



# ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT (ISFD)

TWELFTH ANNUAL REPORT  
1440H-1441H (2019)



**Cover Picture**  
Open air school, Pakistan



# Islamic Solidarity Fund for Development (ISFD)

**Twelfth Annual Report  
1440H-1441H (2019)**

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# LETTER OF TRANSMITTAL



In the name of Allah, the Beneficent, the Merciful

The Chairman,  
ISFD Board of Governors,

Dear Mr. Chairman,

**Assalamu Alaikum Warahmatullah Wabarakatuh**

In accordance with the Regulations of the Islamic Solidarity Fund for Development, I, on behalf of the Board of Directors, have the honour to submit for the kind attention of the esteemed Board of Governors, the Annual Report on the operations and activities of the Islamic Solidarity Fund for Development in 1440H-1441H (2019).

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

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

**Dr. Bandar MH Hajjar**

President, IsDB Group  
Chairman of the ISFD Board of Directors

# ISFD BOARD OF DIRECTORS



**H.E. Dr. Bandar M. H. Hajjar,**  
President, IsDB Group, Chairman of the Board of Directors



**Hon. Ahmad Jefri Abd Rahman**  
Indonesia, Malaysia, Brunei  
Darussalam, Suriname, Guyana



**Hon. Ismail Ali Manik**  
Afghanistan,  
Pakistan, Bangladesh, Maldives



**Hon. Bakhodir Alikhanov**  
Azerbaijan, Albania, Uzbekistan,  
Turkmenistan, Tajikistan,  
Kazakhstan, Kyrgyz Republic



**Hon. Bader Ahmad Al-Emadi**  
Qatar



**Hon. Bulent Aksu**  
Turkey



**H.E. Dr. Hamad Sulaiman Al Bazai**  
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Sierra Leone, Cameroon, Côte D'Ivoire



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Yemen, Sudan,  
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Egypt



**Hon. Abbas Memarnejad**  
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**Hon. Abdulghaffar Al Awadhi**  
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**Hon. Abdoulie Jallow**  
Senegal, Burkina Faso, Niger, Mali,  
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**Hon. Dr. Abdalnasr Abouzkeh**  
Libya



**Hon. Ali Hamdan Ahmed**  
United Arab Emirates



**Hon. Fredrick Twesiime**  
Uganda, Chad, Gabon, Djibouti,  
Comoros, Mozambique, Somalia



**Hon. Faouzia Zaaboul**  
Algeria, Morocco,  
Mauritania, Tunisia



**Hon. Mohammed Gambo Shuaibu**  
Nigeria

# ISFD: ESTABLISHMENT AND OBJECTIVES

The ISFD was established in 2007 as a special fund within the Islamic Development Bank with the aim of:



Fighting poverty and promoting pro-poor growth;



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



Emphasizing human development, especially reducing illiteracy and eradicating diseases/epidemics.

The Fund's priorities include:



Human development (education, health, water and sanitation)



Agricultural and rural development;



Basic rural infrastructure development;

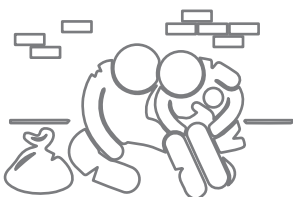


Capacity building;



Women's empowerment.

## ISFD Definition of Poverty



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



# ISFD - MAJOR HIGHLIGHTS IN 2019

## OPERATIONS

### Approvals



Total Approvals in 2019 **US\$113.17 Million**



**6** Number of Projects (Loans)



Value  
**US\$98.29 Million**



**6** Number of Grants



Value  
**US\$14.9 Million**



ISFD Cumulative Approvals  
**US\$1.33 Billion**



Contribution of IsDB and Other  
Financiers  
**US\$3.34 Billion**



Total Value of ISFD Financed Projects **US\$4.67 Billion**

### AFAB



**US\$251 M**

- Agreement Signed
- 6,000 operations performed

### Out-of-School Children



**US\$375 M**

- Program approved
- Target: 2.4 million out-of-School children
- First country program approved for Mali for US\$145.15 million

### Scholarship Program



**US\$10 M**

- Program approved
- Allocation : 1.0 million per year for 10 years
- Target 75 scholarships in 2019; achieved 130.

## RESOURCES OF THE ISFD



Target Capital

**US\$10.0 Billion**



Pledges  
**US\$2.7 Billion**



US\$1.7 Billion Pledged by  
**49** Member Countries



Total Payments (Capital)

**US\$2.58 Billion**



Payments by MCs  
**US\$1.58 Billion**



IsDB Contribution  
**US\$1.0 Billion**

### IWIF



**US\$350 M**

Investcorp :  
**US\$250 million**  
Al Quds Fund :  
**US\$100 million**

### CWS



**US\$200 M**

- Preparations for CWS launching of these Sukuk

## INCOME - 2019



Total Income **US\$106.04 Million**

Net Income **US\$101.60 Million**

Retained Earnings **US\$402.56 Million**

Disbursements (2019) **US\$41.14 Million**

Cumulative Disbursements **US\$325.13 Million**

# CHAIRMAN MESSAGE



I am pleased to present the 12th Annual Report of the Islamic Solidarity Fund for Development (ISFD) - 2019. The report contains a detailed record of the Fund's operations, activities and financial results over the past year, and key milestones as it enters its twelfth year since its launching in 2007. It also highlights the poverty situation in member countries against which the Fund has implemented its programs over the past year.

Poor people often lack key capabilities; they may have inadequate income or education, or be in poor health, lack water and electricity, or feel powerless. The ISFD has continued its activities to assist poor men and women with opportunities to empower themselves and improve the quality of their lives.

In 2019, the Fund approved US\$113.17 million in terms of projects and grants operations, compared to US\$229.24 in 2018, and US\$175.6 million of projects' approvals in the year before. Cumulatively, the ISFD has contributed US\$1.33 billion for poverty alleviation projects and programs. These contributions covered the key sectors that form the core of poverty reduction programs, namely rural and agricultural development, microfinance, education, health, water and energy.

The Fund has continued its efforts to develop innovative initiatives that contribute in a comprehensive manner to lift people out of poverty. In particular, the Fund has introduced the Development Waqf Concept through which 30% of the ISFD capital has been allocated to investments in Development Waqf projects that have an impact on the state of poverty in member countries. It has also developed a program for

empowerment of Non-Governmental Organizations (NGOs) which is aimed to assist in building the capacity of civil society organizations and improve the well-being of the hard-to-reach communities.

The Fund also introduced the Ihsan Waqf Investment Fund (IWIF), Economic Empowerment Program, and developed the Global Alliance for Avoidable Blindness - (AFAB-II) program. It also continued its support to the Lives & Livelihood Fund (LLF), the IsDB-STI Fund, and developed a number of other initiatives. These initiatives will allow the ISFD to mobilize resources from development partners to supplement its income from investments of its capital resources.

Internally, we continued the reform of the ISFD to streamline its governance and business model and strengthen its ability to deliver its services to member countries. It will also lay the foundation for upgrading the role and status of the Fund among IsDB Group, giving it an impetus to realize the aspirations of its founders as a tool to combat poverty in the OIC countries.

Despite the importance of these measures, I would like to assure that they will not be a substitute for the uncommitted capital resources from member countries, which currently amount to US\$7.6 billion, in order to complete the targeted capital of the Fund of US\$10.0 billion. I would like to take this opportunity to appeal to Member Countries to announce contributions to the Fund which are based on the criteria for capital contributions by Member Countries that was approved by the ISFD Board of Governors in 2013.

Let me take this opportunity to express my appreciation to the ISFD Governors and the Board of Directors for their unequivocal support during the year. I also wish to thank the IsDB/ISFD partners for their collaboration, and confirm the management's commitment to further enhance the confidence in the Fund by improving its methods of work and mechanisms of implementation, and by setting bigger goals for its programs.

**Dr. Bandar M. H. Hajjar**

Chairman of the ISFD Board of Directors  
President, IsDB Group

# MESSAGE OF THE DIRECTOR GENERAL

Our member countries are still home to about 40% of the world's poor who live in extreme poverty, with a daily income of less than US\$2.0 per day, according to UN reports. While these countries have made progress in combating poverty over the past two decades, as the number of poor people below the extreme poverty line has decreased from 400 million to 320 million during this period, this figure worldwide has decreased from about two billion to 700 million people, which means that the rate of poverty reduction in our member countries is much lower than the rate of poverty reduction around the world. What makes the matter more bitter and painful is that about half of the world's population is classified as poor, meaning that their daily income is less than US\$5.5 a day, and there are some of our member countries with more than 90% of their population classified as poor.



It has been four years now since the global declaration Global Declaration on the Sustainable Development Goals and poverty eradication by 2030, and most of our member countries are still off track to achieve these goals. So, we must change the way and approaches we work and search for new ways that will have greater impact on the state of poverty in member states. The ISFD has taken a number of initiatives to this end.

The ISFD is currently conducting a comprehensive review of its performance. This review aims to strengthen the Fund's position and role within the IsDB Group, and enhance its capacity in fighting poverty in member countries. It also seeks to increase its resources through global partnerships that will enhance its ability to achieve this goal.

As part of this approach, the Fund approved the program on "Returning and Retention of Out-of-School Children" in April 2018. This program aims to support 2.4 million Out-of-School children in Pakistan, Nigeria, Mali, Burkina Faso, Niger and Syrian refugees in Turkey. A joint budget, amounting to US\$375.0 million, has been allocated to this program from the ISFD and its strategic partner, Qatar Foundation for Education Above All, and several other partners. In 2019, an agreement was signed with Mali to return 800,000 Out-of-School children to school, and consultations are underway with the concerned authorities in the target countries to sign the implementation agreements.

In April 2019, the ISFD signed the Declaration on Global Education Coalition for enrolling and retaining 28 Million Out-Of-School Children in OIC Member Countries at the primary and intermediate levels by 2030. Several parties have signed this Declaration, including: Sir Gordon Brown, the United Nations Special

Envoy for Global Education and the former Prime Minister of the UK (Gordon Brown); Education Cannot Wait; Global Partnership for Education; Save the Children, Britain; Spark, Netherlands; International Federation of the International Cross and Red Crescent, Geneva; IFRC International Federation Red Cross Red Crescent, Vienna; and many other organizations.

The partners of this Alliance and other organizations were invited to meet in Niamey, Niger, on 8-9 January 2020, and 24 global and regional development organizations had confirmed their participation, with a view to make consultations with the Government of Niger to develop a program to enroll and return 2.6 million Out-of-School children to schools in that country.

So, genuine efforts are being made to accelerate enrollment and retention of all children out-of-school.

Significant progress has also been made in the program to prevent blindness - the second generation, as another program aiming to achieve rapid, direct and significant impact on the state of poverty in member countries. 15,000 cataract operations and 60,000 eye consultations have been performed in six countries over the past two years. Moreover, capacity building programs were organized in Turkey and Tunisia for ophthalmologists from 13 African countries. In light of the success of this program, the Fund plans to expand the program's geographic coverage and resource mobilization through unconventional methods, such as crowd funding. To date, the Fund has received commitments amounting to US\$251.0 million from 32 donors and partners to perform 1.5 million surgeries under this program.

The Fund also approved 14 grants and financing operations worth US\$113.17 million in 2019. In line with the IsDB Policy for Poverty Reduction, these projects are devoted to pro-poor sectors, in particular water supply, health, education, and rural development. The Fund's Board also decided to allocate 30% of the paid-up capital of the Fund to be invested in projects that have a significant impact on poverty alleviation through the development endowment approach. The first project for this program, with a value of US\$52.0 million, was approved in favor of the "Economic Empowerment Fund" for the Palestinian people.

The Fund is reviewing its approach of focusing mainly on the public sector for resource mobilization, to use the private sector and non-public partners to enhance its resources. It also seeks to cooperate with donors using the Islamic Waqf concept and principles as an innovative resource mobilization tool. The first Endowment Fund for Al Quds was approved with a target capital of US\$100.0 million, to which the ISFD has contributed US\$20.0 million. The Fund is also establishing an Endowment Fund with a US\$250 million investment with Investcorp, Bahrain, and a number of similar funds are being considered for establishment in other member countries.

The Fund has also developed Waqf Sukuk "Islamic bonds endowment" as innovative product through which it seeks to partner with qualified financial institutions to mobilize resources for poverty alleviation. There are plans to issue US\$1.0 billion sukuk, with the first issuance amounting to US\$200.0 million with Malaysian organizations.

As we look to the future, we know that there is a lot that we must do to meet the expectations of our member countries. We will remain committed to excellence and enhancing the performance of the Fund and continue its growth. We will also refine our approach to leave a clear imprint on the poverty situation in member countries and move closer to the Sustainable Development Goals to fight poverty and leave no one behind by 2030.

**Dr. Waleed Al-Wohaib**


Director General – ISFD



# 01





The background is a solid green color with a pattern of overlapping hexagons. Some hexagons are filled with a lighter shade of green, while others are just outlines. The text is centered in the middle of the page.

# STATE OF POVERTY IN MEMBER COUNTRIES

# 01

## STATE OF POVERTY IN MEMBER COUNTRIES

According to the UN SDGs Report -2019, four years after the adoption of the SDGs and the Paris Agreement no country is on track to meeting all the goals. In fact, we are losing ground in many areas, as underscored by recent reports of the Intergovernmental Panel on Climate Change<sup>1</sup> and the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services<sup>2</sup>.

Widespread poverty is a persistent problem even though poverty alleviation has been a major goal in development strategies for all countries over the past three decades. However, over this period significant progress has been made in reducing the level of global poverty. In 2018, the percentage of people living in extreme poverty was less than half of what it was in 1990<sup>3</sup>. Similarly, the proportion of urban slum dwellers declined significantly and notable improvements have been made in the fight against diseases that are mostly connected with poverty, such as malaria and tuberculosis. There have also been discernible gains in all other health indicators as well as primary education. As a result, the state of hunger in developing countries as a group has improved since 1990, falling by 39 percent, according to the 2018 Global Hunger Index Report<sup>4</sup>. Remarkable gains have also been made in renewable energy and access to safe drinking water for the poor.

Although the total population of the OIC countries accounts for nearly one-fourth of the world's total population, their total GDP accounted for only 5.3 percent of the total world GDP in 2018. On the other hand, per capita GDP levels vary across the OIC Member Countries. The poverty status also displays a diverse picture in the OIC countries, since poverty headcount ratios in the Member Countries vary from zero to 67 percent<sup>5</sup>.

Similar to the above monetary poverty indicators, non-monetary poverty indicators also vary across the OIC Member Countries. In this respect, their Human Development Index values are between 0.863 and 0.354, Multidimensional Poverty Index values are between 0.004 and 0.584<sup>6</sup>, and Global Hunger Index values are between zero and 44.3<sup>7</sup>.

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1 See for example: Climate Change and Land, IPCC, 2019

2 IPBES Global Assessment Preview - 2019

3 COMCEC, Poverty Outlook Report, 2018

4 The Global Hunger Index is a tool that measures and tracks hunger globally, by region, and by country. The GHI is calculated annually, and its results appear in a report issued in October each year.

5 Op cit.

6 UN Human Development Report, 2018

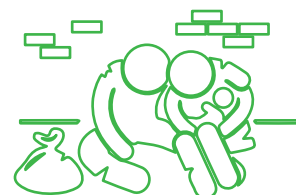
7 Global Hunger Index Report, 2018



**Many schools across Africa are finding it difficult to work due to a lack of proper educational facilities.**

Yet, the progress has been uneven among and within countries and regions. Moreover, poverty levels are still quite high for a considerable number of developing countries as almost half the world's population currently lives on less than two dollars a day. According to the Global Hunger Report and the UN Human Development Report (2018), 1 in 8 people worldwide suffer from malnutrition. Too many women die in childbirth and more than 2.5 billion people lack improved sanitation facilities. An estimated 7% of children under age five worldwide are overweight, another aspect of malnutrition; one quarter of these children live in sub-Saharan Africa. Moreover, despite the progress made, the level of hunger in the world is still "serious," with 805 million people still suffering from hunger, according to estimates by the Food and Agriculture Organization of the United Nations. The environmental system is under unsustainably heavy pressure, while we are already experiencing the threats of drought, floods, and poor agricultural prospects due to global warming and climate change<sup>8</sup>.

The countries in Sub-Saharan Africa and Asia account for nearly half of the total poor living in developing countries. The global economic and financial crises that have been encountered in the recent period have worsened this situation and increased the importance of the poverty alleviation policies and programmes. No doubt, the food crises of 2007-9 had significantly slowed the



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<sup>8</sup> Climate Change and Land, IPCC, op cit.





*Dr. Waleed Al-Wohaib, Director General of the ISFD, embracing school children in a poor neighborhood in Niamey, Niger. ISFD is committed to helping to mobilize resources to address the problem of the out of school children in the country, who are estimated at 3.6 million.*

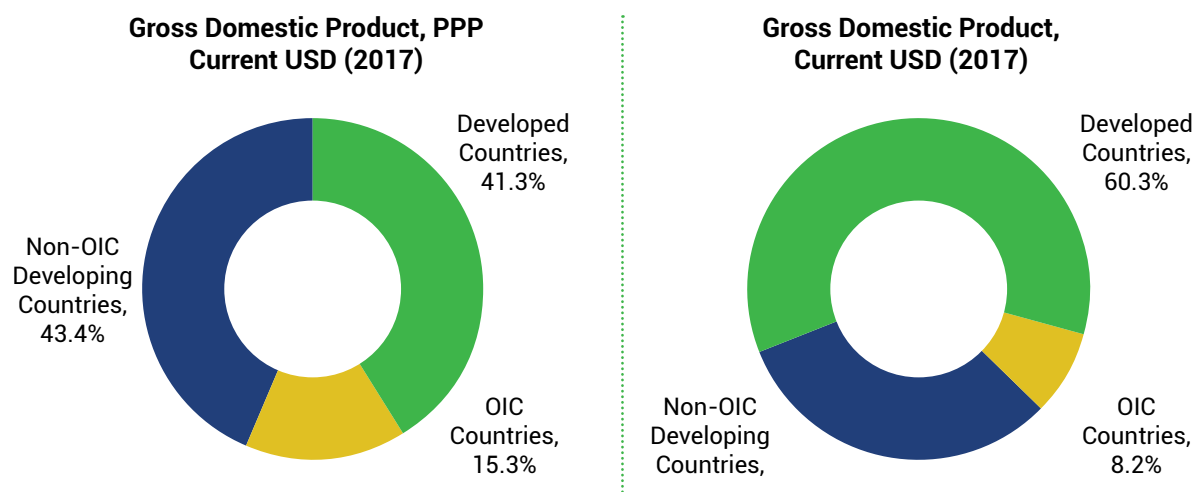
progress against hunger and undernourishment over the past decade. The inability to have access to enough food, in turn, affects labour productivity and the ability of the undernourished to generate income, thereby reinforcing the poverty trap.

### Poverty in the IsDB Member Countries

The total population of the IsDB member countries is estimated at 1.65 billion people<sup>9</sup>. Although these countries account for 22% of the world population, they share 40% of the world's poor who live on less than US\$2.0 a day or less, and their total GDP accounts for 7.0% of the world's total GDP. On the other hand, the total GDP of the less developed member countries (LDMCs) is only 4.5 percent of the total GDP of the IsDB member countries, although their population accounts for 25% of the total population of these countries. From a human development standpoint, about 43% of the IsDB member countries population is in the low human development group<sup>10</sup>. However, these countries exhibit vast disparities in the state of poverty, both across countries and sub-regions. Overall, the share of the poor population in the low

<sup>9</sup> IsDB Statistical Reports

<sup>10</sup> COMCEC Poverty Outlook, various reports.



Source: IMF World Economic Outlook Database, April 2018.



**The share of the poor population in the low income member countries accounts nearly for half of their total population. Nineteen, i.e. 32%, of the IsDB member countries are in the low-income country group. In the African region, which is the most deprived region in this group of countries, and despite the progress made, this trend has almost remained unchanged for decades.**

income member countries accounts nearly for half of their total population. Nineteen, i.e. 32%, of the IsDB member countries are in the low-income country group. In the African region, which is the most deprived region in this group of countries, and despite the progress made, this trend has almost remained unchanged for decades.

The GDP per capita levels of the IsDB member countries portray a highly scattered pattern. Unsurprisingly, this income disparity is reflected in the state of poverty which displays different manifestations for different countries. Moreover, wide rural-urban gaps are observed within and across countries.

Looking at the state of multidimensional poverty (MPI), almost 32% of the population of the IsDB member countries live under multidimensional poverty and almost 22% live under severe multidimensional poverty. Moreover, two-thirds of the IsDB member countries take part in the multidimensional poverty index group, and the share of deprived population ranges from 0.6% of the population in Kazakhstan to 92.4% in Niger<sup>11</sup>.

Considering the state of hunger within the IsDB member countries, according to the recent FAO classification, 26 countries are defined as food deficit countries<sup>12</sup>. In fact, all IsDB member countries in the African region, except Nigeria, take part in this category. These include Benin, Burkina Faso, Cameroon, Chad, Congo, Côte d'Ivoire, Djibouti, Gambia, Guinea, Guinea-Bissau, Liberia, Mali, Mozambique, Niger, Senegal, Sierra Leone, Togo and Uganda. In the Arab region, six member countries suffer from food deficiency; namely Sudan, Syria, Yemen, Mauritania, Somalia, and Comoros. In contrast,

<sup>11</sup> Op cit.

<sup>12</sup> Food-Deficit Countries List for 2018, FAO.

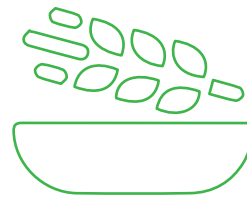


**Agriculture remains the most important sector of Bangladeshi economy, contributing 19.6% to the national GDP and providing employment for 63 percent of the population. The crop sub-sector dominates the agriculture sector, contributing about 72% of total production. The Government is taking extensive measures to enhance the food security situation in the country.**

five member countries are classified as food deficient in the Asian region; namely, Afghanistan, Bangladesh and Tajikistan, Uzbekistan and Kirgizstan. Although, overall, the GHI value for the IsDB member countries is under the global average, a significant number of the IsDB member countries have extreme hunger index values, the most alarming of which is Comoros.

### The African Region

Poverty remains pervasive across the African Region, both in monetary and multidimensional terms. According to the COMCEC Poverty Outlook Report (2019), GDP per capita levels are generally low and the poverty headcount ratios at \$1.9 a day are generally more than 30%. In fact, it exceeds 50% for some countries, such as Mali, Sierra Leone, Mozambique, Chad, Niger, Uganda, and Somalia. Similarly, in terms of HDI, African countries are among the lowest of any of the other regions. Among the IsDB member countries, Yemen, Afghanistan and countries in SSA regions also rank the lowest in 2019. They also have the lowest HDI values not only among the other IsDB member countries, but also world-wide. Like GDP per capita levels, the incidence of MPI poverty is greatest in the African region than any of the other regions of the IsDB member countries. The intensity of poverty – i.e. the average number of deprivations experienced by each household – is also greatest in this region. At least 33% of the MPI indicators reflect acute deprivation in health, education and standard of living which poor households have to address. The lowest performers in this category are Niger, Mali, Burkina Faso, Guinea, Comoros, Mozambique, Sierra Leone, Cote d'Ivoire, and Chad, who suffer from severe multidimensional poverty<sup>13</sup>. Although some progress has been achieved in fighting poverty in these countries, it is not significant enough to move them from the low human development category.



**African countries are widely believed to be the ones with the worst food insecurity problems in the world. The Global Hunger Index (GHI) values are very high for all of them as low incomes and frequent droughts and food price hikes prevent families from buying enough food to eat.**





**Countries across Asia have shown growth in per capita income, significant drop in child mortality, and increases in primary and secondary school enrollment for both boys and girls. Overall, there is no acute multidimensional poverty in the Asian region as in the African region.**

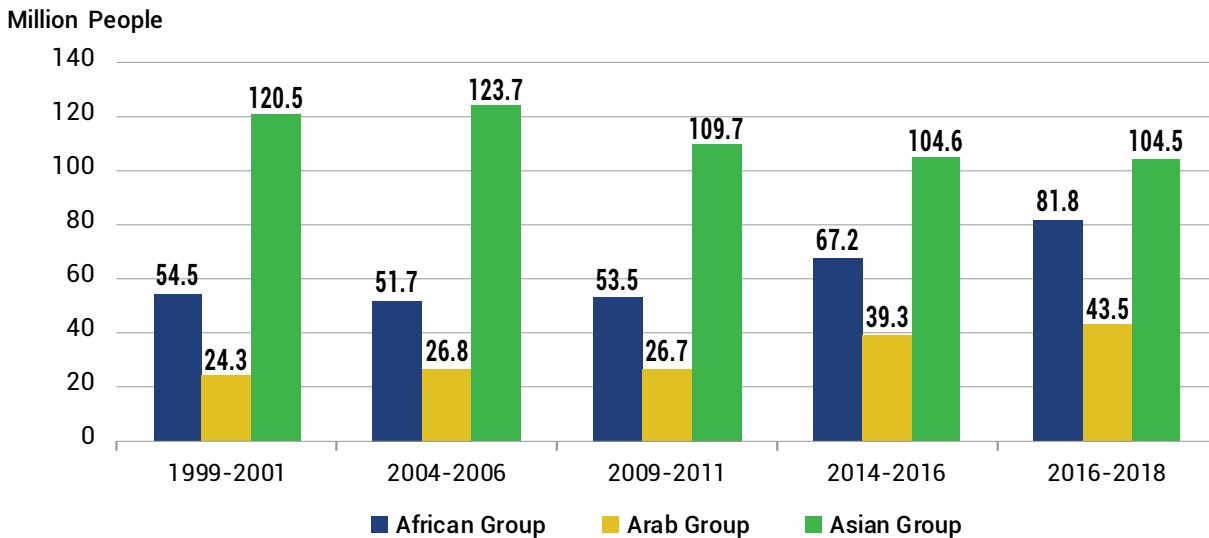
African countries are widely believed to be the ones with the worst food insecurity problems in the world. The Global Hunger Index (GHI) values are very high for all of them as low incomes and frequent droughts and food price hikes prevent families from buying enough food to eat. Among the top 20 IsDB member countries having the highest GHI values, 13 of them are in the African region, and only Nigeria has recently graduated from the list of African food deficient countries. This has led to dramatic increase in the number of the population who are undernourished, particularly children, despite the fact that substantial progress has been made by countries such as Chad and Niger from the 1990 GHI to the 2019 GHI. Moreover, deprivations in living standard, as reflected in deprivations in rudimentary services and core human needs, such as access to electricity, adequate sanitation and cooking fuel, are experienced by more than 50% of the population<sup>14</sup>.

### The Asian Region

The progress which was achieved by the IsDB member countries in the Asian Region in poverty reduction has been significant but not uniform. Countries across the region have shown growth in per capita income, significant drop in child mortality, and increased primary and secondary school enrollment for both boys and girls. Overall, there is no acute multidimensional poverty in the Asian region as in the African region.



## Undernourished People in the OIC by Sub-Regions



Source: COMCEC Agriculture Outlook 2019

The first SDG goal is to end poverty in all its forms – in which Asian countries are displaying significant progress<sup>15</sup>. The targets under the goal are in the areas of extreme poverty, gender parity in school enrollment, and access to drinking water. International measures of poverty rates in this region are generally declining, although somewhat stagnating or moderately increasing in a few countries. The rate of the people who live under US\$2.0 a day is close to zero in some countries – Turkey, Malaysia, Albania, Kazakhstan and Iran. This introduces some uncertainties for future dynamics in the countries which have relative high numbers of poor, though the progress on SDG-1 is visible. Yet, some countries have lagged behind in improving human development indicators, such as Afghanistan, which lie in the low human development category, while others, such as Bangladesh, Pakistan, Indonesia and Turkmenistan lie in the medium category<sup>16</sup>. The Global Multidimensional Poverty Index (MPI) also reveals great variation in structure of deprivation across the Asian countries. However, it is widely among low GDP per capita countries, particularly Afghanistan, Bangladesh and Pakistan, which display deprivation in many indicators. These countries show deprivation percentages in health and education that they are in living standard. For example, the percentage of people who are deprived in child school attendance is close to close to 32 percent in Pakistan<sup>17</sup>.

Despite the considerable increase in population in many of the Asian countries, food production per capita has increased significantly over the past two decades; the increase being specially marked in such countries as Indonesia, and Malaysia. Yet, statistics confirm that Indonesia still faces food deficiency, beside other countries such as Afghanistan, Bangladesh, Kyrgyzstan, Tajikistan, and Uzbekistan. There is also great variation in the GHI values displayed by the Asian countries. For example, the Global Hunger Index (GHI) values are low (less than 5) for Albania, Iran, Kazakhstan and Turkey, but are high for Bangladesh and Pakistan, despite the fact that in terms of absolute progress Bangladesh had seen the largest improvement in its scores between the 1990 GHI and the 2019 GHI<sup>18</sup>.

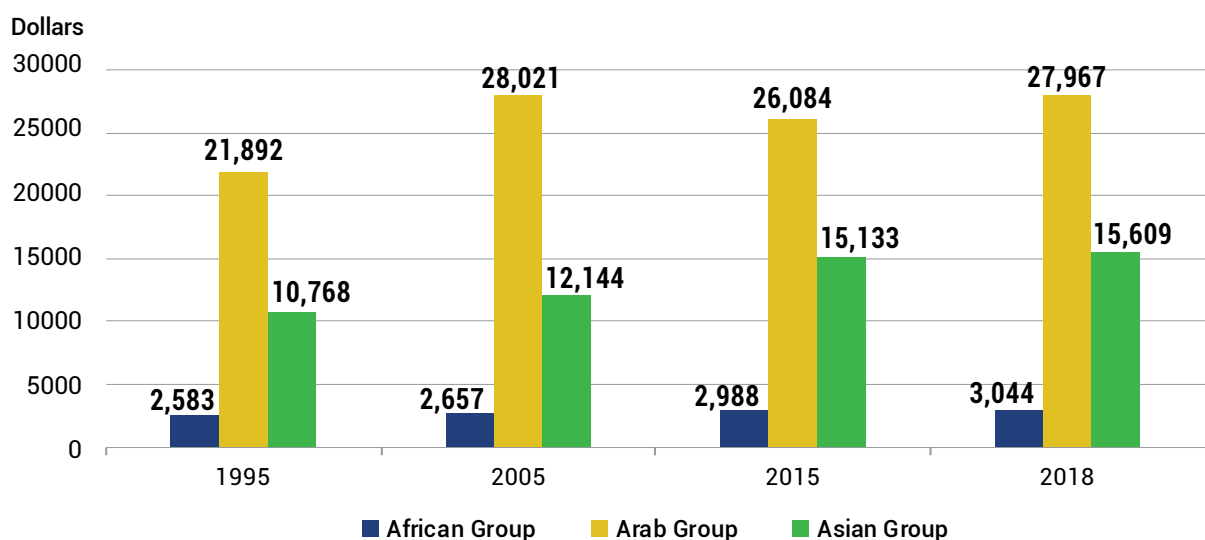
<sup>15</sup> The Sustainable Development Goals Report, United Nations - 2019

<sup>16</sup> UN Human Development Report - 2019

<sup>17</sup> 22.5 million of Pakistan's children are out of school, the majority of them girls – Human Rights Watch - 2018 (<https://www.hrw.org/news/2018/11/12/pakistan-girls-deprived-education>)

<sup>18</sup> GHI, 2019, <https://www.globalhungerindex.org/results/>

## GDP Per Capita in the OIC Sub-Regions



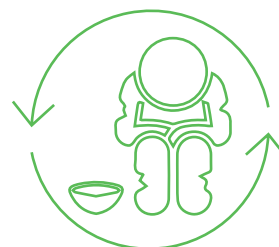
Source: COMCEC Agriculture Outlook 2019

### The Arab Region

Poverty rates in the Arab region are far lower than in Africa and Asia, although high aggregate wealth masks significant pockets of hardship. The least-developed member countries (LDMCs) in this region have a large proportion of their population living below the poverty line and some of them, such as Djibouti Somalia, Sudan and Mauritania, Yemen, the rates of the poor are very high.

These LDMCs have more than 40 percent of their population living below the poverty line of US\$2.0 per day. They also have some of the lowest per capita incomes and all of them lied in the low human development category in 2018<sup>19</sup>. In addition, they have significantly higher levels of multidimensional poverty (particularly deprivations in health and education) and marked food deficiency, which places them in the high-ranking GHI category<sup>20</sup>.

Regarding other countries in the region, four countries have medium human development levels (Jordan, Egypt, Morocco and Syria), while five countries – Saudi Arabia, Libya, Lebanon, Oman and Tunisia – are in the high development category. Only two countries, Qatar and Kuwait, are in the very high category<sup>21</sup>. This is also reflected in the significantly low levels of multidimensional poverty as compared to the other groups.



**The least-developed member countries (LDMCs) in this region have a large proportion of their population living below the poverty line and some of them, such as Djibouti Somalia, Sudan and Mauritania, Yemen, the rates of the poor are very high**

<sup>19</sup> UN Human Development Report, op cit.

<sup>20</sup> GHI, op cit.

<sup>21</sup> Human Development Report, UN -2019

## Role of the ISFD

Despite the strides made by IsDB member countries, poverty is still widespread and urgent challenges remain. Today, insufficient food, insufficient health and education services, and energy shortages, are compounding the challenges faced by most member countries. The ISFD will devise and promote innovative policies and programs that will target its main areas of intervention as set out in its poverty alleviation policy. The ISFD Work Program 2020-2022 has been developed to achieve these goals. Therefore, the ISFD will:



Contribute more to food security through implementing appropriate programs to support farmers to produce more, with improved technologies.



Provide financial support and training through Youth Employment and Economic Empowerment programs to raise the incomes of the rural poor, enhance their food security, and support women's economic empowerment and well-being.



Establish Ihsan Waqf Investment Funds to address specific poverty issues in the member countries.



Continue to develop special programs to help in the mobilization of more resources to finance poverty alleviation programs, and urge member countries to announce and pay appropriate contributions to the ISFD capital to enable it to upscale and implement its programs.



### **SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all:**

Education is a fundamental human right and is indispensable for the achievement of sustainable development. We are only able to empower girls, combat climate change, fight inequality and end extreme poverty if all stakeholders commit themselves to advancing the education goal. Enrollment and retention of out of school children is an essential part of the fulfillment of this goal.

Yet, in spite of the global commitment not to leave any child behind, this promise is yet to be met. Currently, over 258 million children and young adults are still out of school worldwide, two thirds of them in the IsDB member countries. The odds are that 39% of those children will go to school late, 20% will drop out, while 41% will never enter school. There are 617 million children and adolescents who are illiterate and cannot perform basic mathematical operations. In sub-Saharan Africa, the completion rate for the lower secondary level of education is less than 40%, and approximately four million children and refugees are out of school. Therefore, the global commitment to not leave anyone behind in education has yet to be fulfilled. The ISFD has been addressing the problem of Out-of-School in its recent programs, which are directly related to SDG 4.





*Tanjina Mirza, Vice President International Program at Plan International Canada, signing the Out-of-School Declaration with the Director General of the ISFD.*



*Director General of ISFD in a special interview, "Al Hadath Program" - Tunisian TV Channel.*



*ISFD Director General received by S.E. Mme Aichatou Boulama Kané, Minister of Planning, Niger.*



*Dr. Azhari Gasim, Lead Resource Mobilization, ISFD, meets with Prof. João Bosco Monte, President of the Brazil Africa Institute, in Sao Paulo.*



*ISFD Director General receives the delegation of the Millennium Promise, led by Prof. Jeffrey Sachs.*



*Minister of Foreign Affairs, the Netherlands, Bert Koender, receives ISFD delegation, led by the DG, Dr. Waleed Al-Wohaib.*

02





The background is a solid dark blue color. It features a complex pattern of overlapping hexagons and geometric shapes. Some hexagons are solid light blue, while others are just outlines. The shapes are arranged in a way that creates a sense of depth and movement, with some appearing to be in the foreground and others receding into the background. The overall aesthetic is clean, modern, and technical.

# OPERATIONS

## 02

## OPERATIONS

## ISFD PROJECTS/PROGRAMS

The ISFD financing operations are guided by the IsDB Group Policy on Poverty Reduction, the ISFD Three-Year Work Program, best practices that incorporate “lessons learned” from a variety of sources, including projects financed by the IsDB, Member Country Partnership Strategies (MCPSs) and the IsDB President’s Five-Year Program (P5P). The ISFD places priority on projects with high incidence of poverty. It also emphasizes the importance of partnerships and co-financing to complement its limited resources and scale up its projects. Furthermore, it integrates components into its programs to address cross-cutting issues, such as environmental conservation, gender, governance and youth employment.

The main objective of the ISFD is to reduce poverty in the IsDB member countries using a South-South cooperation approach with specific Islamic characteristics. This objective is in line with the SDGs. It includes ‘empowerment’ as a core value; makes ‘alleviating poverty’ its strategic objective; and identifies ‘human development’ among its priority areas. In line with this mandate, ISFD projects and programs are designed to have a clear and direct positive impact on the poor. This requires targeting specific interventions that give priority to meeting the “basic needs” for the rural and urban poor.

An important lesson for ISFD programs over the past five years is that ISFD should be more “selective” and “focused” in its operations. These operations are targeted to create employment opportunities, enhance capabilities, particularly for women and youth, provide the poor with means of sustainable income to break away from poverty, improve basic rural services, such as water supply, and expand basic education and health facilities, while building capacities and livelihood of the poor.



“A key consideration of the ISFD is to implement innovative programs that will ensure access of the poor to basic services and sustainable income-generation opportunities to help them break away from the vicious circle of poverty. We are keen to develop and implement impact oriented programs that will leave a clear imprint on the poverty situation in member countries in cooperation with international partners and NGOs. The “Returning and Retention of Out-of-School Children,” “The Alliance to Fight Avoidable Blindness,” and “NGOs Empowerment for Poverty Reduction,” are examples of these programs.”

**Khemais El Gazzah**, Principal Advisor - Programs & Resource Mobilization



*The ISFD supports the Alliance to Fight Avoidable Blindness (AFAB). The ISFD contributed US\$5.0 million to the program which has helped to attract US\$246.0 million as pledge from 32 technical and financial partners.*

## Projects/Programs Approvals

Two key themes defined the focus of the ISFD poverty reduction activities in 2019: (a) ensuring that these activities create additional jobs and employment that reach the target groups of poor and disadvantaged people through multi-sector interventions; and (b) promoting the development of human capital by enhancing education and health services.

In 2019, 14 financing and grant operations amounting to US\$113.17 million were approved by the ISFD, compared to 10 projects amounting to US\$229.24 million in 10 member countries approved in 2018. Of the approvals in 2019, US\$98.29 million were made for financing operations and US\$14.88 million for grants.

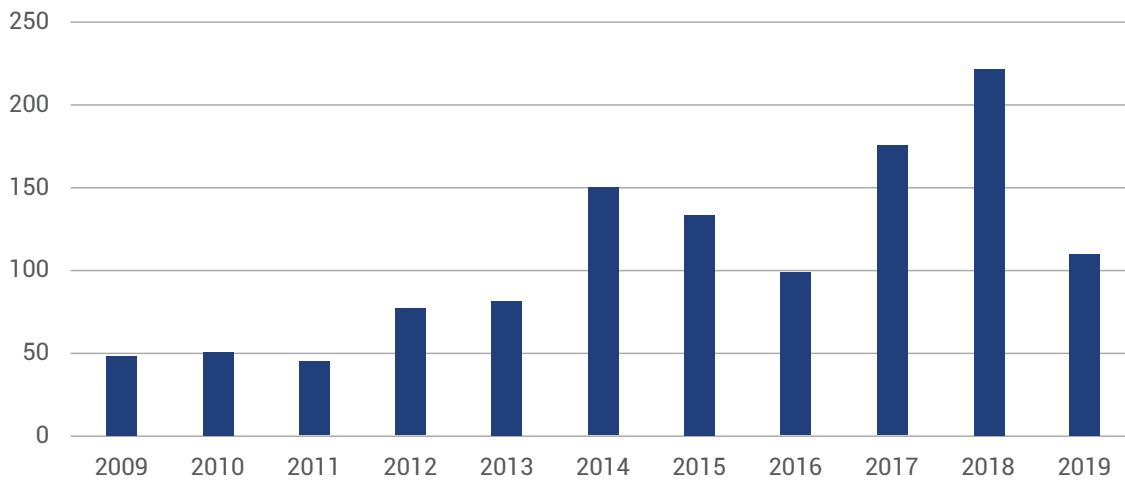
These approvals covered the key sectors that form the core of poverty reduction programs of the ISFD, namely education, health, rural and agricultural development, and economic empowerment. The thrust of the ISFD approach in targeting these sectors is to combat poverty, particularly for women and children, and provide the poor and vulnerable with opportunities for income generation on a sustainable basis. Gender aspects and capacity building were treated as cross cutting themes to help addressing the barriers faced by women in poverty alleviation, particularly in the rural areas.

Cumulatively, since inception, the ISFD has provided a total of US\$1.33 billion in the form of concessional loans (US\$1070.0 million) and grants (US\$263.0 million) to finance projects and programs.

As shown in graph (1) ISFD's financing increased from US\$48.6 million in 2009 to a high of US\$133.36 million in 2015 and declined to US\$99.1 million during 2016, then increased to US\$175.6 million in 2017, and to US\$221.24 million in 2018, and to US\$113.17 million in 2019. The main reason for this was that ISFD approvals were based on its approval capacity, which in turn is based on its net income, and the availability of suitable projects for financing.

Moreover, cumulative approvals of ISFD (US\$1.33 billion) had stimulated US\$ 3.34 billion from the IsDB and other financiers, thus mobilizing more than US\$4.67 billion in total funding for poverty reduction projects.

## ISFD Annual Approvals – In US\$ Millions



## ISFD Approval of Loans and Grants (2008 – 2019)

## LOANS



Approvals  
(US\$m)

**1,070**



Total Projects  
Cost (US\$m)

**3,566**



Leverage  
Rate

**1:3.5**



Disbursements  
(US\$m)

**191**

Disbursements  
Ratio %

**20.2%**

## GRANTS



Approvals  
(US\$m)

**263**



Total Projects  
Cost (US\$m)

**1,100**



Leverage  
Rate

**1:4.2**



Disbursements  
(US\$m)

**121**

Disbursements  
Ratio %

**46.7%**

## TOTAL



Approvals  
(US\$m)

**1,333**



Total Projects  
Cost (US\$m)

**4,666**



Leverage  
Rate

**1:3.6**



Disbursements  
(US\$m)

**325**

Disbursements  
Ratio %

**24.3%**



## Disbursements

Overall, ISFD has disbursed a total of US\$ 325.13 million (24.3%) of its total committed amount, while US\$ 947.0 million (71.2%) remains to be disbursed. In 2016 and 2017 alone, the Fund approved grants amounting to US\$200.0 million, which represent roughly 62% of the total accumulated retained earnings of the Fund since its inception.

Disbursements are useful indicator of projects' implementation progress, as they capture the actual transfer of funds to member countries. Disbursements amounted to US\$30.0 million in 2019, US\$27.0 million for projects and US\$3.0 million for grants. This increase in disbursements was a result of the growing number of approved ISFD projects that have met the disbursement criteria over the past five years, in addition to the disbursement of the first installment of US\$50.0 to the IsDB-STI Fund in 2018.

The rate of disbursements of ISFD project financing (Loans and Grants) has generally been below target compared to approvals. However, it has increased gradually from 4.9% in 2010 to 24.3% in 2019. Going forward, and considering the actions taken by the IsDB to improve the disbursements rate through quality at entry of approved projects, decentralization, and changes in procurements, etc., the disbursement rate of ISFD approved projects is expected to increase further.

It is also expected that the disbursement rate will continue to increase as ISFD portfolio matures and new projects begin to disburse. Since most ISFD projects are co-financed with IsDB, depending on the components being financed, sometimes the ISFD disbursements start in the later part of the project implementation.



*In Afghanistan, it is estimated that over 400,000 people are blind and about 1.5 million are visually impaired. Every year, around 25,000 Afghans lose their vision in one eye, a condition mostly affect females. Cataract remains the main cause of blindness at 60%. The ISFD provided a grant for the country's Blindness Program 2019, to act as seed money to attract resources from other donors to the program.*

## Approved Grants

The BOD approves grants from ISFD's net income. Such grants once approved and allocated are reported as grants payable. Once disbursed, they reduce the balance of grants payable.

Grants payable as at year-end 2019 amounted to USD 116.1 million (31 December 2018: USD 109.5 million).

## LDMCs are major beneficiaries of the ISFD

In accordance with the IsDB Policy on Poverty Reduction, the IsDB Least Developed Member Countries (LDMCs) are the main beneficiaries of the ISFD programs. The ISFD aims to maximize its support to these countries by combining accepted successful lessons of experience with innovative projects and programs that respond to their needs for addressing poverty. The approved policy for ISFD financing stipulates that 80 percent of the ISFD annual financing is directed towards the LDMCs and 20 percent to poverty pockets in non-LDMCs.

During 2019, the Fund continued to explore the opportunities for widening the coverage of its Ihsan Waqf Investment Fund (IWIF) by attracting Benefactors (Contributors) who are not motivated by financial return, but rather towards the delivery of sustainable social outcomes, particularly in the areas of poverty alleviation.

## Promoting Co-Financing with Development Partners

The ISFD cooperates with other co-financiers either for technical assistance activities or financing of separate components of its projects/programs. Co-financing may be in the form of a grant or a loan (concessional or non-concessional). It can also be provided on parallel or joint basis, although it is mostly provided on a parallel basis.



*Dr. Aisha Al-Aiyafi, ISFD Outreach & Communication Manager, conducting needs assessment for ISFD intervention in a poverty stricken area in Pakistan.*



In 2019, the total cost of the approved projects was US\$417.0 million, whereas the ISFD contribution was US\$113.17 million – representing 27.5% of the total financing, compared to 28% in the previous year. The remaining cost was covered by the IsDB and other co-financiers, including national governments, multilateral institutions, bilateral donors, and NGOs.

**Strengthening partnerships:** The ISFD continues to explore opportunities to form partnerships with other financiers and stakeholders as one of the key objectives of the IsDB Group Policy on Poverty Reduction. Therefore, the ISFD partnership portfolio has grown significantly in recent years, largely due to the ISFD efforts to develop new programs which require strong cooperation with development partners as well as to enhance visibility as a poverty alleviation institution. A growing number of various types of partners are willing to establish and strengthen their cooperation with the ISFD. In particular, since 2015, the Fund has enjoyed rapidly growing requests to build partnerships from around the world, and its partnerships have emerged in the domains of co-financing, technical cooperation, trust funds and special initiatives. What is great about these partnerships is the valuable synergies that can be realized right at the start of each co-financed project or program. They also create an incentive for the beneficiary countries to use ISFD financing responsibly to fulfill the project/program targets if they participate in the costs and provide the ISFD with higher leverage for its limited funds, so that it can more comprehensively attain its objectives.

The primary partners of the ISFD in development interventions are the governments of the beneficiary countries. However, the ISFD partners have increased significantly over the past few years largely due to its enhanced institutional credibility and visibility. A clear example of such partnerships has been developed through the ISFD Out-of-School Children Program, Fighting Avoidable Blindness Program, Ihsan Waqf Investment Funds, and others.

Apart from beneficiary countries and IsDB Complexes, currently the main ISFD partners include: Bill-Malinda Gates Foundation, Education Above All, King Salman Centre, Gordon Brown – UN Envoy for Education, World Bank, Save the Children, UK, Islamic Relief Worldwide, SPARK, BADEA, Turkey Ministry of Health, Global Education, Education Cannot Wait, Global Partnership for Education, Save the Children, IFRC International Federation Red Cross Red Crescent, TURK KIZILAY, Light for the World, IHH, Islamic Cooperation Youth Forum ICYF Turkey, Abu Dhabi Development Fund, Qatar Development Fund, among others.

This enables the ISFD to play a catalytic role in mobilizing additional resources for financing its programs from all potential partners, including national, regional and international funding institutions and banks, as well as from the private sector and philanthropists. It is also one of the best ways of strengthening working relationships, enhancing governance, and thus amplifying interests and successes. Potentially,

#### **Objectives of the ISFD partnerships policy:**

- Play a catalytic role in mobilizing additional resources for financing its programs from all potential partners, including national, regional and international funding institutions and banks, as well as from the private sector and philanthropists.
- Re-position the ISFD as a premier poverty alleviation institution in the IsDB member countries in an increasingly dynamic and complex global partnership landscape.
- Focus on managing its partnership in line with IsDB priorities and ongoing institutional reforms to avoid strategic deviation.
- Proactively respond to the increasing demands and expectations of member countries through partnership with relevant and effective development partners;
- Assist the Fund in analyzing impacts on the ground, and sustaining the development efforts after completion of the programs.



ISFD Director General, Dr. Waleed Al-Wohaib, leading an ISFD-sponsored mission to Niger, in a site visit to a poverty stricken area in Niamey.

these partnerships can be further harnessed to assist the Fund in the areas of project appraisal, supervision of project implementation and loan administration services, analyzing impacts on the ground, and sustaining the development efforts after completion of the projects/ programs.

## Special Programs

Since the start of the ISFD operations in 2008, ISFD has developed strategic poverty alleviation initiatives in partnership with others, including:

- Economic Empowerment Program with King Salman Humanitarian Aid & Relief Centre, Al Rajhi Charity Foundation for Afghanistan and Sudan.
- Retain Out-of-School Children, with Education Above All Foundation.
- New Jobs Creation, with Silatech Foundation.
- Contributing US\$100.0 million over 5 years to the LLF which was established by the IsDB and Bill & Melinda Gates Foundation (BMGF), in collaboration with Saudi Arabia, Qatar and UAE.
- Support and development of science & technological initiatives to help the poor by contributing US\$100.0 million to the IsDB-STI Fund.
- Fight against avoidable blindness, which aims to conduct 100,000 eye surgeries and 1 million treatment cases over 5 years.
- Community-driven development projects in Sierra Leone and Indonesia.
- Obstetric fistula treatment (Afghanistan, Pakistan and Sudan).
- Renewable energy programs to increase access in rural areas to modern and sustainable energy at affordable rates.
- Ihsan Waqf Investment Funds (IWIFs).

These strategic initiatives helped ISFD to mobilize additional resources to scale-up efforts for poverty reduction.

### Establishment of Ihsan Waqf Investment Fund (IWIF) and Trust Fund for Al-Quds

The ISFD Board approved the launching of the first Ihsan Waqf Investment Fund (IWIF) with a target capital of US\$100.0 million, and contribution of US\$20.0 million by the ISFD to this Fund. It also approved an allocation of a Grant from the ISFD amounting to US\$1.5 million for immediate contribution to the establishment of the "Al-Quds Empowerment Trust Fund," in addition to other contributors.

After consultations with the contributors, the ISFD and the IsDB Al-Aqsa Fund, a program was reached for Al Quds Empowerment, which includes several projects and programs for financing through the IWIF proceeds in the areas of basic and higher education, health, economic empowerment and the development of community institutions in Al Quds.

The program has been conceived with a change to the initial concept to accommodate the desire of the contributors to reserve the right to manage their endowment and investment of their funds, and donate the proceeds of investments for the purpose of financing the projects and programs that support Al Quds and its people.

The ISFD-financed projects in agriculture and rural development, health, basic education, energy, water and sanitation, youth employment projects will contribute to realizing SDG-1 (Ending Poverty), SDG-2 (Zero Hunger), SDG-3 (Good Health and Well-being), SDG-4 (Quality Education), SDG-6 (Clean Water and Sanitation), SDG-7 (Affordable and Clean Energy), SDG-8 (Decent Work and Economic Growth), SDG-10 (Reduced Inequality), SDG-12 (Responsible Consumption and Production), and SDG-17 (Partnerships to achieve the Goal).



### Alliance to Fight Avoidable Blindness – Second Generation (AFAB-2)

The World Health Organization (WHO) estimates that there are approximately 285 million visually impaired people worldwide, out of which 39 million are blind and 246 million have low vision. Globally, uncorrected refractive errors are the main causes of moderate and severe visual impairment, while cataract remains the leading cause of blindness in middle- and low-income countries. Other major causes of visual impairment are glaucoma, age related macular degeneration, diabetic retinopathy, corneal capacity, childhood blindness and trachoma. As a result, 80% of all visual impairment can be prevented or cured. The majority of visually impaired people (90%) live in low income countries; of them, 9.2% (about 26.3 million), live in Africa.

The second generation of the Alliance to Fight Avoidable Blindness (AFAB) was launched on the sidelines of 43<sup>rd</sup> Annual Meetings of IsDB with US\$251.0 million pledge from 32 technical and financial partners. After the official launch, the Bank and its partners carried out several activities to contribute to the achievement of the objectives agreed-upon.

The Bank supported the beneficiary countries to conduct capacity needs analysis and to prepare their 5-Year Action Plan. In addition, the Bank has approached Light for the World, to ensure a standardized approach for the formulation of 5-Year Action Plan in each country. By the end of July 2018, 11 countries have submitted their draft plan. By October 2018, Burkina Faso and Mozambique Action Plan have been finalized with the assistance of Light for the World and submitted to a technical committee for review. The remaining plans were completed in 2019.



The Third Extraordinary Session of the OIC Summit, Makkah Al Mukarramah, 5-6 Dhul Qadah 1426H (7-8 December 2005) where the decision to establish a Special Fund within the ISDB Group was made – the Islamic Solidarity Fund for Development (ISFD).





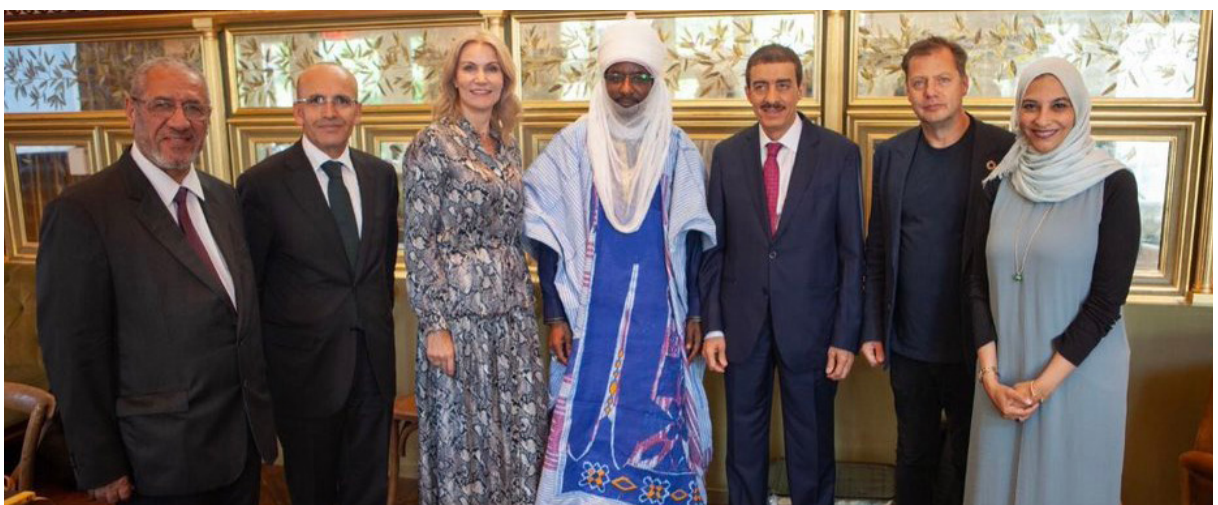
A Meeting with Al Rajihi Foundation to discuss cooperation with the IsDB Group in the areas of Waqf and economic empowerment



Launching of the Polio Eradication Immunization Program in Pakistan



NGOs Workshop, Istanbul



IsDB President of the IsDB Group, Dr. Bandar Hajjar, with some members of the Board of Trustees of the IsDB-STI Fund.

# 03





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# **CORPORATE GOVERNANCE**

# 03 CORPORATE GOVERNANCE



*The 12<sup>th</sup> ISFD Board of Governors was held in conjunction with the 44<sup>th</sup> IsDB Group Annual Meeting of the BOG in Marrakesh on 4-5 April 2019.*

## Activities of the ISFD Board of Governors

The 12<sup>th</sup> Annual Meeting of the ISFD BOG was held in Marrakesh Morocco on 28 Rajab 1440H (4-6 April 2019), in conjunction with the 44<sup>th</sup> IsDB Group Annual Meeting of the BOG. The BOG approved all the recommendations presented to it by the Procedures Committee of the BOG in connection with the ISFD, and adopted four resolutions relating to those recommendations. It also took note of the progress report on Evaluation Study of the ISFD over the commencement of its operations in 2008.

The BOG adopted the ISFD Annual Report and Audited Financial Statements for the financial year ending on 31 December 2018. It also deliberated on the progress of the Fund during 2018 and commended the ISFD management for the results achieved during the year.

The Board of Governors also noted the progress made in the review of the ISFD performance Evaluation Study and commended the IsDB/ISFD for the steps taken to complete the review study and take the necessary steps to strengthen ISFD's position in the IsDB Group, enhance its performance and realize the aspirations of its founders to fight poverty in member countries.

The BOG decided that the 13<sup>th</sup> Annual Meeting of the ISFD BOG would be held in Jeddah, Saudi Arabia in April 2020. It also approved the appointment of M/s Ernst & Young as Auditors for the ISFD Accounts for the Financial Year 1441H-1442H (2020).



## Activities of the ISFD Board of Directors

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

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

In 2019, the BOD held four meetings during which it considered a number of items related to project's financing and policy issues. The BOD considered three ISFD Progress Reports during these meetings highlighting the various activities carried out by the Fund during the year as well as areas for further actions and improvement.

The Board noted the improvement in the returns on the ISFD investments of its capital resources in 2019. To improve the performance further, it urged the ISFD management to speed up the finalization of the revised ISFD Investment Policy. It also praised the partnerships and networking relationships that the ISFD has built within and outside the IsDB, which will play a significant role in expanding its operations and improving its performance.

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

The Board considered and approved 6 new ISFD projects and programs (US\$98.29 million), and 8 grants (US\$14.88 million), with a total value of US\$ 113.17 million.

It also considered the reports and recommendations of the Special Committee on the Review and Implementation of the Recommendations of the ISFD Board of Directors' Sub-Committee on ISFD Evaluation Study and provided pertinent guidance to attain the objectives of the study.



*The Director General of the ISFD, Dr. Waleed Al- Wohaib, meet with the delegation of Al-Quds Endowment Foundation, lead by its Chairman Munib Rasheed Al-Masri to finalize arrangements for the launching of the US\$100.0 million Ihsan Waqf Investment Fund for Al-Quds. The ISFD will contribute US\$20.0 million to the Fund, and Munib Al-Masri will contribute US\$20.0 million, in addition to contributions of US\$60.0 million to be mobilized from other donors.*

## Approval of the ISFD 3-Year Work Program (2020-2022) and Budget (2020)

ISFD has developed a 3-year work program as part of the IsDB's 10-Year Strategy and the President's 5-Year Program. The main objective of this ISFD Work Program (2020-2022) is to reposition ISFD to be more relevant to IsDB and its Member Countries, as well as to the Global Agenda 2030. During this plan period, ISFD will continue to take the necessary actions that would enable it to play its due role in combating poverty in member countries. Accordingly, the focus of the ISFD Work Program 2020–2022, will be on the three Pillars: Resource Mobilization, ISFD Operation Financing Plan and ISFD Transformation.

### Resource Mobilization



### ISFD Operation Financing Plan



### ISFD Transformation



The ISFD Board of Directors, during its meeting on 15th December 2019, has approved the ISFD 3-Year Work Program (2020-2022) including an Operations Financing Budget of US\$221.0 million cumulatively (US\$56 million Grants, and US\$165 million Loans) and an Administrative Budget during 2020 of US\$ 6.7 Million.



*IsDB delegation to Pakistan, lead by H.E. IsDB President, meeting with H.E. Prime Minister of Pakistan, Imran Khan, Islamabad, May 2019*

## ISFD Transformation Study

1. During the 12th meeting of the ISFD BOG held in Morocco on 4 April 2019, the ISFD Board of Directors presented a Memorandum to the ISFD Board of Governors with a summary of measures being taken by the IsDB management in response to some Governors' request to conduct an Evaluation Study of the Fund to enhance its performance.
2. To achieve this objective, the Memorandum showed that there is a need to review several strategic, financial, operational and governance issues relating to the ISFD to enable it to achieve financial sustainability and operational efficiency. In particular, these issues relate to:
  - IsDB management of ISFD investments and program
  - Lack of Risk Management framework
  - Need for ISFD financial sustainability framework, and
  - Operational efficiency of ISFD programs
3. Based on that Report, the BOD sub-Committee continued its duties in finalizing the ISFD strategy, monitoring and directing its execution. Accordingly, the BOD sub-Committee convened its second and third meeting on 26 June 2019, and 24 October 2019, respectively, at the IsDB HQ to consider the actions taken by the ISFD to implement the recommendations for the ISFD reform and provide guidance on the way forward. ISFD management also submitted a progress report to the Executive Committee on 3rd December 2019. Two main studies had been prepared by the close of 2019, for submission to the BOD Sub-Committee in 2020: ISFD Investment Policy, and ISFD Operational Risk Assessment & Risk Mitigation. It is expected that the study will be finalized by the end of 2020.

## ISFD Side Event Held on the Occasion of the 11<sup>th</sup> ISFD BOG Meeting in Marrakesh

The ISFD held a Side Event in collaboration with various partners on out-of-school children on the Occasion of the 11<sup>th</sup> ISFD BOG Meeting in Marrakesh on 4 April 2019.





The event was intended to address key issues, such as:

- Challenges and opportunities for bridging the financing gap for investment in education, especially for member countries experiencing crisis and extreme poverty.
- The role of global partners, funds, national governments and policy makers in addressing the serious problem of out-of-school children.
- Political and Socio-economic factors that contribute to the growing number of out of school children;
- The risks that out of school children and the society as a whole face;
- Gains that societies and economies stand to make in addressing the problem of out-of-school children.
- Exploring the partnership model needed to inclusively address the issues of access to quality education for all, including girls, refugees, displaced populations and children with disabilities.
- Alliances and partnerships that need to be fostered at local, regional and international levels in order to mobilize the required resources as well as designing and implementing effective programmes.

The Forum was opened by the President of the IsDB Group, H.E. Dr. Bandar Hajjar, and addressed by Dr. Waleed Al Wohaib, Director General of the ISFD. The speakers include: Yasmine Sherif, Director of Education Cannot Wait, the Global Fund for Education in Emergencies and Protracted Crises; Kevin Watkins, CEO, Save the Children UK; Irena Vojackova-Sollorano UN Resident Coordinator in the Republic of Turkey; Alice Albright, Chief Executive Officer, Global Partnership for Education; Abdourahmanne Lahlou: Founder, ABWAB Consultants (Morocco).

### Director General of ISFD visits ISESCO

The Director General of the ISFD, Dr. Waleed Al-Wohaib, visited the Islamic Educational and Scientific Organization (ISESCO) in Rabat, Morocco, on January 23, 2019, and was received by Dr. Abdulaziz bin Othman Al-Tuwajiri, Director General of ISESCO during this visit. The two parties discussed ways to enhance cooperation in areas of mutual interest, in particular support for sustainable development programs and the Scholarship Program for needy students in member countries.



*Director General of ISFD visits ISESCO*





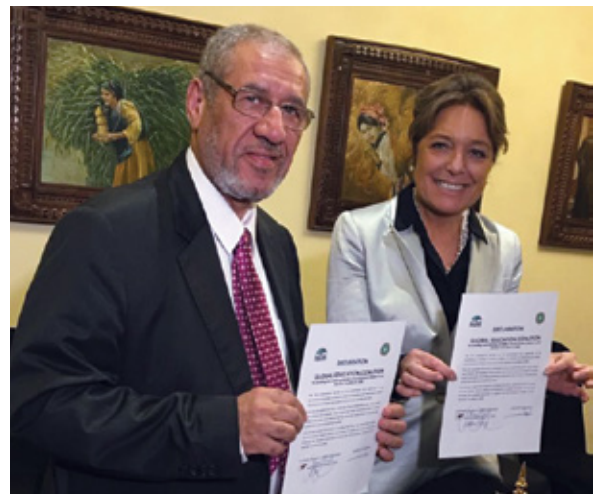
*Signing Ceremony of the Out-of-School Children Declaration during the ISFD Workshop on Out-of-School Children in Marrakesh – April 2019*



*ISFD Participating in the International Refugees Summit in Geneva, Switzerland, 17-18 December 2019.*



*ISFD Director General presents a trophy to Dr. Belay Begashaw, Director General of the SDGs Centre for Africa on the occasion of his visit to the ISFD.*



*Yasmine Sherif Director of Education Cannot Wait, and Dr. Waleed Al-Wohaib Director of Islamic Solidarity Fund, signed the Global Education Declaration in Marrakesh, Morocco.*

04







# FINANCIAL REVIEW

# 04 FINANCIAL REVIEW

## Resources of the ISFD

The ISFD has an approved target capital of US\$10.0 billion. The capital commitments as at the end of 2019 amounted to US\$2.7 billion, representing 27.0% of the target capital (Annex I). These commitments are composed of US\$1.7 billion, committed by 49 IsDB member countries, and US\$1.0 billion committed by the IsDB. The biggest pledges were made by Saudi Arabia (US\$1.0 billion), Kuwait (US\$300.0 million), and Iran (US\$100.0 million). No new commitments were made in 2019.

Paid-up capital reached US\$2.585 billion as at the end of 2019, and no payment was received in 2019. Of the cumulative payments, as of end of 2019, US\$1.585 billion was paid by member countries, and US\$1.0 billion was paid by the IsDB. Of the committed contributions, the remaining amount to be paid, as at the end of 2019, was US\$142.85 million.

## Complementary Resources

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

In 2012, the ISFD Board of Governors, adopted a resolution calling on member countries "to take all measures to support the efforts of the ISFD in resource mobilization, such as allocating a suitable Waqf in favour of the ISFD which the ISFD can develop to generate revenues that can enhance its resources."

Since then, the ISFD has continued consultations with member countries to allocate Waqf assets to the Fund. As at the end of 2019, three countries had allocated plots of land to the ISFD within the framework of the Waqf program, namely: Benin, Burkina Faso, and Comoros.

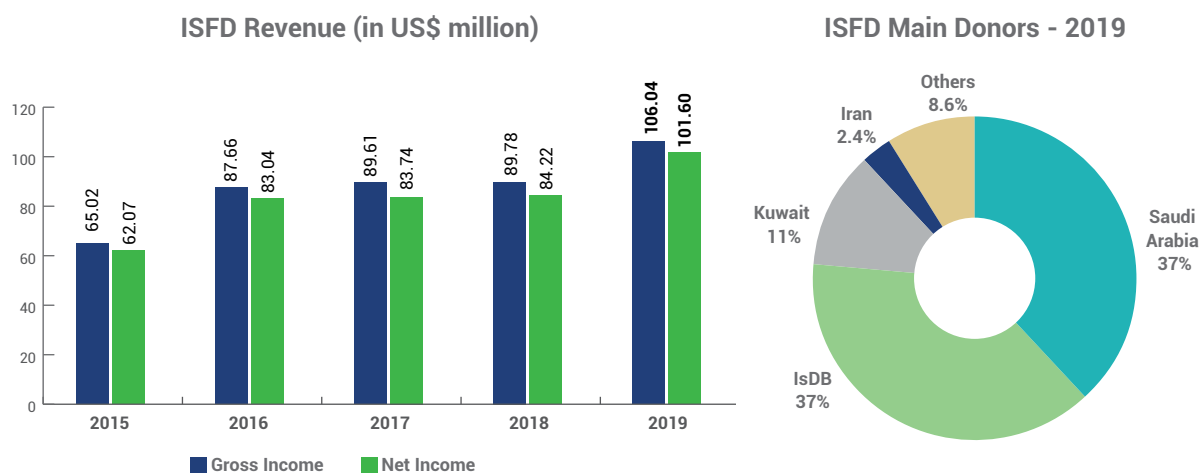
## Investment of Capital Resources

ISFD has separate accounts and records of capital resources and operations. All operations and activities of the Fund are carried out in accordance with Sharia'a law governing Islamic Waqfs.

Although the accounts of the Fund are denominated in United States dollars, the Regulations of the Fund provide that they may be held in any currency, currencies or unit of account that the ISFD Board of Directors may deem appropriate. However, as a temporary measure, the Board decided to use the US Dollar as a unit of account for the Fund as its capital is denominated in US Dollars.

The Fund's accounts are maintained by the IsDB Finance Control Department and its capital resources are currently invested by the Treasury and Investments Departments of the IsDB.





The ISFD is required to invest its capital and retained earnings which are not immediately required for financing its operations so that it can earn income that can be used to finance its projects and programs. As a Waqf (i.e. Trust), paid-up capital is not used in the Fund's operational activities. To maximize income, liquidity is maintained only to the extent necessary to meet the Fund's current cash requirements and undisbursed commitments for the short term. All ISFD capital resources are invested in accordance with the approved Investment Policy of the ISFD.

The ISFD liquid assets consist of contributions paid to the Fund's capital, as well as the unused profits of the Fund. These funds are invested in commodity Murabaha and short-term Shariah compatible placements.

The ISFD had launched several initiatives in 2019 to supplement its interventions in member countries through investing of part of its capital resources in poverty alleviation projects and programs, such as Ihsan Waqf Investment Fund (IWIF), Cash Waqf Sukuk, and the Global Economic Empowerment Program (GEEP).

## Fund Assets

Total assets of the Fund at year-end 2019 amounted to US\$3,116.0 million or up by US\$69.0 million against the 2018 position of US\$3,047.0 million. At 2019 year-end, 84% of the assets are comprised of treasury assets (86% at 2018 year-end). The growth in the total assets of the Fund is mainly attributed to syndicated Ijarah investments of US\$50.0 million and loans of US\$20.0 million.

The Fund's Resources at year-end 2019 stood at US\$2,995.0 million, reflecting an increase of US\$60.8 million, or 2.1%, versus the year-end 2018 balance of US\$2,934.0 million. The Fund has earned US\$101.6 million of net income for the year. However, the impact of this on the Fund's resources is partly offset by US\$12.0 million in unrealized fair value losses on Investments and US\$28.0 million grant allocation, composed of US\$20.0 million to Lives and Livelihood Fund, and other grants of US\$8.0 million.

Return on the Fund's resources has increased from 2.8% to 3.4% primarily on account of higher profits on treasury assets and impairment charge reversal.

## Income

ISFD achieved a net income of US\$101.6 million for 2019, up by US\$17.4 million or 21% from the corresponding year 2018 of US\$84.2 million.

ISFD Performance ratios based on net income	2017	2018	2019
Return on Fund resources	2.9%	2.8%	3.4%
Return on treasury assets, coupon	3.4%	3.4%	3.6%
Return on Investments	2.4%	2.9%	2.7%

Income from treasury assets represents major source of revenue for the Fund for both years (90% and 91% respectively). Income from sukuk investments made up 60% of total treasury income, with the remainder from investments in commodities and Wakala placements.

The US\$17.4 million net income increase is primarily attributed to the following:

- US\$8.6 million is on account of treasury incomes, whereby US\$6.8 million is due to the increase in income from commodity murabaha placements driven primarily by 38% year-on-year increase in average balances.
- US\$3.0 million is on account of investment income, whereby US\$4.2 million is due to increase in investments in syndicated Ijarah fund and US\$1.0 million from related investments. The increase was partially offset by a decrease in dividend income by US\$2.0 million; and
- No loan impairment was made in 2019, whereas in 2018 ISFD impaired its loans by US\$5.0 million.

ISFD's operating income (net income adjusted for unrealized Fair Value gains/losses) used for net income allocations increased by US\$10.0 million from US\$88.0 million in 2018 to US\$98.0 million in 2019.

## Treasury Assets

At the year-end 2019, total treasury assets remained constant reporting marginal increase of US\$1.6M. In both the periods sukuk investments represented 50%-52% of the treasury assets and 42%-45% of the total assets. Remaining liquidity is placed in commodities as well as Wakala with IsDB-OCR. Further, in May 2019 ISFD entered into Murabaha Trade Financing with ITFC for US\$38.0 million.

Treasury income increased year-on-year by US\$8.6 million (from US\$86.6 million to US\$95.2 million). Of which, US\$6.8 million is attributable to increase in income from commodity murabaha placements and US\$2.3 million to Wakala placement income. The increase in commodity murabaha placement income is driven primarily by 38% year-on-year increase in average balances.

Further, sukuk income declined year-on-year by US\$1.4 million (from US\$59.0 million to US\$57.6 million) primarily on account of decrease in coupon income by US\$9.3 million which is attributed to reduced average investments in sukuk from US\$1,578.0 million in 2018 to US\$1,372.0 million in the current period, a decline of 13%. This decrease was substantially offset by fair value gains of US\$8.0 million.

### ISFD Grant to the Lives and Livelihood Fund (LLF) Initiative

LLF - A grant of US\$100M for "Lives and Livelihood Fund" (LLF) was approved by the BOD in its 51st meeting held in Maputo, Mozambique in 2015. According to the DCA (Donor Contribution Agreement) between IsDB and ISFD, the approved amount is to be disbursed in five annual instalments, of US\$20.0 million each.

## Investment Related Income

ISFD's investment portfolio comprises mainly of investments in direct equities, equity and real estate funds. Investments at year-end 2019 reflected a net increase of US\$34.5 million from US\$237.7 million at year-end 2018 to US \$272.2 million.

## Disbursements

Total disbursements of the Fund amount to US\$41.14 million in 2019, composed of disbursements for loans (US\$19.67 million), and disbursements for grants (US\$21.47 million). In 2018, total disbursements had amounted to US\$72.43 million, composed of US\$22.12 for loans, and US\$50.31 million for grants. The higher level of disbursements in 2018 was due to the disbursement of the first installment of US\$50.0 million from the ISFD US\$100.0 million grant to the IsDB Science, Technology & Innovation Fund (IsDB-STI).

The rate of disbursements of ISFD project financing (Loans and Grants) has generally been low compared to approvals. It has increased gradually from 4.9% in 2010 to 24.4% in 2019. By end of 2019 the cumulative disbursements reached US\$325.13 million, compared to US\$1.3 billion of approvals (US\$1.07 billion for Loans and US\$263.0 million for Grants). Accordingly, the cumulative undisbursed commitments increased from US\$12.0 million in 2008 to US\$947.0 million by end of 2019.

## ISFD Investment Policy

The ISFD has developed a new Investment Strategy which guides actions with respect to asset allocation, with the overall objective of enhancing the ISFD returns on investments. The Strategy is based on the ISFD goals, risk tolerance and future spending objectives. It also involves a strategic asset allocation, which sets target allocations for various asset classes based on identified objectives. The Policy aims to introduce a "Dynamic Asset Allocation" approach for investments, which is expected to achieve the following:

- A reduction in expected risk relative to the long-term Strategic Asset Allocation benchmark without compromising return expectations;
- An increase in expected return relative to the long-term Strategic Asset Allocation benchmark for a given level of risk.

The new policy also aims to introduce periodic rebalancing of asset allocation depending on investments conditions and to recommend External Funds Managers to carry out the ISFD capital investments. This Policy is expected to be approved for implementation in 2020.

ISFD Income Statement (US\$ 000s)	2018	2019	Change
Treasury assets	86,647	95,197	8,550
Loan and other assets	2,214	1,661	(553)
Investment assets	6,038	9,133	3,095
<b>Gross Income</b>	<b>94,899</b>	<b>105,991</b>	<b>11,092</b>
Provision for impairment	(5,119)	50	5,169
<b>Income before expenses</b>	<b>89,780</b>	<b>106,041</b>	<b>16,261</b>
Expenses	(5,561)	(4,443)	1,118
<b>Net Income</b>	<b>84,219</b>	<b>101,598</b>	<b>17,379</b>

## ISFD Approval Capacity:

ISFD Financial Support comprises allocations to Grants and Loans, and as approved loans take time to be disbursed, the impact of loan approvals takes time to feed through to the investment portfolio. Hence, the ISFD adopted a methodology over the period 2008-2019 which sets its approval capacity at 2.5 times its net income of the previous financial year. However, as a significant part of the ISFD approvals portfolio has started to mature, the ISFD has reduced the approvals to net income ratio for the approve Operations Program 2020-2022 to 1:1.

### Waqf Lands Allocation

#### Benin land

A plot of land reported in ISFD's capital and valued at US\$5,353.0 thousand represents a plot of land in Cotonou, Benin allocated to ISFD by the Government of Benin in accordance with the ISFD BOG Resolution No. ISFD/BG/3-1433, and granted through Presidential Decree for a period of 70 years. Accordingly, ISDB has a 70-year non-renewable leasehold for the land plot.

Both, the plot of land and the property must be returned to the government of Benin after the passage of the 70-year lease term at no consideration. At least 50% of the net income generated by the property of the Waqf will be used by ISFD to finance its projects in Benin and the remaining amount will be used to finance other activities of the Fund.

The BED, at its 331st meeting had approved construction of the building on the plot of land to be funded by ISFD equity contribution of US\$9.7 million in addition to the value of the Land as well as additional financing of US\$6.0 million from APIF. The BED has also approved a US\$6.0 million financing offer from Banque Africaine Pour L'industrie Et Le Commerce (BAIC) for the project.

#### Burkina Faso land

The Government of Burkina Faso has allocated a plot of land to the ISFD in Ouagadougou for a definitive period, valued at US\$1.9 million, to be developed by ISFD. Once legal and other necessary procedures are completed, the ISFD will report the land as an in-kind contribution.

**Comoros:** The Government of Comoros has allocated a plot of land measuring over 5 hectares to the ISFD on the Corniche de Moroni. The valuation of the land will be undertaken as soon as the Government provides the ISFD with the title documents of the land.

Waqf land allocations to the ISFD have also been extended by Cote D'Ivoire, Nigeria, and Togo. Moreover, expressions of interest in the program have also been made by Azerbaijan, Bahrain, Sierra Leone, Cameroon, Maldives, and Sudan.





# ANNEXES

# ANNEX I

## BRIEFS OF ISFD APPROVED PROJECTS AND PROGRAMS IN 2019

### 1. The ISFD NGOs Empowerment for Poverty Reduction Program

#### **Rationale for Country and Sector Support:**

The Non-Governmental Organizations (NGOs) Empowerment for Poverty Reduction Program is an innovative initiative that contributes in a comprehensive manner to lift people out of poverty. The Program is derived from the existing IsDB NGO Program, analysis of IsDB Engagement with Civil Society and Strategy of the ISFD. It is aligned with the inclusive social development pillar of the IsDB's 10-Year Strategy and the President 5-Year Program (P5P), which calls for more participation of Civil Society Organizations (CSOs) as a network of developers. The Program aims to support member countries to attain the targets of Sustainable Development Goals (SDGs).

#### **Program Objectives and Key Results:**

The goal of the Program is to contribute to reduce poverty in the OIC countries through development and humanitarian initiatives. More specifically, it will improve the socio-economic well-being of the hard-to-reach communities. The key results of the program include: (i) 15,000 refugees and orphans will have access to quality basic education and relevant skills development; (ii) 3,000 low income families will have access to community livelihoods development through income generating activities; (iii) 500 NGOs/CSOs capacities will be strengthened; and (iv) increased resources through access to innovative financing such as partnership and crowdfunding.

#### **Program Description:**

The scope of the Program includes: (i) mapping, screening and categorizing national CSOs in the MCs; (ii) building capacity of selected CSOs; (iii) promoting innovative and transformative projects supporting refugees basic education, building resilience (job creation) and development projects; (iv) setting up sustainable innovative financing mechanisms for CSOs; and (v) program management.

**Program Cost and Financing:** The total cost of the project is estimated at US\$21.08 million. The ISFD will contribute towards this cost by way of Multiyear Grant Facility not exceeding US\$10 million to be committed for a period of five years 2019-2022 (in five equal tranches of US\$2 million each year). The remaining cost will be contributed by UNDP (US\$1.61 million), NGOs (US\$7.31 million), and LNGOs (US\$2.11 million).

### 2. National Education Development Strategy of Tajikistan.

#### **Rationale for Country and Sector Support:**

The Project derives from Tajikistan's National Development Strategy (2016-2030) and National Strategy of Education Development (2020). It is also aligned with IsDB 10-Year Strategy, President's Five-Year Program, and Education Sector Policy aiming to provide basic education and anchors on the principles of building the foundation of human development and optimizing education financing. The project is part of the Country Program of the IsDB for Tajikistan for 2019.

**Project Objectives and Key Results:**

The project aims at: i) Enhancing access to quality education facilities in the selected districts; ii) Improving the efficacy of the Competency-Based Education (CBE) by reducing the gap between declared and implemented curriculum, supporting reform in assessment practices and stock-taking of various activities for effective implementation of CBE; and, iii) Supporting education sector policy, planning and evidence based resource allocation through strengthening of the Education Management Information System (EMIS) and its piloting in the project's area.

The realization of the project objectives will be measured by the following indicators: i) Construction/rehabilitation and equipping of 5 administrative buildings and 68 schools providing standard places for 18,000 students; ii) End of grade examination tools and a module for CBE based assessment developed, and 100 teachers and 24 mentors trained in learning assessment; iii) 250,000 textbooks developed and printed, an e-library established, 20 subject standards reviewed, 24 mentors, 180 professionals, 12 trainers, 100 teachers trained in classroom practice and new curricula; iv) A report on stakeholder involvement in CBE; and, v) Education Management Information System (EMIS) upgraded/strengthened.

**Project Description:**

The project is composed of the following components: i) Enhancing access to quality education facilities in selected districts; ii) Improving competency based education through competency based curriculum rollout, learning assessment and stock-taking of CBE based interventions; iii) Upgrading/modernization of the Education Management Information System (EMIS); and, iv) Support to project implementation and management.

**Project Cost and Financing:**

The total cost of the project is estimated at US\$46.0 million. The ISFD will contribute US\$10.0 million, while the IsDB will contribute US\$20.0 million towards this cost. The remaining cost will be contributed by the Global Partnership for Education (GPE) – US\$10.0 million, and the Government of Tajikistan (US\$6.0 million).

### 3. Regional Soil Fertility Mapping Program (RSFMP) of West Africa

**Rationale for Program and Sector Support:**

Agricultural productivity remains low West African member countries despite their significant agricultural potential. There is a clear need for productivity enhancement by knowing better the soil fertility constraints of existing crop lands rather than relying on expansion of cropped land as the driver of agricultural sector growth. The proposed program aims to support recipient countries to develop sustainable agriculture in order to increase rural incomes, improve food security and allow the transition from the crop cultivation system to a production-based system. The program is in line with productivity development strategies in The Gambia, Guinea, Mali, Niger, Senegal and Sierra Leone.

**Program Objectives and Key Results:**

The overall objective of this program is to improve the agricultural productivity of smallholders by better soil management. The specific objectives are to develop balanced fertilizer products and recommendations for integrated soil fertility management targeting the needs of specific crops, according to climatic conditions and specific agricultural soils that will significantly and sustainably increase crops and quality of nutrition and lead to an increased return on fertilizer investments.

**Program Description:**

The program seeks to ease the constraints hindering the development of the intensive agriculture sectors in Guinea, Mali, Niger, Senegal, Sierra Leone and The Gambia. It aims to contribute to the efforts of beneficiary governments to improve crop production and food security. This will be achieved through

better knowledge of the state of soil fertility and better use of fertilizers. The program will also develop capabilities and provide financing for specialized equipment. It is proposed to conduct plant response experiments with specific nutrients for the obtained soil samples.

Program Cost and Financing: The total cost of the program is estimated at US\$12.0 million. The ISFD and IsDB will contribute US\$5.0 million each towards this cost. The remaining cost (US\$2.0 million) will be contributed by the recipient countries.

## 4. Inclusive Social Development Project in the Eastern Region of Morocco

### 1. Rationale for Country and Sector Support:

The project is fully consistent with the IsDB 10 Year Strategy (2015-2025), which identifies Inclusive Social Development as one pillar that would drive the achievement of the Bank's strategic objective to become a preferred partner for MCs for socio-economic development. The project is in coherence with the President's Five-Year Program (P5P) which was launched in 2017 in order to accelerate the implementation of the 10YS and support member countries to achieve the ambitious targets of the SDGs by 2030 especially, regarding the mainstreaming of SDGs in IsDB new business model.

The project is also in line with ISFD Out-of-School Children (OOSC) flagship program. Furthermore, it is in harmony with the Bank's Education Sector Policy (Pillar I: Enhanced provision of basic education). Similarly, the project is in line with Morocco's priorities and orientation of the "Moroccan New Development Model" which is under elaboration. It is in line with the Bank's Civil Society Engagement Policy, which promotes the mainstreaming of CSOs in public financing to increase efficiency and the services in favor of poor communities. The project is also consistent with both the National Health Plan 2025 and the Education Strategy 2015-2030.

### Project Objectives and Key Results:

The project Development objective is to improve the social inclusiveness of rural areas by expanding access to quality healthcare and education services to poor rural population in the Eastern Region of Morocco. At completion, the key expected results of the project include the following: (i) the number of people covered by essential health services increases from 70% to 100%; (ii) 30,000 people benefiting from outpatients services annually; (iii) the number of children completing equitable and quality primary education increases from 52% to 100%; and (iv) 8,250 students benefiting from quality primary education on yearly basis.

### Project Description:

The project includes the following components: (i) Improving Health Services Delivery; (ii) Reducing Out-Of-School Children in the rural areas; and (iii) Support to Project Management.

### Project Cost and Financing:

The total cost of the project is estimated at US\$75.0 million. The ISFD will contribute US\$24.29 million, while the IsDB will contribute US\$43.22 million towards this cost. The remaining amount (US\$7.49 million) will be contributed by the Government of Morocco.

## 5. ISFD Contribution of US\$ 52 Million to the Economic Empowerment for Palestinian People (EEFPP)

### Country and Sector Support Rationale

The Palestinian Cause has been going through a critical juncture in its history. The Palestinian People have been living under challenging conditions of increasing poverty, unemployment, and the number of



the disabled and prisoners along with the inability of social, health and humanitarian services to cope with these developments. This requires us to redouble efforts to save the Palestinian People and alleviate their daily suffering.

There has been a significant decline in international support which would aggravate the situation and result in a humanitarian and social crisis. The direct support of the IsDB Group with direct interventions in financing the Palestinian economy is thus far standing at US\$ 80.5 million.

The Deprived Families Economic Empowerment Program (DEEP) has achieved considerable success in terms of achieving the economic empowerment objectives through Islamic microfinance. This economic empowerment approach relies on economic feasibility criteria, investment concepts (such as cost and profit), advanced scientific mechanisms, knowledge, and field experience in harmony with the desired social and rehabilitation goals. DEEP has struck the right balance of combining investment, rehabilitation and social elements, which are often incompatible in the context of any investment process. Therefore, the ISFD aims to utilize the same to maximize the economic and social impact and help beneficiaries to fight the two plagues of poverty and unemployment through the establishment of the EEFPP.

### **Project Objectives and Key Results**

The EEFPP will adopt a scientific economic vision geared towards establishing an integrated framework that interacts with all economic sectors to:

- (1) Achieve resource sufficiency to cover the main needs of the target population;
- (2) Mainstream the economic empowerment program to include all poor families in Palestine, estimated at more than 300,000;
- (3) Advance economic development to enhance the de-linkage efforts from the occupation economy;
- (4) Develop and spread the economic empowerment concept based on Islamic microfinance mechanisms.

### **Project Description**

The EEFPP is an investment fund with an initial capital of US\$ 500 million with the IsDB as its sole manager. This in addition to the IsDB contribution to the EEFPP as part of a group of other shareholders. The functions of the EEFPP will include the following:

- (1) To establish economic empowerment institutions in Palestine;
- (2) To provide or contribute to financing lines for economic empowerment programs and projects through microenterprises;
- (3) To provide or contribute to financing lines for economic empowerment programs and projects through solidarity and collective large and medium-sized projects;
- (4) To follow up, monitor and evaluate;
- (5) To undertake short-term investments; and
- (6) To establish other economic empowerment funds.

### **Estimated Project's Budget and Financing Plan:**

The ISFD will contribute an amount of US\$50.0 million to the project through Musharaka, and US\$2.0 million as a technical grant.

## 6. Development of Integrated Farming Systems in Upland Areas Project, Indonesia

### Rationale for Country and Sector Support:

The rising demand for agricultural land is forcing the poorest population and the most marginalized families in the country to move to upland (highland/dryland) farming locations, and become smallholders. Recognizing these challenges and constraints, the Government of Indonesia (GOI) has placed the development of communities and agriculture in the upland areas as one of the priority areas of intervention within the national medium-term development plan, as well as the Agriculture sector strategy.

The project represents an excellent opportunity for IsDB, ISFD, LLF and IFAD to play a transformative role in developing an approach which would assist the Government in not only up-scaling its program for the development of upland areas, but also to extend the model to cover paddy field areas in swamplands, as part of a program currently being developed by the GOI with assistance of IsDB.

### Project Justification:

The project is expected to reduce poverty and enhance food security in upland areas through remunerative, sustainable and resilient livelihoods. The poverty level of rural area in the targeted districts is expected to reduce from an average of 12.83% in 2018 to an average of 8% by end of 2026 (i.e. 3 years after project closing). The project interventions would result in approximately 250,000 people in the project area directly benefiting from the various interventions, as well as a similar or more number of indirect beneficiaries. The estimated Economic Internal Rate of Return (EIRR) for the project is 25.01%.

### Project Objectives and Key Results:

The overall objective of the project is to reduce poverty in upland areas through remunerative, sustainable and resilient livelihoods. The development objective of the project would be to assist rural households to increase their incomes, food security and overall well-being. The outcomes include the following: (i) the number of households reporting an increase in production reaches 30,000 by project close, and (ii) at least 15,000 women and 10,000 youth directly supported by the project. The outputs include: (i) about 550 km of farm to market roads developed, (ii) training of about 30,000 households in improved and more sustainable agriculture production practices, and (iii) provide improved access to microfinance for 18,000 smallholders (8000 females).

### Project Description:

The project intend to have four key components: (1) Productivity Enhancement and Resilience Building, (2) Agribusiness Development and Livelihood Facilitation, (3) Strengthening Institutional Delivery Systems, and (4) Project Management.

### Program Cost and Financing:

The total cost of the project is estimated at US\$151.65 million. The IsDB Group will contribute US\$70.5 million towards this cost, composed of ISFD loan of US\$4.0 million, LLF financing (US\$66.0 million), and IsDB Grant (US\$0.5 million). The remaining cost is provided by IFAD (US\$50.0 million), Beneficiaries (US\$14.0 million), and the Government of Indonesia (US\$17.1 million).

## 7. Dangoumana Agricultural Development Project - Burkina Faso

### Rationale for Country and Sector Support:

Within the framework of the implementation of the National Plan for Economic and Social Development (PNDES), Burkina Faso has reaffirmed its commitment to pursue the search for innovative ways of achieving strong and inclusive growth, through sustainable consumption and production methods. To



*Dangoumana: Burkina Faso: The ISFD approved Agricultural Development Project in the Dangoumana Region, Burkina Faso, in 2019. The overall objective of the project is to reduce rural household poverty and food insecurity through increased agricultural production, productivity and commercialization in Dangoumana areas.*

contribute significantly to the achievement of such ambition, the agricultural policy placed greater focus on the promotion of irrigated agriculture by intensifying and developing innovative irrigation techniques and technologies.

This option seeks to achieve the objectives pursued by the PNDES, namely to increase the share of irrigated production in the overall agricultural production from 15% in 2015 to a target of 25% in 2030. To this end, the development and improvement of irrigated areas will, through water control, strengthen the resilience of rural populations to food insecurity, on the one hand, and on the other hand, increase national agricultural production and thus develop the value chains around this production.

#### **Project Objectives and Key Results:**

The overall objective of the project is to reduce rural household poverty and food insecurity through increased agricultural production, productivity and commercialization in Dangoumana areas. The project is expected to achieve an additional land development under modern irrigation, mainstream the contractual relations between the value chain actors and ensure a better access to market. The Rice Value Chain Program for Burkina Faso will complement this project with a focus on market driven activities targeting about 50,000 households.

#### **Project Description:**

The project scope includes five components, namely (i) Agriculture Value Chain Infrastructures, (ii) Support to Value, and (iii) Project management and Coordination, (iv) Consultancy services (DED), and (v) Audit.

#### **Program Cost and Financing:**

The total cost of the project is estimated at US\$17.4 million. The ISFD will contribute US\$5.0 million, while the IsDB will contribute US\$10.0 million towards this cost. The remaining amount (US\$2.4 million) will be contributed by the Government.

## 8. Water supply in the Area of Ishaqi - Iraq

### Project Objectives and Key Results

The project development objective is to provide the affected population of more than 35,000 inhabitants in the post conflict area of Ishaqi in Salahuddine Governorate, with access to safe, reliable and sustainable drinking water.

### Project Description

The rehabilitation of the Water Treatment Plant requires civil, mechanical and electrical works as follows:

- Civil Works: consisting of maintenance or replacement of the damaged concrete structures and buildings parts, and maintenance of internal roads.
- Mechanical Works: consisting of supply and installation of pumps with all accessories, supply of chlorination unit, heater, injectors and manual crane, maintenance of leaking equipment
- Electrical Works: consisting of supply and installation of electrical starters, cables, transformers, maintenance and operation of in-/outdoor lighting.

Project's Cost and Financing: The total cost of the project is estimated at US\$1.39 million. The ISFD will contribute towards this cost by of TA Grant Facility of US\$1.05 million. The remaining cost will be contributed by the IsDB (US\$0.2 million), and the Government of Iraq (US\$0.14 million).

## 9. ISFD-EAA Out-Of-School Children's Education Program: PACETEM<sup>22</sup> Project in Mali

Historical Context: The "Enrolment and Retention of Out-of-School Children Program" was approved by the ISFD in 2018. Several countries in SSA and South Asia, which are home to the largest number of out-of-school children in their respective regions, are participating in this program. The overall goal of the program is to promote inclusive and equitable quality education and lifelong learning for all. Specifically, it supports enrolment and retention of 2.4 million out-of-school children and provides them with quality basic education. It also aims to establish 8,800 new schools. The ISFD will contribute US\$100.0 million to this program which will be implemented in partnership with Education Above All (EAA), Qatar, to which it will contribute US\$273.0 million. The ISFD-EAA Out-of-School Children Education Program Project in Mali, approved by the ISFD in April 2019, is the first country project which has been approved under this program.

### Rationale for Country and Sector Support:

This project is in line with the Government's Decennial Education Development Program (2019-2028) for restoration of the education system and provision of quality basic education for children aged 6-16 years. With SDG-4, the world has pledged to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. The Government of Mali anchors this project as part of its commitment to this goal. The proposed project is aligned with the "Inclusiveness" goal of the IsDB Group 10-Year Strategy, and the ISFD mandate of fighting poverty. It is also in line with the IsDB President's Five-year Plan (P5P).

### Project Objectives and Key Results:

The objective of the proposed project is to support the Government's efforts to ensure that Out-of-School Children in Mali have access to quality primary education. More specifically, the project's goal is to enroll 596,597 out-of-school children and provide them with quality education through eight comprehensive

<sup>22</sup> PACETEM: Programme d'accès à l'éducation pour tous les enfants au Mali/Access to Education for All Children Programme in Mali.



and validated education strategies designed to address the multiple barriers to education faced by some of the hardest to reach out-of-school children in Mali.

**Project Description:**

The project scope includes ten components, namely (i) increasing access outreach; (ii) improving retention and quality; (iii) strengthening institutional capacity building; (iv) awareness creation; (v) assessment and monitoring; (vi) acquisition of equipment related to access outreach; (vii) Service provision for project implementation; (viii) access to education for all children in Mali; Project management; (xi) support to Project Management Unit operation; and (x) financial audit services.

**Project Cost and Financing:**

The total cost of the project is estimated at US\$145.15 million. The ISFD will contribute US\$33.3 million towards this cost by way of loan financing, while US\$44.0 million will be contributed by Education Above All (EAA) in a form of a grant. The rest will be contributed as co-funding by NGOs (US\$6.71 million), and the Government of Mali (US\$71.85 million).

**SPECIAL PROGRAMS****i. ISFD Cash Waqf Sukuk**

One of the main challenges for the ISFD is to mobilize sufficient resources for its programs. The CWS scheme has been approved as an innovative resource mobilization tool that will enable the ISFD to invest the proceeds from these sukuk in several projects and use the income generated from these investments to finance poverty alleviation projects. It will also invest and finance projects based on suitable Shariah compliant arrangements and return the cash allocated as temporary Waqf to the initial subscribers. For those subscribers who choose to convert their contributions into permanent cash Waqf, their Waqf capital will be channeled to the Waqf Fund on permanent basis. The tenor of the e CWS would be up to 10 years after which the principal amount will be returned to the sukuk holders.

The income generated from investing the proceeds of the CWS will be used as grants in ISFD interventions in social and human development. This may include existing programs, such as: Basic Education, Blindness Control, Obstetric Fistula Program, Save the Mothers Program, Sustainable Villages Program, Vocational Literacy Program, and any other program for poverty alleviation.

**ii. Allocating 30% of ISFD Waqf paid-in capital to be invested in projects with a significant impact on Poverty Alleviation Through Development WAQF**

Through the "Development Waqf Concept," the ISFD aims to utilize 30% of its paid-in capital projects that would have significant impact on poverty reduction in member countries. The concept arose from an IsDB Study which concluded that ISFD should invest part of its paid-in capital in projects that combat poverty, including Education, Health, Economic Empowerment Projects, among others. The ISFD allocation to this program will serve as seed money to attract external funds.

Through this program, the ISFD aims to mobilize at least three times the capital allocated by ISFD over the coming decade.

## ANNEX II

### LOANS: ISFD APPROVED PROJECTS/PROGRAMS - 2019<sup>23</sup>

Project	Country	Amount (US\$ M)
1. Support to Implementation of the National Education Development Strategy	Tajikistan	10.0
2. Regional Soil Fertility Mapping Program of West Africa	Regional	5.0
3. Inclusive Social Development Project in the Eastern Region of Morocco	Morocco	24.29
4. Economic Empowerment Fund for Palestinian People	Palestine	50.0
5. The Development of Integrated farming System in Upland areas	Indonesia	4.0
6. Dangoumana Region Hydro-agricultural Development (PAHD)	Burkina Faso	5.0
<b>TOTAL</b>		<b>98.29</b>

### ISFD APPROVED GRANTS - 2019

Project/Program	Country	Amount (US\$)
1. Al Quds Empowerment Trust Fund	Palestine	1,500,000
2. Productive Agriculture Village Project	Yemen	63,000
3. Economic Empowerment Fund for the Palestinian People	Palestine	2,000,000
4. NGOs Empowerment for Poverty Reduction	Regional	10,000,000
5. AFLATOXIN Pilot Project with ITFC	Gambia	99605
6. Relief Project for Water Supply in the Post Conflict Area	Iraq	1,050,000
7. Blindness Program	Afghanistan	150,000
8. Alliance to Fight Avoidable Blindness AFAB-2	Libya	15,000
<b>TOTAL</b>		<b>14,877,605</b>

<sup>23</sup> This Table does not include the "ISFD-EAA Out-Of-School Children's Education Program in Mali", approved in April 2019, as the allocation for this project (US\$33.3 million is considered as part of the global allocation by the ISFD (US\$100.0 million) for the «Enrolment and Retention of Out-of-School Children Program» which was approved by the ISFD in the previous year (2018).

## ANNEX III

# ISFD STATEMENT OF CAPITAL CONTRIBUTIONS

As of 31 December 2019

S.No	COUNTRY	COMMITMENTS (in US\$ 000's)	PAID AMOUNT (in US\$ 000's)	REMARKS
<b>Committed and Fully Paid</b>				
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
10	Morocco	5,000	5,000	Fully Paid
11	Oman	5,000	5,000	Fully Paid
12	Turkey	5,000	5,000	Fully Paid
13	Tunisia	5,000	5,000	Fully Paid
14	Gabon	4,000	4,000	Fully Paid
15	Brunei	3,000	3,000	Fully Paid
16	Jordan	3,000	3,000	Fully Paid
17	Yemen Republic	3,000	3,000	Fully Paid
18	Burkina Faso	2,200	2,238	Fully Paid
19	Bahrain	2,000	2,000	Fully Paid
20	Syria	2,000	2,000	Fully Paid
21	Cameroon	2,000	2,000	Fully Paid
22	Nigeria	2,000	2,000	Fully Paid
23	Guinea	2,000	2,000	Fully Paid
24	Lebanon	1,000	1,000	Fully Paid
25	Iraq	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

S.No	COUNTRY	COMMITMENTS (in US\$ 000's)	PAID AMOUNT (in US\$ 000's)	REMARKS
<b>Committed but Partially Paid</b>				
1	Iran	100,000	65,000	1st & 2nd Installment
2	Sudan	36,100	944	1st Installment
3	Bangladesh	13,000	7,000	1st-7th Insts.
4	Benin	12,250	940	1st Instalment
5	Togo	2,000	1,000	1st Installment
6	Gambia	1,220	12	1st Installment
7	Sierra Leone	1,000	300	1st Installment
8	Palestine	500	186	1st Installment
9	Turkmenistan	300	100	1st Installment
<b>Committed but Not Paid</b>				
1	Senegal	10,000	-	No payment
2	Cote d'Ivoire	5,000	-	No payment
3	Mauritania	5,000	-	No payment
4	Mali	4,000	-	No payment
5	Chad	2,000	-	No payment
6	Niger	2,000	-	No payment
7	Maldives	1,000	-	No payment
8	Comoros	650	-	No payment
9	Guinea-Bissau	200	-	No payment
10	Uganda	100	-	No payment
11	Albania	10	-	No payment
<b>No Commitment</b>				
1	Afghanistan		-	No commitment
2	Djibouti		-	No commitment
3	Guyana		-	No commitment
4	Kyrgyz Republic		-	No commitment
5	Libya		-	No commitment
6	Somalia		-	No commitment
7	Tajikistan		-	No commitment
8	UAE		-	No commitment
1	Islamic Development Bank	1,000,000	1,000,000	Fully Paid
<b>Grand Total</b>		<b>2,705,830</b>	<b>2,585,144</b>	

ISFD Resources in-kind:		(in US\$ 000's)
1	Benin Waqf Land	5,355
2	Burkina Faso	1.897
3	Comoros	To be determined
4	Nigeria	To be determined





# **FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

**For the year ended 31 December 2019**



**Ernst & Young & Co. (Certified Public Accountants)**  
**General Partnership**  
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### **INDEPENDENT AUDITOR'S REPORT**

Your Excellencies the Chairman and Members of the Board of Governors  
 Islamic Development Bank  
 Jeddah  
 Kingdom of Saudi Arabia

#### **Report on the financial statements**

We have audited the accompanying statement of financial position of The Islamic Solidarity Fund for Development (the "Fund") of the Islamic Development Bank Group as at 31 December 2019, and the related income statement, statements of changes in net assets and cash flows for the year then ended. These financial statements and the Fund's undertaking to operate in accordance with Islamic Shariah are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

#### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2019, and the results of its activities and its cash flows for the year then ended in accordance with the Islamic Shari'ah Rules and Principles as determined by the Shari'ah Board of Islamic Development Bank Group and the financial accounting standards issued by the AAOIFI.

For Ernst & Young

Ahmed I. Reda  
 Certified Public Accountant  
 License No. 356

30 March 2020  
 6 Sha'ban 1441H

Jeddah



**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT****Statement of Financial Position****As at 31 December 2019**

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

	Notes	31 December 2019	31 December 2018
<b>ASSETS</b>			
<b>Treasury assets</b>			
Cash and cash equivalents	4	2,144	133,921
Commodity murabaha placements	5	760,309	609,795
Wakala Bi Al-Istithmar	6	500,257	500,454
Investments in syndicated murabaha	7	37,655	-
Investments in sukuk	8	1,316,968	1,371,611
<b>Loans (Qard) and other assets</b>			
Loans (Qard)	9	196,176	176,403
Accrued income and other assets	10	24,556	11,629
<b>Investment assets</b>			
Investments in equity capital	11	69,529	77,645
Investment in an associate	12	440	332
Investments in syndicated Ijarah	13	65,707	15,742
Investments in funds	14	136,544	143,993
<b>Land</b>	15	5,355	5,355
<b>TOTAL ASSETS</b>		<b>3,115,640</b>	3,046,880
<b>LIABILITIES</b>			
Accrued expenses and other liabilities	16	4,572	3,276
Grants payable	18	116,188	109,479
<b>TOTAL LIABILITIES</b>		<b>120,760</b>	112,755
<b>NET ASSETS</b>		<b>2,994,880</b>	2,934,125
<b>REPRESENTED BY:</b>			
Fund resources in cash	1	2,585,221	2,585,221
Fund resources in kind	15	5,355	5,355
Retained earnings		402,565	334,028
Equity preservation fund	19	18,068	13,185
Fair value reserve		(14,647)	(2,992)
Pension fund reserve		(1,682)	(672)
		<b>2,994,880</b>	2,934,125

The notes from 1 to 28 form an integral part of these financial statements.

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT****Income Statement****For the year ended 31 December 2019**

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

	Notes	For the year ended 31 December 2019	For the year ended 31 December 2018
<b>Income from:</b>			
<b>Treasury assets</b>			
Commodity murabaha placements		21,271	14,505
Wakala Bi Al-Istithmar		15,463	13,127
Investments in syndicated murabaha		872	62
Investments in sukuk	8	57,591	58,953
<b>Loans (Qard) and other assets</b>			
Loans (Qard) service fees		1,661	2,214
<b>Investment assets</b>			
Investment in equity capital		344	1,669
Investment in an associate	12	52	(918)
Investment in syndicated Ijarah		4,818	629
Investment in funds		3,919	4,658
		<b>105,991</b>	94,899
Reversal/(charge) for impairment		50	(5,119)
<b>Total income</b>		<b>106,041</b>	89,780
Employee related expenses		(2,915)	(3,243)
General and administrative expenses		(1,528)	(2,318)
<b>Net income for the year</b>		<b>101,598</b>	84,219

The notes from 1 to 28 form an integral part of these financial statements.



**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT**  
**Statement of Changes in Net Assets**

**At 31 December 2019**

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

	Fund resources	Fund resources in kind	Retained earnings	Equity preservation Fund	Fair value reserve	Pension fund reserve	Total
Balance at 1 January 2018	2,584,221	5,355	325,486	8,772	11,548	(2,370)	2,933,012
Contributions received during the year	1,000	-	-	-	-	-	1,000
Net income for the year	-	-	84,219	-	-	-	84,219
Change in fair value reserve, net (Notes 11 & 14)	-	-	-	-	(14,540)	-	(14,540)
Grant allocation (Note 18)	-	-	(71,264)	-	-	-	(71,264)
Transfer to equity preservation fund (Note 19)	-	-	(4,413)	4,413	-	-	-
Pension fund reserve	-	-	-	-	-	1,698	1,698
<b>Balance at 31 December 2018</b>	<b>2,585,221</b>	<b>5,355</b>	<b>334,028</b>	<b>13,185</b>	<b>(2,992)</b>	<b>(672)</b>	<b>2,934,125</b>
Net income for the year	-	-	101,598	-	-	-	101,598
Change in fair value reserve, net (Notes 11 & 14)	-	-	-	-	(11,711)	-	(11,711)
Changes in reserves for associate (Note 12)	-	-	-	-	56	-	56
Grant allocation (Note 18)	-	-	(28,178)	-	-	-	(28,178)
Transfer to equity preservation fund (Note 19)	-	-	(4,883)	4,883	-	-	-
Pension fund reserve	-	-	-	-	-	(1,010)	(1,010)
<b>Balance at 31 December 2019</b>	<b>2,585,221</b>	<b>5,355</b>	<b>402,565</b>	<b>18,068</b>	<b>(14,647)</b>	<b>(1,682)</b>	<b>2,994,880</b>

The notes from 1 to 28 form an integral part of these financial statements.

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT****Statement of Cash Flows****At 31 December 2019**

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

	Notes	For the year ended 31 December 2019	For the year ended 31 December 2018
<b>Cash flows from operations</b>			
Net income for the year		101,598	84,219
<i>Adjustment for non-cash items:</i>			
Unrealized fair value (gains)/losses on investments in sukuk	8	(3,934)	4,034
Amortization of discount on investments in sukuk carried at amortized cost	8	(625)	(271)
Accrued coupon income on sukuk	8	268	3,980
Share of (profit)/loss on investment in an associate		(52)	918
Accrued income on Wakala Bi Al-Istithmar		197	(145)
(Reversal)/charge for impairment		(50)	5,119
<i>Changes in operating assets and liabilities:</i>			
Loans (Qard)		(19,723)	(22,166)
Accrued income and other assets		(12,927)	643
Accrued expenses and other liabilities		286	(86)
Grant payments		(21,469)	(50,305)
<b>Net cash from operating activities</b>		<b>43,569</b>	25,940
<b>Cash flows from investing activities</b>			
Commodity Murabaha placements		(150,514)	(320,830)
Investments in syndicated murabaha		(37,655)	4,015
Addition to investments in sukuk	8	(18,000)	(25,069)
Proceeds from redemption of investments in sukuk	8	76,934	501,550
Investments in syndicated ijarah, net	13	(49,965)	1,228
Acquisition of equity capital	11	(5,706)	(72,499)
Proceeds from sale of equity capital		-	1,746
Investments in funds	14	(14,431)	(18,575)
Proceeds from sale of investments in funds	14	23,991	8,019
Investment in an associate	12	-	(1,250)
<b>Net cash (used in)/from investing activities</b>		<b>(175,346)</b>	78,335
<b>Cash flows from financing activity</b>			
Contributions received		-	1,000
<b>Net change in cash equivalents</b>		<b>(131,777)</b>	105,275
Cash equivalents at beginning of the year		133,921	28,646
<b>Cash equivalents at end of the year</b>	4	<b>2,144</b>	133,921

The notes from 1 to 29 form an integral part of these financial statements.

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT****Notes to the Financial Statements****At 31 December 2019**

(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") was established by the decision of the 31<sup>st</sup> Annual Meeting of the Islamic Development Bank – Ordinary Capital Resource's ("IsDB or Bank") Board of Governors held in Kuwait in Rabi al-Thani 1427H (May 2006) and was launched as a Waqf during the 32<sup>nd</sup> Annual Meeting of the IsDB Board of Governors held in Dakar, Senegal, in Rabi al-Thani 1427H (May 2007).

The Fund's targeted capital (Fund's resources) is USD10 billion. The Fund has been established within the IsDB Group on the basis of voluntary contributions by all Member Countries of the Bank, irrespective of their development status.

The purpose of the Fund is to help to alleviate poverty, enhance development, eliminate illiteracy and eradicate disease and epidemics in the Organization of Islamic Corporation (OIC) member states. ISFD formally began its operations on 1 Muharram 1429H (10 January 2008).

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.

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 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 Accounting and Auditing Organization for Islamic Financial Institutions ("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 the relevant International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") provided they do not contradict the Rules and Principles of Islamic Shari'ah as determined by the Shari'ah Board of the IsDB Group.

**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 net assets;
- Equity investments are measured at fair value through net assets; and
- A portfolio of investments in Sukuk are measured at fair value through income statement designated as such at time of initial recognition.

**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)

At 31 December 2019

(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 assumes related contractual rights or obligations.

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 favourable to the entity.

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 unfavourable to the entity.

The table below summarises Fund's major financial assets and liabilities and their measurement and recognition principles. Detailed accounting policies are provided in the relevant sections below.

Item	Recognition principles
Cash equivalents	Amortised cost less impairment
Commodity murabaha placements	Amortised cost less impairment
Wakala Bi Al-Istithmar	Amortised cost less impairment
Syndicated murabaha	Amortised cost less impairment
Investments in sukuk classified as either:	Fair value through income statement; or amortised cost less impairment
Investment in syndicated Ijarah	Disbursement less impairment
Loans (Qard)	Disbursements plus accrued service fee less impairment
Investments in equity capital	Fair value through net assets
Investment in associates	Equity method of accounting
Investment in funds	Fair value through net assets

#### b) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset only when there is a legal right to set off the recognised amounts and the Fund intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under FAS issued by AAOIFI, or for gains and losses arising from a group of smaller transactions.

#### c) 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.

#### d) 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 Bank and other Islamic and conventional financial institutions. Commodity Murabaha placements are carried at amortized cost less provision for impairment.



**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT****Notes to the Financial Statements (continued)****At 31 December 2019**

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

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****e) Wakala Bi Al-Istithmar**

Wakala Bi Al-Istithmar is an investment agency 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 an agency contract (the "Wakala") in return for a specified fee. 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 Investment Wakala. Wakala fee (return on invested principal amount) is accrued on a time apportioned basis over the period of the contract based on the principal amounts outstanding.

**f) Investments in syndicated Murabaha**

The Fund participates in syndicated Murabaha transactions originated by IsDB's affiliate International Islamic Trade Finance Cooperation (ITFC).

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

**g) 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 income statement.

Sukuk is measured at amortised cost only if it is managed on a contractual yield basis or it is not held for trading and has not been designated at fair value through the income statement.

Sukuk classified and measured at fair value through income statement are initially recognized at fair value at the date the contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period with the resulting gain or loss recognized in the income statement. Transaction costs are expensed immediately on the date the contract is entered into.

**h) Investment in syndicated Ijarah**

Investment in syndicated Ijarah is measured at amounts disbursed less provision for any impairment.

**i) Loans (Qard)**

Loan (Qard) is recognized when cash is disbursed to the borrowers. Amounts receivable from loans (qard) represent amounts disbursed in respect of projects plus the loan (qard) service fees due, less repayments received and less provision for impairment.

**j) Investments in equity capital and investment in funds**

Investments in equity capital and investment in funds 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 arising from the change in their fair value are recognized directly in the fair value reserve in the statement of changes in net assets until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously recorded in the statement of changes in net assets is recognized in the income statement.

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT**  
**Notes to the Financial Statements (continued)**  
**At 31 December 2019**

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

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**k) Land**

Land is measured at cost less impairment.

**l) Revenue recognition**

Commodity Murabaha placements through banks

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

Wakala Bi Al-Istithmar

Wakala Bi Al-Istithmar fee is accrued on effective yield basis over the period of the contract based on the principal amounts outstanding.

Investments in syndicated Murabaha

Income from investments in syndicated Murabaha is accrued on effective yield basis over the period from the date of the actual disbursement of funds to their scheduled repayment dates.

Investments in Sukuk

Income from investments in Sukuk is accrued on an effective profit rate method and is recognised in the income statement and where the Sukuk is classified and measured at fair value, the fair value gains and losses (realized and unrealized) resulting from the re-measurement of the fair values at the reporting date are also recognised in the income statement.

Dividend income from investments in equity capital and investment in funds

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

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 periods starting from the signature date through to the date of the last disbursement.

The loan (qard) service fee is allocated and recognised in the income statement over the financial period.

Investment in syndicated Ijarah

Income from investments in syndicated Ijarah is recognised on the effective yield method (which represents ijarah rental net of depreciation against ijarah assets).

**m) Grant allocation**

The Fund's Board of Directors have the authority to allocate grants from ISFD's normalized net income (net income adjusted for unrealized gains/losses, to be charged to statement of changes in assets). These grant allocations are recorded as liabilities until disbursed to the beneficiaries.

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT****Notes to the Financial Statements (continued)****At 31 December 2019**

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

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****n) Impairment of financial assets***Amortized cost or cost less impairment*

If there is objective evidence that an impairment loss has been incurred, the amount of impairment is measured as the difference between the carrying amount of the asset and its expected recoverable amount. Impairment losses are recognised in income statement.

*Fair value through net assets*

An assessment is made at each statement of financial position date to determine whether there is objective evidence that an investment may be impaired. In case of investments carried at fair value through net assets, a significant or prolonged decline in fair value of the investment below the cost is considered in determining whether the assets are impaired. If any evidence exists of significant or prolonged impairment for the investment carried at fair value through net assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the investment in equity previously recognised in the net assets, is removed from net assets and recognised in the income statement. Impairment losses on equity investments previously recognised in the income statement are not subsequently reversed through the income statement.

**o) Foreign currency transactions and translations**

Foreign currency transactions that require settlement in a foreign currency are translated into the functional currency of the Fund (USD) at the exchange rates at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate at the date that the fair value is determined.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences resulting from the settlement of foreign currency transactions and arising on translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

**p) Zakat and tax**

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

**q) 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.

## THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT

### Notes to the Financial Statements (continued)

At 31 December 2019

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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 advices and expectations of future events that are believed to be reasonable under the circumstances. The most significant judgments and estimates are summarised below:

#### Significant Judgments

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.

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.

#### Significant estimates

Provision for impairment of financial assets: The Fund exercises judgment in the estimation of provision for impairment of financial assets. The methodology for the estimation of the provision is set out in the Significant Accounting Policies section "Impairment of financial assets".

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.

Post-employee benefits plan: 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.

### 4. CASH AND CASH EQUIVALENTS

	Note	2019	2018
Commodity Murabaha placements with maturities less than 3 months	5	2,144	133,921
		<b>2,144</b>	133,921

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

	Note	2019	2018
Commodity Murabaha placements through banks		752,544	735,921
Accrued income		9,909	7,795
Commodity Murabaha placements with maturities less than 3 months	4	(2,144)	(133,921)
		<b>760,309</b>	609,795



**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT**  
**Notes to the Financial Statements (continued)**  
**At 31 December 2019**

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

**6. WAKALA BI AL-ISTITHMAR**

	2019	2018
Wakala Bi Al-Istithmar	500,000	500,000
Accrued income	257	454
	<b>500,257</b>	<b>500,454</b>

In 2017, ISFD entered into two Wakala Bi Al-Istithmar agreements, amounting to USD 200 million and USD 300 million, with Islamic Development Bank – Ordinary Capital Resources maturing in 2023.

**7. INVESTMENTS IN SYNDICATED MURABAHA**

	2019	2018
Gross amounts receivable	38,483	-
Less: unearned income	(828)	-
	<b>37,655</b>	<b>-</b>

Investments in syndicated murabaha for and on behalf of the Fund are made by The International Islamic Trade Finance Corporation ("ITFC"), an affiliated entity, for which ITFC charges mudarib share of profits. The mudarib share of profits for the year ended 31 December 2019 was USD 0.11 million which has been netted off from the income from investments in syndicated Murabaha.

**8. INVESTMENTS IN SUKUK**

	Counterparty rating					Total
	AAA	AA+ to AA-	A+ to A-	BBB to BBB-	Unrated	
<b>31 December 2019</b>						
Sukuk classified as fair value through income statement:						
- Governments	-	42,059	-	36,044	-	78,103
- Other entities	-	-	-	-	41,846	41,846
	-	42,059	-	36,044	41,846	119,949
Sukuk classified at amortised cost:						
- Governments	-	-	-	695,002	2,076	697,078
- Financial institutions	187,133	43,288	83,787	70,890	-	385,098
- Other entities	64,232	-	-	50,611	-	114,843
	<b>251,365</b>	<b>43,288</b>	<b>83,787</b>	<b>816,503</b>	<b>2,076</b>	<b>1,197,019</b>
<b>Total</b>	<b>251,365</b>	<b>85,347</b>	<b>83,787</b>	<b>852,547</b>	<b>43,922</b>	<b>1,316,968</b>

	Counterparty rating					Total
	AAA	AA+ to AA-	A+ to A-	BBB to BBB-	Unrated	
<b>31 December 2018</b>						
Sukuk classified as fair value through income statement:						
- Governments	-	40,302	-	34,162	13,330	87,794
- Financial institutions	-	-	-	-	32,133	32,133
	-	40,302	-	34,162	45,463	119,927
Sukuk classified at amortised cost:						
- Governments	-	-	47,873	776,456	2,054	826,383
- Financial institutions	85,077	25,215	101,417	18,522	-	230,231
- Other entities	-	94,083	50,388	50,599	-	195,070
	85,077	119,298	199,678	845,577	2,054	1,251,684
<b>Total</b>	<b>85,077</b>	<b>159,600</b>	<b>199,678</b>	<b>879,739</b>	<b>47,517</b>	<b>1,371,611</b>

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT**  
**Notes to the Financial Statements (continued)**  
**At 31 December 2019**

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**8. INVESTMENTS IN SUKUK (continued)**

The movement of the investments in Sukuk is as follows:

	For the year ended 31 December 2019	For the year ended 31 December 2018
Balance at beginning of the year	1,371,611	1,855,835
<b>Movements during the year</b>		
Additions	18,000	25,069
Redemption of Sukuk	(76,934)	(501,550)
Amortisation of discount on Sukuk carried at amortized cost	625	271
Unrealized fair value gains/(losses)	3,934	(4,034)
Movement in accrued income on Sukuk carried at amortized cost	(268)	(3,980)
<b>Balance at end of the year</b>	<b>1,316,968</b>	1,371,611

Income from investments in Sukuk is comprised of the following:

	For the year ended 31 December 2019	For the year ended 31 December 2018
Coupon income	53,032	61,855
Amortization of discount on Sukuk carried at amortised cost	625	271
Gain from sale of Sukuk	-	861
Unrealised fair value gains/(losses)	3,934	(4,034)
	<b>57,591</b>	58,953

**9. LOANS (QARD)**

	2019	2018
Loans (Qard)	201,261	181,538
Less: Provision for impairment	(5,085)	(5,135)
	<b>196,176</b>	176,403

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

	2019	2018
Balance at the beginning of the year	5,135	3,040
(Reversal)/Charge	(50)	2,095
Balance at the end of the year	<b>5,085</b>	5,135

**10. ACCRUED INCOME AND OTHER ASSETS**

	2019	2018
Due from related parties (note 17)	24,487	11,138
Accrued ijarah income	69	491
	<b>24,556</b>	11,629

It includes USD 14.6 million pertaining to the disposal of a syndicated ijarah project whose proceeds were received by IsDB-OCR.

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT**  
**Notes to the Financial Statements (continued)**  
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**11. INVESTMENTS IN EQUITY CAPITAL**

	<b>For the year ended 31 December 2019</b>	For the year ended 31 December 2018
Balance at beginning of the year	77,645	32,613
Additions	5,706	72,499
Disposals	-	(1,816)
Net unrealised fair value losses (reported through equity)	(13,822)	(25,721)
Gain on disposal	-	70
<b>Balance at end of the year</b>	<b>69,529</b>	<b>77,645</b>

The Fund's investment in equity capital represents investment of USD 29.4 million (2018: USD 30.9 million) in unlisted equity securities and USD 40.1 million (2018: USD 46.8 million) in listed equity securities.

**12. INVESTMENT IN AN ASSOCIATE**

	<b>For the year ended 31 December 2019</b>	For the year ended 31 December 2018
Balance at beginning of the year	332	-
Addition	-	1,250
Net changes reported through equity	56	-
Share of net results	52	(918)
<b>Balance at end of the year</b>	<b>440</b>	<b>332</b>

**13. INVESTMENT IN SYNDICATED IJARAH**

	<b>For the year ended 31 December 2019</b>	For the year ended 31 December 2018
Balance at beginning of the year	15,742	16,970
Additions	67,442	-
Disposals	(17,477)	-
Accruals	-	(1,228)
<b>Balance at end of the year</b>	<b>65,707</b>	<b>15,742</b>

Additions made during the year represent syndications with IsDB-OCR.

**14. INVESTMENT IN FUNDS**

	<b>For the year ended 31 December 2019</b>	For the year ended 31 December 2018
Balance at beginning of the year	143,993	125,280
Additions	14,431	18,575
Disposals	(23,991)	(8,019)
Net unrealised fair value gains (reported through equity)	2,111	11,181
Provision for impairment	-	(3,024)
<b>Balance at end of the year</b>	<b>136,544</b>	<b>143,993</b>

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT****Notes to the Financial Statements (continued)****At 31 December 2019**

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**15. LAND**

The Government of the Republic of Benin (a member country) vide Article 3 of the Decree No. 2014-137 dated 20<sup>th</sup> February 2014 has 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 Fund resources. The allocated piece of Land is registered in the name of Islamic Development Bank for the benefit of ISFD.

**16. ACCRUED EXPENSES AND OTHER LIABILITIES**

	2019	2018
Due to related parties (note 17)	25	12
Pension liability	2,378	1,313
Accrued expenses and other liabilities	2,169	1,951
	<b>4,572</b>	<b>3,276</b>

**17. RELATED PARTIES**

The Fund is managed by IsDB and its transactions are done through IsDB and its affiliated entities. Principal arrangements related to commodity murabaha placements, investments in syndicated Murabaha, investments in Sukuk, loans (qard), investments in equity capital, investment in syndicated Ijarah and investment in funds are between the IsDB and/or its related entities and counter parties. ISFD participates in such arrangements with IsDB and its related entities. Development activity transactions, which are entered into with Member Countries, represents all the financing activities (i.e. investments in syndicated Murabaha, Loans (qard) and investments in syndicated Ijarah) of the Fund and related income, which has been disclosed in the income statement.

The balances arising from such transactions are as follows:

(i) Due from related parties

	2019	2018
IsDB – Special Assistance Fund	-	6,926
IsDB – Ordinary Capital Resources (Note 10)	22,574	4,098
International Islamic Trade Finance Corporation (“ITFC”)	113	110
IsDB – Waqf fund	-	4
Kafala	1,800	-
	<b>24,487</b>	<b>11,138</b>

(ii) Due to related parties

	2019	2018
Islamic Corporation for the Development of the Private Sector (“ICD”)	-	12
IsDB – Pension Fund	24	-
IsDB – Medical Fund	1	-
	<b>25</b>	<b>12</b>

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT**  
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**18. GRANT ALLOCATION**

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" (LLF) in its 51st meeting held in Maputo, Mozambique, in June 2015. The approved amount will be disbursed in five annual instalments of USD 20 million each over five years, starting 1437H (2016). As at 31 December 2019, USD 58.3 million (2018: 39.4 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 innovation Fund (STI). The approved amount shall be disbursed in two annual instalments of USD 50 million each. As at 31 December 2019, USD 50 million has been disbursed; the second tranche of USD 50 Million is subject to ISFD's BOD clearance.

The Board of Directors of ISFD approved the following grants from ISFD's normalized net income (net income adjusted for unrealized gains/losses), charged to the statement of net assets:

**Grant Allocation**

Grant Allocation - 10%  
Lives and Livelihood Fund  
Science, Technology Innovation Fund (STI)  
Other

**Total Grant allocation**

	<b>2019</b>	2018
	<b>(7,178)</b>	(1,264)
	<b>(20,000)</b>	(20,000)
	-	(50,000)
	<b>(1,000)</b>	-
	<b>(28,178)</b>	(71,264)

Grants payable as at 31 December 2019 amounted to USD 116.1 million (31 December 2018: USD 109.5 million) and is primarily comprised of amounts payable to STI of USD 50 million, LLF USD 21.7 million, General Grant Allocation of USD 26.1 million and the Ebola Prevention Program of USD 10 million.

**19. EQUITY PRESERVATION FUND**

The Board of Directors 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 fair value gains/losses) of ISFD in the years 1437H-1441H (2016-2020) and 10% in the following years.



**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT****Notes to the Financial Statements (continued)****At 31 December 2019**

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

**20. MATURITY PROFILE OF ASSETS AND LIABILITIES**

<b>31 December 2019</b>	<b>Assets and liabilities maturity periods</b>					<b>Total</b>
	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 Years</b>	<b>Over 5 Years</b>	<b>No Fixed Maturity</b>	
<b>Assets</b>						
Cash and Cash equivalents	2,144	-	-	-	-	<b>2,144</b>
Commodity Murabaha placements	204,509	547,793	8,007	-	-	<b>760,309</b>
Wakala Bi Al-Istithmar	-	-	500,257	-	-	<b>500,257</b>
Investments in syndicated Murabaha	-	37,655	-	-	-	<b>37,655</b>
Investments in Sukuk	55,447	71,239	930,603	259,679	-	<b>1,316,968</b>
Loans (Qard)	-	5,120	23,061	167,995	-	<b>196,176</b>
Accrued income and other assets	24,556	-	-	-	-	<b>24,556</b>
Investments in equity capital	-	-	-	-	69,529	<b>69,529</b>
Investment in an associate	-	-	-	-	440	<b>440</b>
Investments in syndicated Ijarah	1,231	1,840	54,072	8,564	-	<b>65,707</b>
Investment in funds	-	-	-	-	136,544	<b>136,544</b>
Land	-	-	-	-	5,355	<b>5,355</b>
<b>Total assets</b>	<b>287,887</b>	<b>663,647</b>	<b>1,516,000</b>	<b>436,238</b>	<b>211,868</b>	<b>3,115,640</b>
<b>Liabilities</b>						
Accrued and other liabilities	2,194	-	-	2,378	-	<b>4,572</b>
Grants payable	-	50,000	66,188	-	-	<b>116,188</b>
<b>Net assets</b>	<b>285,693</b>	<b>613,647</b>	<b>1,449,812</b>	<b>433,860</b>	<b>211,868</b>	<b>2,994,880</b>

<b>31 December 2018</b>	<b>Assets and liabilities maturity periods</b>					<b>Total</b>
	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 Years</b>	<b>Over 5 Years</b>	<b>No Fixed Maturity</b>	
<b>Assets</b>						
Cash and Cash equivalents	133,921	-	-	-	-	133,921
Commodity Murabaha placements	194,982	414,813	-	-	-	609,795
Wakala Bi Al-Istithmar	-	-	500,454	-	-	500,454
Investments in syndicated Murabaha	-	-	-	-	-	-
Investments in Sukuk	1,911	72,937	643,979	652,784	-	1,371,611
Loans (Qard)	549	4,840	25,597	145,417	-	176,403
Accrued income and other assets	11,629	-	-	-	-	11,629
Investments in equity capital	-	-	-	-	77,645	77,645
Investment in an associate	-	-	-	-	332	332
Investments in syndicated Ijarah	-	752	7,520	7,470	-	15,742
Investment in funds	-	-	-	-	143,993	143,993
Land	-	-	-	-	5,355	5,355
<b>Total assets</b>	<b>342,992</b>	<b>493,342</b>	<b>1,177,550</b>	<b>805,671</b>	<b>227,325</b>	<b>3,046,880</b>
<b>Liabilities</b>						
Accrued and other liabilities	1,963	-	-	1,313	-	3,276
Grants payable	-	50,000	59,479	-	-	109,479
<b>Net assets</b>	<b>341,029</b>	<b>443,342</b>	<b>1,118,071</b>	<b>804,358</b>	<b>227,325</b>	<b>2,934,125</b>

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT**  
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**21. CONCENTRATION OF ASSETS**

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

<b>31 December 2019</b>	<b>Member countries</b>			<b>Non-member</b>	<b>Total</b>
	<b>Asia</b>	<b>Africa</b>	<b>Europe</b>	<b>countries</b>	
Cash and Cash equivalents	-	-	-	2,144	<b>2,144</b>
Commodity Murabaha placements	760,309	-	-	-	<b>760,309</b>
Wakala Bi Al-Istithmar	500,257	-	-	-	<b>500,257</b>
Investment in syndicated Murabaha	-	37,655	-	-	<b>37,655</b>
Investments in Sukuk	1,316,968	-	-	-	<b>1,316,968</b>
Loans (Qard)	68,834	126,625	717	-	<b>196,176</b>
Accrued income and other assets	24,556	-	-	-	<b>24,556</b>
Investments in equity capital	69,529	-	-	-	<b>69,529</b>
Investment in an associate	-	440	-	-	<b>440</b>
Investment in syndicated Ijarah	56,238	9,469	-	-	<b>65,707</b>
Investment in funds	115,157	-	-	21,387	<b>136,544</b>
Land	-	5,355	-	-	<b>5,355</b>
<b>Total assets</b>	<b>2,911,848</b>	<b>179,544</b>	<b>717</b>	<b>23,531</b>	<b>3,115,640</b>

<b>31 December 2018</b>	<b>Member countries</b>			<b>Non-member</b>	<b>Total</b>
	<b>Asia</b>	<b>Africa</b>	<b>Europe</b>	<b>countries</b>	
Cash and Cash equivalents	120,000	-	-	13,921	133,921
Commodity Murabaha placements	602,136	-	-	7,659	609,795
Wakala Bi Al-Istithmar	500,454	-	-	-	500,454
Investments in Sukuk	1,371,611	-	-	-	1,371,611
Loans (Qard)	71,946	104,457	-	-	176,403
Accrued income and other assets	11,629	-	-	-	11,629
Investments in equity capital	77,645	-	-	-	77,645
Investment in an associate	332	-	-	-	332
Investment in syndicated Ijarah	15,742	-	-	-	15,742
Investment in funds	143,993	-	-	-	143,993
Land	-	5,355	-	-	5,355
<b>Total assets</b>	<b>2,915,488</b>	<b>109,812</b>	<b>-</b>	<b>21,580</b>	<b>3,046,880</b>

**22. NET ASSETS AND LIABILITIES IN FOREIGN CURRENCIES**

The net assets in foreign currencies were as follows:

	<b>2019</b>	2018
Saudi Riyal	<b>49,949</b>	39,615
Euro	<b>1,416</b>	75
Islamic Dinar (ID)	<b>939</b>	228
Other currencies	-	857

## THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT

### Notes to the Financial Statements (continued)

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#### 23. UNDISBURSED COMMITMENTS

	2019	2018
Loans (Qard)	307,563	332,727
Investment in Funds	18,647	-

#### 24. SHARI'AH BOARD

The Fund's business activities are subject to the supervision of the IsDB Group Shari'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 Shari'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 Shari'ah, and lay down basic principles for drafting of related contracts and other documents;
- to give its opinion on the Islamic Shariah 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 Shariah related questions, enquiries and explications 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 Shari'ah in the light of the opinions and directions given and the transactions reviewed.

#### 25. RISK MANAGEMENT

The Fund is monitored by the IDB'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 of the Bank. The RMD is responsible for identification, assessment, mitigating and reporting of all risks inherent in the Fund's activities to maintain its low risk profile. The Bank has also established a Risk Management Committee, which ensures that, based on the risk appetite there, are appropriate controls on all major risks arising from financing and investment operations through reviewing the risk management framework, policies, procedures, guidelines and risk reports.

##### a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Fund's credit risk arises mainly from its financial assets (other than equity securities).

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT****Notes to the Financial Statements (continued)****At 31 December 2019**

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

**25. RISK MANAGEMENT (continued)****a) Credit risk (continued)**

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 relevant notes. The assets which subject the Fund to credit risk principally consist of cash and cash equivalent, commodity murabaha placements, Wakala Bi Al-Istithmar, investments in Sukuk, investments in syndicated Murabaha and Loans (Qard) which are mainly covered by sovereign guarantees and commercial bank guarantees acceptable to the Fund, in accordance with specific eligibility criteria and credit risk assessments. IDB and its related entities and managed funds benefit from preferred creditor status on sovereign financing, which gives them priority over other creditors in the event of default thus constituting a strong protection against credit losses.

The Bank 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 Bank, as well as other entities of the Bank, with a view to maintain the overall credit risk appetite and profile within the parameters set by the management of the Bank. 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 Board of Executive Directors and the management of the Bank.

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).

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT**  
**Notes to the Financial Statements (continued)**  
**At 31 December 2019**

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

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**25. RISK MANAGEMENT (continued)**

**c) Market risks**

The Fund is exposed to following market risks:

i) 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 financing operations are USD-denominated, the same currency in which the Fund's resources – i.e. equity are denominated. The Fund does not trade in currencies. Therefore, it is not exposed to currency trading risk. The Fund has a conservative policy whereby the currency composition of the portfolio is monitored and adjusted regularly.

ii) Price risk

The Fund is not exposed to equity price risks arising from equity investments as the investments are held for strategic purpose rather than trading purposes. In view of the composition of investment, equity price risk is not significant.

iii) Mark-up risk

Mark-up risk arises from the possibility that changes in mark-up will affect the value of the financial instruments. The Fund may be exposed to mark-up risk on its investments in Sukuk. However, the Fund mitigates this risk by investing in fixed mark-up Sukuk.

**d) Liquidity risk**

Liquidity risk is the risk that the Fund will be unable to meet its net funding requirements. To mitigate this risk, the Fund adopts a conservative approach by maintaining high liquidity levels invested in cash and cash equivalents, investments in syndicated Murabaha 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 Sharia 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.

*Shariah non-compliance risk (SNCR)*

The fund attaches value in safeguarding its operations from Islamic Shariah non-compliance risk (SNCR) as part of its operational risk management. Islamic Shariah compliance forms an integral part of the fund's purpose of establishment. Consequently, the fund effectively manages SNCR 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 Islamic Shariah compliance, while the Islamic Shariah 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 Shari'ah Audit function provides independent reasonable assurance as the 3rd line of defence post-execution of transactions/operations adopting a risk-based internal Shari'ah audit methodology.



**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT**  
**Notes to the Financial Statements (continued)**  
**At 31 December 2019**

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

**25. RISK MANAGEMENT (continued)**

**f) Fair values of financial assets and liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The different levels of analyzing financial instruments carried at fair value, by valuation method have been defined as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – 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 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The table below analyses financial instruments carried at fair value, by valuation method.

**31 December 2019**

**Assets**

Financial assets at fair value through income statement:

- Investments in Sukuk

Financial assets at fair value through equity

- Equity investments

Financial assets at fair value through net assets:

- Investment in funds

	Level 1	Level 2	Level 3	Total
- Investments in Sukuk	78,103	41,846	-	<b>119,949</b>
- Equity investments	40,084	13,264	-	<b>53,348</b>
- Investment in funds	-	-	136,544	<b>136,544</b>
	<b>118,187</b>	<b>55,110</b>	<b>136,544</b>	<b>309,841</b>

**31 December 2018**

**Assets**

Financial assets at fair value through income statement:

- Investments in Sukuk

Financial assets at fair value through equity

- Equity investments

Financial assets at fair value through net assets:

- Investment in funds

	Level 1	Level 2	Level 3	Total
- Investments in Sukuk	74,464	45,463	-	119,927
- Equity investments	46,778	-	-	46,778
- Investment in funds	-	-	143,993	143,993
	121,242	45,463	143,993	310,698

## THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT

### Notes to the Financial Statements (continued)

At 31 December 2019

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

#### 26. AAOIFI STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new financial accounting standards of the Accounting and Auditing organization for Islamic Financial Institutions ("AAOIFI") have been issued except for FAS 29 "sukuk issuances" which is in the stage of exposure draft and is expected to be issued in near future. The Fund intends to adopt these financial reporting standards when they become effective and is currently assessing the impact of these new financial accounting standards on its financial statements and systems.

##### (i) Financial Accounting Standard – 29 "Sukuk Issuances"

The standard aims to provide guidance for accounting, classification and presentation for Sukuk issuances primarily based on the Sukuk structure, which may include on balance sheet, as well as, off balance sheet accounting. These classifications depend on the control of such assets comprising of power to control and nature of control i.e. for risks and rewards as well as varying benefits to the institution or the fiduciary responsibility on behalf of the Sukuk-holders. This standard shall be applied for accounting and financial reporting for Sukuk issuance in the books of the issuer.

##### (ii) Financial Accounting Standard – 30 "Impairment and credit losses"

FAS 30 will be replacing FAS 11 "Provisions and Reserves" and has been developed on the new approach towards identification and recognition of impairment and credit losses, in particular the forward-looking expected losses approach, as introduced under International Financial Reporting Standard (IFRS) 9 "Financial Instruments". FAS 30 shall also apply to off-balance sheet exposures.

This standard shall be effective from the financial periods beginning on or after 1 January 2020. Early adoption is permitted.

##### (iii) Financial Accounting Standard – 31 "Investment Agency (Al-Wakala Bi Al-Istithmar)"

This standard intends to define the accounting principles and reporting requirements for investment agency (Al-Wakala Bi Al-Istithmar) transactions and instruments to be in line with the ever-changing global best practices, in hand of both the principal and the agent.

This standard shall be applicable on the financial statements of the Fund for the periods beginning on or after 1 January 2020.

##### (iv) Financial Accounting Standard – 33 "Investment in Sukuk, shares and similar instruments"

This standard improves upon and supersedes the AAOIFI's Financial Accounting Standard (FAS) 25 "Investment in Sukuk, Shares, and Similar Instruments" issued in 2010. This standard aims at setting out principles for the classification, recognition, measurement, presentation and disclosure of investment in Sukuk, shares and other similar instruments of investments made by Islamic financial institutions (IFIs / the institutions).

The standard defines the key types of instruments of Islamic Shariah compliant investments and defines the primary accounting treatments commensurate to the characteristics and business model of the institution under which the investment is made, managed and held.

This standard shall be applicable on the financial statements of the Fund for the periods beginning on or after 1 January 2020.

##### (v) Financial Accounting Standard – 34 "Financial reporting for Sukuk-holders"

This standard intends to prescribe the accounting principles and reporting requirements for underlying assets of the Sukuk instrument. The objective of this standard is to establish the principles of accounting and financial reporting for assets and business underlying the Sukuk to ensure transparent and fair reporting to all relevant stakeholders particularly Sukuk-Holders.

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT****Notes to the Financial Statements (continued)****At 31 December 2019**

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

This standard shall be applicable to Sukuk in accordance with the Islamic Shari'ah Rules and Principles issued by an Islamic Financial Institution or other institution (called "originator"), directly or through the use of a Special Purpose Vehicle (SPV) or similar mechanism. In respect of Sukuk which are kept on-balance sheet by the originator in line with the requirements of FAS 29 "Sukuk in the books of the originator", the originator may opt not to apply this standard. This Standard shall be effective from the financial periods beginning on or after 1 January 2020.

**(vi) Financial Accounting Standard – 35 "Risk Reserves"**

The objective of this standard is to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions. This standard shall apply to risk reserves that are established by an IFI entity, to mitigate the credit, market, equity investment, liquidity, rate of return or displaced commercial risks faced by stakeholders. On the other hand, operations risk is the responsibility of the IFI itself, so this standard shall not be applied on any risk reserve created to mitigate the operational risk.

This standard complements FAS 30 "Impairment, Credit Losses and Onerous Commitments" and they shall be adopted simultaneously. Both of standards FAS 30 and FAS 35 together supersedes the earlier FAS 11 "Provisions and Reserves".

This standard shall be applicable on the financial statements of the Fund for the periods beginning on or after 1 January 2021. Early adoption is permitted, only if the IFI decided to early adopt FAS 30 "Impairment, Credit Losses and Onerous Commitments".

**27. SUBSEQUENT EVENT**

The outbreak of Novel Coronavirus (COVID 19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact. The Fund considers this outbreak to be a non-adjusting post balance sheet event. The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorisation of these financial statements. These developments could impact our future financial results, cash flows and financial condition.

**28. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 15 February 2020 (corresponding to 21 Jumada II 1441H).

## ISFD PROGRAMS PARTNERS

ISFD Program	IsDBG Partners	Other Partners
1. ISFD Annual Work Program with IsDB	<ul style="list-style-type: none"> <li>- Country Program Complex</li> <li>- Partnerships Complex</li> <li>- Finance Complex</li> </ul>	<ul style="list-style-type: none"> <li>- All international MDBs</li> <li>- Beneficiary Governments</li> <li>- International donors</li> </ul>
2. Lives & Livelihood Fund (LLF)	<ul style="list-style-type: none"> <li>- Partnerships Complex</li> <li>- LLF Unit</li> </ul>	<ul style="list-style-type: none"> <li>- Bill-Malinda Gates Foundation</li> <li>- King Salman Centre</li> <li>- Abu Dhabi Development Fund</li> <li>- Qatar Development Fund</li> </ul>
3. Out of School Children Coalition	<ul style="list-style-type: none"> <li>- Country Program Complex.</li> <li>- Human Development Division.</li> <li>- Regional Hub – Ankara</li> <li>- Regional Hub Abuja</li> <li>- IsDB Office – Islamabad</li> </ul>	<ul style="list-style-type: none"> <li>- Golden Brown, UN Envoy for Education.</li> <li>- Global Partnership for Education – World Bank.</li> <li>- Education Cannot Wait- UN.</li> <li>- Education Above All - Qatar.</li> <li>- Light of the World- Vienna.</li> <li>- Kizilay: Turkey Red Crescent.</li> <li>- Save the Children - UK.</li> <li>- IFRC: International Federation for Red Cross &amp; Red Crescent - Vienna</li> <li>- SPARK – Netherlands</li> <li>- IHH Turkey</li> </ul>
4. Alliance for Avoidable Blindness Program (AFAB)	<ul style="list-style-type: none"> <li>- Country Program Complex.</li> <li>- Reverse Linkage</li> <li>- Regional Hub – Ankara</li> </ul>	<ul style="list-style-type: none"> <li>- Ministry of Health in Turkey</li> <li>- BADEA</li> <li>- AIDA – Azerbaijan</li> <li>- Islamic Relief Worldwide – UK</li> <li>- Direct Aid – Kuwait</li> <li>- International Islamic Charity - Kuwait</li> <li>- Rahma International – Kuwait</li> <li>- Al Najat – Kuwait</li> <li>- Al Nouri – Kuwait</li> <li>- Qatar Charity</li> <li>- IHH – Turkey</li> <li>- Brazil Institute for Africa</li> <li>- Al Basar Foundation – UK</li> <li>- Nadi Al Basar</li> <li>- Light of the World – Vienna</li> <li>- PB Union – Switzerland</li> <li>- International Agency for Prevention of Blindness (IAPB).</li> <li>- OREEDO Telecommunication – Qatar.</li> <li>- Other CSOs from Morocco, Tunis, Libya, Palestine, UK and Africa.</li> </ul>
5. Science, Technology & Innovation Fund (STI)	<ul style="list-style-type: none"> <li>- President's Complex</li> <li>- STI Department</li> </ul>	

6.	Youth Job Creation	<ul style="list-style-type: none"> <li>- Country Program Complex.</li> <li>- IFSD</li> </ul>	<ul style="list-style-type: none"> <li>- Silatech – Qatar.</li> <li>- Beneficiary Governments</li> <li>- Local MFIs.</li> </ul>
7.	Scholarships	<ul style="list-style-type: none"> <li>- President's Complex</li> <li>- Scholarships Division</li> </ul>	
8.	Obstetric Fistula	<ul style="list-style-type: none"> <li>- Country Program Complex</li> <li>- Human Development Division</li> </ul>	
9.	Awqaf Land Development Program	<ul style="list-style-type: none"> <li>- Country Programs Complex</li> <li>- APIF – IFSD</li> </ul>	<ul style="list-style-type: none"> <li>- Beneficiary Governments</li> <li>- Private consultants</li> </ul>
10.	Ihsan Waqf Investment Funds (IWIFs) Cash Waqf Sukuk	<ul style="list-style-type: none"> <li>- Partnerships Complex</li> <li>- Crowd Engagement &amp; External Funds Management Department</li> <li>- Finance Complex</li> <li>- Investment Department</li> <li>- Treasury Department</li> <li>- Islamic Corporation for the Development of the Private Sector (ICD).</li> </ul>	<ul style="list-style-type: none"> <li>- InvestCorp</li> <li>- Quds Fund &amp; Endowment</li> <li>- Banks, CSOs, private consultants and Government organizations to help in establishing IWIFs in Yemen, Pakistan, Morocco, Libya, Turkey, UAE, Kuwait, Bahrain, Niger.</li> </ul>
11.	TADAMON Guarantee Fund (Under development)	<ul style="list-style-type: none"> <li>- ICD</li> <li>- ICIEC</li> <li>- Finance Complex</li> <li>- Risk Department</li> <li>- Legal Department</li> </ul>	<ul style="list-style-type: none"> <li>- External Consultant</li> </ul>
12.	ISFD Visibility & Branding	<ul style="list-style-type: none"> <li>- THIQA</li> <li>- Marketing &amp; Communication Department</li> </ul>	<ul style="list-style-type: none"> <li>- External consultants</li> </ul>
13.	ONE WASH Impact Sukuk to End Cholera (Under development)	<ul style="list-style-type: none"> <li>- President's Complex</li> <li>- Strategy &amp; Transformation</li> </ul>	<ul style="list-style-type: none"> <li>- IFRC: International Federation for Red Cross &amp; Red Crescent - Vienna</li> </ul>
14.	Vaccination Alliance for Production and Immunization (VAPI)	<ul style="list-style-type: none"> <li>- President's Complex</li> <li>- Strategy &amp; Transformation</li> <li>- Country Program Complex</li> <li>- Economic &amp; Social Infrastructure Department</li> </ul>	<ul style="list-style-type: none"> <li>- GAVI</li> <li>- BMGF</li> </ul>
15.	Development Waqf	<ul style="list-style-type: none"> <li>- Economic Empowerment Department</li> <li>- Crowd Engagement &amp; External Funds Management Department</li> </ul>	<ul style="list-style-type: none"> <li>- Beneficiary Governments</li> <li>- Private consultants</li> </ul>
16.	NGOs Empowerment for Poverty	<ul style="list-style-type: none"> <li>- Country Program Complex</li> <li>- Human Development Division</li> </ul>	<ul style="list-style-type: none"> <li>- UNDP</li> <li>- SPARK</li> </ul>



## ISFD PARTNERS





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