

IsDB Modes of Financing



Mandate of IsDB

The purpose of IsDB is to foster economic development and social progress of Member Countries and Muslim Communities individually as well as jointly in accordance with the Principles of Shari'ah

Mandate

- Promote **comprehensive human development** in the Muslim World
- Promote & expand the **Islamic Finance Industry**
- Offer development financing (public & private) with the aim of **alleviating poverty**
- **Build capacity** and promote technical cooperation
- Facilitate **integration** of member countries
- Foster **socio-economic development** in member countries and Muslim communities

Membership

57 Member Countries across 4 Continents

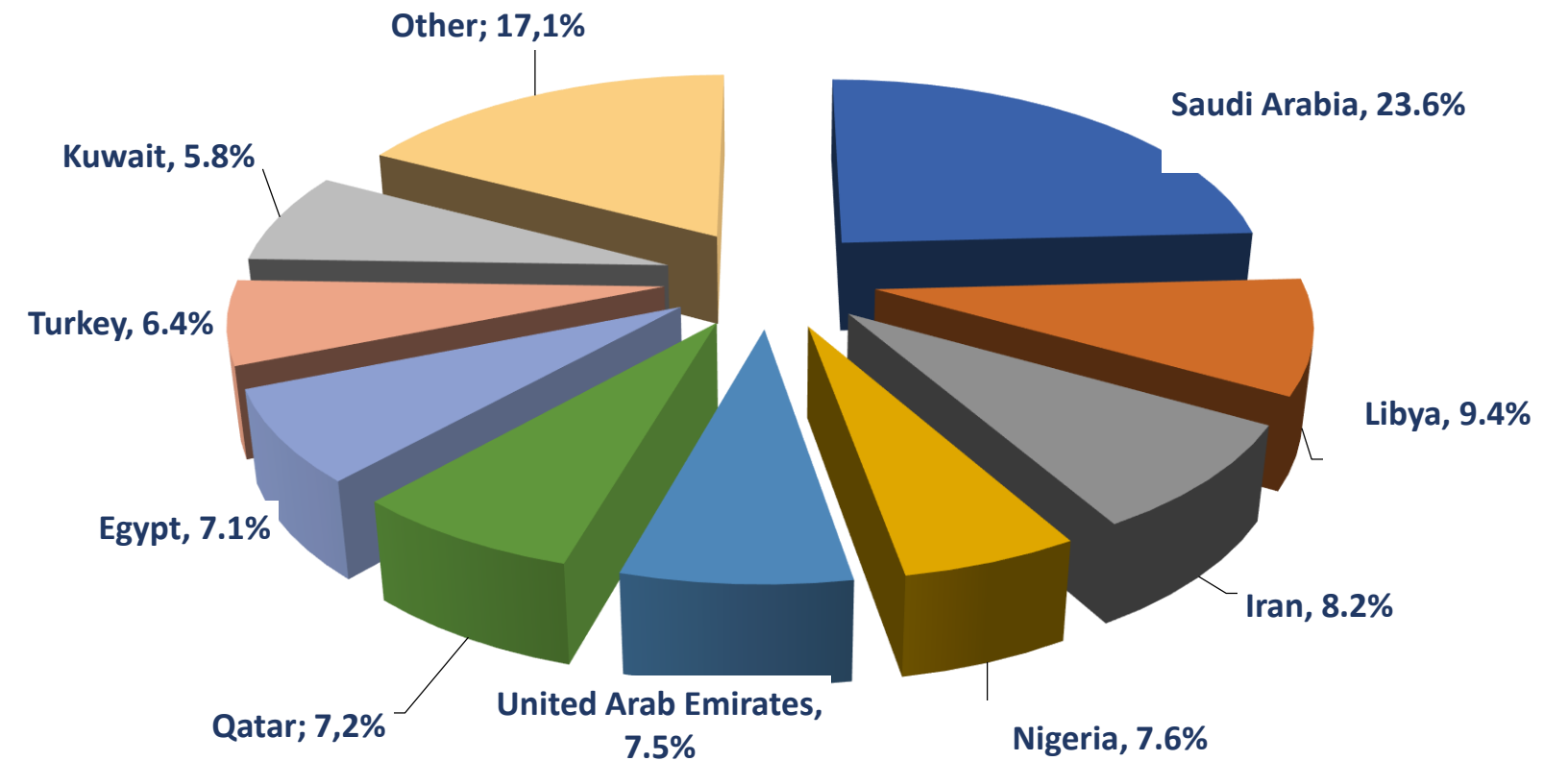
1. Afghanistan	20. Indonesia	38. Pakistan
2. Albania	21. Iran	39. Palestine
3. Algeria	22. Iraq	40. Qatar
4. Azerbaijan	23. Jordan	41. Saudi Arabia
5. Bahrain	24. Kazakhstan	42. Senegal
6. Bangladesh	25. Kuwait	43. Sierra Leone
7. Benin	26. Kyrgyz Republic	44. Somalia
8. Brunei	27. Lebanon	45. Sudan
9. Burkina Faso	28. Libya	46. Suriname
10. Cameroon	29. Malaysia	47. Syria
11. Chad	30. Maldives	48. Tajikistan
12. Comoros	31. Mali	49. Togo
13. Cote d'Ivoire	32. Mauritania	50. Tunisia
14. Djibouti	33. Morocco	51. Turkey
15. Egypt	34. Mozambique	52. Turkmenistan
16. Gabon	35. Niger	53. Uganda
17. Gambia	36. Nigeria	54. United Arab Emirates
18. Guinea	37. Oman	55. Uzbekistan
19. Guinea Bissau		56. Yemen
		57. Guyana

History

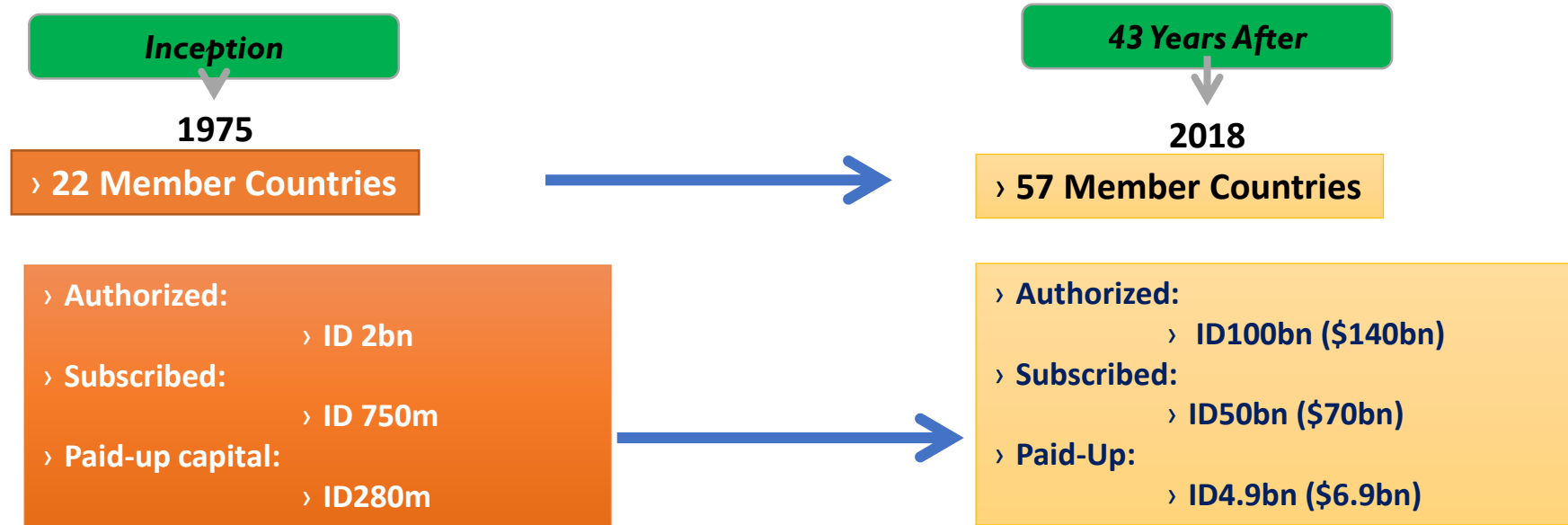
- December 1973: Declaration of Intention
- August 1974: Signature of Articles of Agreement
- July 1975 : First General Assembly of the Board of Governors
- October 1975: Start of Operations

Capital Structure

⇒ Of IsDB's 56 member countries, 9 Members Countries make up about 83% of the total ownership of IsDB



Evolution in Membership & Capital of IsDB



Evolution of IsDB Group (1975 - 2019)



1975

Institution has Evolved from Single Entity to a Group of Six Entities



1975



1994



1999



2008



2015

IsDB Group Entities



Islamic Research & Training Institute (IRTI)

- ▷ Research and training arm of IsDB,
- ▷ Development of the Islamic Financial Services Industry to support the socio-economic development of MCs.
- ▷ Activities: training, research, advisory, capacity development.



The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)

- ▷ Boost OIC MCs intra-trade
- ▷ Export credit insurance
- ▷ Political risk insurance to encourage cross-border investment.



Islamic Solidarity Fund for Development (ISFD)

- ▷ Dedicated to fighting poverty in MCs
- ▷ Target Endowment of \$10bn



Islamic Corporation for the Development of the Private Sector (ICD)

- ▷ Promote private sector development
- ▷ Facilitate access to Islamic capital markets,
- ▷ Mobilize additional financial resources for private sector,
- ▷ Promote entrepreneurship, and encourage cross-border investment.



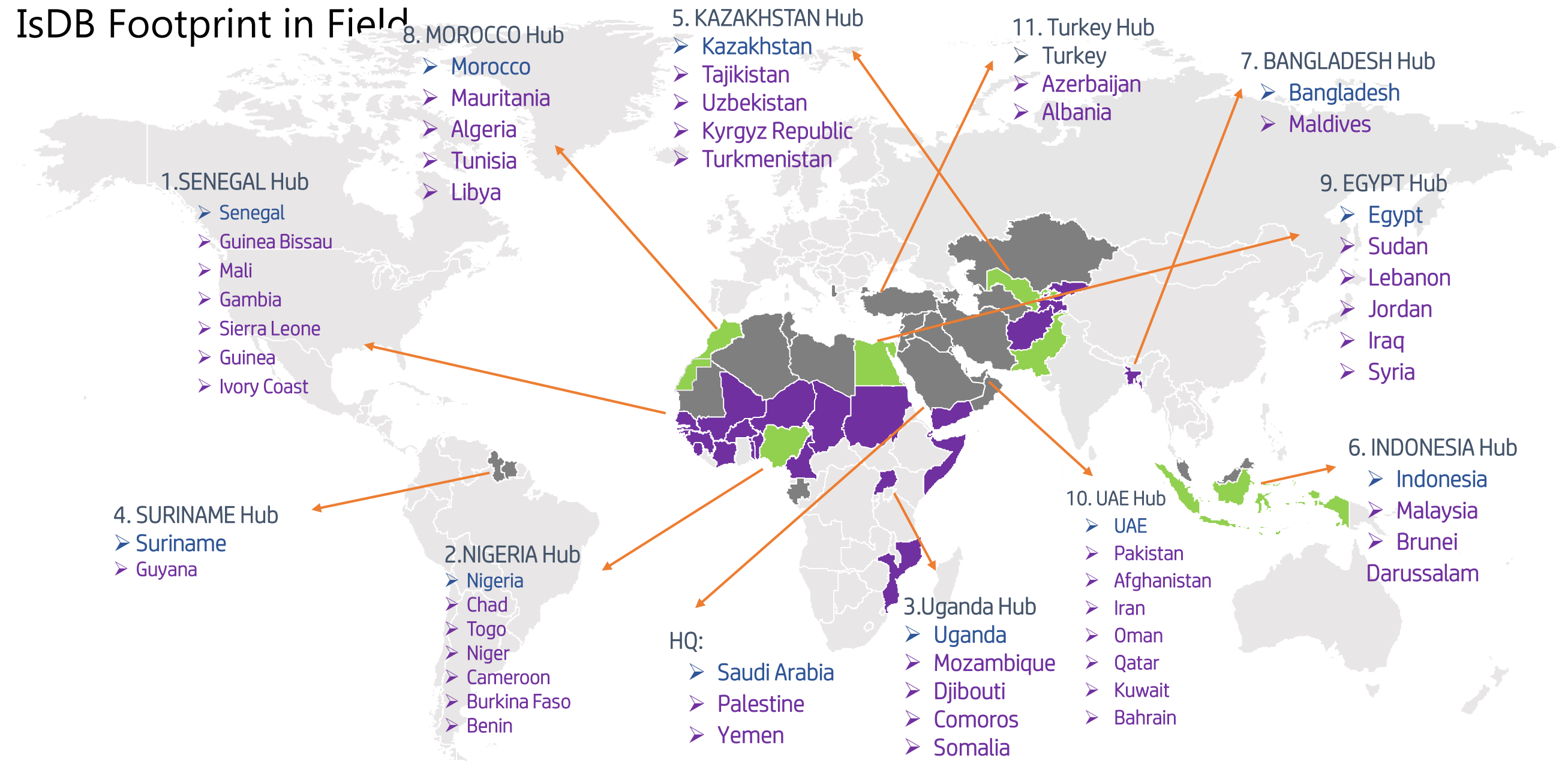
itfc

International Islamic Trade Finance Corporation (ITFC)

- ▷ Facilitate OIC MCs intra-trade
- ▷ Improve access to trade finance for businesses
- ▷ Provide trade-related capacity development

A Unique Model of South-South Cooperation

IsDB Footprint in Field



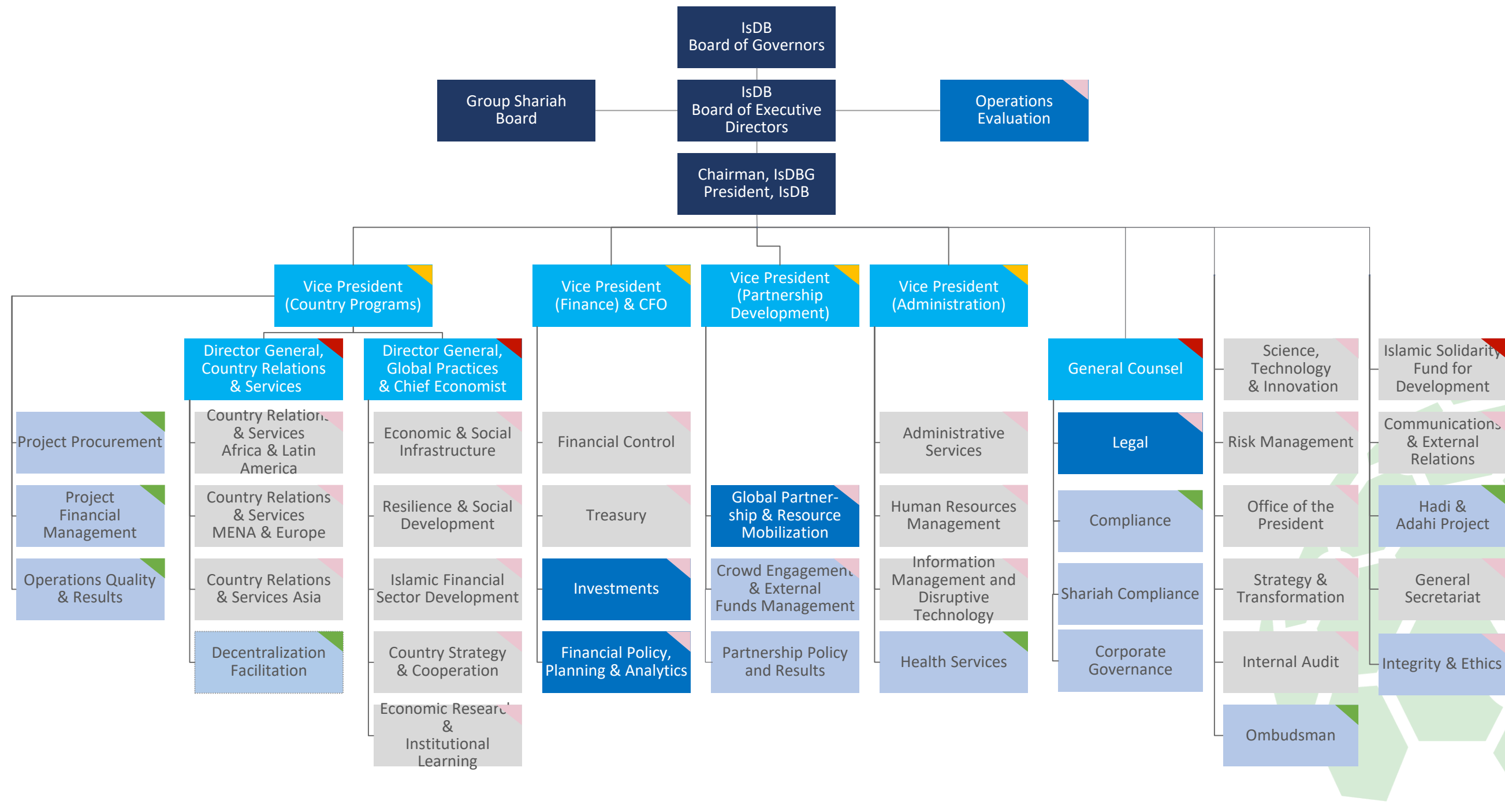
**Global MDB :
Membership: 57
Countries Spreading
over 4 Continents**

**1,128 staff
distributed across
entities & regional
hubs**

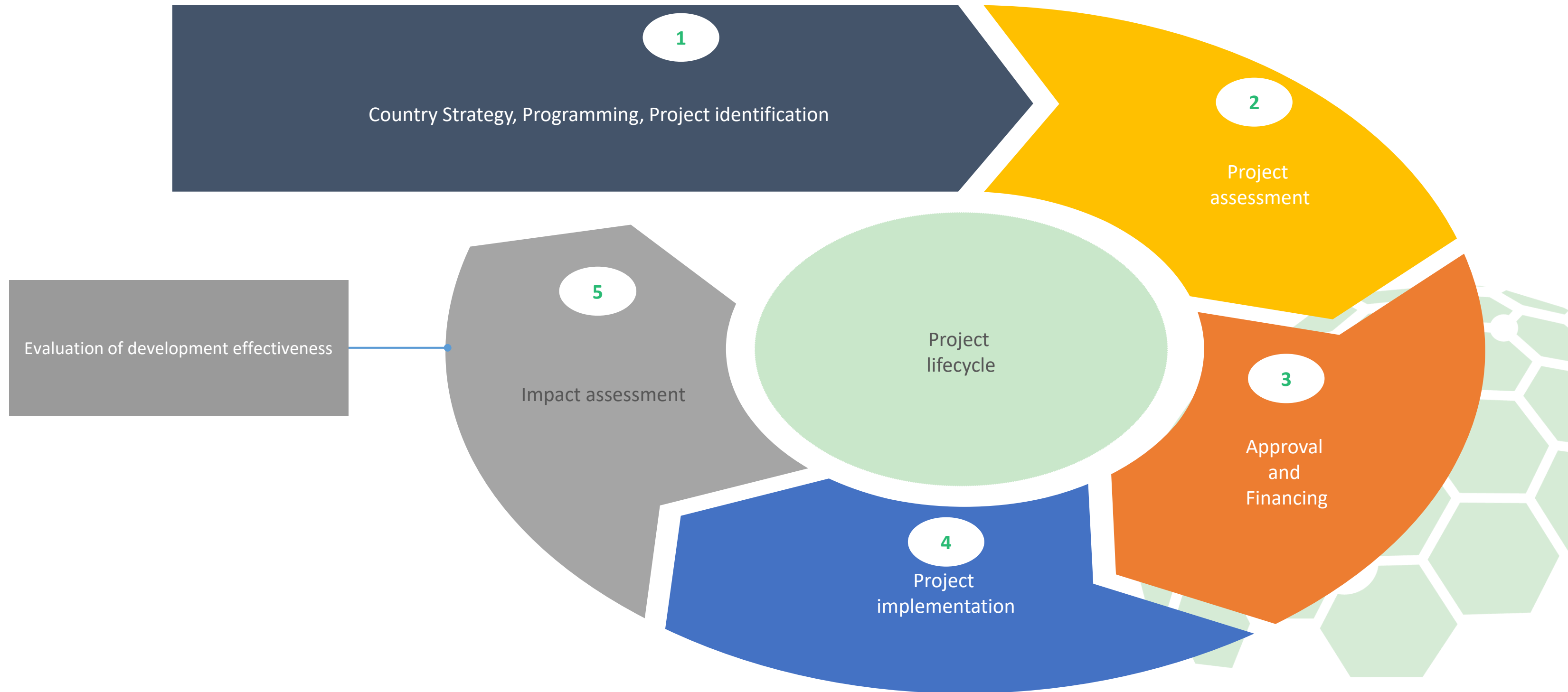
**11
Regional Hubs**

- **11 Regional Hubs to be Operational by 2020**
- **7 Regional Hubs are established and functioning**
- **4 Regional Hubs are being established Dubai, Egypt, Uganda and Suriname**
- **14 Field Representatives in various Member Countries**

IsDB Organizational Structure



Typical IsDB Project Cycle



Mandate to Comply with Principles of Shari'ah

The purpose of IsDB is to foster economic development and social progress of its Member Countries and Muslim Communities individually as well as jointly in accordance with the [Principles of Shari'ah](#)

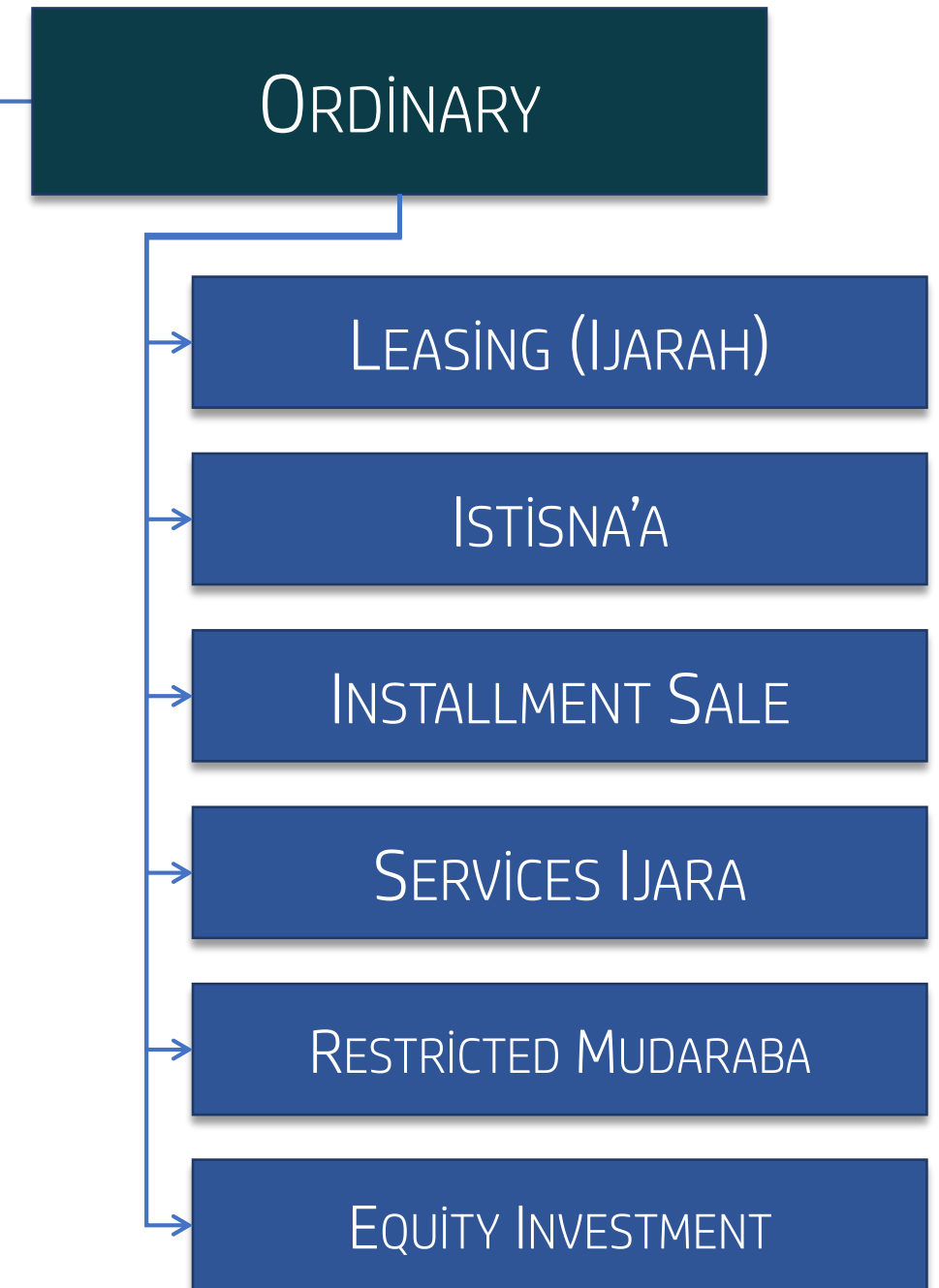
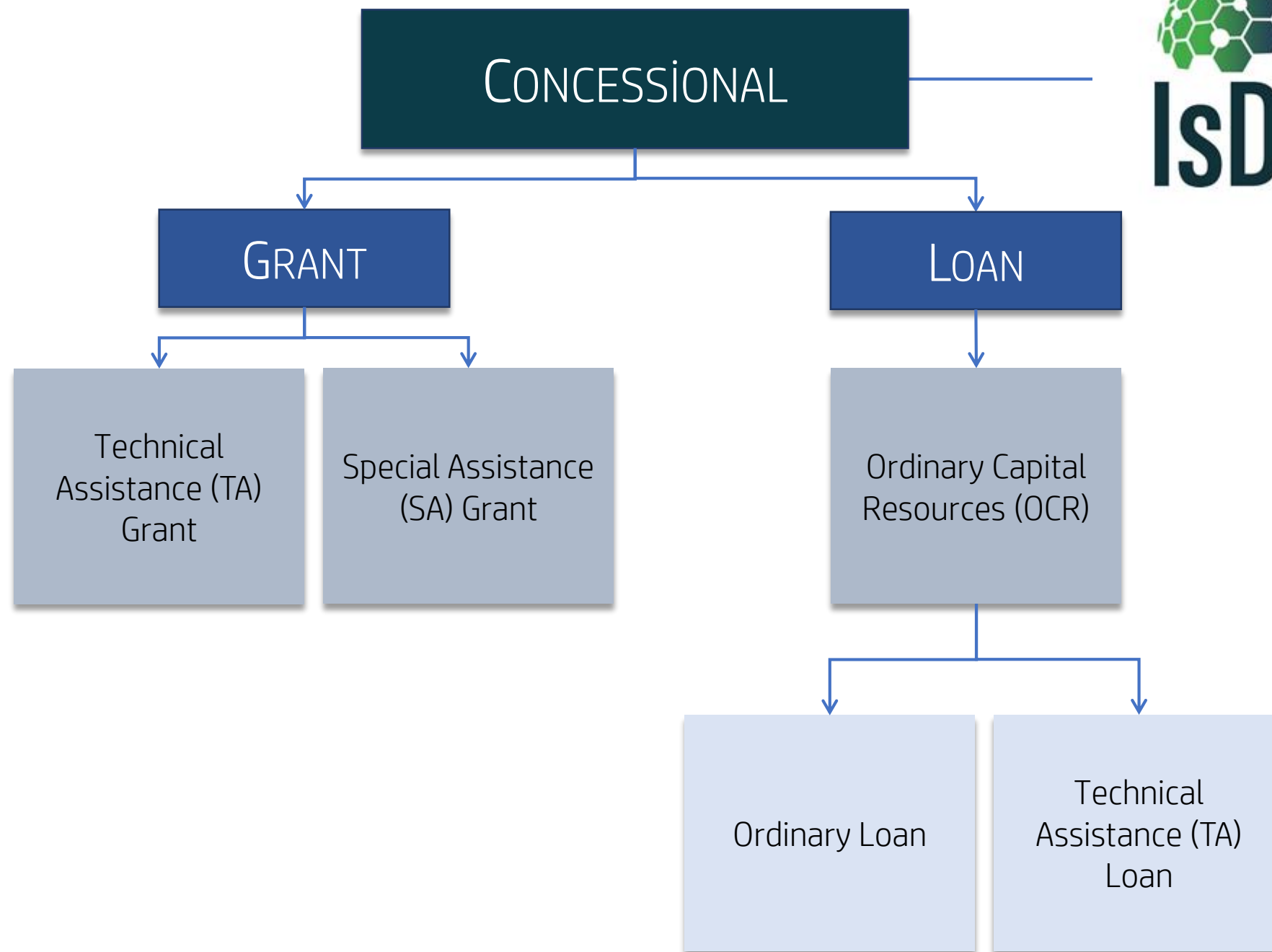
Main Role of IsDB Group Shari'ah Board

- 🏠 Approve Shari'ah-related aspects of regulations, forms, and policies;
- 🏠 Review all transactions and products used for the first time and rule on conformity with Rules and Principles of Shari'ah;
- 🏠 Give opinions on transactions and provide advice on Shari'ah related matters;
- 🏠 Submit annual reports on conformity of IsDB Group transactions with Principles of Shari'ah.

General Principles of Islamic Finance

- ⬢ Riba – the prohibition any stipulated addition over a loan (e.g. interest-based loans)
- ⬢ Gharar – harmful uncertainty – there must be full disclosure such that all the terms of a contract are certain such that there is no serious conflict of interest between the two parties (This may be comparable to the English law Principle of Certainty)
- ⬢ Maisir – speculation or gambling (e.g. lotteries / raffles / conventional insurance)
- ⬢ Profit with responsibility – an Islamic financier should only generate benefit from a project in which he invests and must assume ownership risk
- ⬢ Unethical Investment – Islam is intolerant of certain products (e.g. alcohol, armaments & pork) & activities (e.g. gambling and some forms of entertainment)
- ⬢ Unjust Enrichment / Unfair Exploitation – a commercial agreement must be entered into fairly (there can be no “strong-arming”). This may be comparable to the English Principle of Duress

The IsDB Modes of Financing



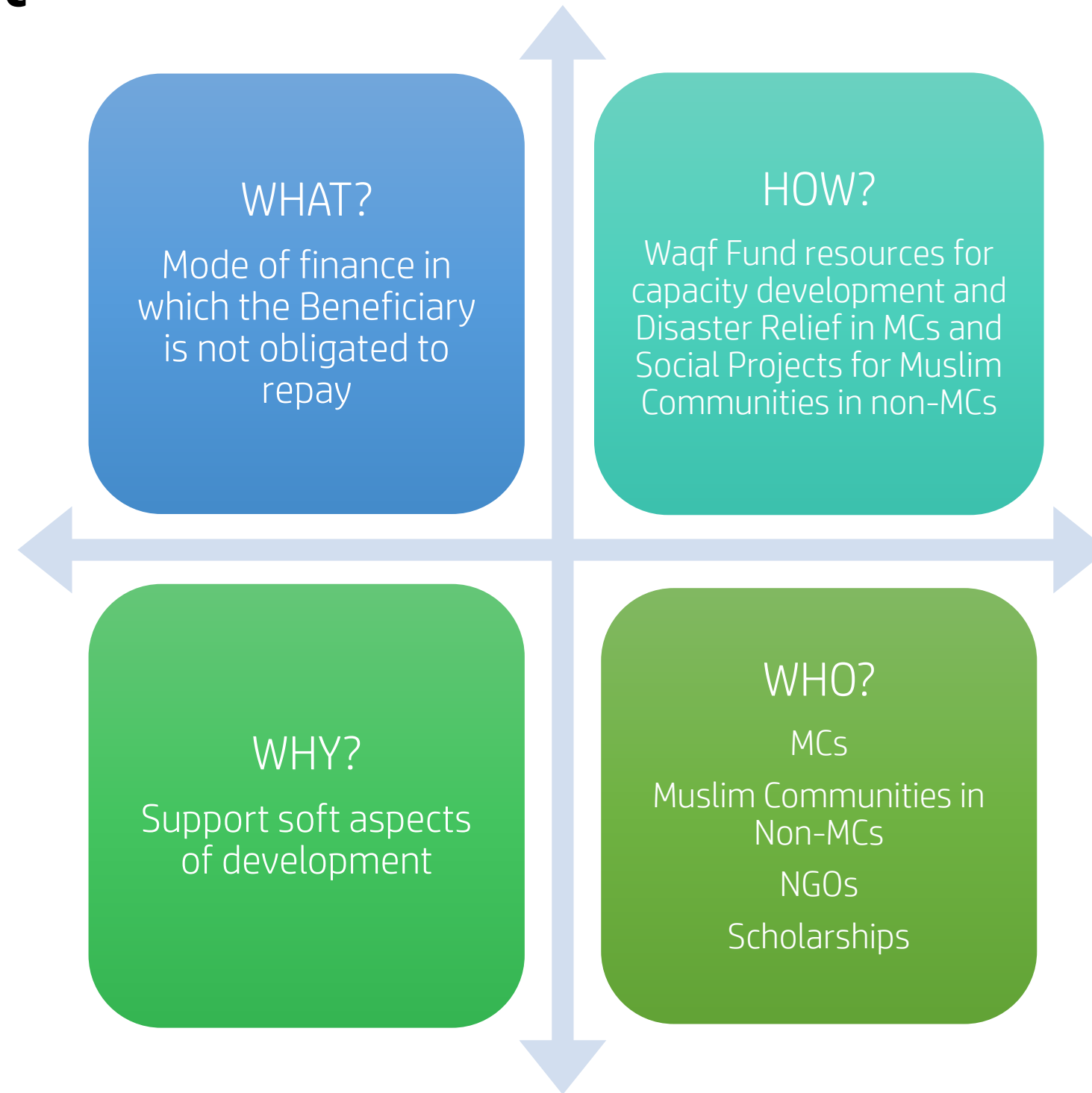
Outline for each IsDB Mode of Financing

- Concept
- Implementation Steps
- Terms and Conditions
- Legal Documentation

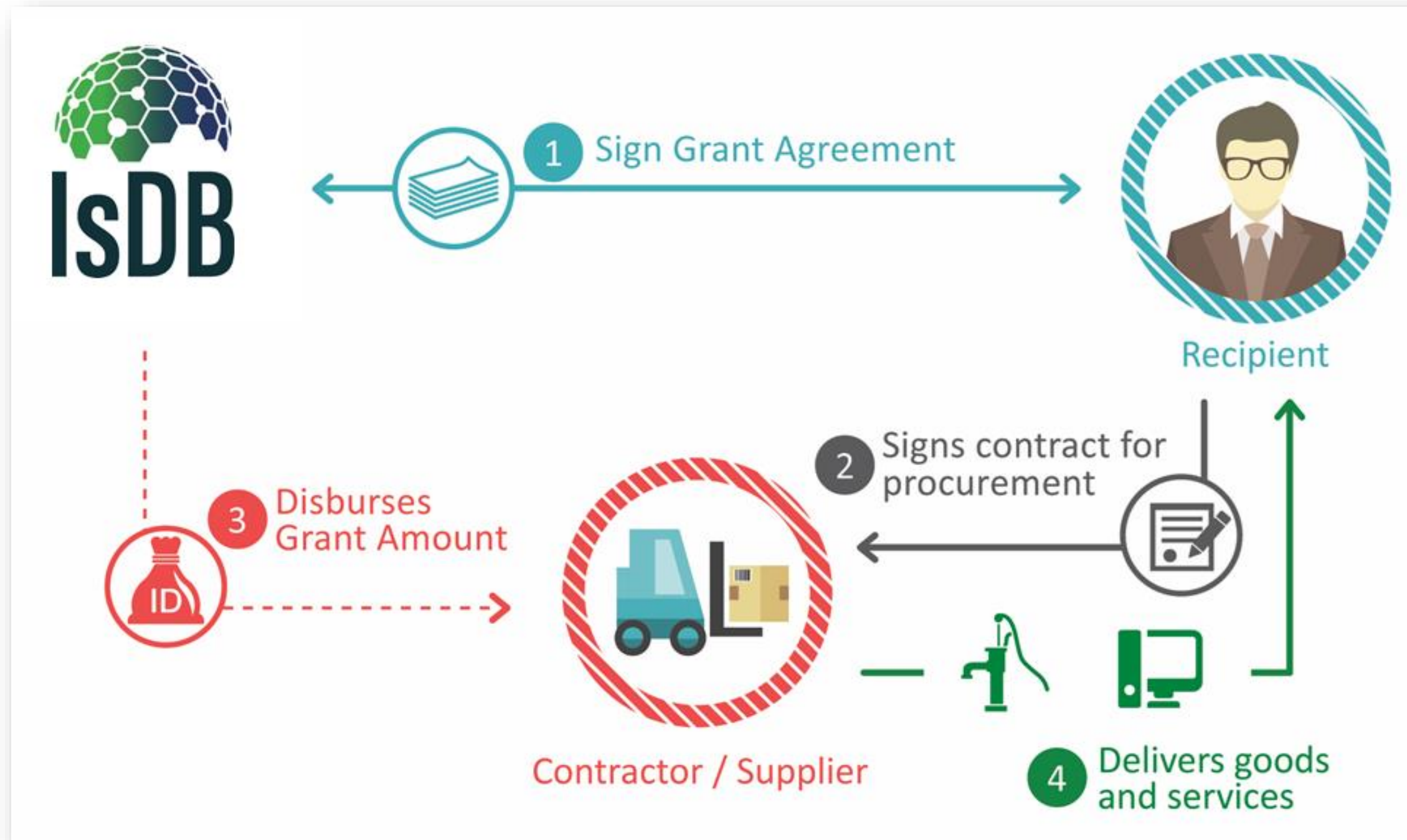
Grant



Concept - Grant



Implementation Steps – Grant



Legal Documentation - Grant



Grant Financing Agreement



Technical Assistance Grant Agreement

Avail Grant Financing for Capacity Development of Member Countries



Special Assistance Grant Agreement

For Disaster Relief



Special Assistance Grant Agreement

For Social Project of Muslim Communities in Non-MCs

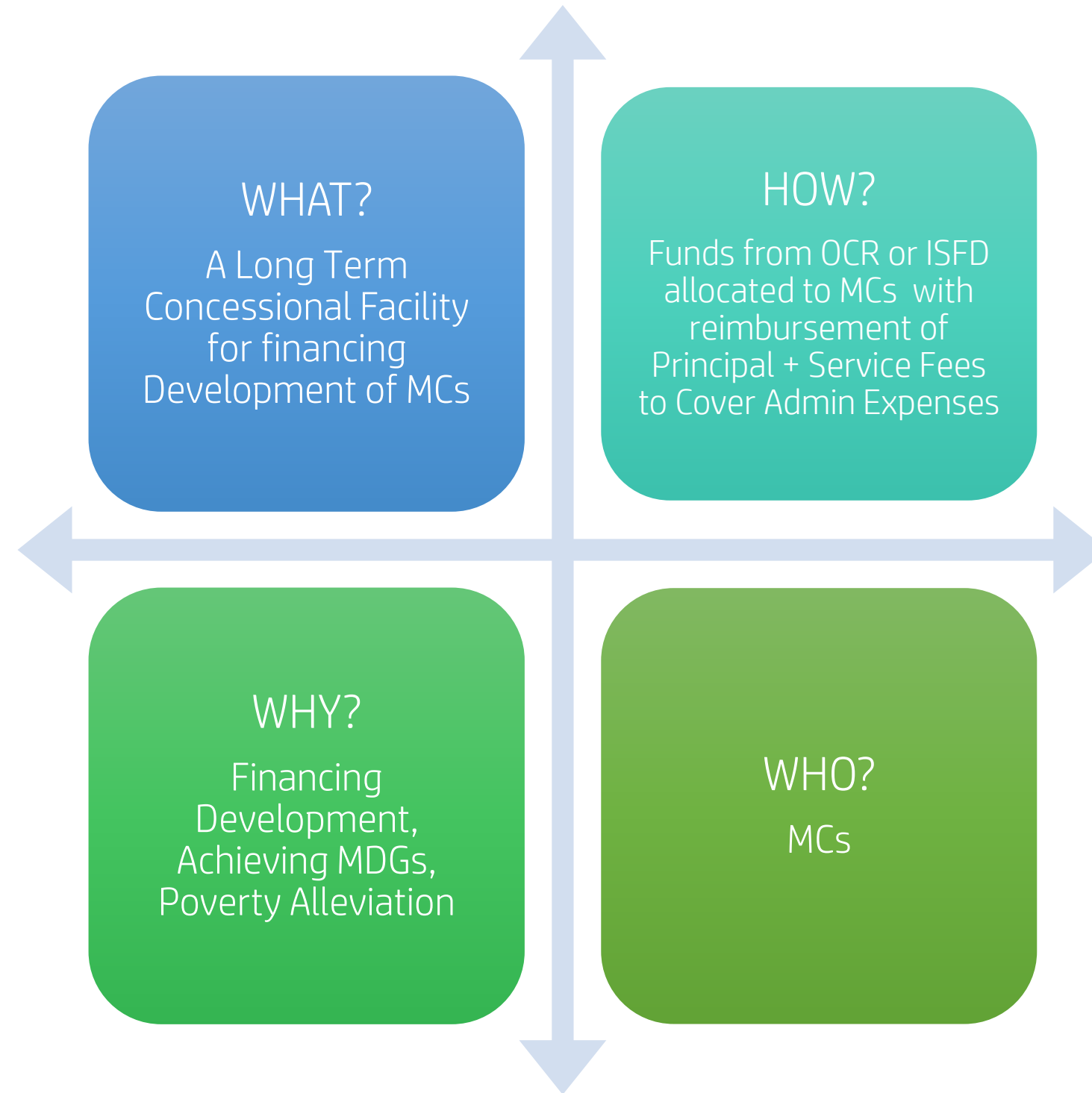
Terms & Conditions for Grant

Source of Funds	Tenor	Mark-Up	Approval Authority
Waqf Fund Resources	N/A	N/A	<p>Technical Cooperation Operations TA:</p> <ul style="list-style-type: none"> ▪ Above ID200K to BED ▪ ID200K or less delegated to IsDB Management <p>Project/Program Preparation TA</p> <ul style="list-style-type: none"> ▪ Above ID200K+w/o-3YWP to BED ▪ ID200K or less delegated to IsDB Management

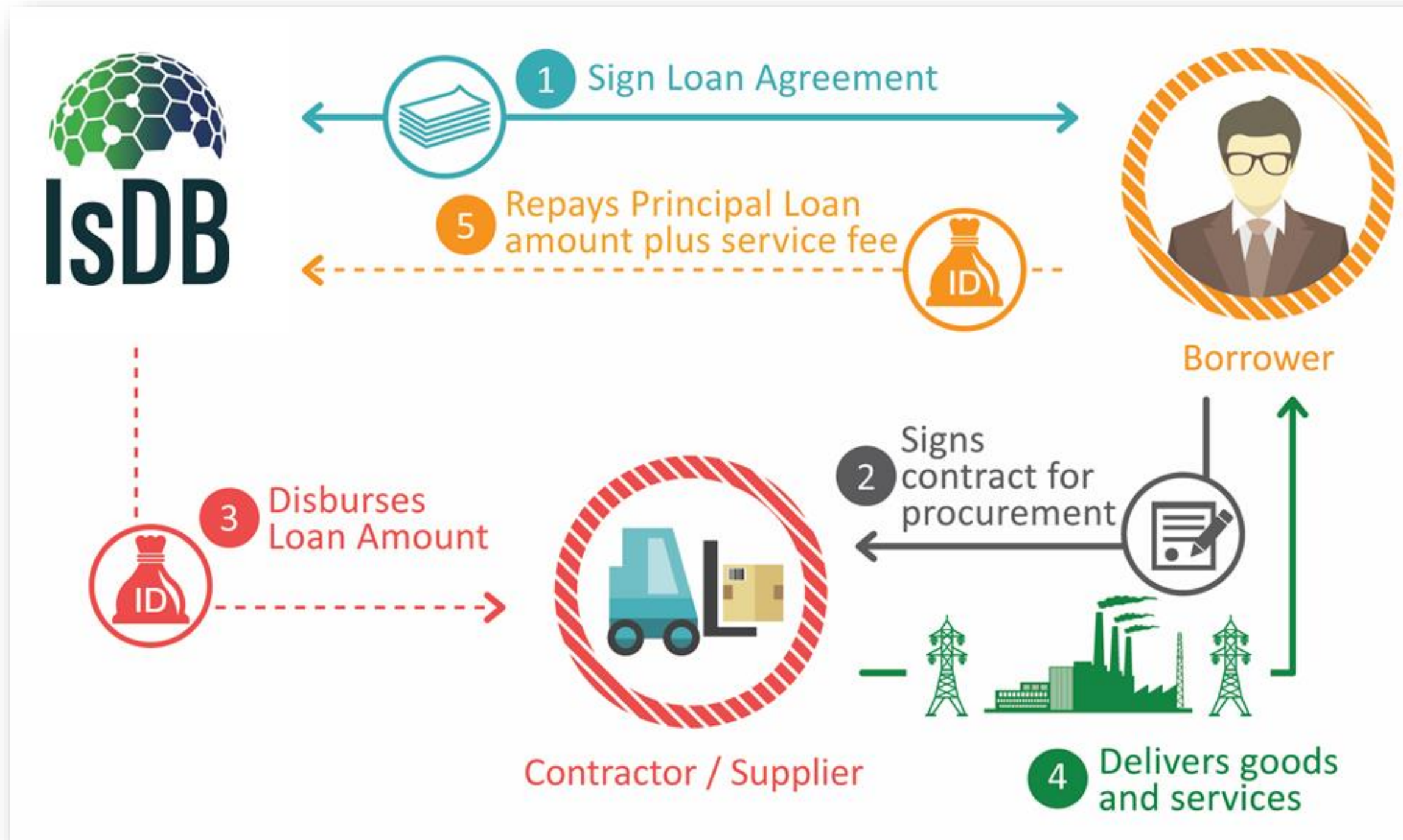
Loan



Concept - Loan



Implementation Steps – Loan



Legal Documentation – Loan



Loan Financing Agreement



Ordinary Loan Financing Agreement

Avail Loan Amount to Eligible MCs from OCR for Financing Development and Infrastructure Projects



ISFD Loan Financing Agreement

Avail Loan Amount to Eligible MCs from ISFD with Concessional Terms for Financing Projects and Programs aiming for Poverty Alleviation, and Achieving MDGs



Technical Assistance Loan Agreement

Avail Loan Amount to MCs from OCR with Soft Terms for Financing Consultancy Services for Feasibility Studies for Major Projects

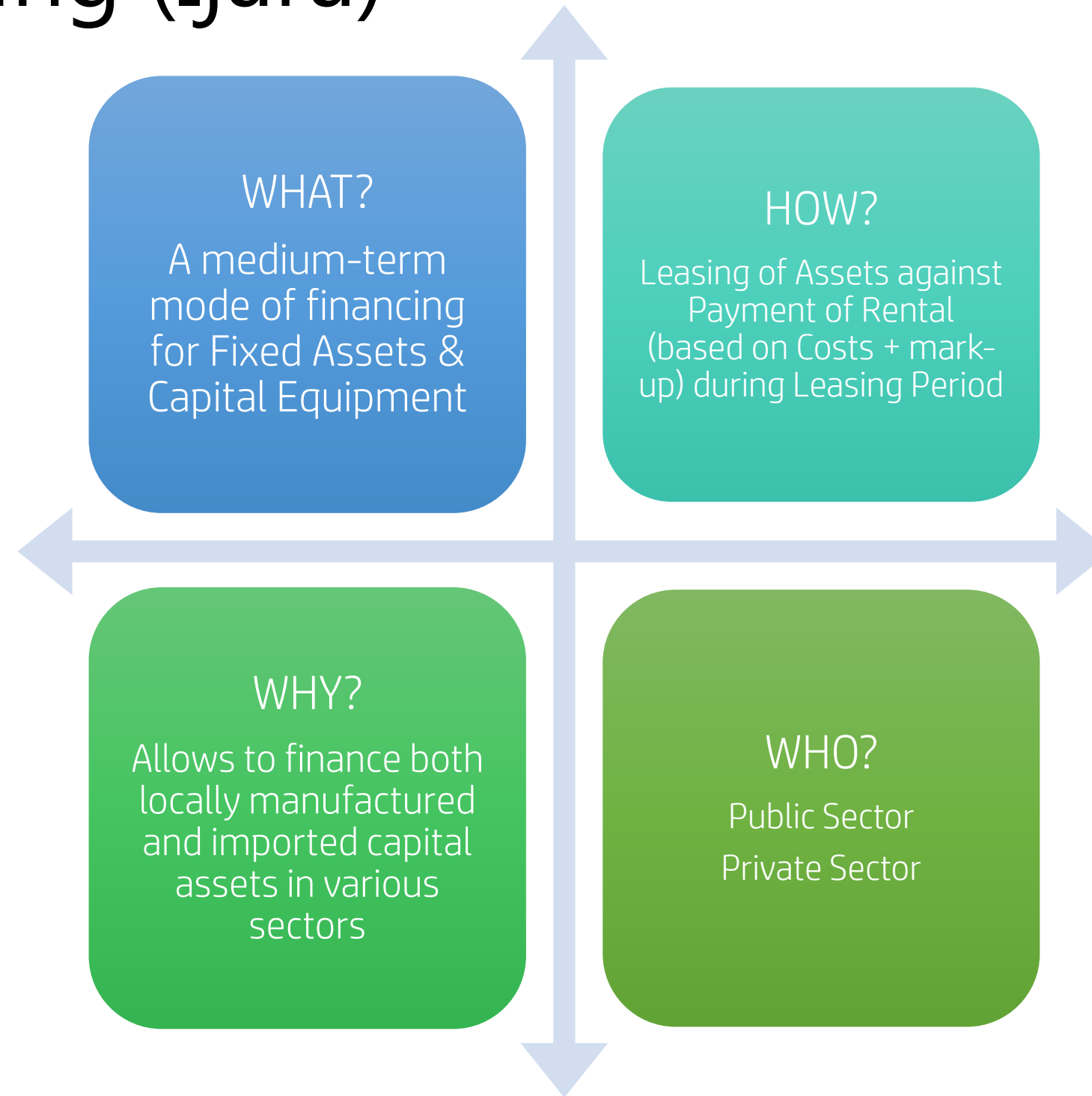
Terms & Conditions for Loan

Loan Type	Tenor	Service Fee <i>(if calculated on Annual basis)</i>	Approval Authority
Ordinary Capital Resources (OCR)	<u>High Income Countries</u> 15 yrs including a Grace Period of 3 yrs	Up to 1.5% p.a.	IsDB Board of Executive Directors
	<u>Middle Income Countries</u> 20 yrs including a Grace Period of 5 yrs		
	<u>Least Developed Member Countries</u> 25 yrs Including a Grace Period of 7 yrs		
	<u>Technical Assistance (TA) Loans</u> 16 yrs including a Grace Period of 4 yrs		

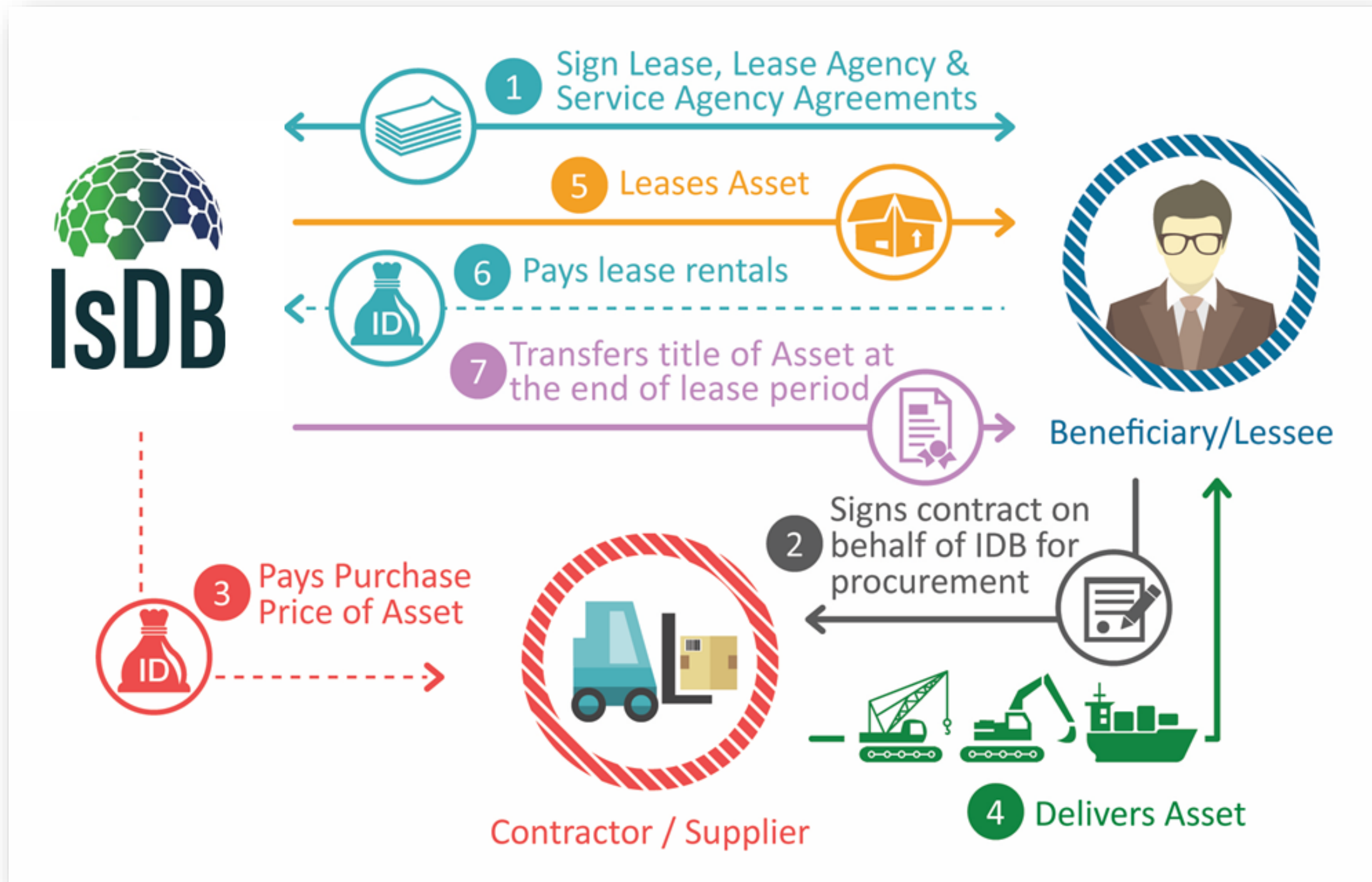
Leasing (Ijara)



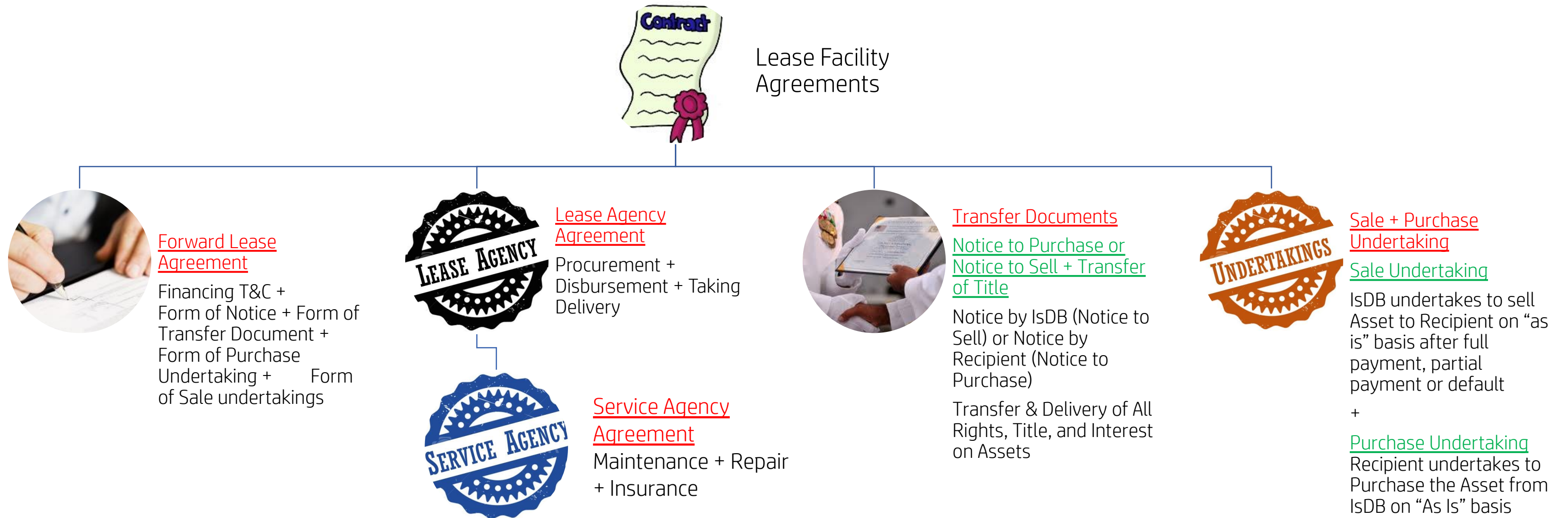
Concept – Leasing (Ijara)



Implementation Steps – Leasing (Ijara)



Legal Documentation – Leasing (Ijara)



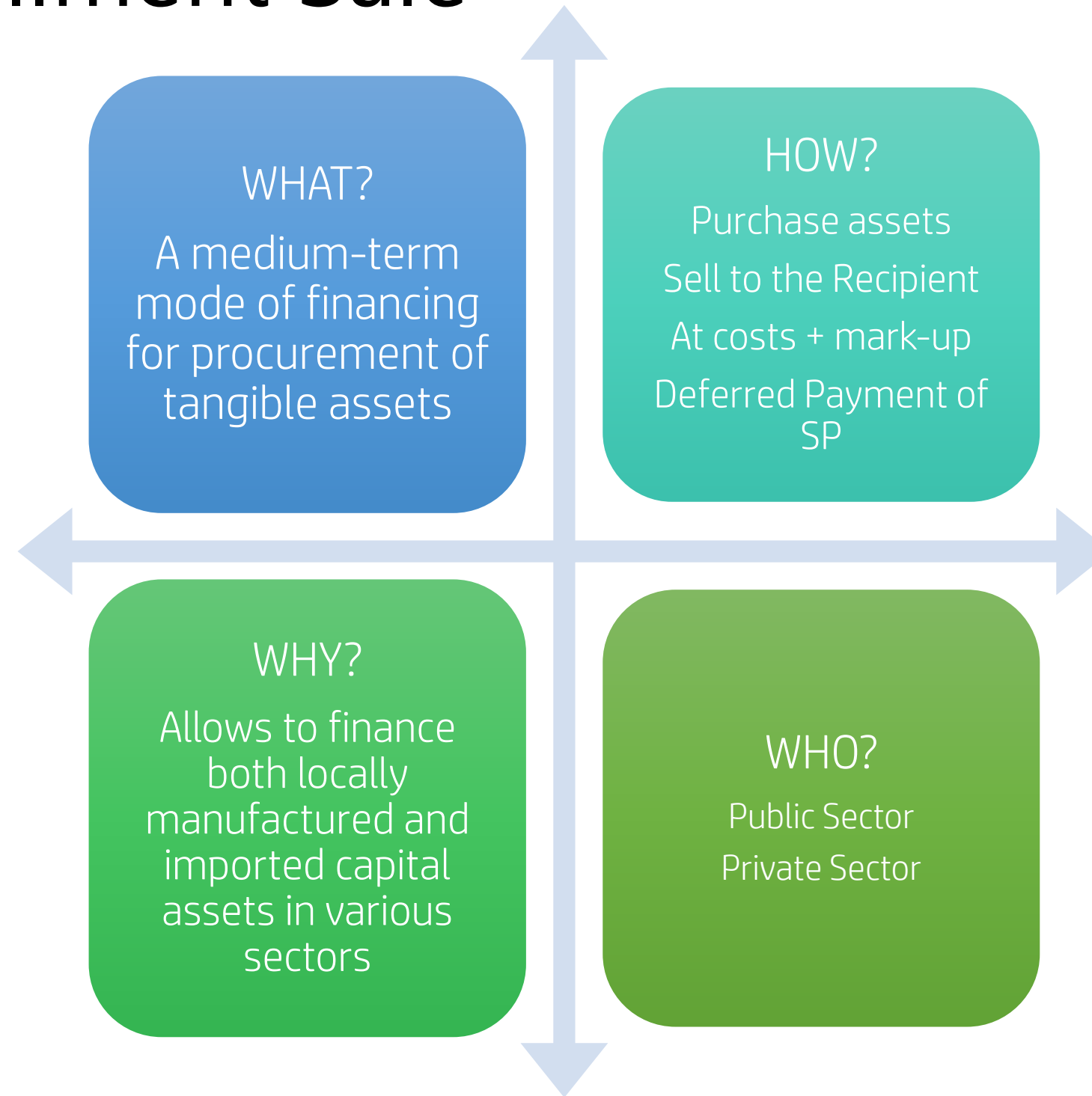
Terms & Conditions for Leasing

Source of Funds	Tenor	Mark-Up	Approval Authority
Ordinary Capital Resources (OCR)	Up to 20 years door to door including Gestation Period	Mark-Up added to Capital Cost to obtain rentals	IsDB Board of Executive Directors

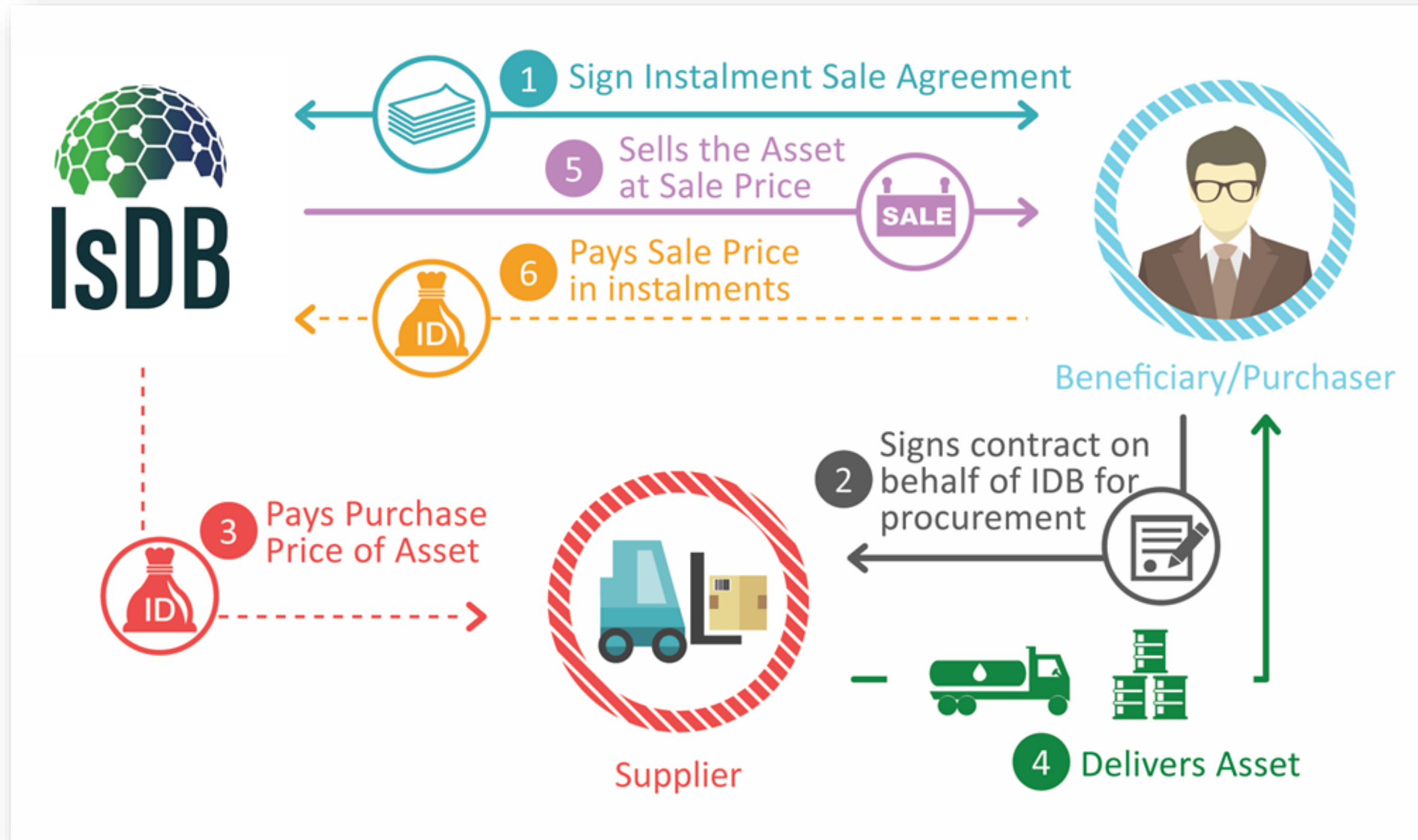
Installment Sale



Concept – Installment Sale



Implementation Steps - Installment Sale



Legal Documentation - Installment Sale



Facility Agreement



Framework Agreement
 Avail Financing +
 Purchase undertaking
 Form of Sale Offer
 Sale General T&C



Agency Agreement
 Procurement +
 Disbursement + Taking
 Delivery



Delivery
 Acceptance Certificate
 +
 Delivery certificate



Sale Agreement
 Sale Offer by IsDB
 +
 Sale Acceptance by
 Recipient

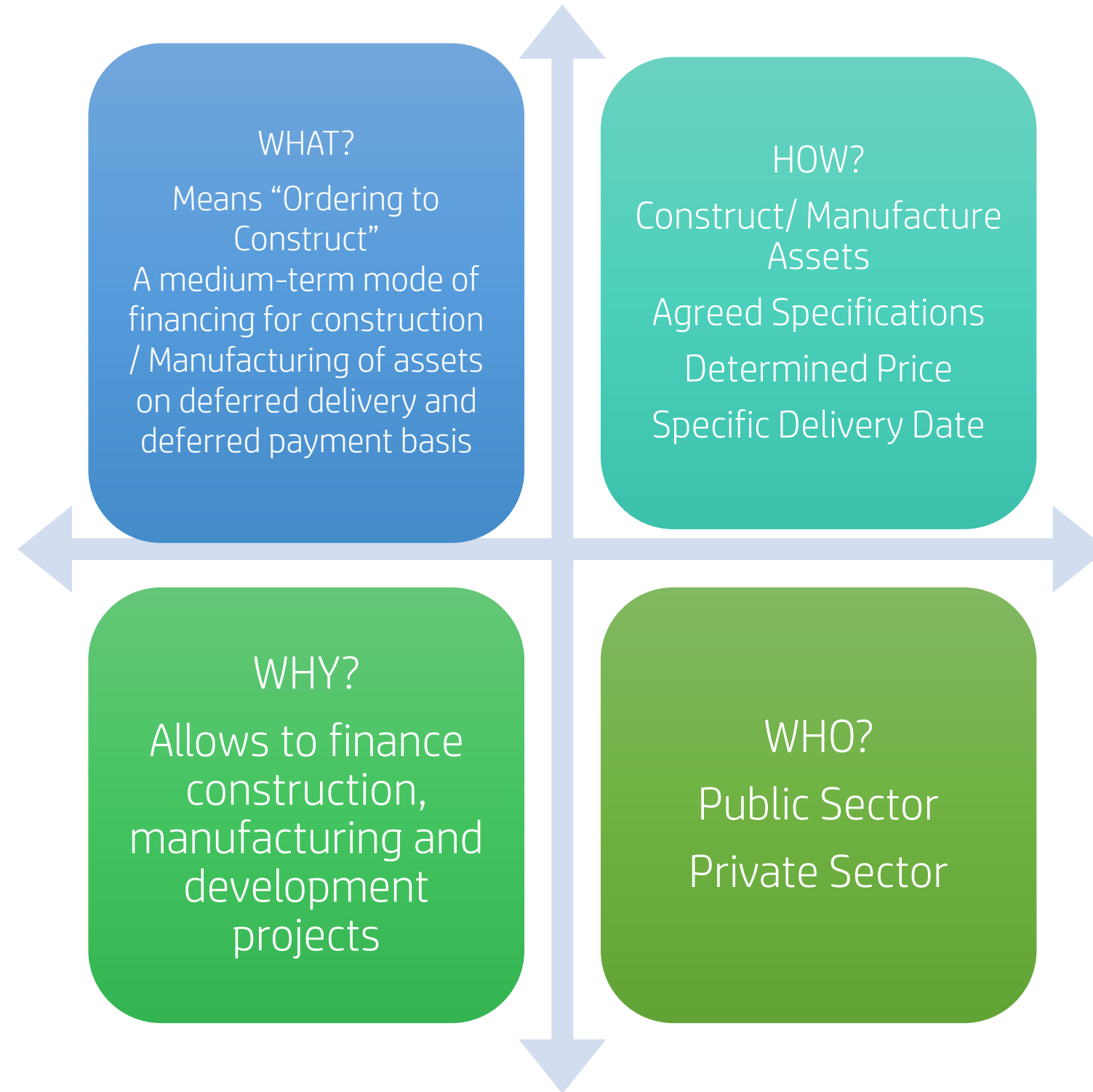
Terms & Conditions for Installment Sale

Source of Funds	Tenor	Mark-Up	Approval Authority
Ordinary Capital Resources (OCR)	Up to 20 years door to door including Gestation Period	Mark-up (Profit Margin) added to the Purchase Price to calculate the Sale Price	IsDB Board of Executive Directors

Istisna'a



Concept – Istisna'a



Implementation Steps – Istisna'a



Legal Documentation – Istisna'a



Istisna'a Financing Docs



Istisna'a Agreement

Financing construction of Asset + Sale of Asset to Recipient + Terms of Payment of Sale Price



Istisna'a Agency Agreement

Agency + Procurement + Disbursement + Delivery + Acceptance

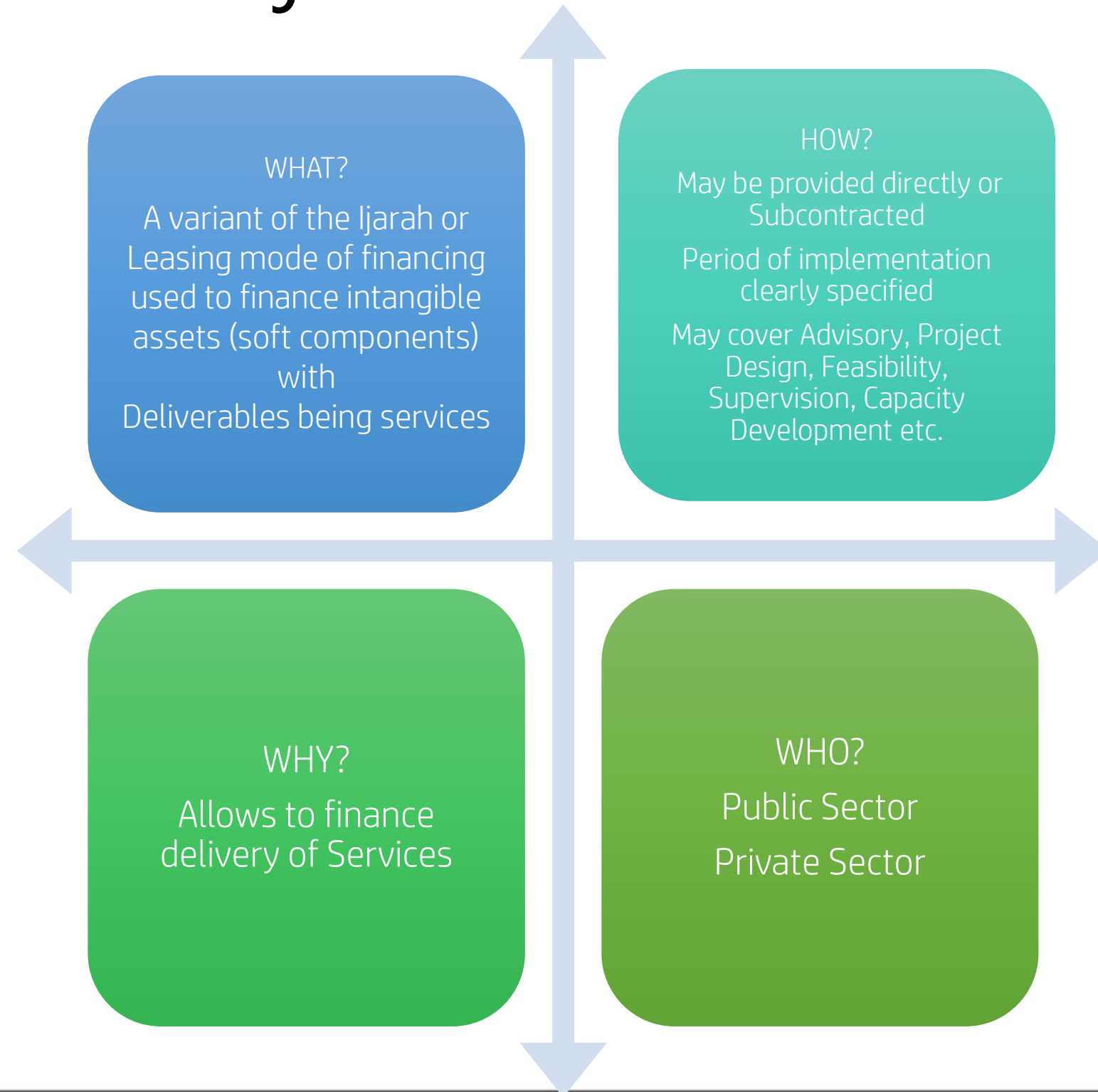
Terms & Conditions for Istisna'a

Source of Funds	Tenor	Mark-Up	Approval Authority
Ordinary Capital Resources (OCR)	Up to 20 years door to door including Gestation Period	Mark-up (Profit Margin) added to the Purchase Price to calculate the Sale Price	IsDB Board of Executive Directors

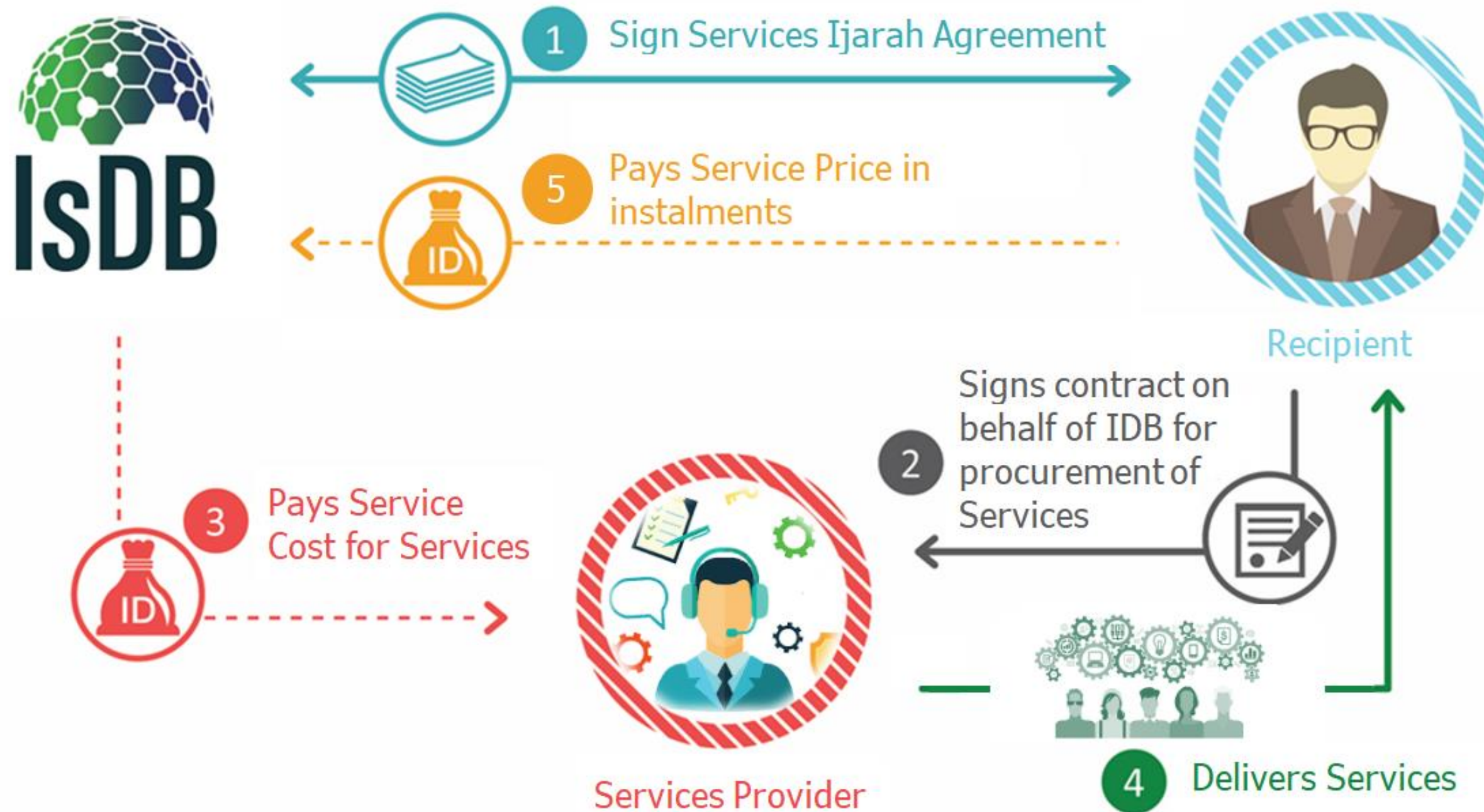
Services Ijarah



Concept – Services Ijarah



Implementation Steps – Services Ijarah



Legal Documentation - Services Ijarah



Service Ijarah Financing Docs



Services Ijarah Agreement

Financing Service +
Service Price and its Payment
+ Description of
Services



Services Ijarah Agency Agreement

Agency + Procurement +
Disbursement + Delivery +
Acceptance

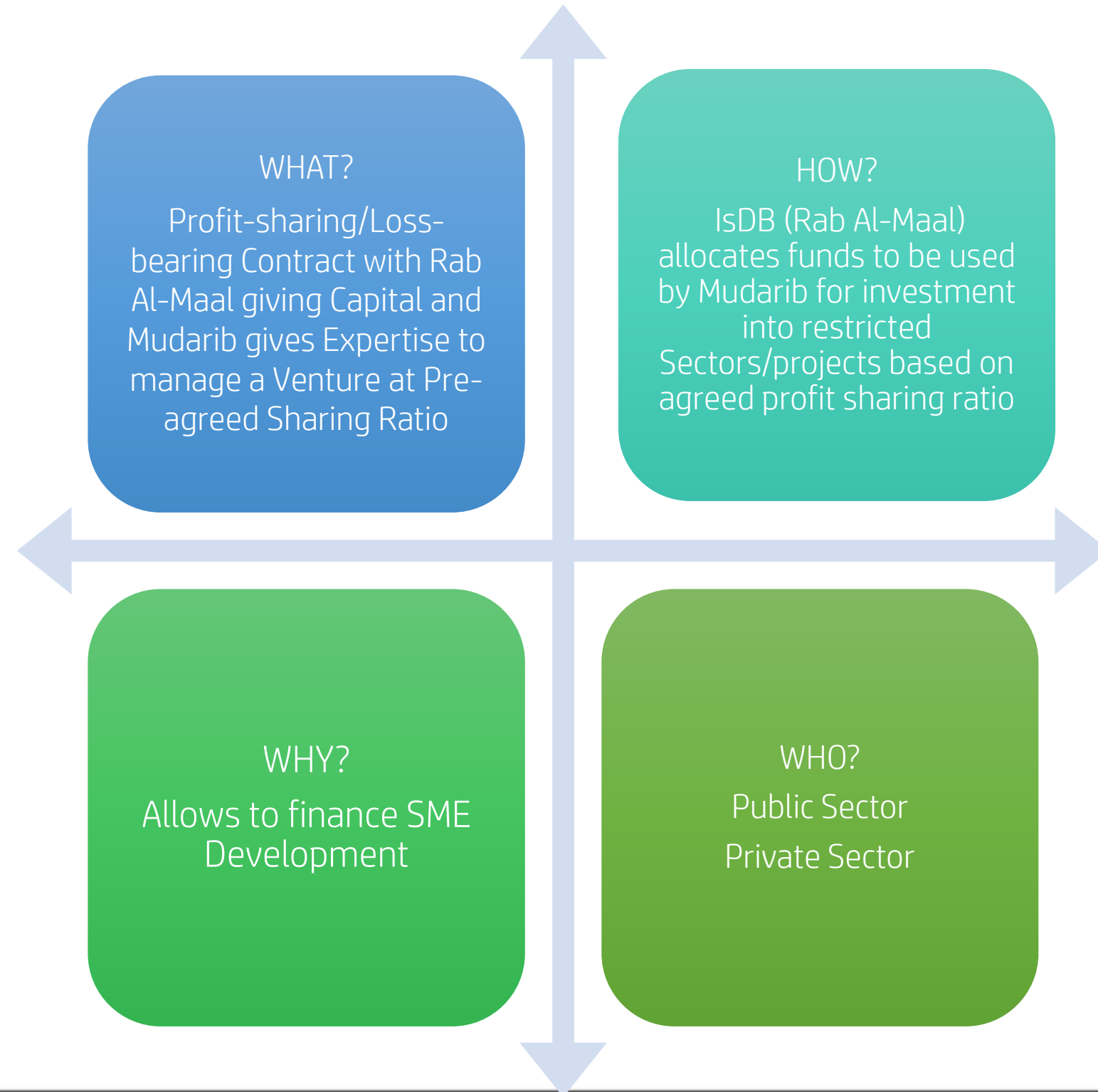
Terms & Conditions for Services Ijara

Source of Funds	Tenor	Mark-Up	Approval Authority
Ordinary Capital Resources (OCR)	Up to 20 years door to door including Gestation Period	Mark-up (Profit Margin) added to the Service Cost to calculate the Sale Price	IsDB Board of Executive Directors

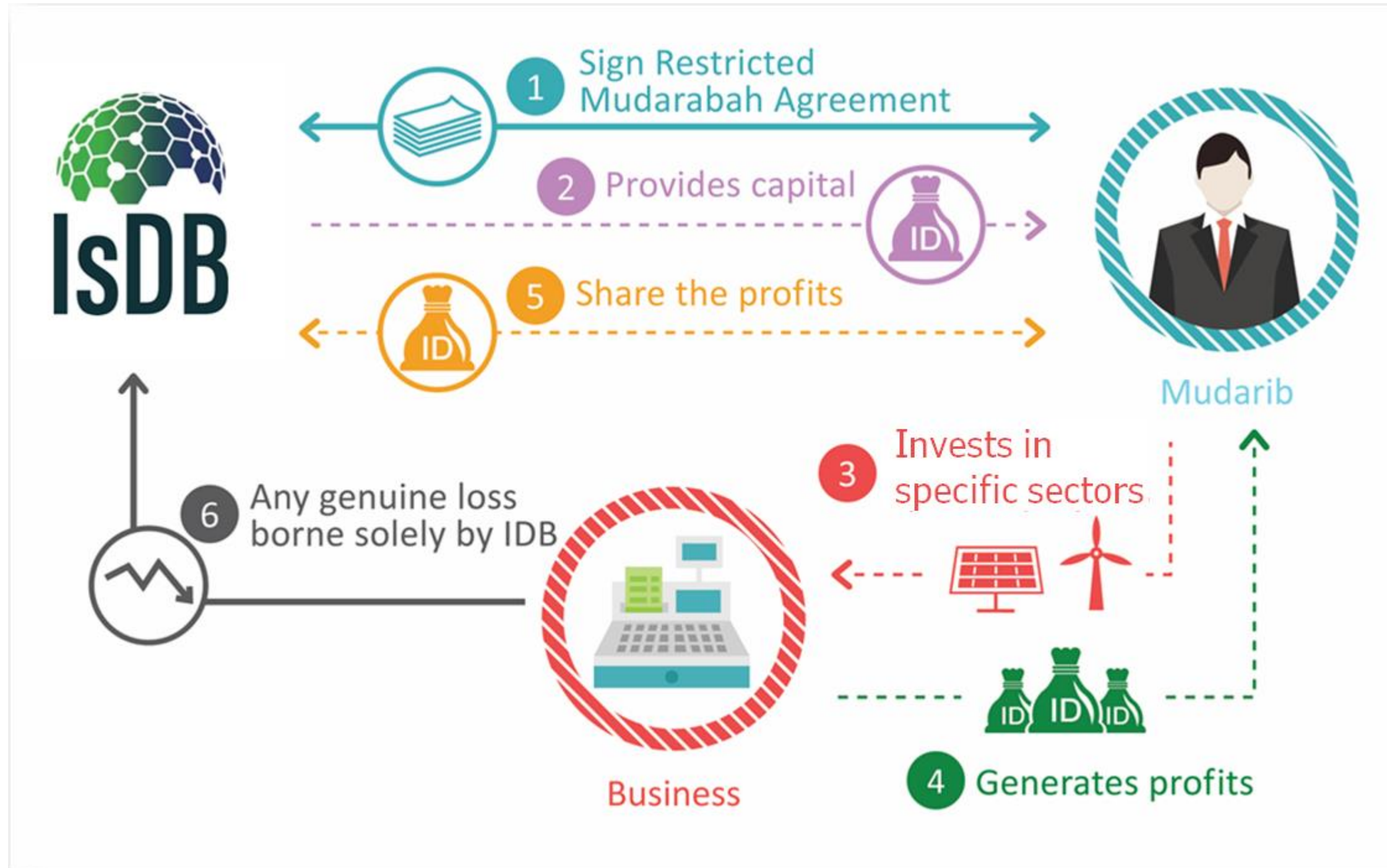
Restricted Mudaraba



Concept – Restricted Mudharaba



Implementation Steps – Restricted Mudaraba



Legal Documentation - Restricted Mudaraba



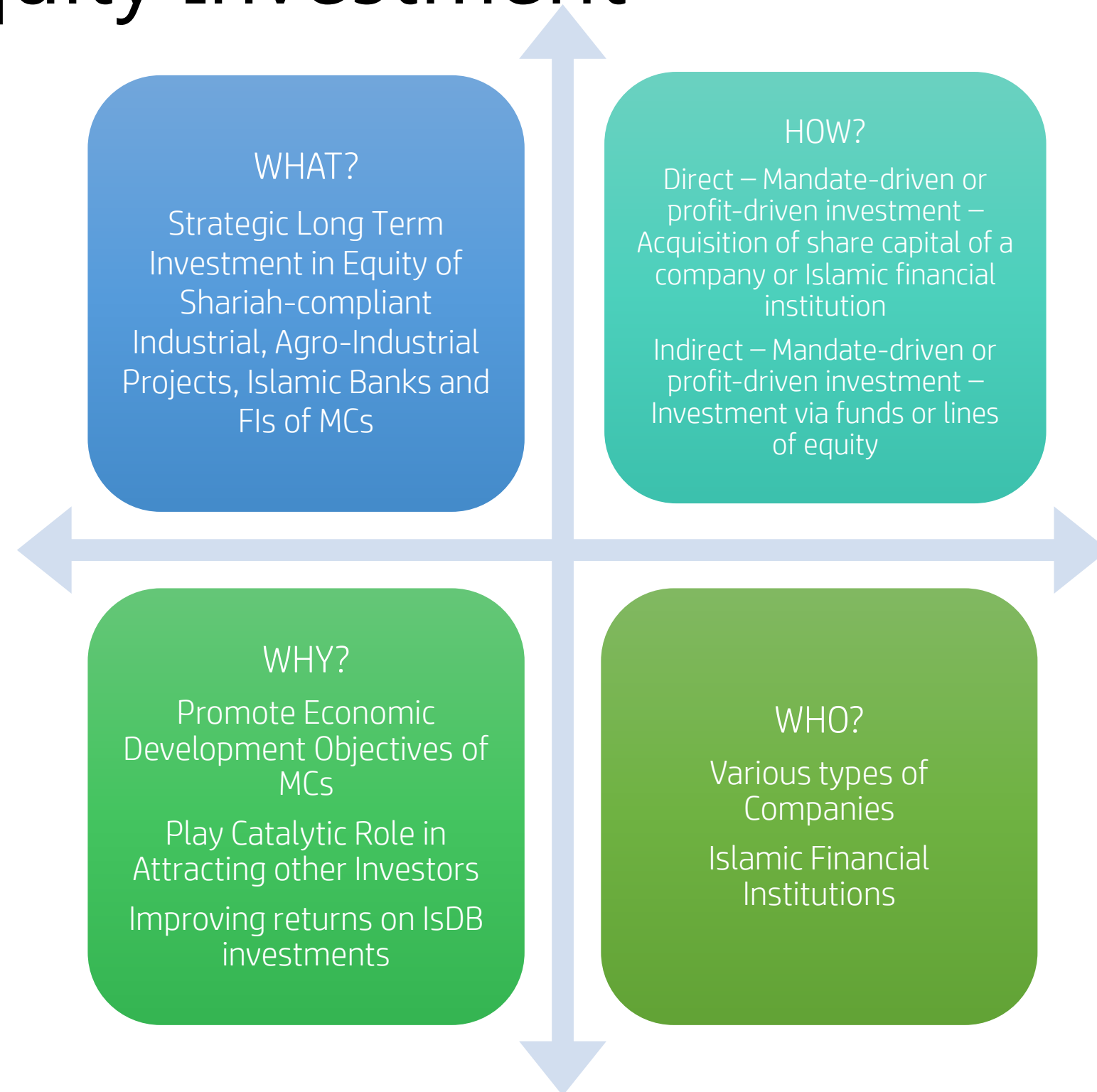
Terms & Conditions for Restricted Mudaraba

Source of Funds	Tenor	Mark-Up	Approval Authority
Ordinary Capital Resources (OCR)	Up to 5 years door to door including Gestation Period	Pre-agreed Profit Sharing Ratio between IsDB as Rab Al-Maal (Investor) and Beneficiary as Mudarib (Investment Manager)	IsDB Board of Executive Directors

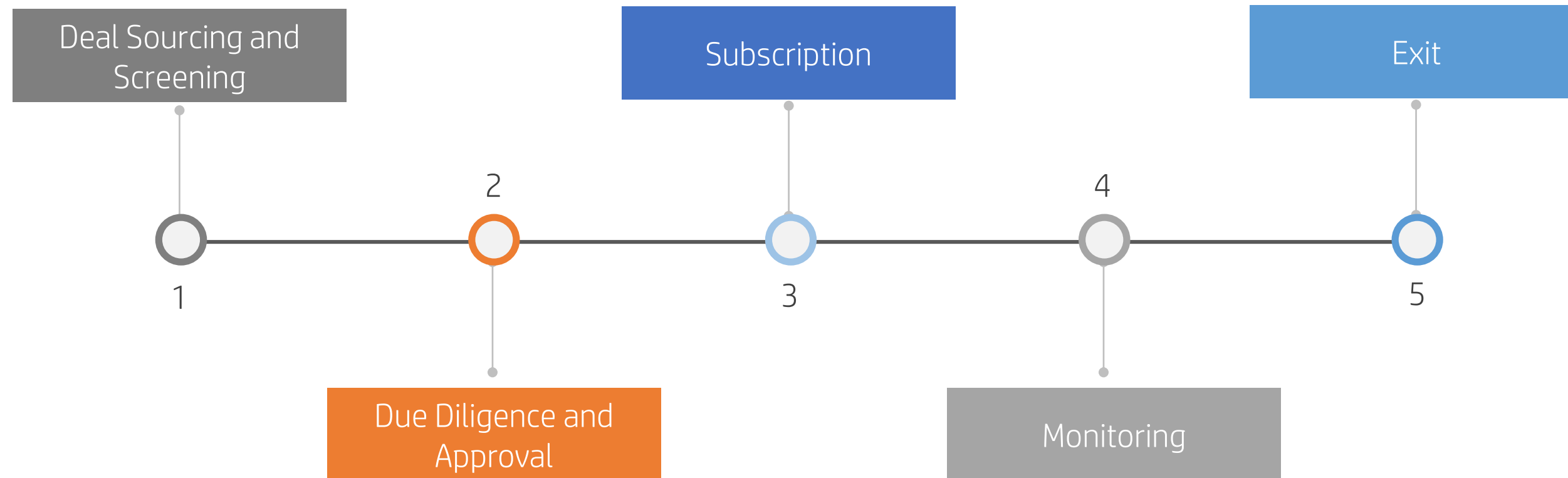
Equity Investment



Concept – Equity Investment



Implementation Steps – Equity Investment



Legal Documentation – Equity Investment



Types of Equity Investment Docs



Investment Agreement
Arrangement between Partners to invest in a business detailing the amount of Share Subscription and rights and obligations of parties



Shareholder Agreement
Shareholder's Rights and Obligations regarding operation and management of proposed investment



Subscription Agreement
Details terms and Conditions of Acquisition of Shares and Participation into a Company



Share-Purchase Agreement
Agreement to Purchase Shares of a Company from Existing Shareholders

Terms & Conditions for Equity Investment

Source of Funds	Tenor	Mark-Up	Approval Authority
Ordinary Capital Resources (OCR)	Long-term investment	Dividend Paid by Investee	IsDB Board of Executive Directors

THANK YOU