



**IsDB**   
البنك الإسلامي للتنمية  
Islamic Development Bank

# ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT (ISFD)



THIRTEENTH ANNUAL REPORT  
**1441-1442H (2020)**

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# LIST OF ABBREVIATIONS

<b>APIF</b>	Awqaf Properties Investment Fund	<b>LDMCs</b>	Least Developed Member Countries
<b>AWP</b>	Annual Work Programme	<b>LLF</b>	Lives and Livelihoods Fund
<b>BOD</b>	Board of Directors of the ISFD	<b>MC</b>	Member countries
<b>BOG</b>	Board of Governors	<b>MC</b>	Member Country
<b>BTVET</b>	Business, Technical and Vocational Education and Training	<b>MPI</b>	Multi-dimensional poverty index
<b>COMCEC</b>	Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Cooperation	<b>MSME</b>	Micro, Small and Medium Enterprises
<b>CSO</b>	Civil Society Organisation	<b>NGO</b>	Non Governmental Organization
<b>EEP</b>	Economic Empowerment Programme	<b>OCR</b>	Ordinary Capital Resources
<b>GDP</b>	Gross Domestic Product	<b>OIC</b>	Organization for Islamic Cooperation
<b>GHI</b>	Global Hunger Index	<b>P5P</b>	President's Five Year Programme
<b>GNI</b>	Gross National Index	<b>PwC</b>	PricewaterhouseCoopers
<b>HDI</b>	Human Development Index	<b>QnP</b>	Quality and Prioritization
<b>ICD</b>	Islamic Corporation for the Development of the Private Sector	<b>SDGs</b>	Sustainable Development Goals
<b>ICERI</b>	ICIEC-ISFD COVID-19 Emergency Response Initiative	<b>SERVE</b>	Strengthening the Economic Resilience of Vulnerable Enterprises
<b>ICIEC</b>	Islamic Cooperation for the Insurance of Export Credit	<b>SME</b>	Small and Medium Enterprise
<b>IDP</b>	internally displaced persons	<b>SPRP</b>	Strategic Preparedness and Response Programme
<b>IsDB</b>	Islamic Development Bank	<b>STI</b>	Science Technology and Innovation
<b>ISFD</b>	Islamic Solidarity Fund for Development	<b>TVET</b>	Technical and Vocational Education and Training
<b>ITFC</b>	Islamic Trade Finance Corporation	<b>UN</b>	United Nations
<b>IWIF</b>	Ihsan Waqf Investment Fund	<b>UNDP</b>	United Nations Development Programme
<b>KAAP</b>	King Abdullah Program for Charity Works	<b>WBG</b>	Waqf BID-Guinea (IsDB-Guinea Waqf)

# LETTER OF TRANSMITTAL

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## *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, and in my capacity as Chairman of the Board of Directors, I have the honour to submit for the kind attention of the esteemed Board of Governors, the Annual Report of the Islamic Solidary Fund for Development for 1441-1442 (2020).

The Report covers the operations and activities as well as the audited financial statements of the ISFD for the year ending 31 December 2020.

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

**Dr. Muhammad Al Jasser**

President, Islamic Development Bank

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

# MEMBERS OF THE ISFD BOARD OF DIRECTORS

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**H.E. Dr. Muhammad Al Jasser**

President, IsDB Group, Chairman of the Board of Directors



Hon. Abdul Ghani Ahmad Mohamed Al-Ftissi



Hon. Bulent Aksu



Hon. Abbas Memar Nejad



Hon. Abdulghaffar Al Awadhi



H.E. Dr. Hamad Sulaiman Al Bazai



Hon. Dr. Nada Massoud



Hon. Khalaf Sultan Al Dhaheer



Hon. Bader Ahmad Al-Emadi



Hon. Mohammed Gambo Shuaibu



Hon. Fredrick Twesiime



Hon. Abdoulie Jallow



Hon. Péma Guilavogui



Hon. Faouzia Zaaboul



Hon. Zeina Toukan



Hon. Sami Mohamed Hameed



Hon. Fatima Yasmin



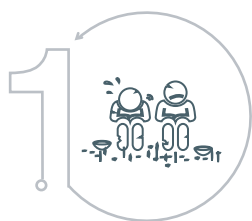
Hon. Ahmad Jefri Abd Rahman



Hon. Bakhodir Alikhanov

# THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT IN BRIEF

The Islamic Solidarity Fund for Development (ISFD) was established in 2007 as a special fund within the Islamic Development Bank (IsDB) with the aim of:



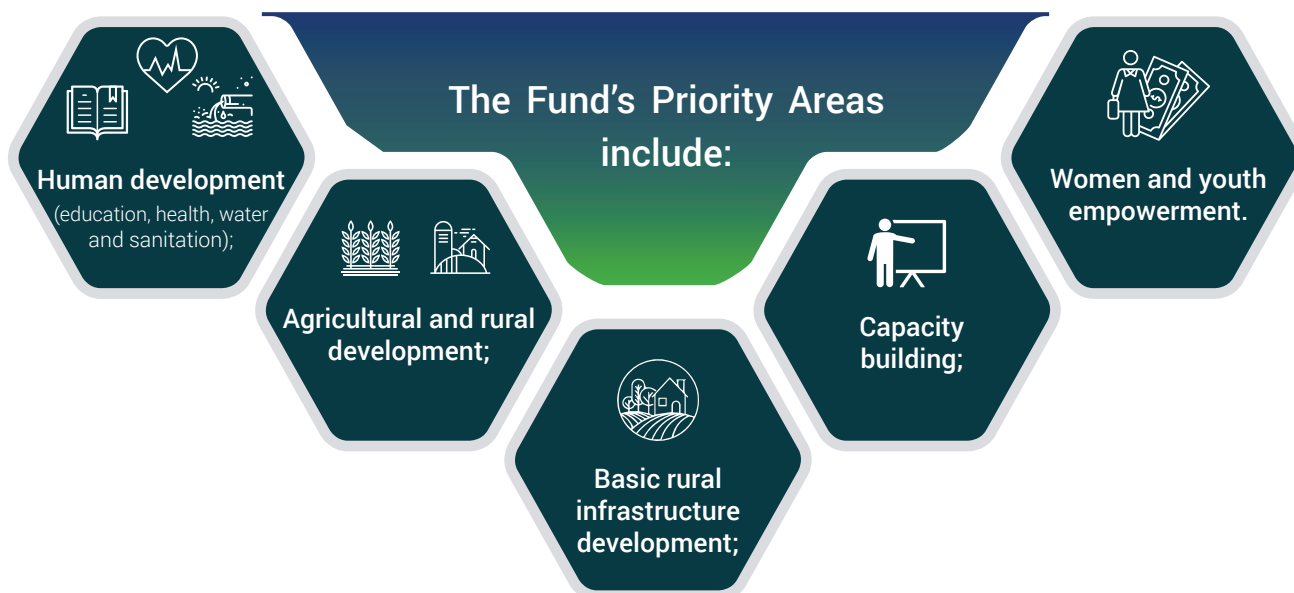
**Fighting poverty and promoting pro-poor economic growth** in member countries;



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



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



## POVERTY



### What does it mean?

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

# CHAIRMAN'S MESSAGE

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The COVID-19 pandemic has had a devastating impact on several socio-economic dimensions, most notably the fight against global poverty. After more than two decades of steady reduction in global poverty, the crisis will likely lead to an alarming increase in the number of people falling into extreme poverty, 119-124 million in 2020 and 143-163 million in 2021, bringing poverty rates back to levels last seen before 2017. Given the relatively high prevalence of poverty

among OIC member countries, these are expected to be most impacted by the economic and social consequences.

Realising the challenges facing our member countries during this crisis, the ISFD, the IsDB's poverty alleviation arm, has stepped up its efforts to provide prompt responses to mitigate the pandemic's impacts, particularly poverty, in line with its overarching mandate. These initiatives fall under the IsDB's more holistic intervention in response to the pandemic, the Strategic Preparedness and Response Programme (SPRP), designed to support member countries' efforts to contain, mitigate, and recover from the pandemic's impact based on the three tracks of Respond, Restore and Restart.

To this end, the ISFD has allocated a total of USD 138.25 million worth of funding and supported a USD 583 million worth of relevant projects, thus reflecting our determination to meet member countries' needs. Besides, the ISFD Board has approved three new flagship regional programmes: the **Tadamon Accelerator** in support of NGOs' initiatives in member countries hit hard by the pandemic, the ICIEC-ISFD COVID-19 Emergency Response Initiative (**ICERI**) in collaboration with ICIEC to facilitate importing medical goods and strategic commodities by the least developed member countries (LDMCs), and the **SERVE Programme**, (Strengthening the Economic Resilience of Vulnerable Enterprises ) designed to strengthen the resilience of vulnerable enterprises negatively affected by the pandemic.



Acknowledging the need to stay relevant, given its noble but extremely challenging mission of poverty eradication, the ISFD has embarked upon a transformation exercise to establish itself as a recognised leader in poverty reduction.

A key element of the strategy is leveraging the IsDB's expertise and resources to develop and implement innovative poverty reduction programmes.

The new strategy will be delivered through a transformational ISFD business model, encompassing central programmes focused on fulfilling basic human development needs. This business model also enables proximity to member countries to address poverty alleviation necessities and engage more attentively with donors through country-dedicated funds.

To mobilise resources to fund these strategic shifts, we will continue to engage our member countries. In parallel, we will continue developing more innovative approaches and funding instruments targeting multiple sources, including private sector donors such as Ihsan Waqf Investment Funds (IWIF) and Cash Waqf Sukuk. We will also leverage our networks to establish mutually beneficial and effective partnerships with well-established donors with an excellent track record in poverty eradication.

I am confident that these initiatives will set the ISFD on the right track to accomplish its 2030 strategic vision to meet our member countries' expectations more effectively. None

of these milestones could have been achieved without the unwavering support of our member countries, the ISFD Board of Directors, and our Honourable Governors. The dedication of IsDB and ISFD management and staff was also instrumental.

I want to express my profound appreciation to everyone and renew my commitment to strengthening the ISFD further so that it continues to deliver on its mandate of poverty reduction in IsDB member countries.

**Dr. Muhammad Al Jasser**

Chairman, ISFD Board of Directors

Chairman, IsDB Group

# EXECUTIVE SUMMARY

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## YEAR OF THE PANDEMIC

The year 2020 was challenging in many respects. In addition to conflicts and climate change that have been the traditional drivers of poverty, OIC member countries were also faced with the COVID-19 pandemic during the year like the rest of the world. Not only did the pandemic cause considerable morbidity and mortality, it also led to deeper economic distress across the world. Economies, big and small, contracted sharply and unemployment escalated, further deepening levels of poverty and inequality.

## WIDESPREAD AND DEEPENING POVERTY

Although OIC member countries recorded relatively lower morbidity and mortality rates in the wake of the pandemic compared to Europe and America, they have continued to face poverty at many levels.

Income poverty is widespread in lower middle-income and low-income countries. The proportion of the population living on less than USD 1.9 per day ranges from 15% to 53% in individual low-income countries.

Similarly, the poverty headcount ratio in low-income countries is high. Of the 15 countries that constitute this group, six have about 50% of their population living below the poverty line; almost all low-income countries have over 35% of their population living below the poverty line.

The scenario is just as dismal when considering the multi-dimensionally poor. Their proportion in the upper-middle income group of countries ranges from 8.6% in Iraq to 9.4% in Suriname and 14.8% in Gabon. In the lower middle-income countries, the poor account for 18.5% of the population in Morocco, 53.2% in Senegal, 52% in Sudan, and 51% in Nigeria. Multidimensional poverty in 14 of the 15 low-income countries ranges from 47% of the population in Yemen to 90.5% in Niger.

## FOOD INSECURITY

OIC member countries are also faced with food insecurity. According to the 2018 Global Hunger Index, all countries in the lower middle-income category, apart from Tunisia and Kyrgyzstan, suffer moderate to serious levels of hunger. Similarly, all countries in the low-income group suffer from food deficit. Out of the 15 countries that constitute this group, 11 have a 'serious' hunger situation, three have an 'alarming' situation, and one a 'moderate' hunger situation. Of the 15 countries for which data is available, 13 (or 85%) are from Sub-Saharan Africa, with Afghanistan and Yemen being the only exceptions. It is against this bleak backdrop that the ISFD provided support to member countries in 2020.

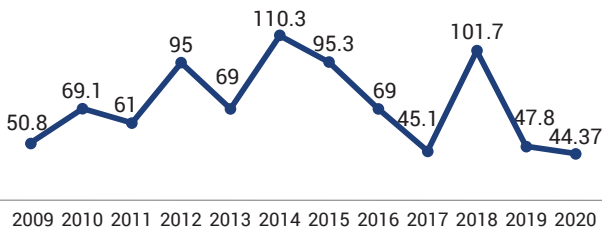


## ISFD'S ROLE IN POVERTY REDUCTION IN MEMBER COUNTRIES

Since its inception, the ISFD has provided a total of USD 858.4 million in the form of concessional loans and grants to member countries.

The Fund's financing increased from USD 50.8 million in 2009 to USD 69 million in 2010 before declining to USD 61 million in 2011. Funding picked up in 2012 when it reached to USD 95 million but declined again to USD 69.8 million in 2013. The best year for the Fund was 2014 when approvals reached USD 110 million. The following three years saw a gradual decline in approvals from USD 95 million in 2015 to USD 69 million in 2016 and USD 45 million in 2017. The situation improved considerably in 2018 when approvals reached USD 101.7 million. However, for various reasons, ISFD financing and grant approvals declined to USD 47.8 million in 2019 and USD 44.37 million in 2020.

### ISFD Approvals since Inception in Million USD



## ISFD 2020 OPERATIONS

In 2020, the ISFD Board approved USD 44.37<sup>1</sup> million in financing for education, health and poverty reduction through the Awqaf real estate development. The exceptional health challenges of 2020 meant that a substantial part of resources went to the health sector. About 32% of total ISFD approvals (USD 14.3 million) in 2020 went to the health sector in the form of emergency support to improve member countries' preparedness and response to the COVID-19 pandemic.

Out of the USD 44.37 million approved for projects and programmes in 2020, about 7% (USD 6.37 million) constituted grants. The total cost of the projects that benefitted from ISFD grants stands at USD 207 million, which gives ISFD grants a leverage ratio of 1:32. The Fund's relatively low approval in

2020 must not be looked at in isolation. In addition to the high leverage ratio of ISFD resources, member countries also benefitted from repurposed resources and savings realised from earlier projects to the tune of USD 93.88 million, bringing the total ISFD support to member countries in 2020 to USD 138.25 million.

ISFD 2020 Approvals (in Million USD)	
Loans	38
Grants	6.37
<b>Total</b>	<b>44.37</b>

## ISFD'S RESPONSE TO COVID

At the level of the IsDB group, a **Strategic Preparedness and Response Program (SPRP for COVID-19 pandemic)** was developed to support member countries' response to COVID-19. The total amount of the facility was USD 2.3 billion. The IsDB, ISFD and King Abdullah Programme for Charity Works (KAAP) provided USD 1.58 billion, while the other IsDB Group entities provided USD 700 million.



1. The 2020 approval figure includes USD 0.7 million approved for the ICERI Programme.

Under the SPRP, the ISFD channelled its support to member countries mainly through three new programmes: **Tadamon, SERVE** and **ICERI**. The total size of the three programmes is USD 695 million, including an approved ISFD contribution of USD 6.25 million in 2020.

Funding to the tune of USD 3.12 million was also channelled through three existing programmes: **LLF, Reverse Linkages and NGOs Programme**.

In addition to the above-mentioned programmes, three COVID-related operations were financed directly from the 2020 Annual Work Programme for USD 9 million.

Member countries also benefitted from repurposed resources and savings realised from earlier projects amounting to USD 93.88 million. This brought the total ISFD support to member countries' response to COVID-19 and other health challenges to USD 112.25 million. The total cost of COVID-19 Response projects stands at USD 508 million.

## NON-COVID-19 RELATED INTERVENTIONS

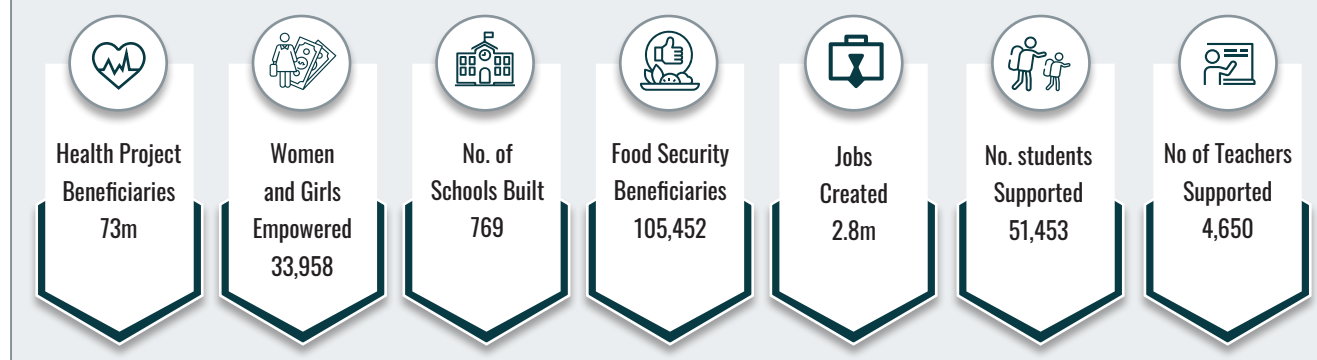
During the year, the ISFD Board of Directors (BOD) approved two projects that were not related to COVID-19 response. The first was an Istisnaa financing for the second phase of the IsDB-Guinea Waqf (WBG) project in Conakry, Guinea. The second was a loan for the Uganda Technical and Vocational Education and Training Programme. The total cost of the project in Guinea was USD 23 million, while the ISFD financing stood at USD 16 million. The balance came from the WBG and the Government of Guinea. The total cost of the project in Uganda is USD 51.14 million. The ISFD financing stood at USD 10 million, and the Government of Uganda and the IsDB provided the rest.

The ISFD provided a total of USD 138.25 million to member countries in 2020. This comprised USD 44.37 as new approvals and USD 93.88 million in the form of savings and repurposed resources.

## DEVELOPMENT IMPACT OF ISFD OPERATIONS

ISFD support to member countries since 2008 has had significant developmental impact, especially in low-income countries. For example, it facilitated the construction of more than 700 schools for over 51,000

students, funded healthcare for 73 million people, and created job opportunities for 2.8 million people across the ten countries that were the subject of the evaluation.



## ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS:

ISFD approvals covered the key sectors that form the core of the sustainable development goals (SDG). For example, it is expected that projects in agriculture and rural development, health, basic education, energy, water and sanitation, and youth employment will contribute to realising SDGs 1, 2, 3, 4, 6, 7, 8, 10, 12 and 17.



## CORPORATE MATTERS

On account of the restrictions on travel caused by the COVID-19 pandemic, the ISFD Board of Governors (BOG) held its 13th Annual Meeting virtually (29 May 2020). Similarly, the BOD held their 68th to 72nd sessions online.

## ISFD FINANCIAL RESOURCES

The ISFD has an approved target capital of USD 10 billion. The capital commitments as at the end of 2020 amounted to USD 2.7 billion, representing 27% of the target capital. No new commitments were made in 2020.

The Fund's paid-up capital reached USD 2.586 billion by the end of 2020, with member countries and the IsDB respectively contributing USD 1.585 billion and USD 1 billion. One new payment of USD 1 million during the year came from Bangladesh. The unpaid amount stood at USD 142.85 million at the end of the year.

## TOTAL ASSETS

As on December 31, 2020, ISFD's total assets stood at USD 3.179 billion. This represents an increase of 2% (USD 63 million) over the total gross assets of the previous year, which stood at USD 3.116 billion. Net assets stood at USD 3.023 billion by the end of 2020 as opposed to USD 2.994 billion by the end of the previous year.

Assets are essentially made up of treasury assets (82%), projects sales, loans and other assets, including accrued income, investment assets and real estate.

## INCOME

During 2020, the Fund's net income decreased from USD 101.6 million in 2019 to USD 72.2 million. This represents a decline of about 29%. Income from treasury assets, making a gross total of 74.6 million, constituted the bulk of the revenue for the year.

### ISFD Income in 2020 in million USD

	2020	2019
Gross Income	78.214	106.041
Net Income	72.214	101.598

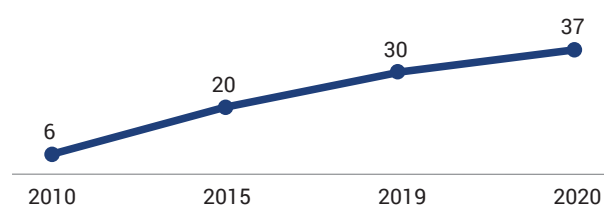


## DISBURSEMENT

The rate of disbursements of ISFD project financing (loans and grants) has generally been low compared to approvals. Disbursement has increased gradually from 6% in 2010 to 30% in 2019 and to 37% in 2020.

To raise disbursement, the IsDB has introduced measures including new procurement policy and procedure, country platform and Quality and Prioritisation (QnP) criteria for improving project selection, quality, and readiness. These measures will gradually increase the disbursement rate of ISFD projects.

### Disbursement Rate of ISFD-Funded Project 2010-2020 in %








PART  
01

# 2020 A YEAR OF A GLOBAL PANDEMIC

# 01 2020 - A YEAR OF A GLOBAL PANDEMIC

The year 2020 will be most remembered for the COVID-19 pandemic and the all-pervasive damage it caused across the world. Within two months of the discovery of the virus in China, the World Health Organization (WHO) was compelled to declare it a global pandemic. Between February 2020 and April 2020, the virus had spread across the world, hardly sparing any community. By the end of 2020, 85 million confirmed cases and more than 1.80 million deaths were reported in 190 countries, according to the Johns Hopkins University.



Within the OIC member countries, the total number of COVID-19 cases stood at 9.6 million by the end of 2020.<sup>2</sup>

The OIC member countries in Sub-Saharan Africa recorded 305,245 cases by 31 December 2020, while the African continent as a whole recorded 3 million cases. However, the true extent of the pandemic on the African continent is not fully known as testing rates remained low.

2. See [https://www.sesric.org/covid\\_confirm\\_cases.php](https://www.sesric.org/covid_confirm_cases.php)

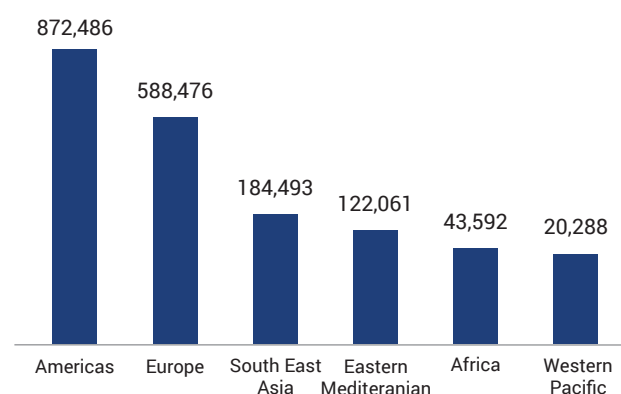


The impact of the virus on the world is far-reaching. In addition to the huge death toll, the virus caused economic and social dislocation as well as deepened global poverty.

## WIDESPREAD DEATHS

As of 31 December 2020, the number of people who died from the Coronavirus and/or Corona-related complications stood at 1.8 million in 190 countries.

**Figure 1.1: COVID-19 Deaths By Region**



Among the OIC member countries, the number of deaths stood at 188,066<sup>3</sup>. Five countries accounted for half of all COVID-related deaths, according to Statistical, Economic and Social Research and Training Centre for Islamic Countries.<sup>4</sup>

The health impact of the COVID-19 should not be seen only in terms of the number of people who died directly from the disease. The pandemic has also caused major disruptions to non-COVID-19 healthcare services. A WHO survey finds that over 50% of the countries had suspended their treatment for hypertension. Treatment for other diseases suffered similar disruption: 49% for diabetes, 42% for cancer, 31% for cardiovascular emergencies, and 63% for rehabilitation services.

## SOCIO-ECONOMIC DISRUPTION

In addition to its effect on morbidity and mortality, COVID-19 has created deep economic contraction across the world. According to the World Bank, most countries have experienced low GDP growth rates, rising unemployment and deepening levels of poverty and inequality.

In its semi-annual Global Economic Prospects, the World Bank reports that the world economy shrank by 4.3% in 2020.<sup>5</sup> Other assessments of the impact of the pandemic on the world GDP put this figure at 6.6%. This translates into a loss of USD 5.6 trillion suffered by the global economy.<sup>6</sup>

On the job front, businesses and employment around the world have been severely impacted. An estimated 345 million full-time jobs were lost worldwide in the third quarter of 2020 alone. In the first month alone, the pandemic resulted in a drop of 60% in the income of informal workers globally. Regionally, this translates into a drop of about 80% in both Africa and the Americas, 21.6% in Asia and the Pacific, and 70% in Europe and Central Asia.



3. SESRIC COVID-19 cases and COVID-19 Deaths. [https://www.sesric.org/covid\\_death\\_cases.php](https://www.sesric.org/covid_death_cases.php)

4. The five countries are Iran Turkey Indonesia, Iraq and Pakistan.

5. World Bank, the Global Economic Prospect January 2021, cited in The Economist 9 January 2021.

6. The Economist 9 January 2021

## WIDESPREAD AND DEEPENING POVERTY LEVELS

The number of poor people worldwide living below the international poverty line declined between 1990 and 2015 from 741 million to 689 million. This represented a drop of 1% per year during the 25-year period. The rate of decline slowed between 2013 and 2017 to half a percentage per year. This decelerating trend constituted a major risk to the goal of bringing global extreme poverty levels to less than 3% by 2030. The downward trend has been compounded by the COVID-19, which has caused contraction in global GDP growth as well as increased poverty in 2020 by 1.2 percentage points. This translates into a global poverty rate between 9.1% and 9.4%. This means that the pandemic has pushed between 88 million and 115 million people into poverty.<sup>7</sup>

According to the United Nations, the pandemic could push over 200 million into extreme poverty by 2030, raising the number of the extreme poor to over 1 billion people.<sup>8</sup>

## WHO AND WHERE ARE THE POOR?

The poor remain largely rural, young and uneducated. Four-fifths of the population living below the poverty line live in rural areas even though the rural areas account for only 48% of the global population. The poor are also young. A World Bank survey shows that in 2018, half of the poor were children below the age of 15, even though this population accounts for only 25% of the global population. Children and youth (aged 15-24) account for two-thirds of the global poor, whereas this age group accounts for only 40% of the global population. The high share of children and youth is most



7. World Bank. 2020. "Poverty and Shared Prosperity 2020: Reversals of Fortune." Overview booklet. Washington, DC: World Bank

8. See the United Nations "Impact of COVID-19 on the sustainable development goals available" at <https://sdgintegration.undp.org/>; The World Bank. 2020. "poverty and shared prosperity 2020: reversals of fortune."

prominent in Sub-Saharan Africa, though the phenomenon can be observed in other regions too.

Women account for a large share of the poor globally. This is particularly the case in East Asia Pacific, South Asia, and Sub-Saharan Africa.

Worldwide, 35% of the poor above the age of 15 had no schooling, and a further 35% had only some education. Among the poor adults in the rural areas, 39% had no education.<sup>9</sup>



## THE NEW POOR

The new poor may differ from those who were poor before the onset of the pandemic. Although a large share of the new poor will be concentrated in countries already struggling with high poverty rates, middle-income countries will also be significantly affected. People forced into poverty by COVID-19 may also differ from the current global poor in other ways. Within countries, a large share of the extremely poor are rural, whereas many of the new poor are likely to live in congested urban settings, which can serve as a conduit for infection. Many of the new poor are likely to be engaged in informal services, including construction, and manufacturing – the sectors in which economic activity is most affected by lockdowns and mobility restrictions as well as mandatory social distancing. The new poor, who are 15 and older, are also more likely than the chronic poor to be paid employees and work more in non-agriculture sectors – manufacturing, services, and commerce. The new poor tend to be more educated than the chronic poor, and significantly less educated than the non-poor (ages 15 and older).

According to the World Bank, South Asia will be the region hardest hit, with almost 49 million additional people pushed into extreme poverty. Sub-Saharan Africa would be the next most affected region, with an estimated 26 million to 40 million additional people being pushed into poverty. As a group, the OIC member countries are likely to bear the brunt of the economic and social fallout, given their disproportionate share of global poverty.<sup>10</sup>

9. The World Bank. 2020. "Poverty and Shared Prosperity 2020: Reversals of Fortune."

10. Ibid



PART  
02

# POVERTY IN OIC MEMBER COUNTRIES

## 02 POVERTY IN OIC MEMBER COUNTRIES

In 2019, the population of the 57 member countries of the Organisation of Islamic Cooperation (OIC) stood at 1.65 billion. Although these countries represent only 22% of the world population, they account for 40% of the world's poor. Yet, their share in the world GDP was only 7%. Income levels in member countries also varied considerably. As Table 2.1 shows, these countries can be put into four distinct groups: high-income, upper-middle income, lower middle-income and low-income countries. The seven high-income countries have a GNI per capita higher than USD 12,236. Upper middle income-countries have a GNI per capita ranging between USD 3,956 and USD 12,235. At the other end, lower middle-income countries have a GNI per capita of between USD 1,006 and USD 3,955 and low-income countries a GNI per capita of less than USD 1,006.

**Table 2.1: Income Groups of OIC Member Countries**

High Income Countries	Upper Middle Income Countries	Lower Middle Income Countries	Low Income Countries
Bahrain	Albania	Bangladesh	Afghanistan
Brunei Darussalam	Algeria	Cameroon	Benin
Kuwait	Azerbaijan	Comoros	Burkina Faso
Oman	Gabon	Cote D'Ivoire,	Chad
Qatar	Guyana	Egypt	Gambia
Saudi Arabia	Iran	Indonesia	Guinea
United Arab Emirates	Iraq	Kyrgyz Republic	Guinea Bissau
	Jordan	Mauritania	Mali
	Kazakhstan	Morocco	Mozambique
	Lebanon	Nigeria	Niger
	Libya	Pakistan	Sierra Leone
	Malaysia	Palestine	Tajikistan
	Maldives	Senegal	Togo
	Surinam	Sudan	Uganda
	Turkey	Tunisia	Yemen
	Turkmenistan	Uzbekistan	

Source: World Bank Data as cited in COMCEC Poverty Outlook 2019



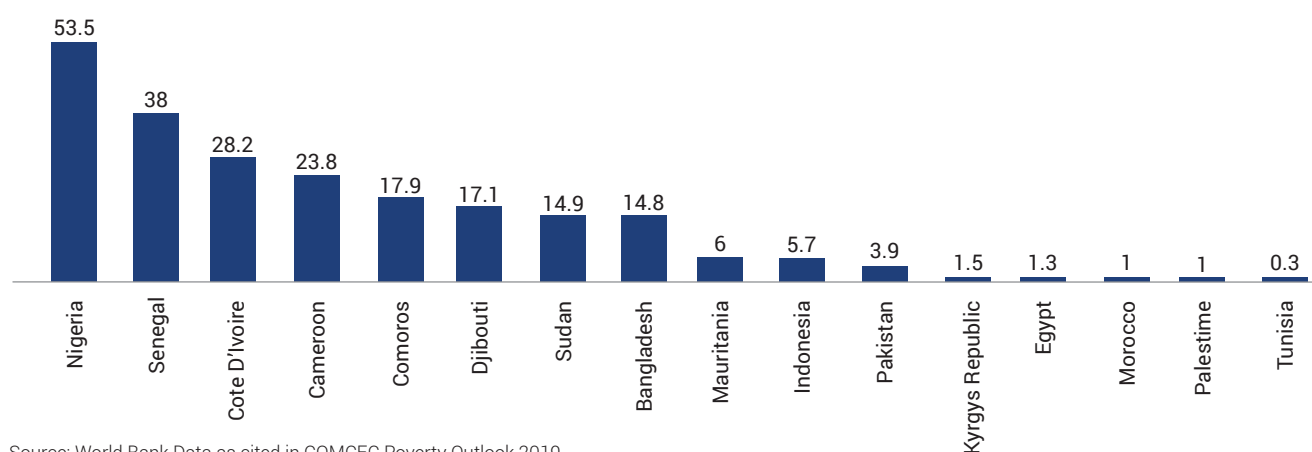
## INCOME POVERTY IN OIC MEMBER COUNTRIES

Data analysis in OIC member countries shows hardly any income poverty in the high-income category. Available data does not show any incidence of people in the seven high-income countries living on less than USD 2 per day. The situation is different in the upper middle-income group where the largest number of people living on less than USD

2 are in the Maldives (7.3%), Gabon (3.4%), Iraq (2.5%), and Albania (1.1%).

Income poverty is more widespread in lower middle-income and in the low-income countries. Among lower middle-income countries, Nigeria has the highest number of people living on less than USD 2 (53.5%), followed by Senegal (38%), Cote D'Ivoire (28.2%), Cameroon (23.8%). Djibouti, Sudan, and Bangladesh each has about 15% of their population living below the poverty line of USD 1.9.

**Figure 2.1 Poverty Head Count Ratio at USD 1.90 a day in the Lower Middle Income OIC Member Countries (PPP) (%)**

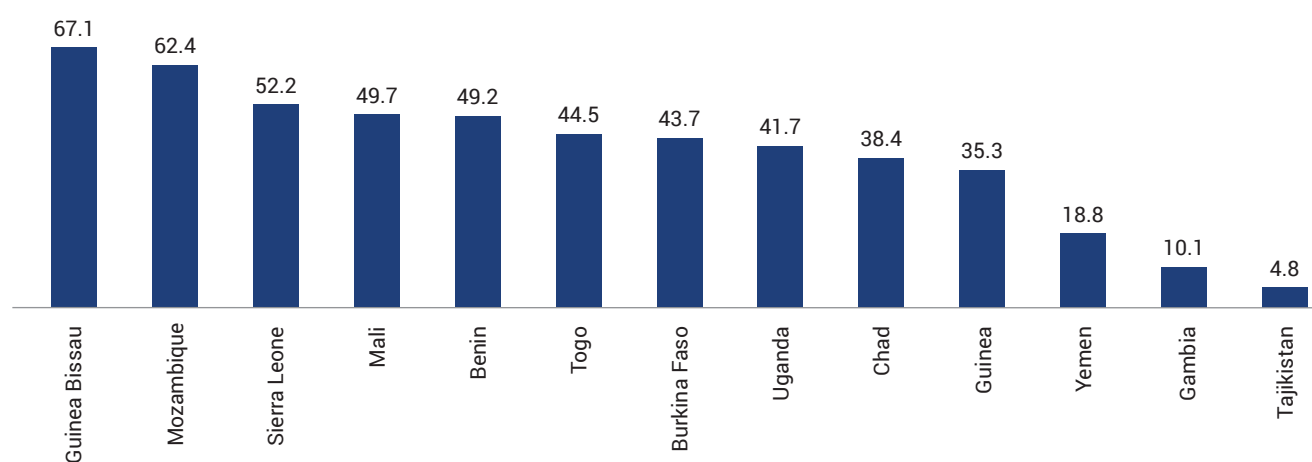


Source: World Bank Data as cited in COMCEC Poverty Outlook 2019....

The poverty headcount ratio of low-income countries is high in general. As Figure 2.2 shows, six countries in this group

have about 50% of their population living below the poverty line, while five have more than 35%.

**Figure 2.2: Poverty Head Count Ratio at USD 1.90 a day (2011 PPP) (% of Population) in Low-Income OIC Member Countries**



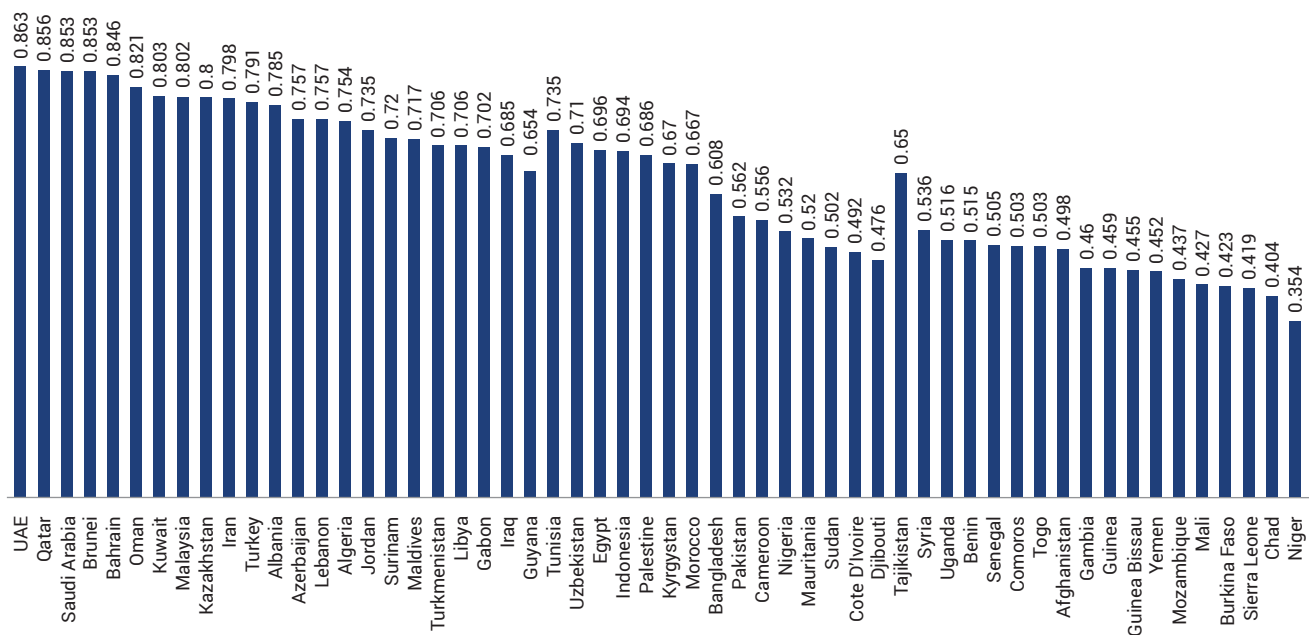
Source: World Bank Data as cited in COMCEC Poverty Outlook 2019

## LEVEL OF HUMAN DEVELOPMENT IN OIC MEMBER COUNTRIES

When poverty is assessed against the human development index, there are large variations among OIC member countries. Their HDI values range from 0.863 in the UAE to 0.354 in Niger. As expected, all seven countries in the

high-income group have an HDI value above 0.8. Among the upper middle-income countries, only Iraq and Guyana have an HDI value of less than 0.7. Among the middle-income countries, Tunisia and Egypt have an HDI above 0.69. Among the 18 low-income countries, ten have an HDI value of less than 0.5, which represents very low human development.

Figure 2.3: HDI Values of OIC Member Countries



Source: World Bank Data as cited in COMCEC Poverty Outlook 2019

## MULTIDIMENSIONAL POVERTY IN OIC MEMBER COUNTRIES

Assessing poverty against the multidimensional poverty index (MPI) shows a worrying picture in most OIC countries. As MPI data does not show any incidence in the high-income countries, the analysis focuses on the three remaining income groups. Based on the index, the multidimensionally poor constitute 8.6% of the population in Iraq, 9.4% in Suriname, and 14.8% in Gabon in the upper-middle income group. The situation is more distressing in the lower middle-income and low-income groups. In the lower middle-income countries, the poor account for 18.5% of the population in Morocco, 53.2% in Senegal, 52% in Sudan, and 51% in Nigeria. Multidimensional poverty in 14 of the 15 low-income countries ranges from 47% of the population in Yemen to 90.5% in Niger, afflicting almost the entire population.





## FOOD INSECURITY IN OIC MEMBER COUNTRIES

One key manifestation of poverty is food insecurity. This is measured by the Global Hunger Index, which is based on the following three equally weighted indicators:

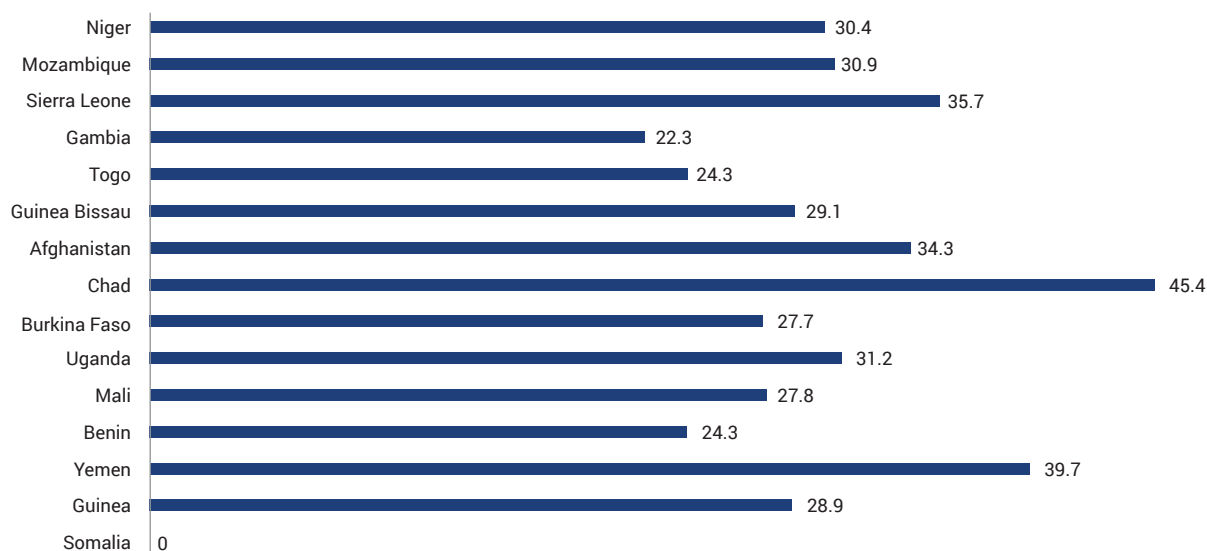
- Proportion of people who are undernourished;
- Children under 5 years of age who are underweight;
- Mortality rate among children under 5.

Performance on the Hunger Index is measured on a scale of 0 to 100, with 0 being the best score (no hunger) and 100 being the worst. Scores between 35 and 50 are considered 'Alarming', while scores above 50 are considered 'Extremely Alarming'.

Among the OIC member countries, food insecurity is more rampant among the low middle-income countries and the low-income countries. Apart from Tunisia and Kyrgyzstan, all the countries in the lower middle-income category have moderate to serious levels of hunger, according to the 2018 Global Hunger Index.

Similarly, all the countries in the low-income group are food deficient. Of the 15 countries in this group, 11 have a 'Serious' hunger situation, three an 'Alarming' situation and one a 'Moderate' hunger situation. Of the 15 countries for which data is available, 13 (or 85%) are from Sub-Saharan Africa except Afghanistan and Yemen.

Figure 2.4: 2018 Hunger Index of the Low Income OIC Member Countries





PART  
03

# THE ROLE OF THE ISFD IN POVERTY REDUCTION IN MEMBER COUNTRIES

# 03

## THE ROLE OF THE ISFD IN POVERTY REDUCTION IN MEMBER COUNTRIES

The ISFD was established as a special endowment fund (Waqf) within the IsDB, pursuant to a decision taken during the 3rd Extraordinary Summit of the OIC, held in Mecca in 2005. The Fund has a target capital of USD 10 billion, to be contributed by governments and institutions in member countries.

Since its inception, the Fund has focused on poverty reduction in OIC member countries by providing concessional finance for programmes that:

- promote pro-poor growth;
- support human development, especially healthcare and education;
- provide social safety nets for the poor; and
- enhance good governance and access to public services by the poor.

As a Waqf, ISFD operations are financed generally through the net income realised from the investment of its capital resources. However, the BOD has recently authorised the ISFD to fund some economic empowerment programmes from its capital resources. This will allow it to invest directly with the poor to enhance their employment and income generation opportunities.

### OPERATIONS SINCE INCEPTION

Since inception, the ISFD has provided a total of USD 858.4 million in the form of concessional loans and grants to finance projects and programmes in member countries<sup>11</sup>. The Fund's financing increased from USD 50.8 million in 2009 to USD 69 million in 2010 before declining to USD 61 million in 2011. Funding picked up in 2012 to USD 95 million but declined again to USD 69.8 in 2013. The best year for the Fund was 2014 when approvals reached

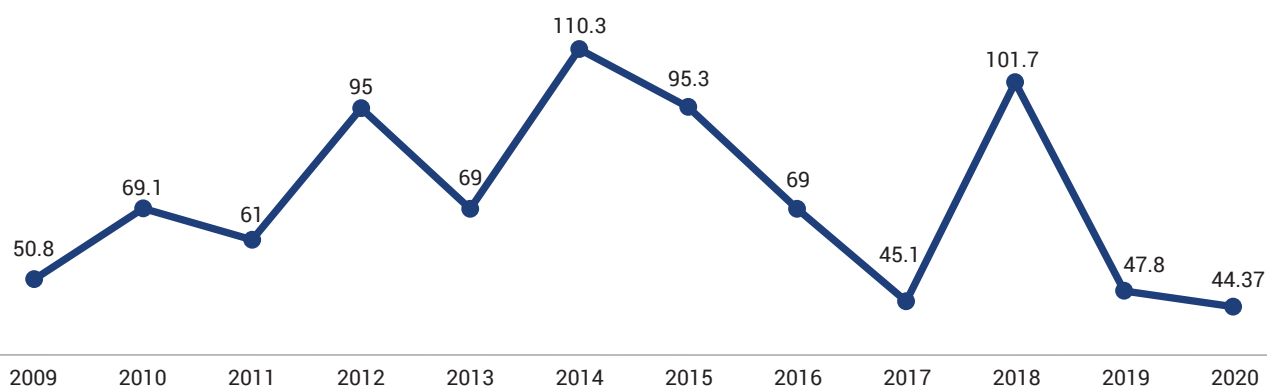
USD 110 million. The following three years saw gradual decline of approvals from USD 95 million in 2015 to USD 69 million in 2016 and USD 45 million in 2017. As Figure 3.1 shows, the situation improved considerably in 2018 when approvals reached USD 101.7 million. However, on account of the global economic condition, the attendant low returns on investments in certain asset classes, and the maturity of the portfolio, the ISFD took a deliberate decision to review its multiplier rate. The multiplier was revised downwards to 1:1 from the previous 1:2.5. As a result of the combined effect of these factors, ISFD financing declined to USD 47.8 million in 2019 and USD 44.37 million in 2020.<sup>12</sup>



11. Unless otherwise indicated, the source of the data used in this section is the Economic Research and Statistics Division of the Economic Research and Institutional Learning Department of the IsDB. Given the different sources and methods used, the figures used in this year report may be different from figures reported in earlier Annual Reports.

12. The 2020 approval figure includes USD 0.7 million approved for the ICERI Programme.

**Figure 3.1: ISFD Approvals since Inception in Million USD**



Source: Economic Research and Statistics Division

Despite the decline in the financing resources, the approvals of the Fund have had significant leverage ratio that makes considerable resources available to the beneficiaries. For example, the total cost of the projects that benefitted from ISFD approval in 2020 stands at USD 336 million, which includes ISFD funding of USD 44.37 million. This gives ISFD financing a leverage ratio of 1:7. There is another reason why the Fund’s relatively low approval in 2020 should not be looked at in isolation. Member countries also benefitted from repurposed resources and savings realised from earlier projects to the tune of USD 93.88 million, bringing total ISFD support to member countries in 2020 to USD 138.25 million.

### REGIONAL COVERAGE

The 2020 allocation to programmes and projects brought the cumulative ISFD allocations since inception to USD 858.4 million. Although the ISFD seeks to fight poverty in all member countries, so far LDMCs formed the majority of the beneficiaries. For example, in 2020 alone, about 96% of the funding went to LDMCs. This concentration is in accordance with the IsDB Policy on Poverty Reduction, which stipulates that 80% of ISFD annual financing should go to LDMCs and 20% to poverty pockets in non-LDMCs.

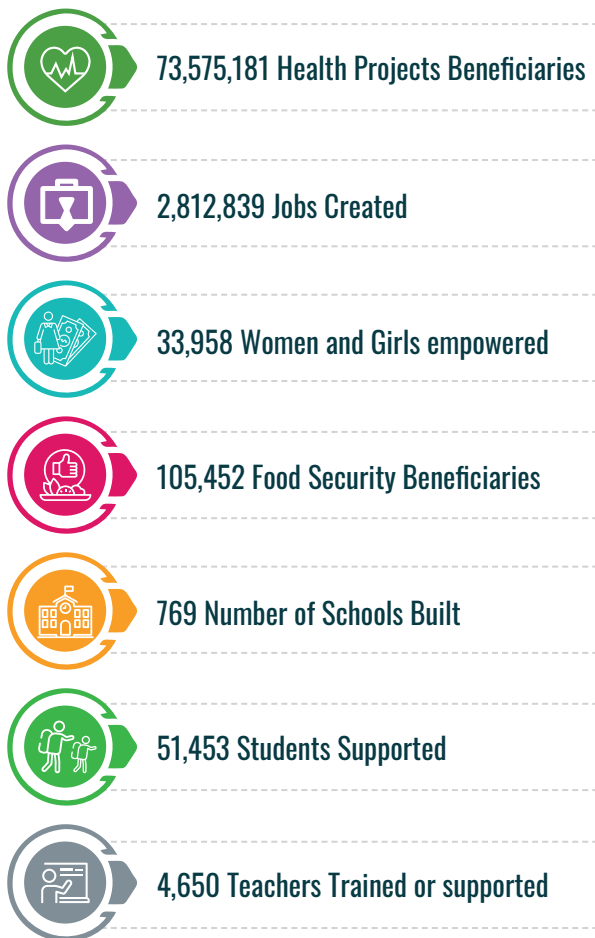
### DEVELOPMENT RESULTS OF ISFD INTERVENTIONS

The development results of ISFD interventions have been captured in a recent consultancy report on the development effectiveness of 12 ISFD projects in ten member countries.

The report reveals that ISFD’s support to member countries has had significant impact, especially in low-income countries. For example, ISFD financing has facilitated the construction of more than 700 schools that supported over 51,000 students. ISFD funding also gave healthcare to 73 million people and created job opportunities for 2.8 million people across the ten countries that were the subject of the evaluation.

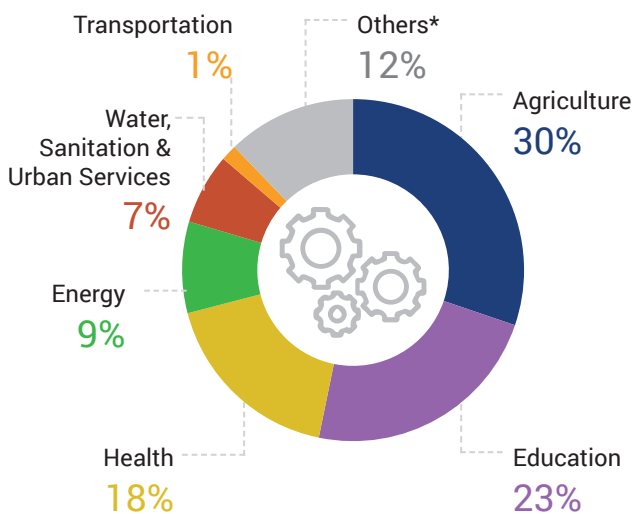


Figure 3.2: Summary of the Impact of ISFD Support to Member Countries



Source: Draft ISFD Effectiveness Report

Figure 3.3: ISFD's Operations by sector 2008-2019 in million USD



\*Others include Industry & Mining, Finance, Public Administration, Real Estate and Trade related activities

Source: Draft ISFD Effectiveness Report

## ALIGNMENT WITH THE SUSTAINABLE DEVELOPMENT GOALS

As Figure 3.2 shows, ISFD approvals covered the key sectors that form the core of the sustainable development goals. For example, it is expected that projects in agriculture and rural development, health, basic education, energy, water and sanitation, and youth employment will contribute to realising 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).

Figure 3.4: Sustainable Development Goals



# ISFD 2030 STRATEGY

During 2020, the ISFD, with the support of PwC, developed a study as part of a newly launched transformation programme to enhance the effectiveness and impact of the ISFD in delivering its poverty reduction mandate.

One of the deliverables of the exercise was the development of a new long-term strategy for the ISFD. Accordingly, the ISFD 2030 Strategy was approved by the ISFD BOD in September 2020. Under the strategy, ISFD's vision and mission are as follows:



## VISION

Reduced poverty in member countries of the OIC



## MISSION

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

Under the new strategy, the ISFD will focus on creating impact on poverty reduction while leveraging on IsDB's institutional strength in its future operations. Resource mobilisation will continue to constitute a strategic priority for the Fund, and LDMCs will remain the focus of its interventions. Sectors will also be strategically selected in accordance with the conditions and drivers of poverty in individual countries.

The new 2030 Strategy envisages a much stronger focus on core development areas and capabilities. It is structured around five pillars: 1) operations, 2) resources 3) capabilities 4) governance, and 5) performance. Considering the evolving impact of COVID-19, health is retained as a strategic focus area to enable the ISFD to enhance the resilience of OIC countries in facing this pandemic, and any future epidemic or pandemic.

The strategy will be delivered through a transformed ISFD business model that encompasses the strong development of central programmes focused on meeting basic needs such as education and economic development through job creation, while enabling proximity to member countries to address poverty alleviation necessities and engage more intently with donors through country funds.

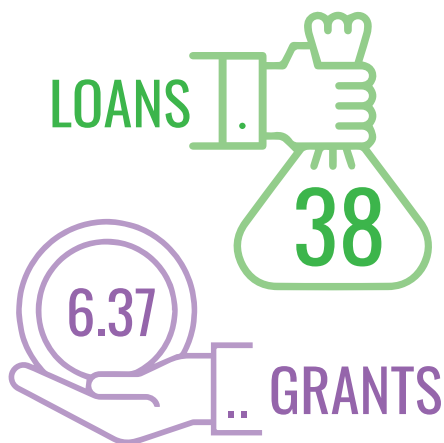
Under the 2030 Strategy, resource mobilisation will make efforts to secure additional capital contributions from member countries, and expand incoming resources through diversified, innovative instruments such as IWIF and Cash Waqf Sukuks. The objective is to target multiple sources, including private sector donors. Investment capital will be deployed in assets with better investment returns, but it will also be used to finance high-impact opportunities, combining the rigorous analytics of traditional investing with the essence of philanthropy.

The focus areas of the 2030 Strategy - comprehensive human development, including education, economic empowerment, community development, and health - are directly aligned with the six key priorities of the IsDB Group President's 5-year programme aimed at making the IsDB more competitive and responsive to the needs of its member countries. They also address seven of the United Nations' SDGs - 'no poverty', 'zero hunger', 'good health and well-being', 'quality education', 'clean water and sanitation', 'decent work and economic growth', and 'sustainable communities development' - while indirectly addressing 'reduced inequalities' by working towards other SDGs.

## ISFD OPERATIONS IN 2020

In 2020, the ISFD Board approved USD 44.37<sup>13</sup> million in financing for education, health and poverty reduction through Awqaf real estate development<sup>14</sup>. The exceptional health challenges of 2020 meant that a substantial part of the resources was geared towards the health sector. This accounts for the fact that about 32% of total ISFD approvals (USD 14.3 million) in 2020 went to the health sector in the form of emergency support to improve member countries' preparedness and response to the COVID-19 pandemic. Member countries also benefitted from repurposed resources and savings realised from earlier projects amounting to USD 93.88 million. This brought total ISFD support to member countries response to COVID-19 and other health challenges to USD 112.25 million. The total cost of COVID-19 Response projects is USD 508 million. This gives ISFD's support to member countries' response to COVID-19 a significant leverage ratio of 1:5.

Figure 3.5: ISFD Approvals in 2020 in million USD



Source: Economic Research and Statistics Division

Of the USD 44.37 million approved for projects and programmes in 2020, USD 6.37 million constituted grants. The total cost of the projects that benefitted from ISFD grants was USD 207 million, which gives ISFD grants a leverage ratio of 1:32.



ISFD operations in 2020 were in two broad categories: **Response to the COVID-19 pandemic and non-COVID project finance.**

### RESPONSE TO COVID-19 PANDEMIC

As the poverty alleviation arm of the IsDB Group, the ISFD has played an important role in supporting member countries, especially LDMCs, to address the health and economic crisis that the COVID-19 pandemic has caused. Through the efforts of all members of the IsDB Group, an **SPRP** for COVID-19 pandemic was developed. The programme seeks to support member countries in preventing, containing, mitigating and recovering from the impact of the COVID-19 pandemic. The total financing made available by the IsDB Group under the facility was about USD 2.3 billion. As table 3.1 shows, the IsDB, ISFD and the KAAP provided USD 1.58 billion, while the other IsDB Group entities provided USD 700 million.

<sup>13</sup>. The 2020 approval figure includes USD 0.7 million approved for the ICERI Programme.

<sup>14</sup>. See annex II for details.



The programme comprises two key components: (i) Health Emergency Response and Preparedness that focuses on: (a) providing the health emergency response, (b)

strengthening the health systems, and (ii) sustaining and reviving economic and social sectors.

**Table 3.1: Initial Amounts and Sources of Funds for SPRP**

Group/Entities	Amount (USD million)	Source of Funds
IsDB	120.00	Loans reallocation from the AWP-2020
	400.00	OCR reallocation from the AWP-2020
	400.00	Repurposing of Non-Disbursing Portfolio
	600.00	Repurposing and reallocation of savings
ISFD	15.00	USD 10 M Grant Reallocation of Ebola fund and USD 5 M on exceptional basis from income
	35.00	ISFD Loan from Reallocation of the IWP 2020-2022
ITFC	300.00	ITFC own capital,
ICD	250.00	ICD capital and repurposing/reallocation
KAAP	8.50	Reallocation of unutilized grant from Ebola Fund
STI Fund	1.00	Transform Fund Special Allocation
<b>Sub-Total financing</b>	<b>2,129.50</b>	
ICIEC Insurance	150.00	ICIEC own capacity
<b>Grand Total</b>	<b>2,279.50</b>	

Within the framework of SPRP, ISFD channelled its support to member countries mainly through three new programmes: **Tadamon, SERVE, and ICERI programmes**, in addition to three existing programmes: LLF, **Reverse Linkages** and **NGOs Empowerment Programme**.

The Fund also made approvals from its 2020-2022 Annual Work Programmes and made savings and repurposed resources available to member countries. These various initiatives are highlighted in the following sections.



## NEW PROGRAMMES

During 2020, the ISFD BOD approved three regional programmes as part of the response to the COVID-19 Pandemic: The **Tadamon CSO Pandemic Response Accelerator Programme, SERVE** and **ICERI programmes**. The total size of the three programmes is USD 695 million, including an ISFD approved contribution of USD 6.25 million in 2020.<sup>15</sup>

**Table 3.2: Approved Regional Programmes in million USD**

Programme	Support Type	ISFD Contribution
SERVE	Loan	3
TADAMON Program	Grant	2.55
ICIERI	Grant	0.7
<b>Total</b>		<b>6.25</b>

**TADAMON PROGRAM** has the following three components (1) Emergency Medical Response through Civil Society Organisations (CSOs) (2) Education in Emergency, and (3) Building Community Resilience. The programme seeks to build partnerships with a variety of implementing partners, NGOs, International NGOs, and CSOs that are qualified and interested in contributing to fighting this global pandemic. The total programme cost is USD 55 million and ISFD contribution is USD 2.55 million during the year.

By the end of 2020, seven countries benefitted from the funding: Burkina Faso, Jordan, Iraq, Lebanon, Niger, Comoros, and Djibouti.<sup>16</sup>

**SERVE:** The objective of SERVE is to build the resilience of micro, small and medium enterprises (MSMEs) to overcome the impact of the pandemic by providing the needed liquidity for business continuity and job preservation. The project has three components: (1) Line of Finance to Islamic Micro-Finance Institutions (IMFIs); (2) Line of Finance to Islamic Partner Banks and Financial Institutions, and (3) Project Audit and Monitoring. A loan of USD 40 million was approved for this programme.

<sup>15</sup>. See Annex 2 for details

<sup>16</sup>. The list includes countries that have been affected by conflict or by situations of refugees and/or internally displaced persons.





**ICERI:** As part of the joint effort of the IsDB Group entities to fight the negative impact of COVID-19, the ISFD allocated a grant of USD 0.7 million as a premium discount and/or first loss buffer to facilitate the import of medical goods and essential commodities through credit insurance. The grant is being implemented and managed by ICIEC. It is meant to help LDMCs and severely affected member countries access finance and facilitate the import of medical equipment, pharmaceutical products and other related item needed for the fight against the COVID-19 virus as well as to secure essential commodities such as food items, oil and gas, among other things.<sup>17</sup>

### EXISTING PROGRAMMES

Funding of USD 3.12 million was also channelled through three existing programmes: LLF, Reverse Linkages and NGOs Programme.<sup>18</sup>

**Table 3.3 ISFD Support through Existing Programmes**

Existing Programme	ISFD Contribution in Million USD
LLF	2.64
Reverse Linkage	0.13
NGO Empowerment Programme	0.35
<b>TOTAL</b>	<b>3.12</b>

<sup>17</sup>. See Annex 2 for details.

<sup>18</sup>. See Annex 2 for details.

## RESOURCES FROM 2020-2022 ANNUAL WORK PROGRAMME

In addition to the regional programmes, three COVID-related operations were financed directly from the 2020 Annual Work Programme to the tune of USD 9 million. Through its additional resource mobilisation efforts, the IFSD seeks to expand the programme's effectiveness and increase its impact. It is also taking steps to mitigate the

overwhelming health, social and economic impacts of this pandemic on MSME in LDMCs and other adversely hit non-LDMCs. The ISFD allocation is divided into two main parts: Part one addresses the urgent and emergency needs of the beneficiaries. Part two focuses on the medium and long-term health, economic and social impacts of COVID-19 on all member countries, especially the MSMEs sectors.

**Table 3.4 Reallocations from ISFD 2020-2022 Annual Work Programme in million USD**

Country	Project Title	ISFD Contribution in million USD	Support Type	Total Project Cost in million USD
Burkina Faso	Financing for the COVID-19 Emergency Response Project	3	Loan	9
Guinea Bissau	Financing for the COVID-19 Emergency Response Project	3	Loan	15
Mali	Financing for the COVID-19 Emergency Response Project	3	Loan	22.5
<b>Total</b>		<b>9</b>		<b>46.5</b>

## SAVINGS AND REPURPOSED RESOURCES

Member countries also benefitted from repurposed resources and savings realised from earlier projects to the tune of USD 93.88 million. The guidelines of the Bank provide that such savings may be used to enhance the same project, or in exceptional circumstances, for emergency purposes in the country. Such use of savings is built on the original Board approval of the financing in question. The savings are meant to be used to finance components not initially earmarked to be covered by the approved amount. Therefore, the same terms and conditions of the approval apply to the same beneficiary, under the same financing agreement. These resources were used entirely to support the member country's response to COVID-19. This brought total ISFD support to member countries' response to COVID-19 and other health challenges to USD 112.25 million.



**Table 3.5 Savings and Repurposed Resources in million USD**

Country	Project Title	ISFD Contribution in million USD	Support type	Total Project Cost in million USD
Chad	COVID-19 Emergency Support and Response Project	9.38	Loan	20
Kyrgys Rep	Emergency Support to Improve Preparedness and Response for COVID-19 Project	5	Loan	15
Yemen	Strengthening the Economic Resilience of the Vulnerable Enterprises	0.5	Grant	0.5
Palestine	Strengthening the Economic Resilience of the Vulnerable Enterprises	24	Loan	234
Yemen	Strengthen and improve the Government of Yemen's preparedness and response to the COVID-19	20	Loan	20
Sudan	COVID-19 Emergency Support and Response Project	35	Loan	35
<b>Total</b>		<b>93.88</b>		<b>324.5</b>



## NON-COVID PROJECT FINANCE

### ISTISNA'A FINANCING TO THE WBG

During the year, the ISFD BOD approved an Istisnaa financing for the second phase of the WBG project in Conakry, Guinea. The project is about constructing a mixed-use commercial and residential complex in Conakry spread over 53,000 square-metre area. The complex is to be rented out to generate regular income for the WBG to finance its educational, health and other social activities. The total cost of Phase 2 of the project is USD 23 million. ISFD financing is USD 16 million while the balance came from the WBG and the Government of Guinea.

### CONCESSIONAL PROJECT LOAN TO UGANDA

The BOD also approved a USD 10-million loan for the Uganda Technical and Vocational Education and Training Programme. The total cost is USD 51.14 million, with the IsDB and the Government of Uganda providing the balance of the funds. The overall objective of the programme is to help transform Uganda's TVET programme into a comprehensive system of skills development for employment, enhanced productivity and growth for its workforce.



PART  
04

# CORPORATE GOVERNANCE

## ACTIVITIES OF THE BOARD OF GOVERNORS

On account of the Coronavirus and the restrictions on travel, the ISFD BOG held its 13th Annual Meeting virtually on 29 May 2020. Among the highlights of the meeting were the adoption of the **ISFD Annual Report 1440/1441 (2019) and Audited Financial Statements for the Financial Year 1440/1441 (2019)**. (Resolution No. ISFD/BG/1-441).

The BOG endorsed the recommendation of the BOD of ISFD and approved the appointment of Deloitte and Touche & Co. as external auditors for the ISFD accounts for the financial year 1442/1443 (2021). It authorised the Chairman of the BOD of ISFD to sign the contract with the auditors for the said year. Resolution No. ISFD/BG/2-441 (By Circulation).

## ACTIVITIES OF THE BOARD OF EXECUTIVE DIRECTORS

The BOD oversees the activities of the Fund by virtue of the powers delegated to it by the BOG. The BOD meets four times a year. It is responsible for approving financing (loans and grants) proposals, policies, and the administrative budget; for stipulating the terms and conditions of ISFD financing and operational procedures; and for making decisions on strategic matters in accordance with the powers conferred on it by the ISFD regulations.

In 2020, the BOD held five sessions, representing the 68<sup>th</sup> to 72<sup>nd</sup> session.

During the 68<sup>th</sup> session, the BOD cleared the 2019 ISFD Annual Report and other relevant documents for submission to the 13<sup>th</sup> Annual Meeting of the ISFD BOG. The BOD also reviewed the Report of the Chairman on the 4<sup>th</sup> meeting of the Board Sub-Committee on ISFD Transformation, held on 5 January 2020 and endorsed all recommendations therein.

As recommended by the 4<sup>th</sup> meeting of the Board Sub-Committee on ISFD Transformation, the BOD approved the ISFD Investment Policy subject to revision to take into account the results of the three other studies being conducted by the consultants.

The BOD reviewed and cleared ISFD's audited financial statements for the financial year ending 31/12/2019 of the Audit Committee.

With regard to projects, the BOD approved at its 68<sup>th</sup> session the recommendation of the 7<sup>th</sup> meeting of the Operations and Development Effectiveness Committee, held on Saturday, 15 February 2020. This pertained to an ISFD loan for the Technical and Vocational Education and Training Support Project – Uganda. (Resolution No. ISFD/15/02/020/(68)/6).

The ISFD BOD held its 69<sup>th</sup> session on 28 April 2020. As the session was held by circulation, the agenda contained items that were for information only. These included a report of the sub-committee on ISFD Transformation, Report on IsDB Group Business Continuity Management, Report on the establishment of the High-Level IsDB Group for COVID-19 Pandemic-related activities, Report on ISFD/Group SPRP for COVID-19 Pandemic.

During its 70<sup>th</sup> session, held on 28 June 2020, the BOD reviewed the report of the sub-committee on ISFD Transformation and made pertinent recommendations. The Board also reviewed and approved the recommendations of the 5<sup>th</sup> Audit Committee meeting. During the session, the BOD held a closed executive session to deliberate on the contribution of Iran to the ISFD Capital.

The BOD held its 71<sup>st</sup> session on 20 September 2020. During the session, the SERVE programme was approved. The BOD also took note of reports submitted for information. These included the Report on ISFD COVID-19 Response, Report on the proposed utilisation of savings and repurposing of activities to finance COVID-19 emergency project loans for Chad, Guinea-Bissau, the Kyrgyz Republic, and Mali. It also took note of the SERVE Project in Palestine and Djibouti, and the Tadamon Programme.

The BOD held its 72<sup>nd</sup> session, its last for the year, on 20 December 2020. During the session, the BOD cleared the outline of the 13<sup>th</sup> Annual Report of the ISFD, in addition to the Annual Work Programme 2021-2023 and the Budget for



2021. The BOD also approved the Alquds Empowerment Fund Regulation and adopted the unaudited financial report of the ISFD for the 3rd quarter and approved the nomination of external auditors for 2022.

Financing for Phase II of the Cite Waqf City in favour of the WBG in Conakry.

Regarding project financing, the BOD approved the Istisnaa




**IsDB** البنك الإسلامي للتنمية Islamic Development Bank

**ISFD** المؤسسة الإسلامية للتأمين والتأمين

**IAPB**

**LIGHT FOR THE WORLD**

### La Banque Islamique de développement poursuit les actions en Afrique pour soutenir les équipes médicales de ses pays membres

**IsDB** البنك الإسلامي للتنمية Islamic Development Bank

**ISFD** المؤسسة الإسلامية للتأمين والتأمين

**IAPB**

**LIGHT FOR THE WORLD**

### Technical and Practical Considerations of Restarting Eye Health Services going forward in the context of COVID-19



**COVID-19 & Eye Health Web Series**

**Les Considérations techniques et pratiques de redémarrage des services de santé oculaire dans le contexte du COVID-19**

1 SEPTEMBRE - 11h00 (GMT)

**Moderators:**  
 Dr Joseph Oye, IAPB Africa Coprésident pour l'Afrique centrale  
 Jess Blijkers, Directrice Internationale & Pleadoyer, Light for the World

**Panelists:**  
 Professeur Serge Resnikoff MD, PhD, expert international publicitaire mondiale, en ophtalmologie oculaire et Président l'Organisation pour la Prévention de la Cécité (OPC)  
 Professeur Daniel Ety'alem Directeur général de Magr ICC Cameroun Eye Institute



PART  
05

# FINANCIAL REVIEW



# 05

## FINANCIAL REVIEW

### CAPITAL RESOURCES OF THE ISFD

The ISFD has an approved target capital of USD 10.0 billion. The capital commitments as at the end of 2020 amounted to USD 2.7 billion, representing 27% of the target capital (Annex I). These commitments are composed of USD 1.7 billion committed by 49 member countries and USD 1.0 billion committed by the IsDB. The biggest pledges were made by Saudi Arabia (USD 1.0 billion), Kuwait (USD 300.0 million), and Iran (USD 100.0 million). No new commitments were made in 2020.

Paid-up capital reached USD 2.586 billion at the end of 2020, with member countries contributing USD 1.585 billion and the IsDB USD 1 billion. There was one new payment of USD 1 million in 2020 from Bangladesh. The unpaid amount stood at USD 142.85 million at the end of the year.



### COMPLEMENTARY RESOURCES

The ISFD is working towards broadening the base of its resource pool to get closer to its development mandate. It aims to obtain complementary resources through: (i) Specialised 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 BOG adopted a resolution calling on member countries “to take all measures to support the efforts of the ISFD in resource mobilisation, 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 2020, two countries, Benin and Burkina Faso, had allocated plots of land and issued title deeds, while two more countries, Nigeria and Comoros, had earmarked plots for allocation.

### INVESTMENT OF CAPITAL RESOURCES

As per the provisions of its regulations, the ISFD maintains separate accounts as well as separate records of its capital resources and operations. All operations and activities of the Fund are carried out in accordance with Shariah law governing Islamic Waqf.

The Regulations of the Fund provide that its accounts be held in any currency, currencies or unit of account that the ISFD BOD may deem appropriate. However, for now, the BOD has decided to use the US Dollar as a unit of account for the Fund.

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 Bank.



The ISFD is required to invest its capital and retained earnings that are not immediately required for financing its operations so as to maximise income that can be used to finance its projects and programmes. As a Waqf (i.e., Trust), paid-up capital is not used in the Fund's operational activities. To maximise income, liquidity is maintained only to the extent necessary to meet the Fund's current cash requirements and undisbursed commitments in 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 made to the Fund's capital, as well as the unused profits of the Fund. These funds are invested in Commodity Murabaha and short-term placements compatible with Shariah law.

Since 2019, the ISFD has embarked upon initiatives aimed at supplementing its interventions in member countries. These include direct investment of part of its capital resources in poverty alleviation projects and programmes, IWIF, Cash Waqf Sukuk, and the Global Economic Empowerment Programme.

## ISFD ASSETS

**Table 5.1: ISFD Assets in thousand USD**

	Year ended 31 December 2020	Year ended 31 December 2019
Total Asset	3,179	3,116
Total Asset	3,023	2,995

ISFD's total assets stood at USD 3.179 Billion<sup>19</sup> as on 31 December 2020. This represents an increase of 2% (USD 63 million) on the total gross assets of the previous year, which stood at USD 3.116 Billion. Net assets stood at USD 3,023,582 by the end of 2020 as opposed to USD 2,994,880 a year ago.

The increase in resources is accounted for by net income deployed in loans, instalment sale projects, and investment in funds. However, growth has been partly offset by unrealised fair value losses on investments in funds due largely to the impact of COVID-19.

<sup>19</sup>. The precise figure is USD 3,178,949.

Assets are made up essentially of treasury assets (82%), projects sales, loans and other assets including accrued income, investment assets and real estate. There are plans to include more growth assets in accordance with the newly approved investment policy.

## INCOME

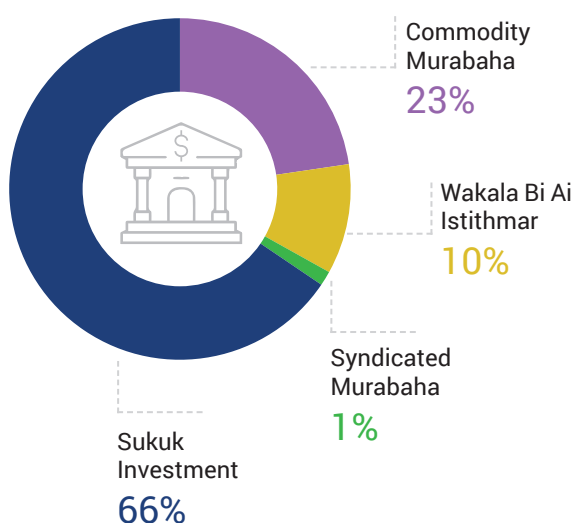
The adverse economic and business environment that characterised the entire year of 2020 has also had a telling negative impact on ISFD's resources. The Fund's net income decreased from USD 101.6 million in 2019 to USD 72.214 million in 2020. This represents a decline of about 29%.

**Table 5.2: Total and Net Income in thousand USD**

	Year ended 31 December 2020	Year ended 31 December 2019
Gross Income	78.214	106.041
Net Income	72.214	101.598

Income from treasury assets, amounting to a gross total of USD 74.6 million, constituted the bulk of the revenue for the year. These assets are made up of Commodity Murabaha, Wakala Syndicated Murabaha, and Sukuk investment. Figure 5.1 shows the composition of treasury assets at the end of 2020.

**Figure 5.1: Composition of Treasury Assets as at 31 December 2020**



20. See the audited financial statements for details.

**Table 5.3: Allocations to the treasury assets in million USD**

	Year ended 31 December 2020	Year ended 31 December 2019
Commodity Murabah Placements	16,914	21,271
Wakala Bi Ai Istithmar	7,774	15,463
Syndicated Murabaha	1,031	870
Sukuk Investment	48,890	57,591

Source: Audited Financial Statements 2020

## TREASURY ASSETS AND INCOME

The total treasury assets increased by USD 2.5 million by the end of 2020. Sukuk Investments alone account for 45%-50% of the treasury assets. The bulk of the remaining liquidity is deployed in Commodity Murabaha placements and Wakala placements with the IsDB Ordinary Capital Resources.

Treasury income decreased from USD 95.2 million in 2019 to USD 74.6 million in 2020. Out of the USD 20.6-million decrease, USD 7.7 million is attributed to a fall in income from Wakala placements and USD 4.4 million due to decrease in income from short-term Commodity Murabaha. Both placements suffered from the fall in coupon rates.<sup>20</sup>

Income from Sukuk investments declined from USD 53.7 million in 2019 to USD 47.3 million in 2020. The decline of USD 6.4 million is due to an 11% decrease in the average Sukuk balances due to redemption.



## INVESTMENT AND RELATED INCOME

ISFD's investment portfolio comprises mainly investments in direct equities, real estate, equity funds, and investment in associate entities.

During 2020, investments decreased by USD 10.5 million from USD 272.2 million in 2019 to USD 261.7 million. This decline was driven primarily by fair value and market value unrealised losses as a result of the COVID-19 pandemic, as well as 50% impairment of Bank Mumalat Indonesia of USD 3.9 million.

Investment in Funds registered USD 20.5 million devaluation of net asset values in 2020, which was offset by unrealised fair value gains of USD 16.7 million in listed equities.

The Fund's investment income decreased from USD 9.133 million in 2019 to USD 5.49 million in 2020. The decrease is due to a fall in income from Ijara projects and decrease in dividend income of USD 2.1 million.<sup>21</sup>



## INSTALMENT SALE

For the first time, the ISFD engaged in instalment sale projects in Sudan under the COVID-19 emergency support programme, with a total approved amount of USD 15 million. By the end of the year, USD 7.6 million was disbursed. This project is to be eventually funded by the IsDB, subject to the completion of contracting arrangements between the parties.

## INVESTMENT IN ISTISNAA FUND

ISFD invested in an USD 89.6 million Istisnaa Project with Awqaf Properties Investment Fund (APIF) in the USA, with an amount of USD 20 million, representing 22.3% of the total project cost.

<sup>21</sup>. ISFD Audited Financial Statements.

## WAQF LANDS

### Benin

The land allocated to the ISFD in Benin has been valued at USD 5.3 million (valuation done in 2014). A feasibility study undertaken by INFRAPPP, an international consultancy based in Spain, put the project cost at about USD 22 million. Projections show a pre-tax IRR of 13.3% based on an equity-debt ratio of 45%-55%. In accordance with the financing plan, the ISFD BOD approved an ISFD equity contribution of USD 9.7 million from its own resources, and APIF offered a loan of USD 6 million. The Banque Africaine Pour L'Industrie et Commerce has offered an Istisnaa financing of USD 6 million.

However, on 28 April 2020, as preparation to launch the project were gaining momentum, the ISFD received an email communication from the Office of the President of Benin followed by an official letter Ref 0356/MPD/DC/SGM/DGFD /DMFCAD/SBO dated 9 June 2020, from the Honourable Minister of Planning and Development. Both the email and the official letter informed the Fund about the decision of the Government of Benin to change the land initially allocated to the ISFD with another plot of land in Cotonou. By the close of the year, the ISFD and the Benin Government were discussing the changes and how to ensure it does not adversely affect the position of both parties.



### Burkina Faso

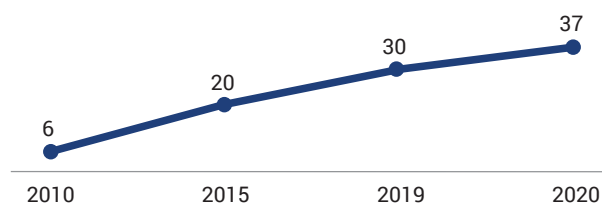
In a letter dated 30 December 2016, addressed to the IsDB President, the Minister of Finance and Economy of Burkina Faso confirmed the allocation of a plot of land to the ISFD. An ARRETE No 2017-0861/MINEDID/SG/DGI/DADF, dated 8 August 2017 and signed by the Minister of Economy, Finance and Development, has been issued as the title document to the land.

HOREB EXPERTISE, a consultancy firm based in Burkina Faso, has undertaken an independent valuation of the land. Accordingly, the value of the land stands at USD 1.896 million.

## DISBURSEMENTS

The rate of disbursements of ISFD project financing (loans and grants) has generally been low compared to approvals. As Figure 5.2 shows, disbursement increased gradually from 6% in 2010 to 30% in 2019. The level rose to 37% in 2020. By the year's end, cumulative disbursements reached USD 406.9 million, compared to USD 803.5 million of approvals (USD 781.7 million for Loans and USD 21.8 million for grants). Accordingly, the cumulative undisbursed commitments increased from USD 32.4 million in 2010 to USD 406.9 million by the end of 2020.

**Figure 5.2: Disbursement Rate of ISFD-Funded Projects 2010-2020 in %**



Source: IsDB Finance Control Department

To raise the level of disbursement, the Bank has introduced measures, including new procurement policy and procedure, country platform and quality and prioritisation criteria for improving project selection, quality, and readiness. These measures are expected to steadily increase the disbursement rate of ISFD projects.



## ISFD INVESTMENT POLICY

The ISFD has developed a new Investment Strategy to act as a guide for asset allocation, with the overall objective of enhancing returns on investments. The strategy is based on ISFD's 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 aim is to introduce a "Dynamic Asset Allocation" approach for investments, which is expected to achieve the following:

- i. A reduction in expected risk relative to the long-term Strategic Asset Allocation benchmark without compromising return expectations;
- ii. 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 investment conditions, and recommends to external funds managers to carry out the ISFD capital investments based on this. The BOD approved the Policy at its 68th Session in February 2020.

## ISFD APPROVAL CAPACITY

The ISFD provides financial support by way of allocations to grants and Loans. As approved loans take time to be disbursed, it was realised that the impact of loan approvals also took time to feed through to the investment portfolio. Hence, the Fund adopted a methodology over the period 2008-2019, which set 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 started to mature, the threshold had to be brought down again. For the period 2020-2022, approvals to net income ratio was reduced to 1:1.





PART  
06

# ANNEXES

## Annex I: SUMMARY DESCRIPTION OF PROJECTS AND PROGRAMMES APPROVED IN 2020



### TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING SUPPORT - UGANDA

**Total Project Cost:** USD 51 million

**ISFD Contribution:** USD 10 million

**PROJECT DESCRIPTION:** The Project aims to contribute towards the transformation of TVET sub-sector into a comprehensive system of skills development for employment, enhanced productivity and growth. It seeks to enable 2,600 students (out of which 50% are girls) to have access to better quality and modern Business, Technical and Vocational Education and Training (BTJET) facilities in the nine beneficiary technical institutes by the end of 2023. The project is contributing to the Skilling Uganda Strategic Plan, which aims at transforming the provision of technical and vocational education and training at higher and middle level skills, in order to boost the employability and productivity of the Ugandan workforce in supporting the National Vision 2040.

The project scope has the following four components: (i) improving access to BTJET; (ii) improving the quality of service delivery; (iii) support to BTJET institutional & management capacity building; and (iv) support to project management.

The project financial plan is as follows: (i) ISFD Loan financing for an amount of USD 10 million, (ii) IsDB Loan financing for an amount of ID 7.1327 million (approximately USD 10 million), and (iii) an Instalment Sale Services financing for USD 25 million, and the Government of Uganda contribution of USD 6.14 million.



### CONSTRUCTION OF PHASE 2 OF THE "CITE Waqf CITY" COMMERCIAL AND RESIDENTIAL COMPLEX - CONAKRY, REPUBLIC OF GUINEA

**Total Project Cost:** USD 23.7 million

**ISFD Contribution:** LOAN 16 million

**PROJECT DESCRIPTION:** The objective of the project is to construct a 53,000 square-metre mixed-use commercial and residential complex comprising underground parking, a shopping centre of three floors, and three towers for offices, residential apartments, and serviced apartments above the shopping centre. The space will be rented out to generate a regular income to be used by the Waqf Bid-Guinea (WBG) to finance its activities in the educational, health, and charitable spheres.

The construction and financing of the entire development are carried out in two phases:

- i. Phase 1:** Shopping centre covering 32,250 square-metre of built-up area, under construction and completed up to about 80%. With an estimated construction cost of US 38 million, this phase is financed by the IsDB through the APIF to the tune of USD 16 million (APIF: USD 5.5 million, IsDB LoF: USD 5.5 million, and IsDB Treasury: USD 5 million), along with a contribution from the Guinean Government for USD 16 million and a WBG contribution of USD 6 million.
- ii. Phase 2** is the subject of this report, comprising the three towers, covering a total built-up area of approximately 20,800 square metres.

The cost of Phase-2 is estimated at USD 23.7 million, with ISFD contributing USD 16 million, while the government of Guinea and WBG contributed USD 7 million and USD 0.7 million respectively.

The ISFD financing also has an Istisnaa financing, with a tenor of 12 years and a mark-up rate of 6%.

The Project has a substantial financial profitability and a comfortable level of service debt coverage, being moderately indebted. It also aligns with and supports the strategies and mandate of the ISFD, the Bank for human development and solidarity, and the sustainable development goals (SDGs) in various fields, mainly in the educational and health sectors.

The Project will generate revenues for the WBG that will support the government's efforts in the social sector. It will also give educational opportunities to many poor and needy children, responding to the objectives of the ISFD's Out of School Children Programme.

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### COVID-19 EMERGENCY SUPPORT AND RESPONSE PROJECT - CHAD

**Total Project Cost:** USD 20 million

**ISFD Contribution:** LOAN - USD 9.383 million

**PROJECT DESCRIPTION:** The project comprises three components:

**Component 1** - Strengthening health surveillance system: This component will be broken down into two sub-components namely: (A) Capacity building, and (B) Acquisition of laboratory equipment.

**Component 2** - Food Security: This component will provide adequate food aid to the Chadian population, especially to vulnerable households and groups with specific needs and whose families have confirmed cases. The instruments for the prevention and management of natural disasters and food crises are being strengthened.

**Component 3** - Implementation Management, Monitoring and Evaluation: This component will finance coordination and monitoring, and evaluation activities. These include meetings of technical coordination committees, coordination meetings at different levels of the health system, and the operating costs of the Emergency Operations Centre as well as Financial Audit.

The project is expected to be completed by the end of June 2021, and an amount of USD 15.4 million was disbursed by the end of December 2020, while USD 7.62 million was disbursed from ISFD resources up to date.

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### RELIEF OPERATION FOR INTERNALLY DISPLACED PEOPLE - YEMEN

**Total Project Cost:** USD 0.5 million

**ISFD Contribution:** GRANT- USD 0.5 million

**PROJECT DESCRIPTION:** This is a humanitarian project to provide basic food commodities to the Internally Displaced People (IDP) in Marib and Shabwah governorates. The programme has reached 10,990 vulnerable and IDP households, covering 76,930 people.

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### COVID-19 EMERGENCY RESPONSE PROJECT - BURKINA FASO

**Total Project Cost:** USD 8.99 million

**ISFD Contribution:** LOAN- USD 3 million

**PROJECT DESCRIPTION:** This project comprises two phases; the first phase initiated at a cost of USD 5.99 million has already been launched after approval, signing of financing agreement, and the start of the procurement disbursement process. The ISFD's contribution of USD 3 million was channelled through the second phase.

In the second phase, the project is expected to enhance the resilience of the healthcare system of the regions by strengthening their capabilities to tackle respiratory infections and surge of COVID-19 cases. Also included in the project are activities for a better assessment of the quality of care provided to COVID-19 patients, the mental health of the healthcare workers, and the social representation of the disease in the population of Ouagadougou. The aim of these studies is to build a strong database on the COVID-19 impact in the healthcare system to enable better decision-making in the fight against the pandemic.

The project comprises two components (a): support for improving the triage system for patients and managing respiratory infections; (b) research, training, institutional support and coordination.



## STRENGTHENING THE ECONOMIC RESILIENCE OF VULNERABLE ENTERPRISES PROJECT - DJIBOUTI

**Total Project Cost:** USD 7.35 million

**ISFD Contribution:** LOAN - USD 3 million

**PROJECT DESCRIPTION:** The proposed project will pilot complementary community-based livelihood approaches to test their potential for sustainable income generation for poor and marginalised groups in the region. Specifically, the proposed project will aim to: (i) provide basic skills and access to capital to strengthen community structures and support poor youths in accessing and expanding income-generating activities; and (ii) strengthening the economic resilience of the micro-enterprises and support entrepreneurship among potential micro-entrepreneurs. The government has targeted the sectors of agriculture, agro-pastoralism, artefacts and fishery. The project comprises three components (a) improving livelihood of vulnerable groups; (b) economic resilience and entrepreneurship support; and (c) project management and financial audit.



## COVID-19 EMERGENCY RESPONSE PROJECT - GUINEA-BISSAU

**Total Project Cost:** USD 15.00 million

**ISFD Contribution:** LOAN - 3 million

**PROJECT DESCRIPTION:** The Project has the following components:

**Component A:** Procurement of (1) medical supplies and equipment such as medical oxygen factory, real-time PCR, X-ray machines, COVID-19 rapid test, blood gas analyser; (2) disposable and reusable PPEs; (3) medical materials, medicine, and biological reagents.

**Component B:** Support logistics, supply chains, stocks of essential medicines, and health technologies, including (i) adopting good pharmaceutical procurement practices, (ii) provision of necessary health technologies (iii) acquisition of eight medical ambulances, three refrigerated medicine trucks, three refrigerated truck maintenance medical speedboat, four generators, five pallet trucks, gasoline and oils.

**Component C:** Project coordination and capacity building, such as activities relating to consultancy and technical assistance.



## EMERGENCY SUPPORT TO THE NATIONAL PLAN FOR PREPAREDNESS AND RESPONSE TO COVID-19 PANDEMIC - MALI

**Total Project Cost:** USD 22.5 million

**ISFD Contribution:** LOAN - USD 3 million

**PROJECT DESCRIPTION:** The Project has the following components:

**Component-1:** Health emergency response, which includes enhancing surveillance at entry points, strengthening prevention, infection control and case management, reinforcement of logistics, support to coordination, and monitoring of activities.

**Component-2:** Strengthening health systems, which includes strengthening laboratory systems and health infrastructure.



## SUPPORT TO BUILDING THE CAPACITIES OF NATIONAL LABORATORIES - COMOROS

**Total Project Cost:** USD 415,000

**ISFD Contribution:** Grant - USD 60,000

**PROJECT DESCRIPTION:** The Project will provide the laboratories with technical guidelines and operational protocols to help accelerate action and easy detection of COVID-19 cases, facilitate supplies of necessary medical equipment and the exchange of knowledge and expertise through peer learning.

The proposed project intervention is based on two pillars:

**Pillar 1:** Expansion of the organisational capacities of the laboratories, which includes providing equipment to increase their capacity to provide high quality services in large numbers.

**Pillar 2:** Development of human skills in the laboratories. The project will work towards strengthening the capacities of the different categories of staff/functions, including researchers, technicians/laboratory technicians, administrative and financial function staff, reception and customer relations, security, through online training, coaching, periodic monitoring, and coordination meetings as well as experience sharing sessions. In addition, the project will provide ongoing technical advice to the management of the national laboratories.

**Pillar 3:** Communication, management, monitoring and coordination of the project



## SUPPORT TO BUILDING THE CAPACITIES OF NATIONAL LABORATORIES - SUDAN

**Total Project Cost:** USD 335,000

**ISFD Contribution:** Grant - USD 70,000

**PROJECT DESCRIPTION:** The main objective of this project is to: i) develop the human capacities of the national laboratories and ii) arm them with the required medical equipment. In addition, the programme will provide the laboratories with an e-learning platform developed by the IsDB. This will impart training in technical guidelines and operational protocols to help accelerate action and easy detection of COVID-19 cases. In addition, the proposed programme will facilitate and support the provision of mobile laboratories in rural areas.

The proposed project intervention is based around two pillars:

**Pillar 1:** Building the organisational capacities of the laboratories, which includes providing equipment to enable them to provide quality services on a large scale.

**Pillar 2:** Development of human skills in the laboratories. The project will work towards strengthening the capacities of the different categories of staff/functions through online training sessions, coaching, periodic monitoring, and coordination meetings as well as experience sharing sessions. In addition, the initiative will provide ongoing technical advice to the management of the national laboratories.

**Pillar 3:** Communication, management, monitoring and coordination of the project

## SPECIAL REGIONAL PROGRAMS

### SERVE PROGRAMMES AND PROJECTS

The objective of the Programme for SERVE is to provide immediate response to the needs of MSMEs by way of financing so as to help restore the economy. The programme seeks to enhance the guarantee mechanism to support Islamic financial institutions and strengthen the

Islamic finance industry. The objective is to support the Islamic banks in financing enterprises and capitalising the resources of Islamic finance windows in other institutions. More specifically, the programme will facilitate access to finance for MSMEs so that they stay in business and protect jobs despite the COVID-19 pandemic. It will also encourage private Islamic financial institutions to channel financing to their client MSMEs by sharing the risks involved in providing credit during the ongoing pandemic through the provision of a credit guarantee scheme. By the end of 2020, approvals were obtained for two countries under the programme: Djibouti and Palestine.

### Tadamon CSO PANDEMIC RESPONSE ACCELERATOR PROGRAMME

Tadamon Platform was developed as a USD 2.55 million facility under the "ISFD NGOs Empowerment for Poverty Reduction Programme". It seeks to serve as a "networking platform" for citizens and the private sector to facilitate the financing of humanitarian and development work of CSOs. It will link NGO crowd-funding campaigns and help them use blockchain technology to mobilise additional financing. The ISFD will be using Tadamon platform to map issues, categorise member countries, NGOs, and CSOs, depending on the nature of the work and to provide comprehensive support to CSOs in OIC member countries. This will be by way of offering visibility, funding, and matching them with specific needs in the field to strengthen the poverty reduction work undertaken by UNDP/ISFD, and the IsDB.

The programme has three components:

**Component 1:** Emergency Medical Response through CSOs (Respond). This component will be carried out through health facility-based interventions; community-based interventions accompanied by effective communication and awareness campaigns.

**Component 2:** Education in Emergency (Respond). This component entails the following: a) Basic education in emergency b) Skills development through trainings for teachers, unemployed youth, most vulnerable groups, and people with special needs.

**Component 3:** Building Community Resilience (Restore). This entails a) Rapid needs assessments, b) development of income-generating opportunities for 3,000 deprived households, including those headed by women.

The programme was approved to serve 17 countries, with 7 countries already benefiting by the end of 2020. These are Jordan, Iraq, Lebanon, Burkina Faso, Mali, Comoros and Djibouti.

### THE ICIEC-ISFD COVID-19 EMERGENCY RESPONSE INITIATIVE (ICERI)

As part of the joint effort of the IsDB Group entities to fight COVID-19, the ISFD has allocated a USD 0.7 million-grant to be used as a premium discount and/or first loss buffer to facilitate the import of medical goods and essential commodities through credit insurance. The grant is being implemented and managed by ICIEC to help LDMCs and

severely affected member countries access finance and also facilitate the import of medical equipment, pharmaceutical products and other related items such as protective gear, testing kits, sanitisers, and ventilators needed for battling COVID-19. Essential commodities such as food items, oil and gas are also included. The volume of trade to be facilitated through this initiative is estimated at USD 400 million.

The programme targets 16 countries: Bangladesh, Benin, Burkina Faso, Chad, Djibouti, The Gambia, Guinea, Iran, Mali, Mauritania, Mozambique, Niger, Palestine, Senegal, Sudan, and Uganda. By the end of 2020, nine transactions were developed and approved in six countries: Egypt, Tunisia, Senegal, Cameroon, Bangladesh and Mauritania.





## Annex II: LIST OF LOANS AND GRANTS APPROVED IN 2020

Country	Project Code	Project/Prog Description	ISFD Contribution in Million USD	Nature of Support	Total Project Cost in Million USD
		<b>LLF- Strengthening Primary Health Care</b>	<b>2.64</b>		<b>27.96</b>
Burkina Faso	BFA1024	Strengthening Primary Health Care	2.64	grant	27.96
		<b>BILATERAL PROJECTS</b>	<b>26</b>		<b>74.7</b>
Guinea	GIN1048	Wagf Project in Guinea	16	IstinaFinancing/ loan	23.7
Uganda	UGA1022	TVET	10	loan	51
		<b>SPRP Projects</b>	<b>12.13</b>		<b>54.61</b>
Burkina Faso	BF1028	Support to Covid Response	3	loan	9
Djibouti	DJI1016	SERVE	3	grant	7.35
Guinea Bissau	GNB1012	Support to Covid Response	3	loan	15
Mali	MLI1030	Support to Covid Response	3	loan	22.5
Comoros	COM1014	Reverse Linkage	0.06	grant	0.42
Sudan	SDN1048	Reverse Linkage	0.07	grant	0.34
		<b>TADAMON ACCELERATOR</b>	<b>2.55</b>		<b>18.66</b>
Burkina Faso	BFA1030	Support to Covid Response	0.25	grant	0.64
Jord, Iraq, Leba	ZZZ2655	Support to Covid Response	1.35	grant	14.75
Niger	NER1039	Support to Covid Response	0.25	grant	0.87
Comoros	COM1012	Support to Covid Response	0.45	grant	1.66
Djibouti	DJI1020	Support to Covid Response	0.25	grant	0.74
		<b>NGO's Empowerment Programme</b>	<b>0.35</b>		<b>6.85</b>
NA		Distance Learning Programme	0.29	grant	6.79
NA		Programme Officer for NGO Empowerment	0.06	grant	0.06
		<b>Savings and Repurposed Resources</b>	<b>93.88</b>		<b>321.5</b>
		Interfund			
Yemen		Support to Covid Response	20	loan	20
Suadan		Support to Covid Response	35	loan	32
Palestine		SERVE	24	loan	234
Chad		Covid Response	9.38	loan	20
Kyrgys		Covid Response	5	loan	15
Yemen		Support to covid response	0.5	grant	0.5
		<b>ICERI</b>	<b>0.7</b>		<b>153.14</b>
NA		ICERI	0.7		
Egypt			0.15	grant	30
Tunisia			0.19	grant	30
Seenegal			0.03	grant	10
Bangladesh 1			0.01	grant	6.05
Cameroun			0.06	grant	20
Egypt			0.07	grant	32
Bangladesh2			0.03	grant	11.09
Mauritania			0.16	grant	10
Bangladesh 3			0.01	grant	4
		Total	0.71	grant	
<b>Total</b>		<b>Total Including Savings and Repurposed Resources</b>	<b>138.25</b>		<b>582.72</b>

## Annex III: STATEMENT OF CONTRIBUTIONS TO ISFD CAPITAL

As at 31 December 2020

S. No	Country	Commitments (in USD 000's)	Paid Amount (in USD 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 USD 000's)	Paid Amount (in USD 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	8,000	1st-8th Insts.
4	Benin	12,250	940	1st Installment
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>2,706,830</b>	<b>2,586,144</b>	
<b>ISFD Resources in-kind:</b>				<b>(in USD 000's)</b>
1	Benin Waqf Land			5.355
2	Burkina Faso			1.9

**Annex IV: FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS REPORT**





**Ernst & Young & Co. (Certified Public Accountants)**  
**General Partnership**  
King's Road Tower, 13<sup>th</sup> Floor  
King Abdul Aziz Road (Malek Road)  
P.O. Box 1994  
Jeddah 21441  
Kingdom of Saudi Arabia  
Head Office – Riyadh

Registration No. 45/11/323  
C.R. No. 4030276644

Tel: +966 12 221 8400  
Fax: +966 12 221 8575

[ey.ksa@sa.ey.com](mailto:ey.ksa@sa.ey.com)  
[ey.com/mena](http://ey.com/mena)

## **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 2020, 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 2020, 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



11 May 2021  
29 Ramadan 1442H

Jeddah

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT**

**Statement of Financial Position**

**As at 31 December 2020**

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

	Notes	31 December 2020	31 December 2019
<b>ASSETS</b>			
<b>Treasury assets</b>			
Cash and cash equivalents	4	11,037	2,144
Commodity murabaha placements	5	921,224	760,309
Wakala Bi Al-Istithmar	6	500,092	500,257
Syndicated murabaha	7	8,633	37,655
Sukuk investments	8	1,178,818	1,316,968
<b>Projects</b>			
Instalment sale	9	7,660	-
<b>Loans (Qard) and other assets</b>			
Loans (Qard)	10	273,550	196,176
Accrued income and other assets	11	5,513	24,556
<b>Investment assets</b>			
Investments in equity capital	12	81,607	69,529
Investment in associates	13	153	440
Investments in syndicated Ijarah	14	63,702	65,707
Investments in funds	15	116,300	136,544
Investment in Istisna'a fund	16	5,305	-
<b>Land</b>	17	<b>5,355</b>	5,355
<b>TOTAL ASSETS</b>		<b>3,178,949</b>	3,115,640
<b>LIABILITIES</b>			
Accrued expenses and other liabilities	18	4,700	4,572
Grants payable	20	150,667	116,188
<b>TOTAL LIABILITIES</b>		<b>155,367</b>	120,760
<b>NET ASSETS</b>		<b>3,023,582</b>	2,994,880
<b>REPRESENTED BY:</b>			
Fund resources in cash	1	2,586,221	2,585,221
Fund resources in kind	17	5,355	5,355
Retained earnings		428,969	402,565
Equity preservation fund	21	25,126	18,068
Fair value reserve		(19,465)	(14,647)
Pension fund reserve		(2,624)	(1,682)
		<b>3,023,582</b>	2,994,880

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

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT**

**Income Statement**

**For the year ended 31 December 2020**

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

	Notes	For the year ended 31 December 2020	For the year ended 31 December 2019
<b>Income from:</b>			
<b>Treasury assets</b>			
Commodity murabaha placements		16,914	21,271
Wakala Bi Al-Istithmar		7,774	15,463
Syndicated murabaha		1,031	872
Sukuk investments	8	48,892	57,591
<b>Projects</b>			
Instalment sales		33	-
<b>Loans (Qard) and other assets</b>			
Loans (Qard)		2,007	1,661
<b>Investment assets</b>			
Equity capital		-	344
Associate	13	(4)	52
Syndicated Ijarah		3,377	4,818
Funds		2,114	3,919
		<b>82,138</b>	105,991
(Charge)/reversal for impairment		<b>(3,924)</b>	50
<b>Total income</b>		<b>78,214</b>	106,041
Employee related expenses		<b>(4,028)</b>	(2,915)
General and administrative expenses		<b>(1,972)</b>	(1,528)
<b>Net income for the year</b>		<b>72,214</b>	101,598

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

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT**  
**Statement of Changes in Net Assets**  
**At 31 December 2020**

(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 2019	2,585,221	5,355	334,028	13,185	(2,992)	(672)	2,934,125
Net income for the year	-	-	101,598	-	-	-	101,598
Change in fair value reserve, net (Notes 12 & 15)	-	-	-	-	(11,711)	-	(11,711)
Changes in reserves for associate (Note 13)	-	-	-	-	56	-	56
Grant allocation (Note 20)	-	-	(28,178)	-	-	-	(28,178)
Transfer to equity preservation fund (Note 21)	-	-	(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>
Net income for the year	-	-	72,214	-	-	-	72,214
Change in fair value reserve, net (Notes 12 & 15)	-	-	-	-	(4,535)	-	(4,535)
Changes in reserves for associate (Note 13)	-	-	-	-	(283)	-	(283)
Grant allocation (Note 20)	-	-	(38,752)	-	-	-	(38,752)
Transfer to equity preservation fund (Note 21)	-	-	(7,058)	7,058	-	-	-
Pension fund reserve	-	-	-	-	-	(942)	(942)
Capital contribution	1,000	-	-	-	-	-	1,000
<b>Balance at 31 December 2020</b>	<b>2,586,221</b>	<b>5,355</b>	<b>428,969</b>	<b>25,126</b>	<b>(19,465)</b>	<b>(2,624)</b>	<b>3,023,582</b>

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



**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT**

**Statement of Cash Flows**

**At 31 December 2020**

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

	Notes	For the year ended 31 December 2020	For the year ended 31 December 2019
<b>Cash flows from operations</b>			
Net income for the year		72,214	101,598
<i>Adjustment for non-cash items:</i>			
Unrealized fair value gains on investments in sukuk	8	(1,638)	(3,934)
Amortization of discount on investments in sukuk carried at amortized cost	8	(1,330)	(625)
Accrued coupon income on sukuk	8	1,405	268
Share of (profit)/loss on investment in an associate		4	(52)
Accrued income on Wakala Bi Al-Istithmar		165	197
Charge/(reversal) for impairment		3,924	(50)
<i>Changes in operating assets and liabilities:</i>			
Loans (Qard)		(77,374)	(19,723)
Accrued income and other assets		19,043	(12,927)
Accrued expenses and other liabilities		(813)	286
Grant payments		(4,274)	(21,469)
<b>Net cash from operating activities</b>		<b>11,326</b>	<b>43,569</b>
<b>Cash flows from investing activities</b>			
Commodity Murabaha placements		(160,915)	(150,514)
Investments in syndicated murabaha		29,022	(37,655)
Addition to investments in sukuk	8	(10,000)	(18,000)
Proceeds from redemption of investments in sukuk	8	149,713	76,934
Investments in syndicated ijarah, net	14	2,005	(49,965)
Acquisition of equity capital	12	-	(5,706)
Proceeds from sale of equity capital		-	-
Addition to Investments in funds	15	(3,981)	(14,431)
Proceeds from sale of investments in funds	15	3,688	23,991
Investment in Instalment sales		(7,660)	-
Investment in Istisnaa fund		(5,305)	-
<b>Net cash used in investing activities</b>		<b>(3,433)</b>	<b>(175,346)</b>
<b>Cash flows from financing activity</b>			
Contributions received		1,000	-
<b>Net change in cash and cash equivalents</b>		<b>8,893</b>	<b>(131,777)</b>
Cash and cash equivalents at beginning of the year		2,144	133,921
<b>Cash and cash equivalents at end of the year</b>	4	<b>11,037</b>	<b>2,144</b>

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

## **THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT**

### **Notes to the Financial Statements**

**At 31 December 2020**

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

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#### **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
- Investment in associate is accounted for using the equity method of accounting; 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 2020

(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
Instalment sale	Amortised cost less impairment
Investment in istisnaa fund	Amortised cost less impairment

#### 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 2020**

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

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### **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 an effective yield 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.

During both the 2019 and 2020 the Fund has revalued its investments in unlisted equities based on valuation performed by independent valuers. The carrying values of the investments were adjusted to reflect the changes in fair values

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT**  
**Notes to the Financial Statements (continued)**  
**At 31 December 2020**

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

Investments in Sukuk

Coupon income from investments in Sukuk is recognized on an effective yield basis. Fair value gains and losses on Sukuk classified at fair value are 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 an effective yield basis (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 2020**

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

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**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.

**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:

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT**  
**Notes to the Financial Statements (continued)**  
**At 31 December 2020**

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

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

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

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	2020	2019
Cash at bank		1,970	-
Commodity Murabaha placements with maturities less than 3 months	5	9,067	2,144
		<b>11,037</b>	<b>2,144</b>

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	2020	2019
Commodity Murabaha placements through banks		925,597	752,544
Accrued income		4,694	9,909
Commodity Murabaha placements with maturities less than 3 months	4	(9,067)	(2,144)
		<b>921,224</b>	<b>760,309</b>

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**6. WAKALA BI AL-ISTITHMAR**

	2020	2019
Wakala Bi Al-Istithmar	500,000	500,000
Accrued income	92	257
	<b>500,092</b>	500,257

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. SYNDICATED MURABAHA**

	2020	2019
Gross amounts receivable (ITFC syndication)	8,666	38,483
Less: unearned income	(33)	(828)
	<b>8,633</b>	37,655

**8. SUKUK INVESTMENTS**

	Counterparty rating					Total
	AAA	AA+ to AA-	A+ to A-	BBB to lower	Unrated	
<b>31 December 2020</b>						
Sukuk classified as fair value though income statement:						
- Governments	-	42,753	-	36,920	-	79,673
- Financial institutions	-	-	9,972	-	-	9,972
- Other entities	-	-	-	-	37,856	37,856
	-	42,753	9,972	36,920	37,856	127,501
Sukuk classified at amortised cost:						
- Governments	-	-	-	678,556	2,054	680,610
- Financial institutions	84,682	43,335	60,426	67,796	-	256,239
- Other entities	-	-	63,881	50,587	-	114,468
	84,682	43,335	124,307	796,939	2,054	1,051,317
<b>Total</b>	<b>84,682</b>	<b>86,088</b>	<b>134,279</b>	<b>833,859</b>	<b>39,910</b>	<b>1,178,818</b>

	Counterparty rating					Total
	AAA	AA+ to AA-	A+ to A-	BBB to BBB-	Unrated	
<b>31 December 2019</b>						
Sukuk classified as fair value though income statement:						
- Governments	-	42,059	-	36,044	-	78,103
- Financial institutions	-	-	-	-	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
	251,365	43,288	83,787	816,503	2,076	1,197,019
<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>



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**8. SUKUK INVESTMENTS (continued)**

The movement of the investments in Sukuk is as follows:

	<b>For the year ended 31 December 2020</b>	For the year ended 31 December 2019
Balance at beginning of the year	<b>1,316,968</b>	1,371,611
<b>Movements during the year</b>		
Additions	<b>10,000</b>	18,000
Redemption of Sukuk	<b>(149,713)</b>	(76,934)
Amortisation of discount on Sukuk carried at amortized cost	<b>1,330</b>	625
Unrealized fair value gains	<b>1,638</b>	3,934
Movement in accrued income on Sukuk carried at amortized cost	<b>(1,405)</b>	(268)
<b>Balance at end of the year</b>	<b>1,178,818</b>	1,316,968

Income from investments in Sukuk is comprised of the following:

	<b>For the year ended 31 December 2020</b>	For the year ended 31 December 2019
Coupon income	<b>46,015</b>	53,032
Amortization of discount on Sukuk carried at amortised cost	<b>1,330</b>	625
Gain from sale of Sukuk	<b>(91)</b>	-
Unrealised fair value gains/(losses)	<b>1,638</b>	3,934
	<b>48,892</b>	57,591

**9. INSTALMENT SALE**

	<b>2020</b>	2019
Gross amount receivable	<b>7,615</b>	-
Accrued Income	<b>45</b>	-
	<b>7,660</b>	-

The above represents ISFD's contribution towards IsDB Group Emergency Support for the COVID-19 preparedness in the Sudan. Total cost of the project is USD 15 million.

**10. LOANS (QARD)**

	<b>2020</b>	2019
Loans (Qard)	<b>278,635</b>	201,261
Less: Provision for impairment	<b>(5,085)</b>	(5,085)
	<b>273,550</b>	196,176

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

	<b>For the year ended 31 December 2020</b>	For the year ended 31 December 2019
Balance at the beginning of the year	<b>5,085</b>	5,135
Reversal	<b>-</b>	(50)
Balance at the end of the year	<b>5,085</b>	5,085

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**11. ACCRUED INCOME AND OTHER ASSETS**

	2020	2019
Due from related parties (note 19)	5,442	24,487
Accrued ijarah income	71	69
	<b>5,513</b>	<b>24,556</b>

**12. INVESTMENTS IN EQUITY CAPITAL**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Balance at beginning of the year	69,529	77,645
Additions	-	5,706
Disposals	-	-
Net unrealised fair value gains/(losses) (reported through equity)	16,002	(13,822)
Impairment provision	(3,924)	-
<b>Balance at end of the year</b>	<b>81,607</b>	<b>69,529</b>

The Fund's investment in equity capital represents investment of USD 25 million (2019: USD 29.4 million) in unlisted equity securities and USD 56.6 million (2019: USD 40.1 million) in listed equity securities.

**13. INVESTMENT IN ASSOCIATES**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Balance at beginning of the year	440	332
Addition	-	-
Net changes reported through equity	(283)	56
Share of net results	(4)	52
<b>Balance at end of the year</b>	<b>153</b>	<b>440</b>

**14. INVESTMENT IN SYNDICATED IJARAH**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Balance at beginning of the year	65,707	15,742
Additions	-	67,442
Disposals	(2,005)	(17,477)
<b>Balance at end of the year</b>	<b>63,702</b>	<b>65,707</b>

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**15. INVESTMENT IN FUNDS**

	<b>For the year ended 31 December 2020</b>	For the year ended 31 December 2019
Balance at beginning of the year	<b>136,544</b>	143,993
Additions	<b>3,981</b>	14,431
Disposals	<b>(3,688)</b>	(23,991)
Net unrealised fair value gains (reported through equity)	<b>(20,537)</b>	2,111
Provision for impairment	-	-
<b>Balance at end of the year</b>	<b>116,300</b>	136,544

**16. Investment in Istisna'a fund**

	<b>2020</b>	2019
Investment in Istisnaa Fund	<b>5,305</b>	-

In 2020, ISFD co-invested in Istisnaa project (ISFD's share is 22.3%) with Awqaf Properties Investment Fund (APIF) for a construction project.

**17. 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.

**18. ACCRUED EXPENSES AND OTHER LIABILITIES**

	<b>2020</b>	2019
Due to related parties (note 19)	<b>94</b>	25
Pension liability	<b>3,400</b>	2,378
Accrued expenses and other liabilities	<b>1,206</b>	2,169
	<b>4,700</b>	4,572

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#### 19. 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

	2020	2019
IsDB – Ordinary Capital Resources (Note 11)	5,435	22,574
International Islamic Trade Finance Corporation ("ITFC")	-	113
IsDB – Waqf fund	7	-
Kafala	-	1,800
	<b>5,442</b>	<b>24,487</b>

(ii) Due to related parties

	2020	2019
Islamic Corporation for the Insurance of Investment and Export Credit ("ICIEC")	94	-
IsDB – Pension Fund	-	24
IsDB – Medical Fund	-	1
	<b>94</b>	<b>25</b>

#### 20. 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 2020, USD 58.3 million (2019: 58.3 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 2020, 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:

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**20. GRANT ALLOCATION (continued)**

<b>Grant Allocation</b>	<b>2020</b>	2019
Lives and Livelihood Fund	<b>(20,000)</b>	(20,000)
ICERI Program	<b>(5,000)</b>	-
Grant Allocation - 10%	<b>(2,752)</b>	(7,178)
UNDP & IDB & ISFD NGOs Empowerment Program	<b>(2,000)</b>	
Other	<b>(9,000)</b>	(1,000)
<b>Total Grant allocation</b>	<b>(38,752)</b>	(28,178)

Grants payable as at 31 December 2020 amounted to USD 150.7 million (31 December 2019: USD 116.1 million) and is primarily comprised of amounts payable to STI of USD 50 million, LLF USD 41.7 million, General Grant Allocation of USD 28.9 million, ICERI Program USD 5 million. Further, Previous allocation to Ebola Prevention Program of USD 10 million is reallocated to the Tadamon Accelerator for Covid response USD 7 million and ISFD SPARK Guarantee Facility Fund of USD 3 million.

**21. 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.

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

<b>31 December 2020</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	11,037	-	-	-	-	11,037
Commodity Murabaha placements	-	826,127	95,097	-	-	921,224
Wakala Bi Al-Istithmar	-	-	500,092	-	-	500,092
Syndicated Murabaha	8,633	-	-	-	-	8,633
Sukuk investments	94,772	127,886	935,901	20,259	-	1,178,818
Installment sales	-	-	7,660	-	-	7,660
Loans (Qard)	-	5,157	23,227	245,166	-	273,550
Accrued income and other assets	5513	-	-	-	-	5,513
Investments in equity capital	-	-	-	-	81,607	81,607
Investment in an associate	-	-	-	-	153	153
Investments in syndicated Ijarah	-	25,912	23,761	14,029	-	63,702
Investment in funds	-	-	-	-	116,300	116,300
Invest. in Istisnaa	-	-	-	-	5,305	5,305
Land	-	-	-	-	5,355	5,355
<b>Total assets</b>	<b>119,955</b>	<b>985,082</b>	<b>1,585,738</b>	<b>279,454</b>	<b>208,720</b>	<b>3,178,949</b>
<b>Liabilities</b>						
Accrued expenses and other liabilities	1,300	-	-	-	3,400	4,700
Grants payable	-	91,657	59,010	-	-	150,667
<b>Net assets</b>	<b>118,655</b>	<b>893,425</b>	<b>1,526,728</b>	<b>279,454</b>	<b>205,320</b>	<b>3,023,582</b>

<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	-	-	-	-	2,144
Commodity Murabaha placements	204,509	547,793	8,007	-	-	760,309
Wakala Bi Al-Istithmar	-	-	500,257	-	-	500,257
Syndicated Murabaha	-	37,655	-	-	-	37,655
Sukuk investments	55,447	71,239	930,603	259,679	-	1,316,968
Loans (Qard)	-	5,120	23,061	167,995	-	196,176
Accrued income and other assets	24,556	-	-	-	-	24,556
Investments in equity capital	-	-	-	-	69,529	69,529
Investment in an associate	-	-	-	-	440	440
Investments in syndicated Ijarah	1,231	1,840	54,072	8,564	-	65,707
Investment in funds	-	-	-	-	136,544	136,544
Land	-	-	-	-	5,355	5,355
<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 expenses and other liabilities	2,194	-	-	2,378	-	4,572
Grants payable	-	50,000	66,188	-	-	116,188
<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>

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**23. 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 2020</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	1,970	-	-	9,067	11,037
Commodity Murabaha placements	900,764	-	-	20,460	921,224
Wakala Bi Al-Istithmar	500,092	-	-	-	500,092
Syndicated Murabaha	-	8,633	-	-	8,633
Sukuk investments	1,178,818	-	-	-	1,178,818
Installment sale	-	7,660	-	-	7,660
Loans (Qard)	78,177	194,873	500	-	273,550
Accrued income and other assets	5,513	-	-	-	5,513
Investments in equity capital	60,514	-	12,760	8,333	81,607
Investment in an associate	-	153	-	-	153
Investment in syndicated Ijarah	54,539	9,163	-	-	63,702
Investment in funds	66,737	-	29,138	20,425	116,300
Investment in Istisnaa	-	-	-	5,305	5,305
Land	-	5,355	-	-	5,355
<b>Total assets</b>	<b>2,847,124</b>	<b>225,837</b>	<b>42,398</b>	<b>63,590</b>	<b>3,178,949</b>

<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	2,144
Commodity Murabaha placements	760,309	-	-	-	760,309
Wakala Bi Al-Istithmar	500,257	-	-	-	500,257
Syndicated Murabaha	-	37,655	-	-	37,655
Sukuk investments	1,316,968	-	-	-	1,316,968
Loans (Qard)	68,834	126,625	717	-	196,176
Accrued income and other assets	24,556	-	-	-	24,556
Investments in equity capital	69,529	-	-	-	69,529
Investment in an associate	-	440	-	-	440
Investment in syndicated Ijarah	56,238	9,469	-	-	65,707
Investment in funds	115,157	-	-	21,387	136,544
Land	-	5,355	-	-	5,355
<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>

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

The net assets in foreign currencies were as follows:

	<b>2020</b>	2019
Saudi Riyal	<b>32,814</b>	49,949
Euro	<b>630</b>	1,416
Islamic Dinar (ID)	<b>(445)</b>	939
Other currencies	<b>(41)</b>	-

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#### 25. UNDISBURSED COMMITMENTS

	2020	2019
Loans (Qard)	437,369	307,563
Investment in Funds	30,211	18,647

#### 26. 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.

#### 27. 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**

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#### **27. 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).

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## 27 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 2020**

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

**27. 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 2020**

**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	89,645	37,856	-	127,501
- Equity investments	56,589	25,018	-	81,607
- Investment in funds	-	-	116,300	116,300
	<b>146,234</b>	<b>62,874</b>	<b>116,300</b>	<b>325,408</b>

**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	-	119,949
- Equity investments	40,084	13,264	-	53,348
- Investment in funds	-	-	136,544	136,544
	118,187	55,110	136,544	309,841

## THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT

### Notes to the Financial Statements (continued)

At 31 December 2020

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

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#### 28. 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 became effective from the financial periods beginning on or after 1 January 2021, with earlier adoption permitted. The Fund is currently assessing its impact of this FAS on the 2021 financial performance.

##### (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 2021, with early adoption permitted.

The standard requires the principal to evaluate the nature of the investment as either a) a pass-through investment or b) wakala venture.

A pass-through investment is an investment in which the involvement of the agent, as well as, the options for transferability of the instrument are limited and the investor principally takes a direct exposure on the underlying assets. An investor shall apply the pass-through investment approach for its investments in an investment agency instruments; unless it opts to apply the wakala venture.

Under this approach, the principal shall initially recognize the assets underlying the wakala arrangement in its books of account applying the initial recognition principles as applicable in line with respective FAS.

The principal may opt to apply the wakala venture approach if, and only if, the investment agency contract meets any of the conditions required under certain conditions.

Under this approach, an investment shall be accounted for in the books of the investor applying the "equity method of accounting"; where the investment shall be recognized initially at cost and subsequently shall be measured at the end of the financial period at carrying amount and shall be adjusted to include the investor's share in profit or loss of the wakala venture.

## **THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT**

### **Notes to the Financial Statements (continued)**

**At 31 December 2020**

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

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#### **28. AAOIFI STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)**

##### **(iii) Financial Accounting Standard – 31 “Investment Agency (Al-Wakala Bi Al-Istithmar)” (continued)**

From the agent perspective, the standard requires that at inception of the transaction the agent shall recognize an agency arrangement under off-balance sheet approach since the agent does not control the related assets / business. However, there are exceptions to off-balance sheet approach whereby virtue of additional considerations attached to the instrument based on investment agency may mandate the same to be accounted for as on-balance sheet.

An agent may maintain multi-level investment arrangements. Under such arrangement, the Fund will reinvest Wakala funds into a secondary contract. Such secondary contracts shall be accounted for in line with the requirements of respective FAS in the books of the agent.

The Fund is currently assessing its impact of this FAS on the 2021 financial performance.

##### **(iv) Financial Accounting Standard - 32 "Ijarah"**

This standard intends to set out principles for the classification, recognition, measurement, presentation, and disclosure for Ijarah (asset Ijarah, including different forms of Ijarah Muntahia Bittamleek) transactions entered into by the Islamic Financial Institutions on both ends of the transaction i.e. as a lessor and lessee.

This standard shall be applicable on the financial statements of the Fund for the periods beginning on or after 1 January 2021, with early adoption permitted. The Fund believes the FAS 32 shall not have any material impact on the Fund's financial statements as it primarily affects lessee accounting.

##### **(v) 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 Shari'ah 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 2021, with earlier adoption permitted. The Fund is already in compliance with the provisions of FAS 33 and does not expect any financial impact from its application.

##### **(vi) 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.

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 2021. Since the Fund does not issue sukuk, this FAS is not applicable.

## **THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT**

### **Notes to the Financial Statements (continued)**

**At 31 December 2020**

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

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#### **28. AAOIFI STANDARDS ISSUED BUT NOT YET EFFECTIVE**

##### **(vii) 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”. FAS 35 is not applicable to the Fund given it does not attract resources from profit and loss taking investors.

#### **29. IMPACT OF COVID**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the globe including Saudi Arabia. During the year ended 31 December 2020, the Saudi Arabian government rightly took many initiatives to contain the spread of virus, which included restrictions on travel, gathering of people and enactment of curfew timings. This resulted in many non-essential businesses to curtail or suspend activities until further notice.

Considering these factors, the Fund's management carried out an impact assessment on the overall Fund's operations and business aspects including factors like dealing with stakeholders, continued day to day business activities, financing, investment and collection as well as working capital projections, etc. and concluded that, as at the issuance date of these financial statements, the Fund did not have significant adverse impact on its operations and businesses due to COVID-19 pandemic and no significant changes are required to the judgements, assumptions and key estimates.

To preserve the health of the employees and support the prevention of contagion in the operational and administrative areas, the Fund took measures, in line with the recommendations of the World Health Organisation and Ministry of Health - Kingdom of Saudi Arabia, such as working from home, social distancing at work place, rigorous cleaning of workplaces and staff accommodation, distribution of personal protective equipment, testing of suspected cases, limiting non-essential travel, self-health declarations and measuring body temperature. In addition, the Fund's nature of activities facilitated seamless operations during the pandemic.

The operational and financial impacts of the COVID-19 pandemic to date have been reflected in these financial statements. The strong financial position, including access to funds, nature of activities coupled with the actions taken by the Fund to date and the continued operations ensures that the Fund has the capacity to continue through the challenges caused by impacts of the COVID-19 pandemic. However, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

**THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT**

**Notes to the Financial Statements (continued)**

**At 31 December 2020**

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

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**30. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 28 February 2021 (corresponding to 16 Rajab 1442H).



**ISDB**   
البنك الإسلامي للتنمية  
Islamic Development Bank

Jeddah 22331-2444, Kingdom of Saudi Arabia

Tel.: +966 12 636 1400 Fax: +966 12 636 8555 E-mail: [isfd@isdb.org](mailto:isfd@isdb.org)