-	-	49,807	49,807
Investment in funds	-	-	-	-	131,100	131,100
Wakala investments	-	-	-	-	441,921	441,921
Investment in real estate	-	-	-	7,439	-	7,439
Accrued income and other assets	3,209	-	-	-	-	3,209
Total assets	1,259,272	88,242	884,477	319,940	628,085	3,180,036
Liabilities						
Accrued expenses and other liabilities	(5,812)	-	-	-	(931)	(6,743)
Grants payable	-	-	-	-	(128,610)	(128,610)
Net assets	1,253,460	88,242	884,477	319,940	498,544	3,044,483

31 December 2021	Assets and liabilities maturity periods					Total
	Less than 3 months	3 to 12 months	1 to 5 Years	Over 5 Years	No fixed Maturity	
Assets						
Cash and cash equivalents	5,742	-	-	-	-	5,742
Commodity murabaha placements	319,578	765,801	-	-	-	1,085,379
Investment in sukuk	-	-	1,058,557	10,919	-	1,069,476
Installment sale	-	-	1,739	29,998	-	31,737
Loans (Qard)	9,130	9,615	71,745	230,050	-	320,040
Investment in syndicated istisna'a fund	-	1,730	-	-	10,191	11,921
Investment in syndicated ijarah	1,954	3,735	15,751	45,194	-	70,634
Investment in musharakah fund	-	-	-	-	5,000	5,000
Investment in an associate	-	-	-	-	89	89
Equity investments	-	-	-	-	60,042	60,042
Investment in funds	-	-	-	-	124,708	124,708
Accrued income and other assets	352,920	-	-	-	-	352,920
Land	-	-	-	-	5,355	5,355
Total assets	689,324	780,881	1,151,292	316,161	205,385	3,143,043
Liabilities						
Accrued expenses and other liabilities	(4,497)	-	-	-	(1,711)	(6,208)
Grants payable	-	-	-	-	(138,081)	(138,081)
Net assets	684,827	780,881	1,151,292	316,161	63,593	2,998,754

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24. CONCENTRATION OF ASSETS

The geographical locations of assets at year-end reflect the continents in which the beneficiaries of the assets are located.

	Member countries				Non-member	Total
	Asia	Africa	Europe	Global	countries	
31 December 2022						
Cash and cash equivalents	415,410	-	-	-	8,141	503,551
Commodity murabaha placement	681,440	-	-	-	-	681,440
Investment in sukuk	904,724	-	-	-	-	904,724
Instalment sale	-	29,556	-	-	-	29,556
Loans (Qard)	92,823	273,343	-	-	-	366,166
Investment in syndicated ishsna'a fund	-	-	-	-	17,937	17,937
Investment in syndicated ijarah	37,849	-	-	-	-	37,849
Investment in musharaka fund	5,000	-	-	-	-	5,000
Investment in an associate	-	257	-	-	-	257
Equity investments	22,458	-	23,970	-	3,379	49,807
Investment in funds	51,373	-	20,920	-	58,807	131,100
Wakala investments	-	-	-	441,921	-	441,921
Investment in real estate	-	7,439	-	-	-	7,439
Accrued income and other assets	3,209	-	-	-	-	3,209
Total assets	2,294,366	310,595	44,890	441,921	88,244	3,180,036

	Member countries				Non-member	Total
	Asia	Africa	Europe	S.America	Countries	
31 December 2021						
Cash and cash equivalents	200	-	-	-	5,542	5,742
Commodity murabaha placement	1,047,045	-	-	-	38,334	1,085,379
Investment in sukuk	1,069,476	-	-	-	-	1,069,476
Instalment sale	-	31,737	-	-	-	31,737
Loans (Qard)	108,313	207,594	341	3,792	-	320,040
Investment in syndicated ishsna'a fund	-	-	-	-	11,921	11,921
Investment in syndicated ijarah	61,795	6,839	-	-	-	70,634
Investment in musharaka fund	5,000	-	-	-	-	5,000
Investment in an associate	-	89	-	-	-	89
Equity investments	38,539	-	13,170	-	8,333	60,042
Investment in funds	54,130	-	23,979	-	46,599	124,708
Accrued income and other assets	352,920	-	-	-	-	352,920
Land	-	5,355	-	-	-	5,355
Total assets	2,737,418	253,614	37,490	3,792	110,729	3,143,043

26. NET ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

The net assets in foreign currencies were as follows:

	2022	2021
Saudi Rival	10,467	39,585
Euro	3,045	(75)
Islamic Dinar (ID)	(3,764)	229
PKR	-	681
QAR	-	(100)
AED	(18)	-
GRP	1,435	-

26. UNDISBURSED COMMITMENTS

	2022	2021
Loans (Qard)	344,976	401,456
Investment in musharakah Fund	45,000	45,000
Investment in funds	25,479	20,174
Capital contributions	70,000	20,000

27. SHAR'AH BOARD

The Fund's activities are subject to the supervision of the IsDB Group Shar'ah Board consisting of members appointed by the Chairman of the IsDB Group in consultation with the Board of Executive Directors of IsDB. The Group Shar'ah Board was established pursuant to a Resolution of the Board of Executive Directors of IsDB. The members of the Board are appointed for 3 years and may be reappointed.

The Board has the following functions:

- to consider all products introduced by the Bank, its affiliates and trust funds for use for the first time and rule on their conformity with the Rules and Principles of the Islamic Shar'ah and lay down basic principles for drafting of related contracts and other documents;
- to give its opinion on the Islamic Shar'ah alternatives to conventional products which the Bank, its affiliates and trust funds intend to use, and to lay down basic principles for drafting of related contracts and other documents and contribute to their development with a view to enhancing the Bank's, its affiliates' and trust funds' experience in this regard;
- to respond to the Islamic Shar'ah related questions, enquiries and explanations referred to it by the Board of Executive Directors or the management of the Bank, its affiliates and trust funds;
- to contribute to the Bank, its affiliates and trust funds programme for enhancing the awareness of its staff members of Islamic banking and deepen their understanding of the fundamentals, principles, rules and values relative to Islamic financial transactions; and
- to submit to the Board of Executive Directors of the Bank, its affiliates and trust funds a comprehensive report showing the measure of the Bank's, its affiliates' and trust funds' commitment to Rules and Principles of Islamic Shar'ah in the light of the opinions and directions given and the transactions reviewed.

28. RISK MANAGEMENT

The Fund is monitored by the IsDB's Risk Management Department ("RMD"). The Bank has a Risk Management Department ("RMD") that is independent from all business departments as well as other entities and funds of the Bank. The RMD is responsible for dealing with all risk policies, guidelines and procedures with a view to achieving sound, safe and sustainable low risk profile through the identification, measurement and monitoring of all types of risks inherent in its activities. The Bank has also established a Risk Management Committee which is responsible for reviewing the risk management policies, procedures, guidelines and defining the Bank, its affiliates and its funds risk management framework and appetite, with a view to ensuring that there are appropriate controls on all major risks resulting from the Bank, its affiliates and its funds financial transactions.

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28. RISK MANAGEMENT (continued)

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund's credit risk arises mainly from its loan and project assets, investments in syndicated financing and treasury assets.

For all classes of financial assets held by the Fund, the maximum credit risk exposure to the Fund is their carrying value as disclosed in the statement of financial position. The assets which subject the Fund to credit risk, principally consist of commodity placements, investment in sukuk, syndicated financing and loans.

The Fund's liquid fund investments portfolio is managed by the Bank's Treasury Department and comprise deals with reputable banks. Liquid fund investment in commodity placements, sukuk whose ratings are acceptable to the Bank per its policies. The Fund's loan and syndicated financing are covered, in most cases, by sovereign guarantees from Member Countries, or bank guarantees from commercial banks acceptable to the Bank per its policies. The Bank, its affiliates and its funds benefit from preferred creditor status on sovereign financing, which gives it priority over other creditors in the event of default thus constituting a strong protection against credit losses. Historically, the Fund has had a very low level of overdue balances. The management is of the opinion that, with the exception of what has already been provided for, additional significant credit loss is unlikely to occur.

Credit risk includes potential losses arising from a counterparty's (i.e., countries, banks/financial institutions, corporate, etc.) inability or unwillingness to service its obligation to the Fund. In this respect, the Fund has developed and put in place comprehensive credit policies and guidelines as a part of overall credit risk management framework to provide clear guidance on various types of financing.

These policies are clearly communicated within the Fund with a view to maintain the overall credit risk appetite and profile within the parameters set by the management of the Fund. The credit policy formulation, credit limit setting, monitoring of credit exceptions / exposures and review / monitoring functions are performed independently by the RMD, which endeavors to ensure that business lines comply with risk parameters and prudential limits established by the BEO and Management of the Bank and the Fund.

An important element tool of credit risk management is the established exposure limits for single beneficiary or an obligor and group of connected obligors. In this respect, the Fund has a well-developed limit structure, which is based on the credit strength of the beneficiary, the obligor.

Moreover, credit commercial limits in member countries regarding financing operations as well as placement of liquid funds are also in place.

The assessment of any exposure is based on the use of comprehensive internal rating systems for various potential counterparties eligible to enter into business relationship with the Fund. While extending financing to its member countries, the Fund safeguards its interests by obtaining relevant guarantees for its financing operations and has to ensure that concerned beneficiaries as well as guarantors are able to meet their obligations. In addition to the above risk mitigation tools, the Fund has in place comprehensive counterparty assessment criteria and detailed structured exposure limits in line with the best banking practices.

Expected Credit Risk for financial assets measured at amortized cost

The Fund applies a three-stage approach in measuring expected credit losses (ECLs) for financial assets measured at amortized cost.

Determining the stage for impairment

The Fund's staging model relies on a relative assessment of credit risk, because it reflects the significant increase in credit risk (SICR) since initial recognition of an asset. The staging assessment is made at the contract level for non-sovereign rather than counterparty level, since the quantum of change in credit risk may be different for different contracts belonging to the same obligor. Also, different contracts of the same counterparty may have different credit risk at initial recognition. For sovereign, the staging assessment is made at the country level.

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28. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Determining the stage for impairment (continued)

Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. The Fund considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition and has not suffered a significant downgrade.

Stage 2 includes financial assets that experience an SICR. When determining whether the risk of default has increased significantly since initial recognition, the Fund considers both quantitative and qualitative information and analysis based on the Fund's historical experience and expert credit risk assessment, including forward looking information that is available without undue cost or effort, irrespective of the outcome of the above assessment, the Fund presumes that the credit risk on its sovereign and non-sovereign exposures has increased significantly since initial recognition when contractual payments are more than 90 days past due for sovereign financings and more than 30 days past due for non-sovereign financings on a material repayment amount. When a stage 2 instrument shows a significant enhancement in credit quality at the assessment date, it can move back to stage 1.

Where there is objective evidence that an identified financial asset is impaired, specific provisions for impairment are recognized in the statement of financial activities, and under FAS 30, the asset is classified in Stage 3. The Fund presumes that assets are credit-impaired when contractual payments are more than 180 days past due for sovereign financings and more than 90 days past due for non-sovereign financings on a material repayment amount. Besides, the Fund may consider an asset as impaired if the Fund assesses that the obligor is unlikely to pay its credit obligations in full, without recourse by the fund to actions such as realizing security.

A financial asset is no longer considered impaired when all past due amounts have been recovered, and it is determined that the outstanding amounts with future expected income are fully collectable in accordance with the original contractual terms or revised terms of the financial instrument with all criteria for the impaired classification having been remedied. The financial asset will be transferred back to stage 2 after a cure period.

The fund regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Measurement of Expected Credit Losses (ECLs)

ECL represents the average credit losses weighted by the probabilities of default (PD), whereby credit losses are defined as the present value of all cash shortfalls. The ECL is calculated for both Stage 1 and Stage 2 instruments by multiplying three main components, being the probability of default (PD), loss given default (LGD) and the exposure at default (EAD), and discounting the resulting provision using the instrument's effective profit rate (EPR).

These ECL parameters are generally derived from internally developed models and other historical data. They are adjusted to reflect forward-looking information as described below.

PD represents the likelihood of a counterpart defaulting on its financial obligation over different time horizon (e.g. 1 year or lifetime). The estimates the PDs using internal rating tools tailored to the various categories of counterparties and exposures. These internal rating models are based on internally and externally compiled data comprising both quantitative and qualitative factors. They produce a relative credit risk grading, which is in turn are associated with a likelihood of default (PD) over a one-year horizon, that is calibrated to reflect the fund's long run average default rate estimates (through-the-cycle (ITC) PD). The Fund uses a specific model based on country and industry parameterization to convert its ITC PDs into point-in time (PIT) PDs and derives a PIT PD term structure.

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28. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Measurement of Expected Credit Losses (ECLs) (continued)

LGD is the magnitude of the potential loss in the event of a default. This is generally estimated as value lost plus costs net of recovery (if any) as percentage of outstanding amount. The Fund uses internal LGD estimation models that consider the structure, collateral, and seniority of the claim and the counterparty rating and jurisdiction. LGD estimates are calibrated to reflect the recovery experience of the Fund as well as the Multilateral Development Banks' consortium data.

EAD represents the expected exposure in the event of a default. The Fund derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial instrument is its gross carrying amount. For contract under disbursement, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract.

FA30 requires ECLs to be forward-looking. The Fund uses a statistical model that links its counterparties' future performance to the current and future state of the macroeconomic environment. The model links macroeconomic scenarios to counterparty's default risk. Macroeconomic factors taken into consideration include, but are not limited to, gross domestic product, equity market prices, unemployment rates, and commodity prices and these require an evaluation of both the current and forecast direction of the macroeconomic cycle. The Fund estimates its ECLs by calculating the weighted average ECL of its exposures across three (3) set of forward-looking macroeconomic scenarios.

Exposure Amounts and ECL coverage

The Fund recognizes 12-month ECL for stage 1 instruments and lifetime ECL for stage 2 instruments. For stage 3 instruments, the Fund calculates a loss allowance amount based on the difference between the carrying amount of the instrument and the net present value of expected future cash flows discounted at the instrument's original effective profit rate (EPR) where applicable.

Tables below present the breakdown of gross exposure amount (project and treasury assets and other investments debt-type that are subject to credit risk), impairment allowance, and the coverage ratio by exposure type for financial instruments measured at amortized cost as at 31 December 2022.

31 December 2022	Gross Exposure Amount				Impairment Allowance			
	Stage	Stage	Stage	Total	Stage	Stage	Stage	Total
	1	2	3		1	2	3	
Sovereign	810,827	38,206	88,136	937,169	7,424	2,337	8,182	17,943
Non-Sovereign	1,623,101	-	3,872	1,626,973	1,025	-	3,872	4,897
Total	2,433,928	38,206	92,008	2,544,142	8,449	2,337	12,054	22,640

31 December 2021	Gross Exposure Amount				Impairment Allowance			
	Stage	Stage	Stage	Total	Stage	Stage	Stage	Total
	1	2	3		1	2	3	
Sovereign	870,943	14,749	86,845	972,539	4,590	657	2,651	14,898
Non-Sovereign	1,376,383	986	3,701	1,383,100	1,108	9	3,731	4,848
Total	2,249,328	15,735	90,576	2,355,639	5,698	666	13,382	19,746

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28. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Exposure Amounts and ECL coverage (continued)

31 December 2022	Coverage Ratio (Impairment Allowance / Exposure Amount)			
	Stage 1	Stage 2	Stage 3	Total
Sovereign	0.92%	4.12%	9.28%	1.91%
Non-Sovereign	0.06%	0.00%	100.00%	0.30%
Total	0.35%	4.12%	13.10%	0.69%

31 December 2021	Coverage Ratio (Impairment Allowance / Exposure Amount)			
	Stage 1	Stage 2	Stage 3	Total
Sovereign	0.53%	4.45%	11.11%	1.53%
Non-Sovereign	0.08%	0.91%	100.00%	0.35%
Total	0.25%	4.23%	14.77%	0.84%

An important element of the credit risk management framework is exposure limits structure for each obligor and group of connected obligors. Moreover, portfolio concentration limits relating to single country and single obligor are also in place with the view to maintain appropriate diversification. The assessment of any exposure is based on the use of comprehensive internal rating systems for various potential counterparties eligible to enter into business relationships with IDB and its managed funds. While extending financing to its member countries, the Bank safeguards its and its managed funds' interests by obtaining adequate guarantees and ensures that the concerned beneficiaries as well as the guarantors are able to meet their obligations to IDB and its managed funds. In addition to the above risk mitigation tools, the Bank has in place a comprehensive approach for risk assessment and assignment of exposure limits for each type of obligors in line with the best banking practices.

b) Country risk

Country risk refers to the risks associated with the economic, social and political environments of the beneficiary's home country. Guidelines are in place for assessing and monitoring country risk profiles and exposure to safeguard the Bank, as well as the other entities of the Bank, against undue risk. The country risk profiles and exposure limits are periodically reviewed taking into consideration the macro-economic, financial and other developments in the member countries, as well as the status of their business relationship with IDB and its managed funds, perception of the rating agencies and institutions of repute, risk perception of market participants and experience of other multilateral development banks (MDB's). Countries are classified under 7 risk categories; i.e., "A" to "G", whereby "A" represents the highest creditworthy category (lowest risk) and "G" represents the lowest creditworthy category (highest risk).

c) Market risks

The Fund is exposed to following market risks:

Currency risk

Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial assets and liabilities denominated in foreign currencies, in case the Fund does not hedge its currency exposure by means of hedging instruments. Exposure to exchange risk is limited. Most of the Fund's operations are affected in USD. The Fund does not trade in currencies. Therefore, it is not exposed to currency trading risk. The investment portfolio is held primarily in USD and EUR. The Fund has a conservative policy whereby the currency composition of the portfolio is monitored and adjusted regularly.

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED 31 DECEMBER 2022**

(All amounts in thousands of United States Dollars unless otherwise stated);

28. RISK MANAGEMENT (continued)

c) Market risks (continued)

Mark-up risk

Mark-up risk arises from the possibility that changes in Mark-up risk will affect the value of the financial instruments. The Fund is exposed to Mark-up on its investments in cash and cash equivalents, commodity murabaha placements, syndicated financing and investments in sukuk. In respect of the financial assets, the Fund invests in fixed income instruments to ensure that the effect of exposure on financial assets is minimized.

d) Liquidity risk

Liquidity risk is the risk that the fund will be unable to meet its net cash requirements. To guard against this risk, the Fund adopts a conservative approach by maintaining high liquidity levels invested in cash and cash equivalents and commodity murabaha placements with short-term maturity of three to twelve months.

e) Operational Risk

The fund defines operational risk as the risk of loss resulting from inadequate or failed processes, people and systems; or from external events. This also includes possible losses resulting from Shar'ia non-compliance risks, failure in fiduciary responsibilities and legal risk.

Operational risk management forms part of the day-to-day responsibilities of management at all levels. The fund manages operational risk based on a consistent framework that enables the fund to determine its operational risk profile and systematically identify and assess risks and controls to define risk mitigating measures and priorities.

Shar'iah non-compliance risk (SNCR)

The fund attaches value in safeguarding its operations from Shar'iah non-compliance risk (SNCR) as part of its operational risk management. Shar'iah compliance forms an integral part of the fund's purpose of establishment. Consequently, the fund effectively manages SNCRs through leveraging on the IsDB Group wide robust framework of procedures and policies. The business or risk-taking unit, as the 1st line of defence, embeds a culture of Shar'iah compliance, while the Shar'iah Compliance function of IsDB Group serves as the 2nd line of defence to strategically manage and monitor SNCRs pre-execution of transactions/operations. The IsDB Group Internal Shar'iah Audit function provides independent reasonable assurance as the 3rd line of defence post-execution of transactions/operations adopting a risk-based internal Shar'iah audit methodology.

f) Fair values of financial assets and liabilities

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the fund's assets and liabilities that are measured at fair value at 31 December 2022 and 2021.

	Level 1	Level 2	Level 3	Total
31 December 2022				
Assets				
Financial assets at fair value through statement of financial activities				
- investment in sukuk	237,497	-	-	237,497
Financial assets at fair value through waqf equity				
- Equity investments	22,457	27,350	-	49,807
- Investment in funds	-	-	131,100	131,100
	259,956	27,350	131,100	418,406

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YEAR ENDED 31 DECEMBER 2022**

[All amounts in thousands of United States Dollars unless otherwise stated]

28. RISK MANAGEMENT (continued)

f) Fair values of financial assets and liabilities (continued)

<u>31 December 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Financial assets at fair value through statement of financial activities:				
- Investment in sukuk	258,601	-	-	258,601
Financial assets at fair value through waqf equity:				
- Equity investments	42,538	17,504	-	60,042
- Investment in funds	-	-	124,708	124,708
	<u>301,139</u>	<u>17,504</u>	<u>124,708</u>	<u>443,351</u>

There were no transfers between levels during the years ended 31 December 2022 and 31 December 2021.

g) Waqf equity sustainability

In accordance with the Regulations of the Fund, the principal / waqf corpus shall be maintained. At 31 December 2022, the Fund equity has been financially sustainable and accumulated surplus equal to USD 453 million representing 15% of total assets. Further, the Board of Directors of ISFD approved establishment of a Special Equity Preservation Fund to which annual allocation are made in the amount of 10% of the normalized net annual income (note 20).

29. LIBOR TRANSITION

Benchmark transition

In July 2017, the Financial Conduct Authority (FCA), the regulator of LIBOR, announced that it will no longer compel panel banks to submit rates required to calculate LIBOR after December 31, 2021 and, therefore, market participants, including ISFD need to set their pricing on the basis of the alternative reference rates because the availability of LIBOR after this date is not a certainty. The regulators' guidance remains that LIBOR should not be used for new contracts after 2021. In consideration of the regulatory guidance and in preparations for the global markets' transition away from LIBOR, ISFD since 2018 has initiated the LIBOR transition program to facilitate a smooth and orderly transition of its financing and funding instruments affected by alternative reference rates.

The Fund's exposure to LIBOR transition is limited in one (1) currency i.e., USD whereas for EUR, the exposure is against EURIBOR which is not subject to cessation.

In the year 2022, various key milestones were overcome involving:

- (i) formulation of detailed implementation roadmap and action plan with the help of an external consultant,
- (ii) formulation and incorporation of enhanced 'fallback' clause for all prospective contracts,
- (iii) Obtaining clearance from Shariah Technical Committee on use of CME Term SOFR (Chicago Mercantile Exchange "CME" is an American global markets company. It is the world's largest financial derivatives exchange. CME Group estimates the Term SOFR Reference Rates benchmark as a daily set of forward-looking profit rates for 1-month, 3-month, 6-month and 12-month tenors) as preferred replacement rate to USD LIBOR,
- (iv) revision in the Sovereign Pricing policy based on new benchmark rates,
- (v) resource mobilization based on SOFR curve and maintaining the cost pass through mechanism to minimize the AUM (Asset and Liability Management) risks,
- (vi) initiation of system upgradation project to enable the use of new pricing policy and reference rates
- (vii) approval of new pricing policy based on alternate benchmark rates applicable for sovereign project financing,
- (viii) adoption of the alternate reference rate for all the new contracts approved from 2022 onwards,
- (ix) management approval on the conversion methodology for legacy portfolio impacted due to Libor cessation,
- (x) engagement with member countries and other counterparts for building census on the conversion methodology,
- (xi) drafting and sharing of amendment agreements with the paying agencies for their review and feedback.

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED 31 DECEMBER 2022**

(All amounts in thousands of United States Dollars unless otherwise stated)

29. LIBOR TRANSITION (continued)

Benchmark transition (continued)

The Fund has historically used USD LIBOR, US Mid-Swap and EURIBOR benchmark rates as reference rates for pricing financial exposures (both assets and liabilities). The EURIBOR is not expected to be discontinued and hence the Fund can continue using it in future, since EURIBOR has already transitioned to the new principles of transaction-based methodology from earlier quotation-based methodology. For the USD denominated exposures, the Fund's management has taken a decision to replace the USD LIBOR and USD Mid-Swap rates with the CME Term SOFR and USD OIS Mid-Swap rates in respective tenors.

The Fund's decision to select the CME Term SOFR as a replacement rate to USD LIBOR is based on its functional similarities to the sun-setted LIBOR rate. In fact, given it is also a forward-looking term rate and hence its selection as replacement rate is expected to result in minimal implication. Additionally, the revised Sovereign Pricing policy has been formulated in such a way that the transition from LIBOR is not expected to create any impact in terms of changes in economic value at the individual contract level.

ISFD actively working through this transition from multiple perspectives: project financing and treasury and liquidity, funding, shariah, risk and legal, accounting, operations, information technology, considering the portfolio of existing assets and funding that use LIBOR as a benchmark.

Risks arising from the benchmark reform

The following are the key risk for the Fund that are arose from the benchmark transition.

1. **Shariah risk:** Given that the Fund must abide by the Shariah principles, the clearance on use of a new benchmark rate for pricing the financial exposures was one of the major milestones in Fund's transition program. However, this risk has been addressed by obtaining the clearance from the IBB's Shariah Technical Committee on use of CME Term SOFR as replacement benchmark.
2. **Legal risk:** There is a possibility of not reaching an agreement with the counterparts on revised pricing particularly on the legacy contracts, this could be a result of having ineffective fallback clauses in the signed legal agreements. This risk has been addressed with the formulation of enhanced 'fallback' clause which has been added to all new contracts and for legacy contracts, an external Law firm is in process of drafting amendment agreements while the Fund is engaged with paying agencies and counterparts on building consensus on the conversion of Libor linked outstanding contracts.
3. **IT and system risk:** It is expected that the booking of new contracts and conversion of legacy contracts from old benchmark to new may require certain enhancements in system functionalities and processes. This risk is addressed by performing thorough business user testing on existing systems, and running various use cases that will be required for utilizing the new reference rates.

Progress towards adoption of alternative benchmark rates

All newly approved sovereign financing contracts now reference the alternative benchmark rate for pricing as adopted by the Fund in its new pricing policy and the legal documentation already included the improved fallback clause.

The Fund's main risk policies such as ALM Framework, Exposure Management framework and Liquidity Policy will remain effective without requiring any change due to benchmark reform.

Profit rate benchmark transition for non-derivative financial contracts

For EUR denominated contracts, the Fund has historically used EURIBOR as benchmark rate. Therefore, no impact is expected for the Fund because the EURIBOR is not expected to be discontinued since it has already been transformed back in 2019 by the regulator.

For the legacy contracts in Treasury portfolio, the strategy is to wait for the issuer to propose the alternate pricing to all the issue participants. This is because ISFD is only a participant investor amongst many other investors and hence cannot determine and negotiate an alternate rate on its own. In the absence of any such alternate rate from issuer, it is not possible nor logical to run the impact analysis. Therefore, for legacy treasury assets, strategy is to wait till Q1 2023 for issuer to propose an alternate rate and if not, Treasury will formulate an exit strategy for all such trades.

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(All amounts in thousands of United States Dollars unless otherwise stated)

29. LIBOR TRANSITION (continued)

Profit rate benchmark transition for non-derivative financial contracts (continued)

Same is the case of legacy contracts for non-sovereign financing. ISFD is part of large PPP syndicates and hence ISFD is unable to negotiate an alternate rate with the counterparty. The Syndicate leads are expected to propose alternate rates based on which, ISFD will run the assessment and decide accordingly. ISFD has already communicated to the relevant Lead Syndicate that the preferred alternate reference rate is Term SOFR and it has been confirmed that there is a consensus amongst MDBs on use of Term SOFR for PPP portfolio.

For legacy contracts on Capital Markets, the only exposure linked to LIBOR is a bilateral exposure with another group entity. Therefore, the Capital Markets team has updated the holder of the Sukuk about its strategy is to continue with it till the time we have clarity on all the viable alternate pricing options on the Treasury assets so that the same could be discussed and negotiated with the group entity to agree on one of them. The holder is also in agreement with the Fund on conversion of Term SOFR as new reference rate.

For legacy contracts for sovereign financing, the Fund has decided to follow a gradual approach by allowing early adoption option to its member countries on selective basis. During this period, member countries will be offered the conversion option to the new Sovereign Pricing policy. The relevant regional hubs have already started the engagements with member countries and paying agencies to discuss with them the fund's transition methodology. In parallel, the Fund is also finalizing the amendment agreements.

30. AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue in accordance with the resolution of the Board of Executive Directors dated 2 April 2023 (corresponding to 11 Ramadan 1444H).

THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT
APPENDIX – STATEMENT OF SERVICE PERFORMANCE
YEAR ENDED 31 DECEMBER 2022

(All amounts in thousands of United States Dollars unless otherwise stated)

STATEMENT OF SERVICE PERFORMANCE

The Fund was established with a vision of reducing poverty in member countries and focusing on advancing human development mainly through provision of financial support. To this end and in collaboration with partners and donors, the Fund implemented innovative poverty reduction programs and projects to achieve comprehensive human development. The Fund's priority areas include:

- Human development (education, health, water, and sanitation)
- Agricultural and rural development,
- Basic rural infrastructure development,
- Capacity building,
- Women and youth empowerment.

Utilization of the Fund

Since its inception in 2007, the Fund has invested USD 18 billion in grants and concessionary loan projects in support of the Fund's stated aims and objectives. Latest available data of the Fund's activities show that 73.6 million people have benefited from investments in health projects alone. The table below summarizes the impact of the Fund's targeted investment.

Below is the summary of the Impact of the Fund support to Member Countries:

Health project beneficiaries	Jobs created	Women and girls empowerment	Food security beneficiaries	Number of schools built	Students supported	Teachers trained or supported
73,575,181	2,812,839	33,958	105,452	769	51,453	4,650

Between 2015 and year-end 2022, the cumulative grant allocations (both general and program) of the Fund amounted to US\$285 million. At the same period, total disbursements to these projects reached US\$156 million with further US\$129 million allocation available for future disbursements as of 31 December 2022.

In 2022, the Fund allocated US\$6 million to JNDP-ISFD NGO empowerment program (US\$5M) and Scholarship program (US\$1 million). Total disbursements under grants during the year totaled US\$20.7 million with major outlay to projects as follows:

- US\$14.7 million to the Lives and Livelihood Fund (LUF). LUF aims at providing affordable finance to least developed member countries.
- US\$1.4 million Tadamon Accelerator aimed at COVID Response
- US\$1 million to projects working to tackle Avoidable Blindness
- US\$3 million to other social programs.

In line with its commitment to advance human development, the Fund prioritizes available resources towards the less well-off and in 2021 the Fund has directed 61% of its financing to African countries in the Sub-Saharan region which was followed by Asia, Latin America and Europe combined (30%), and MENA (9%).



معاً لمكافحة الفقر
ENSEMBLE CONTRE LA PAUVRETÉ

ISFD

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