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ISLAMIC DEVELOPMENT BANK

30 Years of Human Development

1395H - 1425H (1975 - 2004)

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HIGHLIGHTS

► Membership

1395H: 22 countries
1424H: 55 countries

► Capital

1396H: Authorized: ID 2 billion
Issued: ID750 million
1424H: Authorized: ID15 billion
Issued: ID8.1 billion

► Organization

Departments: 1395H: 4
1424H: 16

► Offices:

1395H: 3
1424H 16

► Entities, Funds and Affiliated Institutions

1401H: 1 (IRTI)
1424H: 11 (IRTI, ICD, ICIEC, IBP, UIF, IIF, WWF, APIF, ICBA, OIC Networks and Adahi Project)

► Modes of Financing

1397H: 6 (Loan, equity, leasing, profit-sharing, co-financing, foreign trade financing)
1424H: 12 (Loan, equity, leasing, instalment sale, profit-sharing, Istisna', co-financing, Import Trade Financing Operation, Export Financing Scheme, Two- Step Murabaha, Structured Trade Financing, and Build Operate Transfer (BOT)

► Staff

1396H: 78 persons
1424H: 881 persons

SUMMARY TABLE
IDB GROUP FINANCING OPERATIONS*
1396H-1424H (1 JAN. 1996-21 FEB. 2004)

ITEM	OPERATIONS (NO.)	AMOUNT APPROVED	
		ID Million	US$ Million
Ordinary Operations:			
Project Financing	1,282	9,516.10	12,644.87
Technical Assistance	432	132.29	169.56
Sub-Total	1,714	9,648.39	12,814.74
Trade Financing Operations:			
Import Trade Financing Operations	1,225	13,073.56	16,507.44
Export Financing Scheme	219	917.13	1,233.17
Islamic Banks Portfolio	145	1,579.41	2,185.28
Unit Investment Fund	68	377.02	517.45
Awqf Properties Investment Fund	7	10.32	15.25
Islamic Corporation for Development of the Private Sector**	0	1.27	1.82
Treasury Operations	5	80.25	103.55
Sub-Total	1,669	16,038	20,863.96
Special Assistance Operations:			
Member Countries	374	299.22	370.16
Non-Member Countries	643	151.56	195.32
Sub-Total	1,017	450.78	565.49
Grand Total	**4,400**	**26,138.13**	**34,244.19**

* All figures on operations are net of cancellation. ** These are term finance projects where 2 or more modes are used for financing a project. To avoid dobule counting, only the amounts are shown here.

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PREFACE

This annual booklet presents information, in a succinct manner, on the activities of the Islamic Development Bank (IDB) and the institutions affiliated to it. The booklet uses data from different internal documents of the Bank as well as the information provided by different departments/ offices within the IDB Group.

Unlike other multilateral development banks, the IDB has three distinct characteristics: i) it is a model for South-South co-operation, in the sense that a large portion of the capital is drawn from member countries that are better off to assist relatively less developed member countries; ii) nearly half of its membership is treated as least developed countries; and iii) it uses modes of financing that are Shari'ah- compatible.

The Bank, over time, has developed a number of new modes to finance various projects and operations in its member countries, which in turn, has contributed to strengthening the Islamic banking industry. The mandate to comply with Shari'ah principles has led the Bank to establish several entities and funds to mobilize resources to meet the growing and diverse needs of its member counties. Accordingly, the Bank has been transformed from a single entity to IDB Group.

This year, 1425H, marks the thirtieth anniversary of the Bank which is a unique opportunity to take stock of IDB achievements, review its course of action and reflect on new challenges. To respond to internal and external challenges, the IDB Group has recently formulated a Strategic Framework which is expected to provide guidelines for its medium-term activities.

This booklet is divided into ten chapters. Chapter 1 presents the institutional developments which includes the launching of the new Strategic Framework. Chapters 2 through 5 take stock of the growth in financial resources and their utilization in financing projects, trade, and special assistance programmes. Chapter 6 highlights the activities of the affiliated entities designed for various purposes including promotion and development of private sector. Chapter 7 focuses on the contribution of the Bank in developing Islamic banking industry. Chapter 8 highlights the efforts made by the IDB Group to promote co-operation at national, regional, and interregional levels. Chapter 9 presents the contribution of the IDB Group in generating ideas through various efforts. The concluding chapter addresses the main challenges facing the IDB Group and the way forward.

It is hoped that this booklet, which contains data from inception up to the end of 1424H, will prove useful to individuals and institutions who are interested in the activities and operations of the IDB Group.

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ABBREVIATIONS

ADFIMI	-	Association of National Development Financing Institutions in Member Countries of the IDB
ALESCO	-	Arab League Economic, Social and Cultural Organization
AMU	-	Arab Maghreb Union
APIF	-	Awqaf Properties Investment Fund
AsDB	-	Asian Development Bank
BADEA	-	Arab Bank for Economic Development in Africa
CILSS	-	Comite Intergouvernemental de lutte Contre la Secheresse au Sahel (Inter-State Committee for Drought Control in the Sahel)
CIS	-	Commonwealth of Independent States
COMCEC	-	OIC Standing Committee for Economic and Commercial Cooperation
COMSTECH	-	OIC Standing Committee for Scientific and Technological Cooperation
EBRD	-	European Bank for Reconstruction and Development
ECO	-	Economic Co-operation Organization
EFS	-	Export Financing Scheme
EIB	-	European Investment Bank
ESCWA	-	Economic and Social Commission for Western Asia
FAO	-	Food and Agricultural Organization of the United Nations
FDI	-	Foreign Direct Investment
HIPC	-	Heavily Indebted Poor Countries
IAIGC	-	Inter-Arab Investment Guarantee Corporation
IBP	-	Islamic Banks Portfolio for Investment and Development
ICBA	-	International Centre for Biosaline Agriculture
ICCI	-	Islamic Chamber of Commerce and Industry
ICD	-	Islamic Corporation for the Development of the Private Sector
ICDT	-	Islamic Centre for the Development of Trade
ICIEC	-	Islamic Corporation for Insurance of Investment and Export Credit

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ID	-	Islamic Dinar which is equivalent to one Special Drawing Right of the International Monetary Fund
IFAD	-	International Fund for Agricultural Development
IIF	-	IDB Infrastructure Fund
IMF	-	International Monetary Fund
IRTI	-	Islamic Research and Training Institute
ISESCO	-	Islamic Educational, Scientific and Cultural Organization
ITC	-	International Trade Centre
ITFO	-	Import Trade Financing Operations of the IDB
LDMCs	-	Least Developed Member Countries of the IDB
MDBs	-	Multilateral Development Banks
MFIs	-	Multilateral Development Financing Institutions
NDFIs	-	National Development Financing Institutions
ODA	-	Official Development Assistance
OIC	-	Organization of the Islamic Conference
OPEC	-	Organization of Petroleum Exporting Countries
SESRTCIC	-	Statistical, Economic, and Social Research and Training Centre for Islamic Countries
TA	-	Technical Assistance
TCP	-	Technical Co-operation Programme of the IDB
UAE	-	United Arab Emirates
UIF	-	Unit Investment Fund of the IDB
UNCTAD	-	United Nations Conference on Trade and Development
UNDP	-	United Nations Development Programme
UNESCO	-	United Nations Educational, Scientific and Cultural Organization
WTO	-	World Trade Organization
WWF	-	World Waqf Foundation

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INTRODUCTION

The establishment of the Organization of Islamic Conference (OIC) in 1969 paved the way to attain the cherished goals of enhancing economic co-operation among the member states and to establish an Islamic financial system based on the principles of Shari'ah. It was the decisions of the finance ministers of the OIC member states taken at their meetings held in 1393H(1973) and 1394H(1974) that made the establishment in 1975 of the Islamic Development Bank (IDB) a reality. The IDB, a symbol of economic solidarity of the member countries, is dedicated to foster economic development and social progress and to ameliorate the socio-economic conditions of the Muslim communities in non-member countries.

This year, 1425H, signifies the IDB's successful completion of three decades in assisting the member countries in their quest to overcome the global and internal challenges. By 15 Shawwal 1425H, the IDB will mark thirty years in the service of human development (Box 1). The spirit of service towards economic development and social progress has been the hallmark of the Bank's activities during this period. The IDB has significantly grown in size, diversity, and depth of its operations with a commitment to find innovative solutions to emerging challenges of economic development. Concerned about the growing and diverse needs of its members, the Bank critically reviews its operational strategies and priorities in order to further improve the quality and effectiveness of its development assistance. The

Box 1
30th Anniversary of IDB

On 15 Shawwal 1425H, the Islamic Development Bank (IDB) will complete 30 years in development banking service. The date marks an important milestone in the annals of the IDB. The occasion provides a unique opportunity for the Bank to take stock of its achievements, prospects, role and impact on fostering socio-economic development of member countries and Muslim communities in non-member countries.

From a modest beginning in 1975, with 22 pioneering member countries, the IDB has since grown in leaps and bounds: membership is now 55, authorized capital stands at ID15 billion, modes of financing increased from 3 to about a dozen, and gross approvals reached ID29.6 billion (US$38.84 billion) for 4,967 projects and operations. In addition, the IDB has evolved from one entity to the IDB Group, comprising IDB (as flagship), ICD, ICIEC and IRTI.

What do all these mean to IDB and its stakeholders? And how can IDB meet the challenges of our time?

To respond to these issues, for instance, the IDB has recently formulated a strategic framework for the IDB Group (Box 2), as a clear sign of its dynamism and reflection of its efforts at meeting the ever-increasing needs of member countries and Muslim communities.

To mark the 30th Anniversary, the IDB has planned a number of activities, which include special publications, studies, meetings, etc. geared towards creating awareness about its performance, soliciting opinions about its future outlook and searching for ways on how best to position itself to create more impact.

Over the thirty years of its existence, the IDB established itself as a leading South-South multilateral institution providing development assistance on the basis of principles of Shari'ah. It is hoped that the occasion of its thirtieth anniversary would further heighten the awareness about the IDB's major achievements in promoting economic and human development, and social progress in member countries and Muslim communities in non-member countries.

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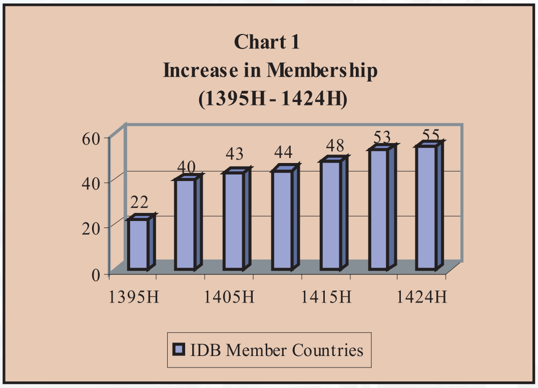
chapters that follow, briefly present the main achievements made by the Bank, the emerging challenges and the ways these will be addressed by the members in the IDB Group and Affiliates.

I. INSTITUTIONAL DEVELOPMENTS

1. Gradual Increase in the Membership

The membership of the Bank has gradually increased over time: from 22 countries in 1395H (1975) to 55 countries by the end of 1424H. The increase in the size of membership is shown in Chart 1. All the member countries are classified as developing countries and are spread over four continents namely, Africa, Asia, Europe and South America[1]. Another special feature is that 22 member countries belong to the United Nations category of the least developed countries (LDCs)[2]. As a special case, six others are treated by the IDB among the least developed member countries (LDMCs)[3].



The basic conditions for membership of the Bank are that the prospective member country should be a member of the OIC, pay its contribution to the capital of the Bank and be willing to accept terms and conditions to be decided upon by the IDB Board of Governors.

2. Evolution into a Group

Since its inception, the Bank was aware about the need for improving the quality and scope of the services it provides to the member countries and Muslim communities in non-member countries. In the course of conducting its operational activities, the Bank also came across a number of operational challenges. The Bank addressed the challenges by improving its existing services, responding by establishing new institutions to serve the niche needs of its clientele, and mobilizing additional resources with a view to meeting the growing trade and investment needs of the member countries. These initiatives led to institutional development, from a single entity in 1975 to a multi-entity group that reflects significant growth in its diversity and operational size.

In order to perform diverse functions and to serve the niche developmental needs of the member countries, the IDB Group now consists of various entities and schemes, each of which

[1] See Annex 1.
[2] These countries are: Afghanistan, Bangladesh, Benin, Burkina Faso, Chad, Comoros, Djibouti, The Gambia, Guinea, Guinea-Bissau, Maldives, Mali, Mauritania, Mozambique, Niger, Senegal, Sierra Leone, Somalia, Sudan, Togo, Uganda and Yemen.
[3] These countries are: Albania, Azerbaijan, Kyrgyz Republic, Palestine, Tajikistan, and Uzbekistan.

operates under distinct arrangements and operational rules. Various entities and schemes in the IDB Group, in addition to mobilizing supplementary financial resources for the Bank, are focused on those activities that cannot be covered under the IDB's ordinary financing operations. The entities that have been established concomitantly with the expansion and diversification of the activities of the Bank are of three categories: (i) members of the IDB Group, (ii) specialized funds, and (iii) affiliated institutions. The IDB Group consists of four members namely, Islamic Development Bank (the flagship of the Group), Islamic Corporation for the Development of the Private Sector (ICD), Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), and Islamic Research and Training Institute (IRTI).

The specialized funds comprise (i) Islamic Banks Portfolio for Investment and Development (IBP), (ii) Unit Investment Fund (UIF), (iii) IDB Infrastructure Fund (IIF), (iv) Awqaf Properties Investment Fund (APIF), and (v) World Waqf Foundation (WWF). The affiliated institutions are International Centre for Biosaline Agriculture (ICBA) and OICNetworks. The activities of all these entities are discussed in Chapter VI.

3. Organizational Restructuring and Regional Offices

With a view to further increasing the effectiveness of the IDB's financing operations in the member countries, a reorganization and review exercise of the Country Operations Departments (CODs) of the IDB Bank was undertaken in 1423H. Consequently, greater focus was placed in each of the country operations departments on three key functions: country programming, poverty alleviation and infrastructure development. Keeping in view the changes in the core functions, new changes were introduced in the organizational structure of the IDB to improve efficiency and ensure better targeting of development assistance to the member countries. These include establishment of an IDB Group Strategic Planning Office, Operation Planning and Services Department, Records & Documents Management Division and reorganization of the Trade Finance and Promotion Department.

Since the adoption of the IDB's Operations Manual in 1987, several new policies and procedures were introduced. In this context, an initiative was undertaken in 1423H to revise the Manual. As part of this exercise, a number of rules, regulations and policies relating to the ordinary financing operations have been reviewed and revamped. The Bank also participates in the programme for harmonization and standardization of policies, procedures and practices initiated by the multilateral development banks (MDBs). Since the high level meeting held in Rome in February 2003, the Bank has been associated with the partner institutions in an effort to harmonize operational policies, procedures, and practices. Upon the completion of the exercise, the member countries will benefit from more cost-effective project implementation procedures as well as avoid the duplication of procedures resulting from project implementation by different MDBs.

In order to better identify development needs of the member countries in different regions, the Bank has established three regional offices, in Almaty (Kazakhstan), Kuala Lumpur (Malaysia) and Rabat (Morocco). The regional offices have been established with a view to bringing the Bank closer to the member countries in order to quickly resolve the various

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implementation and procedural issues. In addition, the Bank has field representatives in nine member countries namely, Bangladesh, Guinea, Indonesia, Iran, Kazakhstan, Libya, Pakistan, Senegal and Sudan. The major task of the representatives is to follow-up the implementation of projects financed by the Bank.

4. Evolution of the Strategic Directions

The growth of the IDB Group, in terms of expansion in diverse operations, requires careful formulation of strategic directions for various entities. The strategic directions are required in order both to create synergy in the activities of the various entities and to enhance the quality and effectiveness of the development assistance. In the past, the IDB Group formulated strategic responses to addressing the emerging challenges and opportunities in the area of development assistance. In this connection, a major step was taken with the adoption of the 'Strategic Agenda for the Medium-Term' in 1414H (1993). A critical review of the outcome of the Strategic Agenda broadly indicated a lack of appropriate implementation mechanism and lack of incentives to achieve the objectives.

These lessons of the Strategic Agenda were taken into account in the revision process of developing a vision for the I DB Group as a whole. Given the lessons learnt, the IDB Group undertook the initiative to formulate a new strategic approach in December 2000. For this purpose, a Steering Committee and a Task Force on Strategic Planning and Organization of the IDB Group were established. Thus, the process of preparing the Strategic Framework was started in earnest and the process passed through a wide-ranging consultation, involving all the stakeholders, leading to the completion of the first phase of the Strategic Framework for the IDB Group.

The Strategic Framework identified the elements that will enable all members of the IDB Group namely, IDB, IRTI, ICIEC and ICD to improve efficiency and service delivery to the member countries and overcome some of the challenges they are facing in the new global environment. Under the new Strategic Framework, the IDB Group envisions improved efficiency, greater coordination amongst the Group members in order to optimize the collective impact of the development assistance in member countries. To this end, the Bank has formulated its Vision, Mission Statement and Core Values, in addition to redefining its Strategic Objectives and Priority Areas for the medium-term (Box 2).

In order to implement the Strategic Framework, an office namely, IDB Group Strategic Planning Office has recently been established. The functions of the Office, includes, among others, managing and facilitating the preparation of the IDB Group consolidated strategic plans, coordinating the preparation of plans and programmes between IDB Group members and Affiliates and consolidating IDB Group plans and programmes. The implementation of the Framework will start in Muharram 1425H.

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Box 2
IDB Group Strategic Framework

In 1424H, the Bank adopted a new strategy entitled IDB Group Strategic Framework. The Strategic Framework identified major elements of the IDB Group (ICD, ICIEC, IRTI and IDB as a flagship) to improve efficiency and services delivery to member countries.

Under the new strategy, the IDB envisions greater co-operation and co-ordination among the group members to ensure complementarity and optimum collective impact in the member countries.

To this end, the IDB has formulated its vision, mission statement and core values, and redefined its medium-term strategic objectives and priority areas briefly described below:

Vision: To be the leader in fostering socio-economic development in member countries and Muslim communities in non-member countries in conformity with Shari'ah.

Mission: The IDB Group is committed to alleviating poverty, promoting human development, science and technology; Islamic economics; banking and finance; and enhancing co-operation among member countries, in collaboration with other development partners.

In this regard, the following three major strategic objectives have been identified to drive forward the Group actions.

Objectives:

- Promotion of Islamic financial industry and institutions
- Poverty alleviation
- Promotion of co-operation among member countries

Priority areas:

To realize these objectives, the IDB Group will focus on the following six priority areas:

- Human development
- Agricultural development and food security
- Infrastructure development
- Intra-trade among member countries
- Private sector development
- Research and development (R&D) in Islamic economics, banking and finance.

The core values of the IDB Group are as follows:

- Performance excellence in all activities and in dealing with its clients and partners.
- Responsiveness (responding to clients' needs with focused and forward-looking approach based on review of performance, reflection on improvement and resolve to offer the best).
- Integrity (demanding a high level of sincerity, honesty and fairness).
- Dedication in serving clients with dignity and determination supported by creativity and initiative.
- Endowment of staff and concerned entities with responsibility, authority and teamwork.

Mobilization of financial resources and quality manpower has been considered as two critical prerequisites for successful implementation of the Strategic Framework. While the Group will continue to strive to increase its resource base, it will also enhance the development impact of these resources.

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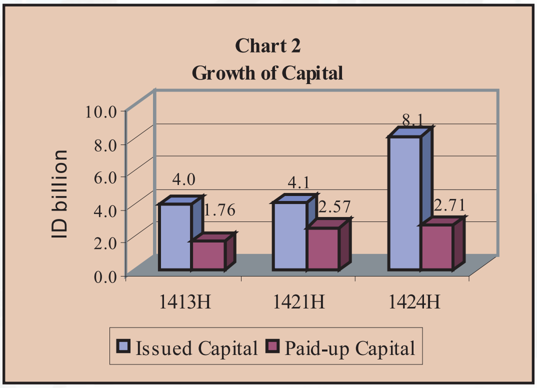
II. FINANCIAL STRUCTURE AND RESOURCE MOBILIZATION

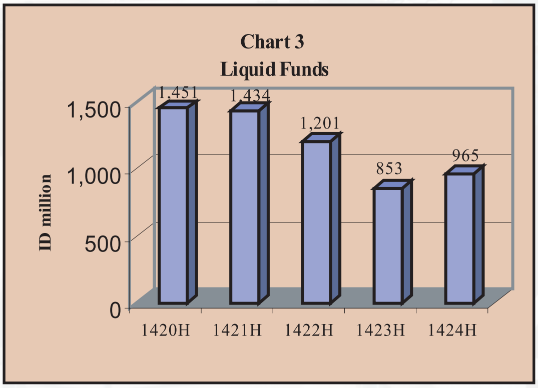
1. Capital Base

The capital base of the Bank has witnessed significant expansion over the years. This has been possible due to the co-operation and assistance of the IDB's shareholders. The growth in its capital has enabled the Bank to respond to the growing needs of its member countries for financing development. While the initial authorized capital was ID2 billion, the Board of Governors decided in 1413H (1992) to increase it to ID6 billion and the issued capital to ID4 billion. Later, in 1422H (2001), the Board of Governors increased the authorized capital by ID9 billion ($12.33 billion) from ID6 billion to ID15 billion ($22.43 billion)[4]. Similarly, the issued capital was increased by ID4 billion ($5.48 billion) from ID4.1 billion ($5.62 billion) to ID8.10 billion ($12.11 billion). At the end of 1424H, the paid-up capital of the Bank stood at ID2.71 billion ($4.05 billion) (Chart 2) and the ordinary capital resources consisting of the member countries' funds (i.e. the paid-up capital, reserves and retained earnings) stood at ID4.07 billion ($6.08 billion).



2. Liquid Funds

The placement of short-term funds is one of the functions of the Bank, as enunciated in its Articles of Agreement. Thus the liquid funds not needed for ordinary operations or trade financing are placed with financial institutions operating in international financial markets and also in the member countries. Over time, these liquid funds have shown a downward trend indicating that greater amount of financial resources are being utilized for ordinary operations and trade financing (Chart 3). Thus, the amount of liquid funds placed fell from ID1,451 million ($2,757 million) in 1420H, for example, to ID965 million ($1.44 billion) in 1424H. As at the end 1424H, a sum of ID891 million ($1.33 billion) was placed in Shari'ah-compatible investments. The other funds included a sum of ID58 million ($86.71 million) placed in deposits, call and current accounts, and ID16 million ($23.92 million), maintained with the central banks of the member countries.



[4]Throughout this document, US dollar is indicated by $.

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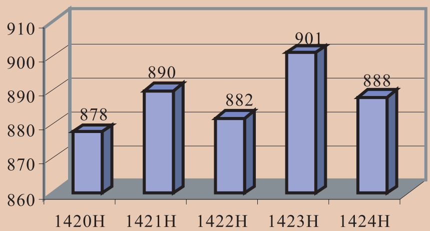
3. Waqf Fund

The Waqf Fund was established in 1418H as a trust fund through transfer of the entire uncommitted assets of the former Special Accounts. The Fund derives its income from (i) return from cash and cash equivalents and fixed deposits with conventional banks; (ii) profit on managed investment; (iii) net income from the IDB Unit Investment Fund (UIF) deposits and (iv) investment in Murabaha and other funds, etc. The resources of the Fund are utilized in support of various special assistance activities and programmes (For details see Chapter VI). At the beginning of its establishment in 1418H, the Fund had an amount of ID885 million ($1,194 million). The assets of the Fund did not show any substantial change during the subsequent years (Chart 4). The total net assets of the Fund stood at ID887.68 million ($1.33 billion) at the end of 1424H. These assets comprised ID730.73 million ($1.09 billion) for the principal amount of the Waqf Fund, ID59.03 million ($88.25 million) for the unspent balance of the Special Assistance Account, and ID97.92 million ($146.39 million) for the Special Account for the Least Developed Member Countries.

Chart 4
Net Assets of Waqf Fund



4. Resource Mobilization Initiatives

In order to meet the growing needs for additional resources, the Bank developed several Shari'ah compatible schemes and financial instruments that mobilize funds for supplementing its ordinary resources. Among these schemes/funds are the Investment Deposit Scheme, the Islamic Banks Portfolio (IBP), the IDB Unit Investment Fund (UIF), the Export Financing Scheme (EFS), the IDB Infrastructure Fund (IIF) and the Islamic Corporation for the Development of the Private Sector (ICD).

4.1 Schemes Developed for Resource Mobilization

The Investment Deposit Scheme, introduced in 1400H (1980), provides investors with a Shari'ah-compatible option for making investments through participation in the financing operations of the Bank. Under the scheme, the Bank accepts deposits from investors and uses them to make short-term investment through participation in foreign trade financing operations. The IBP, established in 1408H (1988), is a window through which the Bank mobilizes liquidity available with the Islamic banks, financial institutions and individual investors, and channels them to finance beneficiaries in its member countries. The UIF, established in 1410H (1989), is a private sector window that raises additional resources for the Bank from the market, and at the same time, provides investors with a profitable channel of investment in conformity with Shari'ah. The EFS, launched in 1408H (1987), is used exclusively for promoting exports from the member countries. These schemes are discussed in some detail subsequently.

As of the end of 1424H, the funds raised through these schemes amounted to ID96.52 million ($144.30 million) for the Investment Deposit Scheme, $325 million for the UIF, $100 million for the IBP, ID133.99 million ($200.32 million) for the EFS and ID33.60 million ($50.23 million) for the Awqaf Properties Investment Fund (APIF). The IDB Infrastructure Fund (IIF) and the ICD are also playing important roles in resource mobilization. So far, the IIF and the ICD have generated $930.50 million (commitment) and $263.40 million respectively. Similarly, the IDB Sukuk bond, issued recently for resource mobilization, has generated $400 million.

4.2 Issuance of IDB Sukuk

Along with maintaining the vision of building a financially viable network of windows to attract long-term funds, the Bank has recently stepped up the role of financial engineering in placing a major reliance on the international capital market for resource mobilization. In this context, the Bank has launched Sukuk, an Islamic bond (Box 3). The initial issue size was $300 million but due to strong demand from the investors, it was increased to $400 million. Launching of the Sukuk heralded a landmark in the history of the Bank in mobilizing resources from the international financial market. Various central banks in member countries accounted for approximately 40 per cent of the order book. The funds raised through issuance of IDB Sukuk are being utilized for financing purposes. As at end of 1424H, the amount allocated for financing stood at $316.9 million. The beneficiary countries of Sukuk financing are Algeria, Benin, Gabon, Iran, Niger and United Arab Emirates.

Box 3
The Islamic Development Bank Sukuk (Bond) Issue

On July 29, 2003, the Islamic Development Bank successfully launched its first Islamic Sukuk (bond) issue. The original targeted size was $300 million, and it increased to $400 million, based on strong demand for the high quality issue. The issue was priced at 5 year Mid-Swaps +16 bps. This is the first and the only Islamic capital market issue by a non-sovereign (following Malaysia and Bahrain's offerings), and the second "international" bond issue done as an Islamic bond. The transaction had the characteristics of both a conventional security as well as an Islamic instrument.

The IDB Sukuk Assets comprise leases and other Shari'ah compatible assets of the IDB which have been transferred to the Trust, which was specially set up for the purposes of the transaction. All payments due from these assets are guaranteed by the IDB. The IDB provides support as a liquidity provider as well as the final purchaser of the Sukuk Assets at the time of maturity.

The IDB undertook a comprehensive two-week road-show covering the Middle East, Asia and Europe. The transaction was also well distributed, with the anchor demand coming from the Middle East and distribution realized into Asia and Europe. The IDB was successful in broadening the type of investors for this asset. While structured as an Islamic issue, the transaction appealed to conventional buyers as well, with almost 70% of the orders coming from the conventional market.

The purpose of the transaction to develop the Islamic Capital Markets was also well served, with a number of investors from the Islamic Finance sector buying tradable securities for the first time. The IDB also achieved its objectives of bringing in Central Banks, which accounted for approximately 40 per cent of the order book.

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Currently, the Bank is making efforts to promote the Sukuk market in order to find tradable Shari'ah compatible securities. The Bank has participated as a co-manager in the $600 million Qatari Sukuk in 2003. The Bank has also subscribed to a number of Sukuk offerings from the Kingdom of Bahrain.

An important milestone in the endeavor to tap the international market for raising resources was the AAA rating granted to the IDB by Standard & Poor's in December 2002. The rating made it easier for the Bank to tap the international Islamic market for raising additional resources to meet the diverse and increasing financial needs of its member countries. The IDB Sukuk was the first AAA rated paper, whether conventional or Shari'ah-compliant, to be issued from the Islamic world.

III. DEVELOPMENT ASSISTANCE TO MEMBER COUNTRIES

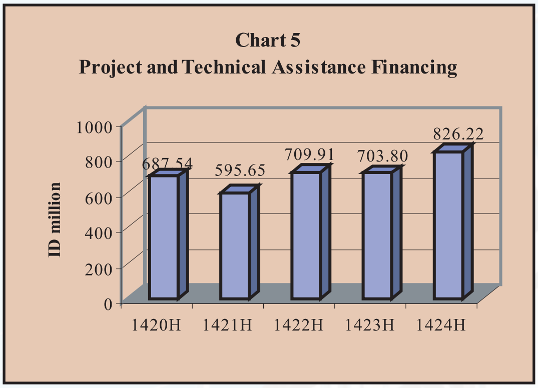
The Bank conducts its development assistance mainly through three types of financing operations namely, (i) ordinary operations comprising project financing and technical assistance operations (discussed in this Chapter); (ii) trade financing operations (Chapter IV); and (iii) Waqf Fund operations (Chapter V). Side by side with the Bank, some of the other members of the IDB Group and affiliated institutions/schemes also participate in co-financing/syndication activities.

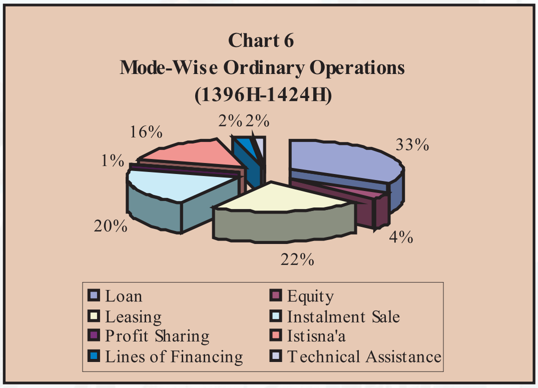
In line with the Bank's stated purpose to foster economic development in the member countries, its core activity has been the Ordinary Operations. In addition to Ordinary Operations, financing is carried on under trade financing and Special Assistance Operations. As at the end of 1424H, aggregate net financing of the IDB Group, carried on under these three categories, stood at ID26,138 million ($34,244 million). The break-up is as the following:

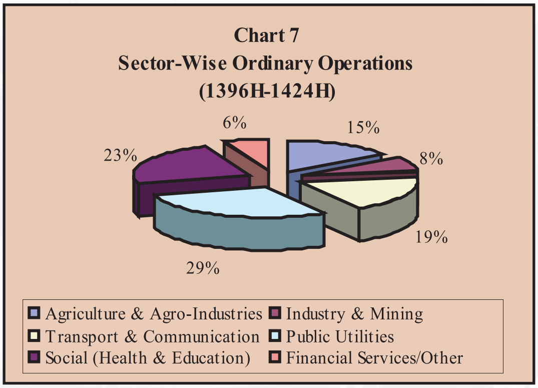
Ordinary Operations:	ID9,648 million ($12,815 million)
Trade Financing:	ID16,039 million ($20,864 million)
Special Assistance Operations:	ID451 million ($565 million)

1. Project Financing

Project financing extended under various modes plays an important role in building up of new productive capacity in the member countries, as well as in expanding and/or rehabilitating the existing ones. As part of its efforts to optimize its project financing strategy, the Bank seeks to maintain an adequate project pipeline for each member country. Over the years, project financing showed tremendous growth. Thus, the cumulative approvals of the IDB jumped from only ID157 million ($182 million) at the end of 1397H (1997), to ID7,486 million ($9,827 million) at the end of 1424H. The annual approvals made for project financing and technical assistance during the last five years have been shown in Chart 5. The growth in project financing has mainly been due to the efforts made by the Bank to increase its medium- and long-term development-oriented financial assistance to its member countries.







The financing extended by the Bank is based on Shari'ah principles and as such is unique in its structure and processes. The modes of financing devised to meet the Shari'ah requirement have provided an element of diversity to the financing operations of the Bank and thus made it easier to cater for different needs of/and different clients.

Among the modes of financing, loan, leasing, instalment sale and Istisna' (See Chapter VII, Box 4) are the most prominent, accounting for 33 per cent, 22 per cent, 20 per cent and 16 per cent respectively of the IDB net cumulative approvals till the end of 1424H (Chart 6). However, in recent years, Istisna' has gradually become the most prominent as its share in the total financing operations continued to increase.

As to the sectoral distribution of operations, the percentage share of the public utilities sector was the highest (29 per cent) followed by social sectors (23 per cent) in the cumulative amount (Chart 7). The new strategic orientation of the IDB Group gives special emphasis on financing agriculture and social sectors (human resource development). This is because these two sectors have direct impact on the development programmes related to poverty alleviation in the member countries. In line with this policy, the share of these sectors is expected to increase substantially in future.

With a view to expanding its financing activities in small- and medium-scale enterprises, the Bank extends lines of financing to national development financing institutions (NDFIs) in the member countries. In the past, the lines of financing were exclusively given to individual national development financing institutions. Since 1419H (1999), the Bank also extends ‘global’ lines of financing to governments of the member countries which, in turn, are provided to individual NDFIs and commercial banks.

2. Technical Assistance

Technical assistance (TA) forms an important part of the Bank’s operations. The importance of the TA activity, started in 1397H (1977), lies in the fact that some member countries are in a constant need for the use of consultancy services and expertise in the identification of viable projects, the preparation of bankable project documents, and for supervision during the implementation phases of a project. The main focus of the TA is on conducting feasibility studies, preparation of preliminary and detailed designs and provision of consultancy services for supervision during the execution of projects. In addition to the ordinary TA operations of the Bank, the Technical Co-operation Programme (TCP) and the Islamic Research and Training Institute (IRTI) also provide TA in the form of on-the-job training, expert services, seminars, symposia and workshops.

The TA is funded from the ordinary resources of the Bank as well as from the Waqf Fund and provided in the form of loan, grant or a combination of both. In providing TA, priority is given to the projects in the least developed member countries as well as to regional projects. The total amount approved for TA during the first year of its operation (1977) stood at only ID0.87 million ($1.01 million) for four operations. The approvals, however, shot up subsequently, reaching, at the end of 1424H, to a cumulative total of ID132 million ($170 million) for 432 operations.

3. Focus on the Least Developed Member Countries

As indicated earlier, a special feature of the Bank is that about half of its members are classified as least developed countries (LDMCs). As a policy matter, the Bank assists them in implementing the programmes aimed at poverty alleviation, boosting economic growth and enhancing institutional capacity so as to manage and sustain development projects. Most of the activities in the LDMCs are concentrated in education, health, agriculture and water supply sectors. In 1424H, the total global operations financed by the Bank in favour of the LDMCs amounted to ID4,586 million ($5,868 million).

3.1 Concessional Financing

The LDMCs are given priority in respect of concessional financing[5] of the Bank. For the loan facility provided, the Bank charges a lump sum service fee to recover its actual administrative cost involved in processing and administering the loan. Ordinary loans provided by the Bank have a repayment period of maximum twenty-five years including a grace period of seven years. The LDMCs are usually given maximum grace and repayment periods. The global amount of project and TA financing approved for the LDMCs stood at ID1,948 million ($2,534 million). Of this amount, ID1,657 million ($2,477) was in the form of concessional

[5]Concessional Financing refers to financing extended by the Bank under soft terms of Ordinary Loan (including TA) or LDMC Loan facility.

financing. This amount constitutes 62.7 per cent of the cumulative amount of concessional financing (ID2,643 million/$3,951 million).

3.2 LDMCs Special Account

In a demonstration of its deep concern for the LDMCs, the Bank established in 1413H (1992), a special window called "Special Account for the LDMCs". The objective of the window is to increase the total financial resources available to these countries; meet the basic and urgent needs, especially, of the poor among the people; and finance projects or components of projects that would not, normally, be financed by the Bank under its regular programs. Loans from this account are granted for a period of maximum 30 years including a grace period of 10 years, with a service fee not exceeding 0.75 per cent per year. The areas of support include primary services such as basic schooling and health care, provision of adequate, and safe drinking water, and micro projects in remote locations. Following the full utilization of the initial amount of $100 million, the LDMC Account was replenished in 1420H with a second tranche of $150 million. An aggregate amount of ID180 million ($245 million) was approved from this account till the end of 1424H. Starting from 1425H, the LDMCs would be given soft loans from the ordinary resources with special conditions.

3.3 Ouagadougou Declaration

Despite various efforts made at national, regional and international levels, to overcome development difficulties of the African countries, the majority of them are still among the least developed countries of the world. Most of these countries are IDB members in Sub-Saharan Africa. The Bank decided in 2002 to substantially increase its volume of financing in the region. This decision was stipulated in the Ouagadougou Declaration, adopted by the IDB Governors at the annual meeting, held in Ouagadougou (Burkina Faso) in October 2002. In the Declaration, the Governors reaffirmed the commitment of the IDB Group to accord specific attention to the African LDMCs under its operational activities. It was declared that the IDB would aim at accelerating economic growth and contributing to the fight against poverty. While the social sectors (basic education, technical/vocational training, safe drinking water, etc.) will be the main beneficiaries of IDB financing, growing support will also be extended to infrastructure, agriculture and food production, private sector promotion, intra-trade, investment promotion, project implementation, as well as technical co-operation and science and technology development. It was decided that the IDB Group should target an overall financing of $2 billion for the African LDMCs over the following five-years. Subsequently, an 'Action Plan' was adopted by the Bank to operationalize the Declaration. The Action Plan defined a tentative break-down of the $2 billion target, both mode of financing-wise and year-wise. Under the Action Plan, the set target for 1424H was approving of $295 million. However, the target of the year was over-achieved by 19 per cent.

4. Participation in the HIPC Debt Initiative

Beginning from 1997, the IDB has been participating in the Heavily Indebted Poor Countries (HIPC) Debt Initiative launched by the international development community and donor

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countries in 1996. The Bank participates in the Initiative in order to alleviate the unsustainable external debt burden of its most heavily indebted member countries and to assist them to embark on a sustainable path of economic development. In 1999, the multilateral development banks (MDBs) adopted the Enhanced HIPC Debt Initiative which reflects the commitment by the international financial community to provide comprehensive debt relief aimed at reducing debt burden of countries with good policies to sustainable levels. The Bank committed itself to the objectives and participates in providing debt relief under the enhanced HIPC Debt Initiative.

So far, twenty-seven countries have been declared eligible to receive debt relief. Of these countries, fourteen are the IDB member countries[6]. Of them, eight countries have reached the completion point[7]. In addition, there are five member countries[8] that are still to be considered for HIPC debt relief. The initiative that involves the eligible IDB member countries, is estimated to cost the Bank around $141 million in 2003 NPV terms. The IDB's debt relief packages have been fully implemented for Uganda, Mauritania and Niger; the implementation for Benin commenced in 2004 and that for Burkina Faso and Mali is in progress. During 1424H, the IDB approved the debt relief packages for Guinea, Sierra Leone and the topping-up of $7.2 million for Burkina Faso.

5. Co-financing Arrangements

Co-financing[9] of projects is a major mechanism through which the Bank maintains collaboration with other donors-- multilateral development banks, international financing institutions and bilateral agencies. The Bank also maintains a special partnership with the Arab Co-ordination Group. Every year, many projects are co-financed with the Group. The total amount co-financed by the Bank during 1424H, stood at $221 million for 13 projects in 11 countries. The IDB contribution was over 25 per cent of the total cost of the co-financed projects ($891 million). The other participants in the co-financing included the African Development Bank, the Arab Bank for Economic Development in Africa, the Arab Fund for Economic and Social Development, the Kuwait Fund for Arab Economic Development, the European Investment Bank, the OPEC Fund, the Saudi Fund for Development and the West African Development Bank.

6. Operations Evaluation: Impact Evaluation and Lessons Learnt

The Bank has an arrangement for independent assessment of projects implemented in member countries. The assessment is made in terms of implementation, achievement of the stated objectives, results and impact on the beneficiary countries. The evaluation of the completed projects or specific on-going operations is conducted in order to learn from the

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[6]These countries are: Benin, Burkina Faso, Cameroon, Chad, Gambia, Guinea, Guinea Bissau, Mali, Mauritania, Mozambique, Niger, Senegal, Sierra Leone and Uganda .
[7]These countries are: Benin, Burkina Faso, Mali, Mauritania, Mozambique, Niger, Senegal and Uganda.
[8]These countries are: Comoros, Cote d'Ivoire, Somalia, Sudan and Togo.
[9]Co-financing refers to a financing arrangement in which more than one lender contributes to funding a project under the same or different terms and conditions.

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past experience, build up reference database, and disseminate the results as feedback to improve the future financing activities. The evaluation of a project involves assessment of the effectiveness of project design, implementation, financial and economic rates of return, sustainability of benefits and socio-economic impact on the member country concerned. The scope of evaluation has been made wider recently to include country assistance evaluation, sector studies and thematic studies. The country assistance evaluation involves assessment of the performance of overall portfolio of the projects financed in a particular country. Two country assistance evaluations have been carried out in collaboration with the World Bank in order to learn from its experiences. As on the end of 1424H, the number of projects/ operations evaluated stood at 229.

The lessons learned from the operations evaluation are usually of two types: (i) operational lessons that aim to improve efficiency, effectiveness and rationale of the IDB's financing activities; and (ii) developmental lessons which focus on the socio-economic impact of the Bank's contribution to the development of the beneficiary countries. Appropriate recommendations are usually made on the basis of the lessons learned in order to enhance the quality and impact of the future operations of the Bank. The lessons learnt are also disseminated within and outside the Bank to ensure improved management of the project cycle.

IV. FINANCING FOR INTRA-TRADE AMONG MEMBER COUNTRIES

The trade financing programme was initiated in 1397H (19 77) to assist the developmental efforts of the member countries, by providing them with trade financing facilities to import goods of a developmental nature. The IDB's trade financing expanded over time in a significant manner and proved not only as an important part of the Bank's overall financing activities, but also as one of the most effective means for the promotion of trade co-operation among the member countries. The IDB Group's Strategic Framework has also identified the promotion of intra-trade among the member countries as one of the priority areas.

There are two major financing schemes through which trade financing programme is carried on. These are the Import Trade Financing Operation (ITFO) and the Export Financing Scheme (EFS). Trade financing is also undertaken through the IDB Unit Investment Fund (UIF) and the Islamic Banks Portfolio (IBP), introduced later. The Bank also manages a special programme in co-operation with the Khartoum-based Arab Bank for Economic Development in Africa (BADEA), to finance exports from the Arab to the non-Arab African countries. Moreover, the Islamic Corporation for Private Sector Development (ICD) and the Awqaf Properties Investment Fund (APIF), and the Treasury Department of the Bank also participate in trade financing operations. Furthermore, the Islamic Corporation for Insurance of Investment and Export Credit (ICIEC) provides export credit insurance for exports from the member countries.

In 1397H, the trade financing operations involved an amount of only ID43.61 million ($50.52 million). However, during subsequent years, the operation showed a sharp increase, the net cumulative amount rising to ID15.95 billion ($20.74 billion) at the end of 1424H. The net

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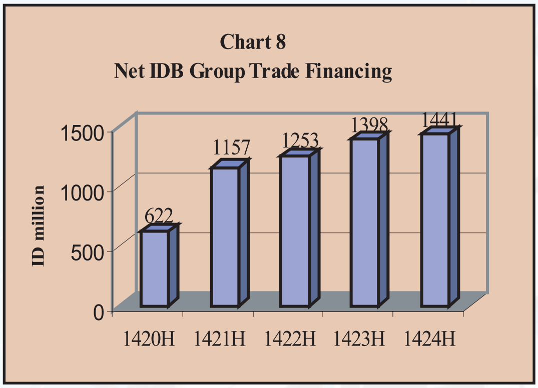
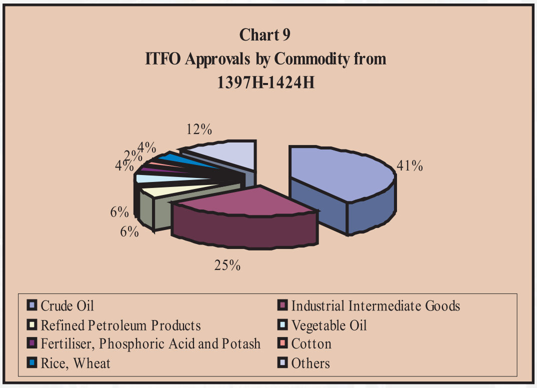
annual approvals of trade financing for the IDB Group duirng the last five years have been shown in Chart 8.



1. Import Trade Financing Operations

The Import Trade Financing Operations (ITFO), started in 1397H (1977), is a short-term financing scheme for import of commodities of developmental nature required by the member countries while promoting the flow of trade among them. The ITFO operation involves the purchase of goods (by the IDB on behalf of the importer) and their resale to the importer against a mark-up[10] on a deferred payment arrangement. The funds of the ITFO come from the Bank's own resources and are extended to the member countries for the import of essential goods. To supplement the resources, funds are mobilized from the market through syndication and Two-Step Murabaha Financing mechanisms[11]. Funds are generally extended for the import of commodities like crude oil, refined petroleum and fertilizer products.



In addition to serving the Bank as an important vehicle for the utilization of its liquid funds, the ITFO scheme facilitates the promotion of trade among the member countries. The ITFO approvals showed a tremendous rise, going up from only ID43.61 million ($50.52 million) in 1397H to a cumulative of ID13 billion ($17 billion) at the end of 14124H. Among the trade financing schemes of the Bank, the ITFO is by far the most prominent (Chart 9 and Chart 10).

2. Export Financing Scheme

The Export Financing Scheme (EFS), launched in 1408H (1987), involves financing exports from one country to another. The scheme aims to promote exports of both traditional and

[10]Mark-up refers to a profit margin which the Bank earns on its operation.

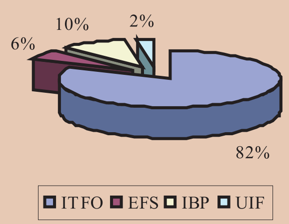
[11]Two-Step Murabahah Financing is a mode of financing used by the Bank to provide funds to other banks/financial institutions for the purpose of their trade financing operations and/or the Bank mobilizes funds from other banks/financial institutions for its trade financing operations.

non-traditional commodities, and also capital goods from the participating member states. The scheme is based on the results of a feasibility study which was assigned by the COMCEC to the Bank in 1404H (1984). As a suppliers' credit scheme, it aims to promote exports from the member countries through provision of short- and long-term financing for the exports destined to both the member and non-member countries. The mark-up charged on the EFS operations is generally kept below the market levels. In 1418H, the duration of repayment, which was originally six to sixty months, depending upon the commodity involved, was extended to ten years for capital goods like ships and machinery.

The EFS has its own membership, capital, budget and resources, and its accounts are maintained separately. Currently, the scheme has 26 participating countries[12] as its members with a total contribution of ID170 million. This amount together with the IDB's contribution of ID150 million, brings the total subscribed capital to ID320 million. The paid-up capital of the scheme is ID134 million, of which ID75 million was paid by the Bank. The aggregate amount approved under the scheme rose from $30 million in 1408H to ID917 million ($1.23 billion) at the end of 1424H.

The percentage share of various schemes in the cumulative approvals of trade financing (up to the end of 1424H) has been shown in Chart 10.

Chart 10
Trade Financing Approvals by Scheme
1397H-1424H



3. Trade Financing under Different Funds

Islamic Banks Portfolio (IBP): The Islamic Banks Portfolio for Investment and Development (for details, see Chapter VI) contributes significantly to trade financing. In fact, trade financing has become its major business activity. Of the IBP's total portfolio of $3,387 million, up to the end of 1424H, $2,185 million (65 per cent) had been approved for trade financing.

Unit Investment Fund (UIF): The IDB Unit Investment Fund (for details, see Chapter VI) is a trust fund of the Bank, which complements its ordinary operations by financing projects and Murabaha trade operations. As in the case of the IBP, a major activity of the UIF is financing of direct and syndicated trade operations. Under the UIF, a cumulative amount of $517 million was approved for trade financing, till the end of 1424H. This amounts to 40 per cent of the UIF's total portfolio of $1,289 million.

[12]These countries are: Algeria, Bahrain, Bangladesh, Brunei, Cameroon, Egypt, Gabon, Indonesia, Iran, Jordan, Kuwait, Lebanon, Libya, Malaysia, Morocco, Pakistan, Palestine, Saudi Arabia, Senegal, Somalia, Sudan, Syria, Tunisia, Turkey, Uganda and the United Arab Republic.

BADEA Export Financing Scheme: This is a special programme which emerged as the outcome of a Memorandum of Understanding (MOU) signed between the Bank and the Khartoum-based Arab Bank for Economic Development in Africa (BADEA). The MOU was signed in 1418H (1998) for three years but was extended for another three years beginning from 23 February 2001. Under the MOU, the Bank manages $50 million as a Mudarib to finance exports from the Arab to the non-Arab countries of the African Union. The MOU expired in February 2004 but is expected to be renewed soon. Under the scheme, the operation started in 1419H and 17 operations, involving an amount of $96 million, were approved, till the end of 1424H, in favour of nine African countries[13]. Since 1423H, the scheme has been used to support the IDB's commitment under the Ouagadougou Declaration.

4. Other Trade Financing Operations

For the last four years, the Islamic Corporation for the Development of the Private Sector (ICD), the Awqaf Properties Investment Fund (APIF) and the Treasury Department of the Bank have been engaged in trade financing operations. The cumulative amount approved, up to the end of 1424H, stood at ID1.27 million ($1.82 million) for the ICD, ID10.32 million ($15.25 million) for the APIF and ID80.25 million ($103.55 million) for the Treasury Department.

V. WAQF FUND OPERATIONS

In pursuance of realizing its objective to ameliorate the economic and social conditions of the Muslim communities in non-member countries, the Bank established a special account, namely "Special Account" in 1400H (1979). The Waqf[14] Fund mentioned earlier, is the reincarnation of that account. Originally, the beneficiaries of the Fund were the Muslim communities in non-member countries but, the sphere of its operations was extended later, to cover the special needs of the member countries as well. The Fund provides various types of assistance in the form of grants but it also supports the administrative and other overheads of the non-income generating activities of the Bank. The resources of the Fund are meant mainly for the following activities:

- Special Assistance Programme;
- Scholarship Programmes;
- Technical Co-operation Programme;
- Islamic Research and Training Institute;
- Technical Assistance in the form of loan and grant; and
- Contribution to the Adahi Project.

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[13] These countries are: The Gambia, Guinea, Kenya, Mauritania, Senegal, Seychelles, Tanzania, Uganda and Zimbabwe.

[14] The concept of the Waqf is similar to that of trusts whereby a freeze is made on the sale or the donation of the asset under the Waqf or trust. However, the income earned from the asset is appropriated for the purpose of providing assistance to the poor and the needy.

1. Special Assistance Programme

The main focus of the Special Assistance Programme, as indicated earlier, was on upgrading the socio-economic status of the Muslim communities in non-member countries but, it also aims at mitigating the suffering of the Muslim communities afflicted by natural calamities, and emergency situation due to war, famine, etc. in both the member and non-member countries. It also assists the member countries in restructuring their economic, financial and banking systems according to the principles of Islamic Shari'ah. This is accomplished through the provision of research and training facilities. The Programme supports various types of projects which are as mentioned below:

- Educational, health and social projects for Muslim communities in non-member countries;
- Assistance to refugees from member countries;
- Assistance to refugees from Muslim communities in non-member countries;
- Assistance to refugees in neighbouring member countries;
- Relief assistance to member countries afflicted by natural calamities; and
- Support for research centres involved in research activities or programmes for teaching Islamic culture or Arabic in Muslim countries.

The approvals made under the Special Assistance Programme, over the years, included, among others, funds for some regional projects like Special Programme of Emergency Aid to Sahelian Member Countries, assistance to the member countries affected by locusts, floods, and earthquake, assistance to mitigate refugee problem, seminars/symposia on WTO-related matters, and social projects for Muslim communities in non-member countries. Some recent examples of financing under the Programme are: relief to the victims of earthquakes in Afghanistan (2002) and Iran (2003 & 2004), humanitarian assistance to Iraq, relief for the flood victims of Mozambique, relief for the drought in the Horn of Africa (Somalia), construction of women's dormitories at Kabul University, relief for the victims in Kassala (Sudan), and relief for the Palestinian University students in West Bank.

The projects financed by the Bank in non-member countries were mainly in health and education sectors for the socio-economic uplift of Muslim communities in various countries in Africa, Asia, America, Australia and Europe. The total amount approved by the Bank under the Programme, up to the end of 1424H, stood at $565 million for 1,017 operations and programmes. Out of this amount, $370 million was approved for 374 operations in the member countries and $195 million for 643 operations for Muslim communities in non-member countries.

2. Scholarship Programme for Muslim Communities in Non-Member Countries

The Scholarship Programme for Muslim Communities in Non-Member Countries, launched in 1404H (1983), aims at helping needy Muslim students to pursue higher studies in universities in their own countries or in the member countries of the Bank. The areas selected for studies are: medicine, engineering, dentistry, pharmacy, nursing, veterinary sciences, agriculture and computer science. On an exceptional basis, six other subjects are offered for the Muslim communities in the CIS and the East European countries. These subjects are: accountancy, administration, banking, business studies, finance, management and marketing. Although the Programme is designed only for the Muslim communities in non-member countries, nine member countries[15] are also entitled to benefit from it, on an exceptional basis.

The cost involved in a scholarship is considered as an interest-free loan (qard hasan) for the beneficiary student but a grant to the Muslim community concerned. The loans are to be repaid and deposited in the Waqfs (trusts) which the Bank has established in the beneficiary countries. The funds thus generated are expected to be recycled to help other students from the same communities. The beneficiary students are encouraged to play an active role, after graduation, in the development of their communities and countries. Under the Programme, 3,737 students have completed their studies and 2,416 are at various stages of completion. A total amount of ID37 million ($55 million) was spent on the Programme till the end of 1424H.

3. Merit Scholarship Programme for High Technology

The Merit Scholarship Programme for High Technology provides scholarships for advanced studies and research in science and technology. The Programme, introduced in 1411H (1991), aims i) to develop technically qualified human resources; and ii) to enhance the scientific, technological and research capability in the member countries. The scholarships are awarded to outstanding scholars and researchers to undertake advanced studies/research in the areas required for the development of the member countries. The scholarship is tenable at selected institutions and universities approved under the Programme. The approved study areas range from laser and fiber optics to environmental projects. The term of study is three years for a doctorate degree and 3-6 months for post-doctorate research.

So far, 244 scholars from 173 institutions situated in 44 member countries have benefited from the Programme. Under the Programme, 76 scholars have completed post-doctoral studies and research and 61 scholars completed their Ph.Ds. The total amount spent on the Programme stood at ID8 million ($12 million) till the end of 1424H. The Programme is announced once a year between March and April, and applications are received through the offices of the IDB Governors until September 30.

4. M.Sc. Scholarship Programme in Science and Technology

The M.Sc. Scholarship Programme in Science and Technology for the Least Developed Member Countries of the Bank, launched in 1418H (1997), is meant to develop human resources of the least developed member countries, especially in the areas of science and

[15]These countries are: Afghanistan, Albania, Azerbaijan, Cote d'Ivoire, Kazakhstan, Mozambique, Palestine, Somalia and Togo.

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technology. Twenty countries[16] from among the LDMCs are eligible to benefit from the Programme. So far, 120 students have benefited from the Programme. Scholarships are offered for two years to study in various universities in the IDB member countries. The scholarship provides for the tuition, a living allowance (maximum $200 per month), an allowance for clothing and books ($600 per year), medical coverage, and a return air ticket. By the end of 1424H, the total amount spent on the Programme stood at $0.6 million.

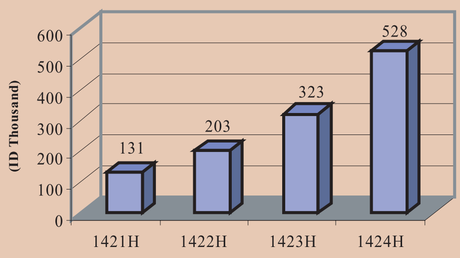
5. Technical Co-operation Programme

The Technical Co-operation Programme (TCP) was established in 1403H (1983) with the objective of mobilizing the technical capability of the member countries by promoting co-operation and exchange of experience and information among them. To pursue this objective, the Programme utilizes various vehicles including the provision of on-the-job training, study/familiarization visits, recruitment of experts, and organizing seminars and workshops. The priority areas identified for the Programme cover finance, education, agriculture and environment. However, some additional sectors like industry, transport and communication are also covered under the Programme. Special attention is paid to the requests received from the CIS and least developed member countries. Up to the end of 1424H, 1,130 operations involving a total amount of $24 million were approved for the member countries and regional/international organizations. The operations approved include seminars and workshops (52 per cent), on-the job-training and familiarization study (34 per cent) and expert recruitment of experts (14 per cent).

6. Contribution to Other Programmes/Projects

NGO's and Women Development: The Bank established the Non-Government Organizations (NGOs) Unit in 1418H (1997) and the Women & Development Unit in 1419H (1998). Subsequently, the two units were merged in 1420H (1999) with the name of NGOs & WID Unit. The Unit assists small projects designed by NGOs that contribute to poverty reduction through grass-root training, women empowerment, and capacity building. It also organizes regional workshop to interact with NGOs/women organizations, identify new partners and learn from their field experiences. The yearly approvals made since 1421H are shown in Chart 11. The cumulative amount of approvals stands at $1.20 million for 62 small projects.

Chart 11
Approvals of NGOs and WID Unit Operations



[16]These countries are: Afghanistan, Benin, Burkina Faso, Chad, Comoros, Djibouti, The Gambia, Guinea, Guinea-Bissau, Maldives, Mali, Mauritania, Mozambique, Niger, Palestine, Sierra Leone, Somalia, Togo, Uganda, and Yemen.

Vaccine Production & Illiteracy Eradication Programmes: These two programmes are parts of the package programme prepared for the implementation of the eighth Islamic summit resolution on 'Preparing the Ummah for the Twenty-First Century.' In 1420H (1999), the Bank approved a TA grant of $5.6 million for the Vaccine Production Programme and a TA grant of $3.5 million for the Illiteracy Eradication Programme. These programmes are discussed in some detail in Chapter VIII, Section 3.4.

VI. ACTIVITIES OF AFFILIATED ENTITIES AND FUNDS

As indicated earlier (Chapter I, Section 2), the efforts made by the Bank to meet the diverse developmental and other needs of the member countries resulted in the establishment of a number of schemes and entities. These entities are assisting the member countries in various ways including the promotion of private sector investment activities. In addition to these entities, there is a special project, popularly known as Adahi Project, which was started to assist the pilgrims in performing a ritual of Hajj in the prescribed manner. This chapter provides a brief account of these entities/schemes and their major activities.

1. Islamic Corporation for the Development of the Private Sector

The IDB established the Islamic Corporation for the Development of the Private Sector (ICD) in 1420H (1999) with the following objectives:

- to identify opportunities in the private sector that could function as engine of growth;
- to innovate and provide a wide range of Shari'ah compatible financial products and services; and
- to expand the access and increase the share of financing of the private sector from the Islamic capital markets.

The ICD is an independent entity within the IDB Group with an authorized capital of $1.0 billion. Of this amount, $500 million was made available for subscription by member countries and other institutions. The structure of the subscribed capital is as follows: the IDB (50 per cent), member countries (30 per cent) and public financial institutions in the member countries (20 per cent). So far, 45 countries signed and 37 ratified the Articles of Agreement establishing the ICD and an amount of $263.4 million has been paid-up.

The Bank lays great emphasis on the role of private sector in promoting economic growth and prosperity in the member countries. The Islamic Corporation for the Development of the Private Sector (ICD) is mandated to identify opportunities for the growth of the private sector and to expand access to Islamic capital markets by private companies in the IDB member countries.

The ICD provides its clients with a wide variety of financial products such as direct financing, asset management, structured finance, and advisory services. The ICD utilizes Shari'ah-compatible modes of financing/financial products such as equity, term financing (leasing, instalment sale and Istisna') and quasi-equity in the form of term financing convertible into equity at some stage of the project life. The ICD started its operations in 1421H, and, up to the end of 1424H, a cumulative amount of $190 million had been approved for 30 operations[17].

2. Islamic Corporation for the Insurance of Investment and Export Credit

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) was established in 1415H (1994). The objective of the ICIEC is to expand trade investment flows among the member countries of the OIC by way of export credit and investment insurance against country risks in accordance with the principles of Shari'ah.

The authorized capital of the ICIEC is ID100 million ($150 million). The subscribed capital by the IDB and the member countries stands at ID96.99 million ($145 million). The IDB contributed ID50 million ($74.75 million), which is 50 per cent of the authorized capital. At the end of 1424H, there were 35 shareholders of the ICIEC including the Bank.

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) was established with a view to expand the intra-trade and intra-investment activities by way of providing export credit and investment insurance.

The ICIEC offers three types of insurance policies: i) Comprehensive Short-Term Policy; ii) Supplemental Medium-Term Policy; and iii) Bank Master Policy. These policies provide insurance cover for up to 90 per cent of exporters'/banks' loss due to the non-payment of export credits resulting from commercial risks. The Investment Insurance of the ICIEC provides insurance cover to investors from the member countries who intend to invest in other member countries against country risks. The ICIEC also has a reinsurance facility namely, Export Credit Faculatative Reinsurance Facility (ECFRF). This facility allows the ICIEC to reinsure individual export credit insurance agencies (ECAs) in the member countries in respect of export credit risks underwritten by the ECAs on a policy by policy basis.

The ICIEC started its operational activities in 1416H (1995). At the end of 1424H, the total number of policies in force stood at 80. Similarly, the total current commitments and the total business insured stood at $265 million and $147 million respectively in 1424H.

3. Islamic Banks Portfolio for Investment and Development

The Islamic Banks Portfolio for Investment and Development (IBP) is a trust fund established by the Bank in 1408H(1988), in association with other Islamic banks and financial institutions. The main objective of establishing the IBP was to mobilize funds for utilizing in the promotion of investment and trade among the member countries. The initial life of the Portfolio is 25 years, after which it may be renewed or dissolved.

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[17]Further details may be seen in the ICD's Annual Report, which is published separately.

The IBP has a fixed paid-up capital of $100 million and a variable capital of $280 million. In addition, it has access to the deposits of $300 million placed by the IDB. The unit of account of the IBP is the US dollar. The assets and liabilities of the IBP are maintained separately from those of the Bank and its annual accounts are also separately audited. The Bank manages the operations of the IBP as Mudarib[18]. Currently, nineteen Islamic Banks and financial institutions are shareholders of the IBP.

The IDB manages the Islamic Banks Portfolio for Investment and Development (IBP) as Mudarib. As an investment fund, the IBP serves as the nucleus of an Islamic financial market, in addition to promoting intra-trade among the member countries. The IBP extends short-term financing in the form of Murabaha to finance trade operations. It also extends medium- and long-term financing in the form of instalment sale, leasing, and Istisna' with a duration of maximum 12 years, including 3 years gestation period (in the case of leasing).

The clientele of the IBP are from the private sector in the IDB member countries, but the financial requests received from the public sector companies are also considered. In order to meet the Shari'ah requirement of tradability, at least 51 per cent of the portfolio's resources are invested in asset-backed transactions (other than cash, and trade receivables). The share certificates of the initial capital of the IBP are negotiable and tradable, mainly among the Islamic banks participating in the capital issue. The modes of financing used by the IBP include equity, instalment sale, Istisna', leasing, Mudaraba, Murabaha and Musharaka. The mode of Murabaha is used for trade financing, which is the major area of the IBP's operations. Till the end of 1424H, the IBP approvals stood at $3.39 billion for 214 operations (including cancelled ones). Of this amount, $2.19 billion (65 per cent) was for trade financing.

4. IDB Unit Investment Fund

The IDB Unit Investment Fund (UIF), established in 1410H (1989), is a private sector window of the IDB, which is managed as an autonomous entity within the IDB. The UIF mobilizes resources for the IDB and provides a Shari'ah compatible investment opportunity to the investors. The Fund has emerged as an asset class investment with features of good return, safety and liquidity.

The size of the UIF increased from $100 million to $325 million with a participation held by 27 institutional investors from 11 countries. The unit of account of the UIF is the US Dollar. The par value of the Fund unit is one US Dollar and the minimum subscription is 100,000 units. The Fund is listed on the Bahrain Stock Exchange. The listing has enhanced its liquidity position, making it possible to trade its units at any time without recourse to the IDB for repurchase.

The IDB Unit Investment Fund (UIF) is a private sector window of the Bank. The main business of the UIF is trade financing and syndicated trade operations. Depending on the

[18] A form of partnership called Mudarabah, meaning that one party provides funds while the other provides expertise and management. The latter is referred to as Mudarib.

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mode, the maturity of financing varies from 5-10 years for medium- and long-term financing respectively and 6-24 months for short-term financing. The Fund also co-finances projects with other windows of the IDB Group and other Islamic banks and financial institutions.

The UIF enjoys a unique position as an asset-class fund mainly due to the selection of high-grade quality assets and the availability of guarantees for them. The trading of units has been made through the redemption of facility offered by the Bank in its capacity as the market-maker. The Fund's investment policy lays emphasis on direct investments in both the public and private sectors in the member countries. In this respect, the UIF extends financing facilities through the modes of financing like Murabaha, Istisna', instalment sale, and leasing. Till the end of 1424H, the total approvals of the UIF made under various modes of financing stood at $1.3 billion. Of this amount, $517 million (40 per cent) was for trade financing through Murabaha .

5. IDB Infrastructure Fund

The IDB Infrastructure Fund (IIF), established in 2001, is the first private investment vehicle of its kind with a mandate to focus its operational activities on the infrastructure development opportunities in the member countries. The IIF aims to seek long-term capital appreciation by making equity and equity-related investments in infrastructure projects and infrastructure-related industries in the IDB member countries and also to promote the use of Islamic finance in financing infrastructure projects. The main focus of the IIF is to invest in sectors like power generation, telecommunication, transportation, energy, natural resources, development of water resources, and the Islamic financial and capital market institutions.

Based in the Kingdom of Bahrain, the Fund is a limited partnership with a targeted equity capital of $1.0 billion and a complementary financing facility (CFF) amounting to $500 million. The IIF aims at constituting a syndication group of $1-2 billion for the CFF. The Fund has two functional arms namely, the Policy Management Company (PMC) and the Emerging Markets Partnership (EMP).

The business objective of the IDB Infrastructure Fund (IIF) is to make equity and equity-related investments in infrastructure projects and related industries in the IDB member countries. The Fund is also mandated to develop Shari'ah compatible financial instruments. Another important aspect of the IIF activities is to participate in syndicate financing on a project-by-project basis. So far, the IIF has achieved a total commitment of $930.5 million ($730.5 million for equity and $200 million for CFF) against its overall size of $1.5 billion. Out of the commitments, a sum of $208 million was invested in the form of equity in four projects[19] in member countries.

[19]These projects are: Air Asia (Malaysia), SIPHEM (Saudi Arabia), AES Oasis (projects in Oman and Pakistan).

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The following member countries and financial institutions are the participants in the Fund:

- Islamic Development Bank ($100 million);
- Dar Al-Maal Al-Islami Trust ($100 million);
- Sultanate of Brunei ($300 million);
- Kingdom of Saudi Arabia ($100 million);
- Kingdom of Bahrain ($100 million);
- Malaysia ($30 million); and
- EMP Bahrain ($0.5 million).

6. World Waqf Foundation

The World Waqf Foundation (WWF) was established by the IDB in 1422H (2001). The WWF is mandated to manage, safeguard and invest the waqf (endowment) resources) and to spend the income in accordance with the principles of Shari'ah. The objectives of the WWF are to support the establishment of a network of waqf institutions, to coordinate their activities, and to provide expertise in relevant fields; to contribute in the alleviation of poverty and human development through related activities such as supporting educational, health and social institutions and programmes and extending scholarships to students; to provide relief paid in the form of goods and services; and to help IDB member countries to enact uniform waqf legislations.

The IDB allocated, as an initial contribution, $25 million to the resources of the WWF. The proceeds of the contribution would be utilized to fund educational projects of the Muslim communities in India. The resources of the WWF could also come from the awqaf (trusts) devoted to any of its objectives as well as from donations and grants from other sources. The WWF has fifteen shareholders including the IDB. The other shareholders comprise individuals, private entities, organizations, and governmental departments. The total value of the shares amounts to about $42 million.

The World Waqf Foundation (WWF) is an entity mandated to manage the resources contributed by the philanthropists as waqf (endowment).

The activities of the WWF are under the supervision of a board comprising individual donors (Waqifs) with at least a Waqf contribution of $1.0 million. The board is the general assembly that elects a board of trustees that acts as the board of executive directors of the WWF.

In a bid to popularize the concept and attract contribution to it, the WWF is designing some projects like Africa Waqf Charity in line with the Ouagadougou Declaration that was issued at the 27th annual meeting of the IDB Board of Governors. The proceeds of the WWF are intended to be spent on projects that would lead to the improvement in the economic and cultural and social lives of the Muslim communities.

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7. Awqaf Properties Investment Fund

The institution of Waqf is an important tradition of Islam which plays an important role in the economic, social and cultural life of the society. The Awqaf Properties Investment Fund (APIF) is a trust fund managed by the IDB, and was established in 1421H (2001) by the Awqaf ministers, Awqaf directorates and various Islamic banks. The outreach of the APIF is the development and management of Awqaf properties around the globe. Initially, the approved capital of the APIF, which was fully subscribed, was $51 million, but was subsequently raised to $55 million. Currently, there are twelve participating institutions in the APIF from seven member countries.

In order to support the activities of the Awqaf Properties Investment Fund (APIF), the IDB extended a line of financing amounting to $50 million. In addition, the Bank approved an amount of $0.25 million for technical assistance to be used for preparing feasibility studies, project design, etc. So far, the APIF has approved 24 operations amounting to $93 million. Of these, 11 operations involving an amount of $58 million was approved for the development of Awqaf property in eight member countries. The remaining 13 operations were approved for the management of the Fund's liquidity. The modes of financing used included leasing, instalment sale, Istisna' and Murabaha.

8. Islamic Research and Training Institute

The Islamic Research and Training Institute (IRTI) was established by the IDB in 1401H (1981) with a mandate to undertake research and training activities and to extend information services in the member countries and Muslim communities in non-member countries. The activities of IRTI are designed mainly to help the stakeholders in the Islamic financial system to innovate and find solutions to emerging challenges in the fields of economics and finance and other related areas of study.

The activities undertaken by the IRTI in the areas of research, training and information are discussed in Chapter VII, Section 4. In addition to accomplishing these activities, the functions of the IRTI include some other tasks. These include the Encouragement and Promotion Programme, the IDB Prize, the IDB Prize Lecture, IRTI Shari'ah Lectures, and the IRTI Journal. Under the Encouragement and Promotion Programme, the IRTI provides assistance to individuals and institutions to encourage them to undertake research and training activities in the areas of Islamic economics, banking and finance. Since 1408H, the IRTI is implementing an international prize, known as the IDB Prize, which has been established to recognize, reward and encourage creative efforts of outstanding merit in the fields of Islamic economics, banking and finance. The prize, which alternates every year between Islamic economics and Islamic banking, consists of a citation carrying the Bank's emblem and a cash award of ID 30,000 (US$ 45,000 approx.). The IRTI also publishes a refereed scientific journal, *Islamic Economic Studies*.

9. International Centre for Biosaline Agriculture

The International Centre for Biosaline Agriculture (ICBA), established in 1420H (1999), is an applied research and development institution specialized in the utilization of saline, brackish, and sea-water for agriculture and re-vegetation. The objective of the ICBA is to demonstrate the value of saline water resources in producing environmentally and economically useful plants and to transfer the results to national research services and communities in the Islamic world and elsewhere.

The Centre was sponsored by the IDB, the OPEC Fund and the Arab Fund for Economic and Social Development. The IDB provided $22 million for its construction work and the Government of the UAE and the UAE University extended co-operation in other forms.

The ICBA determines the suitability of conventional crop species for propagation under saline irrigation in the target areas and particularly in the Gulf environment. Alternative crop production and management systems are evaluated with a view to maximizing production from salt-tolerant species. It is expected that the results obtained from the agricultural research in the Centre, when applied, will promote significantly the use of salt-tolerant species. The ICBA has established collaborative agreements with several regional and international organizations. It has also organized a number of workshops and seminars and set up facilities for training courses on biosaline agricultural technique.

10. OICNetworks Sdn. Bhd

The OICNetworks Sdn. Bhd (OICnetworks) is a joint-venture, established in 1421H (2000) with the IDB and the MIMOS Bhd of Malaysia. OICNetworks is mainly involved in information service, e-commerce, internet connectivity and consultancy services and aims to improve the flow, exchange and sharing of information resources among the member countries of the OIC. The company operates two internet programmes namely, OIC-exchange and OIC-trade. While the OIC-trade is membership-based and targets the corporate sectors, the OIC-exchange serves the communities within the OIC member countries.

The IDB holds 51 per cent of the shareholding in the joint-venture. The IDB and the MIMOS have pledged a total investment of $14.5 million over a period of four years. The authorised capital of the company stands at $2.6 million, which is fully paid-up.

The OIC-trade, set up in 1422H, aims mainly to facilitate trade between buyers and sellers, especially within the OIC region, via the Internet platform. It is supported by a network of country representatives. It is marketed by its country representatives in Malaysia, Indonesia, Bahrain and Saudi Arabia. It collaborates with various parties in the member countries and also with the ICCI to accelerate its membership drive.

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11. Kingdom of Saudi Arabia Project for Utilization of Sacrificial Animals

One of the five pillars of Islam is to perform Hajj during a specified period and within a specified area in the Holy Haram of Makkah. An important ritual of Hajj is the slaughtering of the prescribed sacrificial animals. In order to perform the ritual in a smooth, organized and orderly manner, the Government of Saudi Arabia, in 1403H (1983), gave the responsibility of managing the project for utilization of sacrificial animals (popularly known as the Adahi Project) to the IDB. This project falls outside the normal operations of the IDB, but in view of its importance to the member countries and Muslim communities in other countries, the IDB accepted the responsibility with a view to oversee the distribution of the sacrificial meat in accordance with the established norms of Shari'ah. In 1424H, the total number of sacrifices carried out was over 0.6 million animals (sheep, cows and camels). Out of this, about half the carcasses were distributed outside the Kingdom and the rest distributed locally among the poor and needy of the Haram area in Makkah al-Mukarramah.

VII. CONTRIBUTION TO ISLAMIC BANKING INDUSTRY

As a pioneering institution in the area of Islamic banking, the IDB constantly aims to play a leading and catalytic role in promoting and strengthening Islamic banking in the member countries and internationally. The IDB Strategic Framework has identified the promotion of Islamic financial industry and institutions as one of its strategic objectives. Following the establishment of the Bank thirty years ago, the Islamic banking industry has now matured into a niche sector with over 300 entities which manage assets worth over $250 billion. The Islamic banking industry has not only witnessed remarkable growth and expansion but also showing bright prospects in the years to come. While the capital, deposits and assets of the Islamic banks grew substantially during the last three decades, Islamic financing windows have been also established by the conventional international banks.

The IDB's contribution to the development of Islamic banking has been in a number of ways. These include participation in equity share, developing new modes to finance investment activities, establishing new schemes for resource mobilization, and establishing a number of regulatory and standard setting institutions for integration of Islamic banking and finance. These developments are highlighted below:

1. Developing New Modes of Financing

At the time of establishment of the Bank, the concept of Islamic banking was almost non-existent. Naturally, the Bank, mandated to follow the principles of Islamic Shari'ah which prohibits interest, was faced with a formidable challenge in conducting its operations. The challenges, however, provided the Bank with an opportunity to seek innovative solutions consistent with Shari'ah. As a result, a number of schemes and modes of financing were developed. The modes applied in respect of project financing include, loan, equity, leasing, profit-sharing, instalment sale, and Istisna' (See Box 4). Since the conventional way of borrowing from the capital markets involves interest, the Bank developed a number of schemes to mobilize financial resources. These include the ITFO, the EFS, the IBP and the UIF. Through

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Box 4
IDB Modes of Financing

Loan Financing: This mode, introduced in 1396H (1976), is concessionary in nature and different from that of other MFIs, extended to the member countries for financing of infrastructure projects. The Bank recovers its administrative expenses involved in granting loan facility by levying a service fee calculated on the basis of actual expenses incurred on administering the facility. Loan financing are of two categories: ordinary loan and LDMCs loan.

Equity Participation: Through this mode of financing, introduced in 1396H (1976), the Bank participates in the share capital of various companies. The participation takes two forms: direct equity or through lines provided to NDFIs. In either case, the level of IDB's participation does not exceed one-third of the equity capital of the project.

Leasing: It is a medium- to long-tem mode of financing, which involves purchasing and subsequently transferring of the right of use of the equipment and machinery to the beneficiary for a specific period of time, during which the Bank retains the ownership of the asset. It was introduced in 1397H (1978).

Instalment Sale: Under this mode of financing, introduced in 1405H (1985), the Bank purchases assets and sells them to the beneficiary at a higher price, the repayment being in instalments. Unlike leasing, the ownership of the asset is transferred to the purchaser on delivery.

Profit-Sharing: This mode, introduced in 1397H (1978), is similar to joint-venture financing. The Bank, in partnership with other financiers, pools resources to establish a joint-venture. Dividends (or losses) are distributed to the partners in proportion to the amount contributed.

Istisna': This is a medium-term mode of financing, introduced in 1416H (1996). It is a contract for manufacturing (or construction) whereby the manufacturer (seller) agrees to provide the buyer with the goods identified by description, after they have been manufactured/constructed, in conformity with that description, within a certain time and for an agreed price.

Technical Assistance: This mode of financing is concessional in nature. Technical assistance is provided in the form of a loan, grant or a combination of both for conducting feasibility studies, detailed design and preparation of tender documents, as well as services for the supervision of projects.

Lines of Financing: The lines are extended through the NDFIs to promote small- and medium-scale private sector enterprises. The Bank records a project financed from a line at the country level as a 'sub-project'. The financing of sub-projects is extended either by way of leasing or instalment sale.

these schemes, trade financing is carried on by way of Murabaha. These developments have proved that, in the modern world, Islamic banking is not only viable but also a competitive alternative to the conventional banking system.

2. Participation in Equity Share

The Bank participated in the establishment of a number of Islamic banks in the member countries by way of equity investment. Currently, the IDB has an equity investment in the share capital of 28 Islamic banks and financial institutions involving a total amount of ID100.82 million (See Table 1). The Bank will continue to play its promotional role in the establishment of Islamic banks in future.

Table 1
Equity Participation in Islamic Banks & Financial Institutions
(As of Jumad Awwal 1425H/July 2004)

No.	Bank/Financial Institution	ID Million	US$ Million
1	United Bank of Albania[1]	2.112	3.000
2.	Albanian International Company for Investment & Development	1.509	2.000
3.	Al Baraka Bank of Algeria	3.000	4.170
4.	Bahrain Islamic Bank	8.190	10.863
5.	Islamic Trading Company	7.119	9.000
6.	Gulf Finance House	3.000	3.986
7.	Islamic Bank Bangladesh Limited	2.132	2.848
8.	The Oriental Bank Limited[2]	1.600	2.000
9.	Al Baraka Bank of Djibouti	0.497	0.690
10.	Arab Gambian Islamic Bank	0.434	0.600
11.	Islamic Bank of Guinea	2.300	3.000
12.	Bank Muamalat Indonesia	7.444	10.000
13.	PT Bank Al Baraka Surya	3.000	4.400
14.	Gulf Investment House	2.462	3.325
15.	Islamic Bank of Niger	1.776	2.400
16.	First Standard Investment Bank[3]	0.549	0.754
17.	Al-Meezan Investment Bank	1.510	2.050
18.	Al-Aqsa Islamic Bank	0.350	0.500
19.	Bosnia Bank International	7.356	10.000
20.	Bosnian Investment Company	0.855	1.210
21.	Islamic Bank of Senegal	2.664	3.600
22.	Al Baraka Turkish Finance House	5.531	6.448
23.	Kuwait Turkish Evkaf Finance House	3.040	3.943
24.	Ihlas Finance House	3.416	4.848
25.	Islamic Bank of Yemen	0.809	1.154
26.	Al Baraka International Bank Limited, London	12.708	18.309
27.	Central Asia Investment Holding Company Limited	3.491	5.000
28.	International Leasing and Investment Company, Kuwait	11.963	16.500
	Total	100.817	136.598

Notes. 1: Formerly, Arab Albanian Islamic Bank, 2: Formerly, Al Baraka Bank Bangladesh Limited, and 3: Formerly, Al-Towfeek Investment Bank Limited.

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3. Integration of Islamic Banking and Finance

Along with other stakeholders, the IDB played a leading role in efforts to achieve greater integration of Islamic financial institutions in the international financial system. These efforts are aimed at establishing a number of accounting and regulatory institutions to further enhance the level of transparency, standards of corporate governance and risk management capabilities of the Islamic banking and financial institutions. These institutions include the following:

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI): Established in 1992, the AAOIFI serves as an institutional arrangement for self-regulation in the public disclosure of financial statements by the Islamic financial institutions and for the implementation of auditing practices by external auditors.

The Islamic Financial Services Board (IFSB): The IFSB was established in Kuala Lumpur, Malaysia in 2002 as a regulatory and internationally acceptable standard setting institution for the Islamic banks. The initiative to establish it was taken by the IDB, in co-operation with the IMF and selected central banks. The IFSB will help to establish internationally acceptable standards like prudential regulations and supervision standards in the key areas of the Islamic banking industry.

International Islamic Finance Market (IIFM) & International Islamic Rating Agency (IIRA): The Bank has also been actively engaged in the establishment of the International Islamic Finance Market (IIFM) as well as in the creation of the International Islamic Rating Agency (IIRA). The purpose of these initiatives is to contribute to the standardization of the Islamic financial products and to make the Islamic industry competitive, transparent and viable. It is expected that these efforts will contribute to the competitive growth of the Islamic financial institutions and also facilitate smooth functioning of the Islamic banks, side by side with the conventional banking institutions.

Liquidity Management Centre: The Bank has also been instrumental in the establishment of the Liquidity Management Centre (LMC) in Bahrain. The LMC is a key element of a broader project to create an International Islamic Financial Market (IIFM), which will help in resource mobilization and investment through the use of Shar'iah compliant financial instruments. Both the IDB and the LMC co-managed the Ijara Sukuk Issue of the Bahrain Government. These Sukuk Issues are expected to provide impetus to the activities of the secondary market in the member countries.

General Council of Islamic Banks and Financial Institutions: The IDB played a special role in the establishment of the General Council of Islamic Banks and Financial Institutions (GCIBFI), which is an international autonomous non-profit corporate body representing institutions in the Islamic financial industry. It was incorporated in the Kingdom of Bahrain in 2001. The main objectives of the GCIBFI includes, inter alia, the promotion of Islamic financial institutions, dissemination of concepts, rules and provisions related to them; and development of the Islamic financial industry.

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International Islamic Centre for Reconciliation and Commercial Arbitration: The IDB played a catalytic role in the establishment of the International Islamic Centre for Reconciliation and Commercial Arbitration in 2003. The Centre, based in Dubai, United Arab Emirate, was established in 2003. The main objective of the centre is to mediate and decide on all financial and commercial disputes which arise between financial and commercial institutions, and between these institutions and/or third parties.

4. Research and Training

The mandate of the IRTI, as mentioned earlier, is to undertake research activities in economics, banking and finance, and to impart training in Islamic banking and finance. In the area of research, the IRTI organizes and conducts basic and applied research with a view to developing models and methods for the application of Shari'ah in the fields of economics, banking and finance. The IRTI also holds seminars, conferences, and workshops through which external expertise is effectively mobilized. At the end of 1424H, the total number of published titles stood at 245 and the total number of seminars and workshops organized stood at 151.

The training activities of the IRTI are undertaken with the objective of capacity building in the member countries. These activities involve conducting training courses and workshops mainly in Islamic economics, banking and finance, private sector development and macro-economic management. The courses are usually conducted in any one of the three working languages of the Bank namely Arabic, English and French. However, for the countries located in Central Asia, some training courses are conducted in Russian language. Up to the end of 1424H, the total number of courses offered stood at 201.

The information dissemination activities of the IRTI include the design, implementation and maintenance of the web-based information systems that enable the member countries of the Bank to better employ information and communication technology for socio-economic development. The information systems that are in the process of being developed include the IDB Database on Experts (IDBDE) and the Trade Information & Promotion System (TIPSys). Moreover, a study entitled Model Information Technology Strategy was prepared to provide guidelines to member countries on the future directions of their national information technology strategies as a tool of economic development.

5. Regular Meetings

Meetings of the Islamic banks are held every year which provide opportunities for consultation on subjects of common interest and finding ways for further enhancing co-operation and identifying opportunities. These meetings are held at two different levels: (i) at the level of Directors of Operations/Investments held once a year, and (ii) at the level of the heads of institutions, held on the occasion of the annual meeting of the IDB Board of Governors.

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6. Other Efforts

The Bank provides technical assistance to the Islamic banks for capacity building and also lines of finance, which strengthen their operational capacity. In an effort to create awareness about introducing Islamic banking and finance, papers are prepared and presented at different forums. Some of the papers on Islamic banking and financial system, which were presented at international forums in recent years, are as follows:

- Paper on the International Islamic Financial Market, presented at the Oxford Banking Forum held in Malaysia, 2000.
- Paper on Islamic Banking- An Agenda for the Next Decade, presented at the annual International Islamic Banking Conference held in Bahrain, 2003
- Paper on The Emerging Islamic Financial Architecture: The Way Ahead, presented at the Fifth Harvard University Forum on Islamic Finance, 2002.
- Paper on Challenges Facing the Islamic Financial Services Industry, presented at the International Seminar in Indonesia, 2004.
- Paper on Developing the Islamic Financial Services Industry and the Role of Regulation and Supervision, presented at the Sixth Harvard University Forum on Islamic Finance, 2004.

These efforts are some of the examples that demonstrate the catalytic role being played by the IDB in the development of Islamic banking and finance.

VIII CO-OPERATION

1. Trade Co-operation

The Bank's Strategic Framework emphasizes promotion of intra-trade as an important instrument of forging economic co-operation and to enhance the process of economic development in member countries. Trade financing extended by the IDB Group has provided the much needed foreign currency for import of goods and commodities of developmental nature. In this area of co-operation, the various schemes and windows introduced by the IDB Group have shown substantial growth. Of the total financing approved under the ITFO, the leading scheme among them, about 75 per cent ($12.56 billion) was used to finance intra-trade among the member countries. During the recent years, all the approvals under the EFS were for financing intra-trade among the member countries. Likewise, the BADEA scheme has also its share in the promotion of intra-trade among the member countries because most of the beneficiary countries are members of the Bank. The ICIEC, through providing export credit insurance facilities to the member countries, is also contributing in the intra-trade promotion efforts. Recently, the ICD and the APIF have also started to participate in trade financing operations. The 'New Initiative' of the Kingdom of Saudi Arabia adopted by the Tenth OIC Summit, held in 2003 in Kuala Lumpur, is also expected to make available more resources for trade financing. In addition to the trade financing schemes and other entities mentioned above, the Bank has some special programmes designed for the promotion of trade among the member countries. These are briefly discussed below.

1.1 Assistance on WTO-Related Matters

Under the rule-based international trading system of the WTO, the obligations emanating from the various WTO agreements pose major challenges for the developing countries, including the IDB member countries. In response to the needs of member countries in this area and pursuant to the relevant COMCEC resolutions, the IDB embarked upon an extensive technical assistance programme in 1997. The Programme is aimed at strengthening the human and institutional capacity of the OIC member countries to enable them to better participate in the multilateral trading system. The WTO-related technical assistance programme of the IDB has two major components: (i) programmes related to the capacity-building that are specifically designed for those member countries that are in the WTO accession process, and (ii) to assist member countries[20] for co-ordinating their positions on major issues in the context of the WTO ministerial meetings. Specifically, the technical assistance activities fall under five categories namely i) holding consultative meetings; ii) organizing seminars/ workshops; iii) offering trade policy courses; iv) undertaking studies; and v) providing country specific technical assistance.

Consultative Meetings: The Bank has organized a number of consultative meetings prior to and after the WTO ministerial conferences. These meetings were organized for the preparation for the WTO ministerial conferences and also to evaluate their outcome. So far, five WTO ministerial conferences have been held in Singapore (December 1996), Geneva (May 1998), Seattle (November 1999), Doha (November 2001) and Cancun (September 2003). In this context, the IDB organized 18 consultative meetings that provided a forum to the OIC member countries for exchanging views on the issues related to the WTO ministerial meetings as well as to evolve common positions on key issues.

Courses, Seminars and Workshops: The Bank has organized a number of trade policy courses, seminars and workshops in various OIC countries covering wide geographical areas. The trade policy courses were organized in Arabic, English and French languages. The purpose of organizing the courses, seminars and workshops are to enhance the capacity-building in the OIC member countries and to familiarize them with the contents and provisions of the Uruguay Round Agreements and WTO activities. The number of trade policy courses, seminars and workshops organized so far, stands at 6, 19 and 8 respectively.

Studies: The Bank undertook sectoral studies in five major areas namely, agriculture, investment, services, trade-related aspects of intellectual property rights (TRIPs) and electronic commerce. Each study included a set of case studies on the OIC member countries and contained suggestions for evolving negotiation strategies on various issues.

Technical Assistance Programme: Technical assistance is provided to the OIC member countries on their request, through funding of consultancy services on vital WTO issues. So far, technical assistance has been provided to Kazakhstan, Kyrgyz Republic, Lebanon, Maldives, Niger, Saudi Arabia, Sudan, Suriname, Tajikistan, the UAE and Yemen.

[20]Currently, 37 IDB countries are members of the WTO, whose total membership stands at 147.

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1.2 *Trade Co-operation and Promotion Programme*

The Trade Co-operation and Promotion Programme (TC&PP) of the IDB was launched in 1415H (1994) to facilitate and promote intra-trade among the member countries. The objectives of this Programme are: (i). matching trade opportunities among the member countries; (ii) strengthening trade relationships among the member countries; and (iii). building capacity on trade related subjects and expertise. In order to achieve these objectives, a number of following activities are organized:

- facilitating participation in trade fairs and exhibitions;
- organizing/facilitating participation in workshops and seminars;
- organizing and/or participation in meetings related to trade;
- conducting training courses in relevant subjects;
- provision of finance for undertaking studies; and
- hiring of experts.

2. Promotion of Intra-Investment

Trade is, no doubt, an important vehicle for co-operation among the member countries but the realization of its full potential by the prospective trade partners depends on a mix of requirements such as diversity in production, complementarities in exportable goods, productivity and competitiveness, existence of physical infrastructure and availability of appropriate technology. In this context, promotion of intra-investment is another prospective area of forging greater co-operation amongst the member countries. The heterogeneity in the resource endowments of the IDB member countries is very favourable for such co-operation.

Given the inadequacy and uncertainty of the FDI flows, a strong case can be made for identifying conditions for forging of intra-investment amongst the member countries. Recently, the FDI flows have been on a decline for the majority of the developing countries. The global FDI flows declined by 40 per cent in 2002 when compared with the average annual level of 1999-01 period. The total FDI inflows to the IDB member countries, however, showed an improvement during the period, but future is very uncertain and unpredictable.

Aware about the role of the FDI inflows in increasing economic growth rates of member countries, the Bank in its financing operations lays special emphasis on the promotion of intra-investment flows. In realizing the strategic objective of the IDB Group to promote economic co-operation, the Bank supports the organization of investment conferences, facilitate joint ventures among the member countries, and give priority to projects serving two or more member countries. Moreover, several workshops and symposia were also organized by the IDB on investment promotion issues.

At an early stage of its operation, the IDB identified investment in basic infrastructure, especially power and transport, as a priority sector for financing. This is because strong

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infrastructure is a prerequisite for growth and poverty alleviation in the long-run. The Songloulou Hydro-Electric Project (Cameroon) was the first project approved in 1976 for financing. Similarly, projects like Hargeisa-Borama Road (Somalia) and Nyala-Kas-Zalingie Road (Sudan) were among the earliest ones approved for financing. Since 1996, the Bank organized a number of conferences on investment in order to create awareness among the prospective investors about the existing investment opportunities in the IDB region.

The establishment of the ICD and the ICIEC, provision of lines of financing to the national development financing institutions (NDFIs), co-operation with the Association of National Development Financing Institutions in Member Countries of the IDB (ADFIMI), the Islamic Chamber of Commerce and Industry (ICCI) as well as with other Islamic banks, are all geared to promote the flow of intra-investment among the member countries. In this connection, the Bank organized an experts meeting on “Enhancing the Capacity of Financial Markets to Promote Investment in IDB Member Countries”, which was held at the IDB Headquarters in June 2004. In order to highlight the importance of the subject, the Bank prepared an Occasional Paper entitled “Promotion of Investment Flows among the Member Countries” in 1422H (2001). For the same purpose, “Intra-Investment Among the IDB Member Countries” was the theme selected for the 13th IDB Annual Symposium (Box 5). Issues related to the promotion of intra-trade and intra-investment will be the agenda of the high-level Islamic Economic Conference scheduled to be held in Turkey, in November 2004.

Existence of appropriate legal environment is a major factor that attracts investment flows from one country to another. Beside developing and transforming their national legislations according to a number of international requirements, countries enter into sub-regional, regional and multilateral investment agreements. For the promotion of intra-investments, the majority of the IDB countries, especially the LDMCs, have to seriously consider the enactment of necessary legal framework. Improving the bilateral agreements already signed and making them effective within the context of existing regional groupings might provide a good basis to improve the prospects of enhanced intra-investment flows.

3. Co-operation with the OIC and Its Affiliated Organs

In order to become a member of the IDB, it is required, among other things, that it should be a member of the Organization of the Islamic Conference (OIC). This fact clearly points to the relations that exist between the two organizations. In pursuance of its objective to promote economic and commercial co-operation among the member countries, the Bank lays special emphasis in supporting the relevant agenda of the OIC. In fact, a significant segment of the Bank’s activities is related to improving the effectiveness of its co-operation with the General Secretariat of the OIC, its subsidiary organs, specialized institutions and affiliated organizations. This section briefly presents an account of this co-operation.

Box 5
IDB Symposium on "Co-operation among OIC Member Countries for Intra-Investment"
Major Recommendations

At the national level, IDB member countries need to:

- Create a conducive business environment, which gives greater confidence to the local investors and is equally attractive to foreign investors
- Enhance the role of private investors in national investment promotion agencies.
- Actively pursue all efforts in order to harmonize investment codes and other legislations between OIC member countries.

At the regional level, OIC/IDB member countries may, within the framework of the OIC, consider:

1. Adopting a new approach for strengthening economic co-operation among member countries in general and for increasing intra-investment in particular, through the following major initiatives:
   a. Constituting a "Joint Investment Promotion Team" composed of selected senior officials, leading businessmen and thought leaders with the mandate to:
      - Revitalizing existing institutions, agreements and other arrangements for promoting intra-investment;
      - Revising the "OIC Strategy and Plan of Action to Strengthen Economic and Commercial Co-operation" taking into account recent developments and new challenges;
      - Setting intra-investment target with time schedule, similar to that adopted for intra-trade at the OIC level; and
      - Holding economic summits to provide regular impetus to the promotion of intra-investment.

   b. Launching a "Direct Investment Acceleration Scheme" with the major objective to:

      - Create enabling conditions for member countries to trade shares on inter-exchange basis; and
      - Launching and networking "Communication and Knowledge Sharing Initiatives"

2. Establishing a "Forum of Investment Promotion Centres from OIC Member Countries" with the objective to further enhancing the ongoing economic co-operation among these centres.

At the IDB Group level, the Symposium proposed to consider:

1. Scaling up IDB Group activities in the area of economic co-operation by:

   - Promoting and financing joint ventures among private investors from member countries, and reciprocal investment in free trade zones;
   - Enhancing the role of ICIEC and ICD in promoting intra-investment and accelerating the process of launching an "Investment Promotion Scheme"; and
   - Enhancing the IDB Group partnership and networking with regional economic co-operation organizations as well as multilateral and bilateral financial institutions for promoting and facilitating intra-investment.
   - Providing assistance for :
   - Developing databases on investment
   - Sharing experience between member countries for the development of conducive business environment and appropriate regulatory framework for promoting intra-investment; and
   - Strengthening consultancy firms in member countries.

3. Sponsorship of networking events and innovation awards.

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3.1 Co-operation at the OIC Level

The Bank's co-operation with the OIC and its organs mainly comprise the following elements:

- Participation in the OIC Summits that are held every three years;
- participation in the Islamic conference of foreign ministers that is held every year;
- initiating follow-up actions, wherever relevant, on matters relating to the resolutions adopted at these meetings;
- participation in the meeting of the Islamic Commission for Economic, Cultural and Social affairs, held every year prior to the Islamic conference of foreign ministers;
- participation in the follow-up meeting of the COMCE held every year before the COMCEC summit level meeting;
- participation in the COMCEC summit level meeting held every year;
- preparation of and submitting reports on the activities and special assignments to each of above forums;
- organizing consultative meetings between the IDB Group and OIC affiliated organs in matters related to economic and trade co-operation;
- undertaking specific assignments emanating from different OIC forums; and
- participation in the meetings of other specialized institutions and affiliated organizations of the OIC.

In some cases, the Bank provides financial support to some organizations established under the aegis of the OIC. Recently, the Bank decided to finance the study on the 'Restructuring of the OIC General Secretariat and Its Role in Facing the Challenges of the New Millennium.' Moreover, the Bank is actively involved in the work being done under the task forces (Intra-trade, Training, Literacy and Health) which were established pursuant upon the summit resolution on 'Preparing the Ummah for the 21st Century.'

The Bank has ongoing relationship with various OIC subsidiary organs, specialized institutions and affiliated organizations, especially with the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRTCIC) (Ankara, Turkey), the Islamic Centre for Development of Trade (ICDT) (Casablanca, Morocco); the Islamic Chamber of Commerce and Industry (ICCI) (Karachi, Pakistan) and the Islamic University of Technology (IUT) (Dhaka, Bangladesh). The co-operation between the Bank and these institutions involves collaboration in the areas of research, training, and information, and conducting consultative meetings on the sidelines of the annual meetings of the COMCEC and those of the foreign ministers of the OIC countries.

3.2 Co-operation at the COMCEC Level

The OIC Standing Committee for Economic and Commercial Co-operation (COMCEC), established by the third OIC Summit conference, is an important forum where the ministers

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of economy and trade assemble annually to discuss a specific agenda prepared by its Follow-up Committee. The Bank, under the auspices of the COMCEC, undertakes a number of studies that resulted in the development of some schemes. The EFS (former LTTF) and the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) are the outcome of collaborative studies. The Bank regularly attends the annual meetings of the Follow-up Committee as well as of the ministerial meetings of the COMCEC and submits to the latter a report on its activities. It also undertakes specific tasks requested by the ministers. Moreover, the Bank holds bilateral consultative meetings with the OIC institutions namely, the SESRTCIC, the ICDT and the ICCI. In these meetings, the possibilities of joint action, in the areas of common interest, are discussed, in support of the specific economic co-operation agenda discussed and resolved at different OIC forums. The Bank organized the seventh consultative meeting in March 2004 when the issue of improvement of the implementation of the ten-sector OIC Plan of Action, among other things, was discussed.

3.3 Co-operation at the COMSTECH Level

The OIC Standing Committee for Scientific and Technological Co-operation (COMSTECH) is another important forum, with which the Bank has very close working relation. The co-operation involved a number of projects designed to enhance scientific and technological development in the OIC member countries. One of these projects is the promotion of biotechnology research in the member countries intended to help better utilize the enormous resources and potentials existing in the agricultural sectors in the member countries. The M.Sc. Scholarship Programme of the Bank meant for candidates from the LDMCs was launched in co-operation with the COMSTECH. Some other examples of the existing co-operation between the IDB and the COMSTECH include (i) state-of-the-art seminars presented by six inter-Islamic networks on science and technology; (ii) young researchers support programme; (iii) science and technology expatriate national scheme; and (iv) support to the science and technology centres of excellence in the member countries.

3.4 Implementation of the 8th Islamic Summit Resolution

Pursuant to a resolution of the eighth OIC Summit conference, which endorsed the IDB document “Preparing the Ummah for the Twenty-First Century”, task forces were established to recommend on the quantitative targets fixed in four priority areas: intra-trade, training, literacy and health. A brief account of the activities of the task forces aimed at implementing the relevant programmes is presented below:

Promotion of Intra-Trade: In the area of intra-trade, the target was to increase the share of intra-OIC trade from the level of 10 per cent to 13 per cent in three years. In order to achieve this, the target for trade financing was set at $2 billion annually. To meet this yearly target, the IDB allocated each year over $1 billion for the ITFO programme with the remaining amount to be mobilized from the external sources. It was expected that the target would be met with financing support from external sources under Two-Step Murabaha Financing (2SMF) from Islamic financial institutions and through syndications. During 1424H, an aggregate ITFO and EFS approvals amounting to $1.33 billion was utilized to finance intra-trade transactions.

Moreover, all the operations approved under the EFS were for intra-trade among member countries. The Bank also provided technical assistance of about $10 million for trade related co-operation. In order to achieve the fixed target for trade financing, the member countries also have a significant role to play.

Provision of Training Facilities: The target for the area of training was an increase by 30 per cent over three years in the number of people trained by various OIC institutions, including the IDB, in their respective fields of competence. The concerned task force continued to assess the training needs and seek the resources and facilities available for training within and outside the OIC member states. In this connection, the following activities have so far been accomplished:

1. Workshop on "Development Indicators", Beirut, Lebanon, June 2002.
2. Training course on "Digital Communication Technology", Dhaka, Bangladesh, December 2002.
3. Expert group meeting on "Land Degradation and Plant, Animal and Human Nutrition", Damascus, Syria, September 2003.
4. Regional conference on "Water Demand Management and Pollution Control", Sharm El-Sheikh, Egypt, December 2003.
5. Seminar on "Capacity Building in Economic Diplomacy", Casablanca, Morocco, February 2003.
6. Workshop on "National Biodiversity Strategies and Action Plans in Arab Countries", Damascus, Syria, January 2004.
7. Workshop on "Assessment of Student Learning and Quality Improvement in Vocational Training", Dhaka, Bangladesh.

Vaccine Production Programme: The task force on health comprising five experts came up with seven proposals including the one on "Self-Reliance in Vaccine Production". The Vaccine Production Programme was intended to increase the supply of cost-effective and affordable vaccines and ultimately attain self-sufficiency in this area. This was to be implemented through an assessment of the requirements, production capacity and constraints, undertaking feasibility and market studies, and promoting inter-country trade in vaccines. In 1420H (1999), the Bank approved a TA grant of $5.6 million for the Programme. So far, a total amount of $2.02 million has been utilized for six technical assistance operations in Algeria, Egypt, Iran, Kyrgyz Republic, Malaysia, and Tunisia.

Illiteracy Eradication Programme: The task force on literacy, comprising the IDB and experts from the ISESCO, the ALESCO and the UNESCO, came up with a Programme aimed at reducing illiteracy in the member countries with high illiteracy rates. The Programme was expected to build the capacity of the adult education centres, prepare the necessary curriculum and produce tailored TV programmes. Six sub-projects are included in the Programme which is to be adhered to by 18 short-listed member countries according to their needs. The Bank allocated $3.5 million for technical assistance for the Programme and was requested to accord high priority to four member countries with relatively high illiteracy rates and to devise

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suitable projects for this purpose. So far, technical assistance amounting to $3.30 million was provided for 11 projects in 10 countries including 8 LDMCs[21].

4. Other Institutions/Organizations

4.1 Major Financing Institutions of the Member Countries

Some of the Arab national and regional development financing institutions is playing a very significant role in development financing. These institutions along with the OPEC Fund for International Development and the IDB form together what is commonly known as the Arab Co-ordination Group[22]. Since 1976, the Bank maintained a working relationship with the Arab Co-ordination Group. A major area of IDB's co-operation with the Coordination Group is co-financing of projects. The total amount committed by the IDB Group till the end of 1999 amounted to $50 billion, of which about 27 per cent was the IDB's contribution. In 1423H and 1424H, the IDB's contribution in the co-financed projects under the umbrella of Arab Co-ordination Group was $46.63 (43 per cent) and $220.87 million (25 per cent) respectively.

The activities of the Arab Co-ordination Group mainly include discussion on co-financing projects, and enhancing mutual working relations among the OIC member countries. The meetings are held at two levels, one at the level of Directors of Operations, which is held twice a year, and the other at the level of the heads of institutions. These meetings offer an opportunity to the participating institutions to improve their working relations, hold consultations on matters of common interest, discuss co-financing of projects, monitor the implementation of co-financed projects, organize joint missions, and exchange information and views on various financial issues like appraisal reports, financial plans, overdues, and information strategy. The contacts and consultations with these institutions have enabled the Bank to reinforce its catalytic role and co-ordinate its strategies for enhancing the effectiveness of its financing activities in the member countries. During the recent years, the Bank organized round table meetings with the Co-ordination Group for a number of its member countries in the CIS region to identify projects for co-financing by the members of the Group.

4.2 National Development Financing Institutions

Since very early stage of its operational activity, the Bank developed a close working relationship with the national development financing institutions (NDFIs). This was done in order to reach the private sector in the member countries, and also to contribute to the financing of small- and medium-scale enterprises (SMEs). To this end, the Bank provides

[21]These countries comprise Bangladesh, Chad, Djibouti, Gambia, Jordan, Mauritania, Morocco, Sierra Leone, Sudan and Yemen.

[22]The members of the Co-ordination Group are: Abu Dhabi Fund for Development; Arab Bank for Economic Development in Africa; Arab Fund for Economic and Social Development; Arab Gulf Programme for United Nations Development Organizations (AGFUND; Kuwait Fund for Arab Economic Development; OPEC Fund for International Development; Saudi Fund for Development; and Islamic Development Bank.

financing facilities in the form of lines of leasing, lines of instalment sale or combined lines. The extension of line financing was first initiated through approving a line of equity to the Malaysian Development Bank in 1977. Provision of line of financing makes the Bank's operations cost-effective and extends their coverage to a large number of projects.

Every year, on the occasion of the annual meeting of the IDB Board of Governors, a meeting is held with the NDFIs. The meeting discusses the issues related to co-operation and co-ordination among the NDFIs, including operational relationship between them and the Bank and also technical assistance to them for capacity building. A number of efforts have been made to improve the IDB's operational relations with the NDFIs in order to further increase the utilization of the lines of finance. These efforts include provision of 'free limit' authorizing the NDFIs for approval of sub-projects up to 25 per cent of the overall approved amount of the lines, and providing the NDFIs with a margin of 3-5 per cent, on top of the IDB's mark-up.

Since 1419H, the Bank started extending 'global' lines of financing to governments that, in turn, provide the lines to individual NDFIs and commercial banks. The Bank also approved a policy whereby an allocation may be made to a member country for extending a line of leasing/instalment sale or Istisna' financing which will be utilized by a specific number of NDFIs. Moreover, it has been decided to extend full delegation of authority to selected NDFIs in order to ensure a greater utilization of the lines of financing. Up to the end of 1424H, 23 lines of financing (net) amounting to ID202.54 million ($263.52 million) were extended.

The Bank also maintains close co-operation relationship with the Association of National Development Financing Institutions (ADFIMI), which currently has 48 member NDFIs and three associate members. The ADFIMI and its member NDFIs co-operate with the IDB in organizing capacity building training programmes, seminars and workshops for the staff members of the NDFIs.

4.3 Regional Organizations in Member Countries

The IDB considers that the economic arrangements or groupings at the regional level have the potential to contribute to its avowed objective of promotion of economic co-operation among its member countries. Hence, the Bank seeks to promote extensive economic, commercial and technical co-operation at the level of the regional arrangements. The Bank maintains relations with regional organizations in a number of ways. The Bank has signed memoranda of understanding (MOUs) with a number of regional organizations. These include the Arab Maghreb Union (AMU), the Economic Co-operation Organization (ECO), the Gulf Co-operation Council (GCC), and the Economic Community of West African States (ECOWAS). The purpose of these MOUs is to provide a general framework for and to facilitate co-operation between these organizations and the IDB for promoting economic and social development of the common member countries. The Bank also provides financial and technical assistance to regional organizations for implementing projects in various fields. The Bank also maintains close co-operation with the West African Economic and Monetary Union (UEMOA) and the Common Market of Southern and Eastern Africa (COMESA) with the purpose of trade

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promotion, project identification, feasibility studies, technical co-operation, co-financing and exchange of information.

The Bank is a member of the tripartite committee consisting of the CILSS, the OIC, and the IDB. The committee is responsible for accelerating the implementation of the programme of the Permanent Inter-State Committee on Drought Control in the Sahel (CILSS). The programme aims at combating the effects of chronic drought in the Sahel region. The Bank has already committed $20 million for this programme.

The Bank assumed the responsibility of managing the AL-Aqsa Fund and the Al-Quds Fund, which were established by the Arab summit conference held in Rajab 1421H (October 2000). These two funds were created with resources amounting to $1.0 to provide project assistance to the people of Palestine. The funds also provide assistance in education and health care sectors for needy Palestinian families.

The Bank organized in June 2002 a meeting of selected regional organizations to develop modalities for promoting inter-regional co-operation among them. It was agreed in the meeting to follow a set of sectoral priority for co-operation, hold annual meetings, and develop a work programme on inter-regional economic co-operation. The draft work program has already been prepared and is expected to be finalized in another experts meeting. The AMU, the COMESA, the ECO, the ICCI, the League of Arab States, and the UEMOA are actively participating in the initiative.

4.4 Other Regional and International Organizations

The IDB, as a multilateral financing institution, maintain close working relationship with other MFIs, regional financing institutions as well as with the specialized bodies of the United Nations. It also collaborates and participates in the relevant initiatives taken at global and/or regional level. The MFIs and regional financing organizations with which the Bank maintains collaborative relationships include the World Bank, the International Monetary Fund, the African Development Bank, the Asian Development Bank, and the European Bank for Reconstruction and Development. The Bank is an active participant in the debt relief initiative for the Heavily Indebted Poor Countries (HIPC) adopted by the Multilateral Development Banks (MDBs).

The other international bodies with which the Bank maintains special ties include the Food and Agricultural Organization (FAO), the International Fund for Agricultural Development (IFAD), the International Trade Centre (ITC), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Educational, Scientific, and Cultural Organization (UNESCO), the United Nations Development Programme (UNDP), the World Trade Organization (WTO), and the World Health Organization (WHO). The form of co-operation arrangements maintained with these organizations ranges from co--financing of projects and exchange of information.

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Recently, the Bank signed a memorandum of understanding (MOU) with the World Bank to strengthen the collaborative arrangements between the two institutions. The IDB Live Database, which became operational in 1423H, was set up with support of the World Bank. Arrangement also has been made with the IMF for mutual collaboration in a number of areas including the sharing of statistical data. The Bank and the UNESCO have maintained co-operation agreements in the area of education, especially for the benefit of the least developed member countries in Africa. The Bank also signed an MOU with the World Trade Organization (WTO) to seek support in the organization and implementation of trade policy courses. Furthermore, the Bank also attends as an observer in the WTO ministerial conferences, the quadrennial United Nations Conference on Trade and Development (UNCTAD), and the meetings of the Economic and Social Council of the United Nations.

The Bank also attends the meetings of the Development Committee as well as those meetings held on the sidelines of the joint World Bank/IMF meetings. On such occasions, the IDB Group joins hands with other MFIs in various efforts aimed at articulating the concerns of member countries on key challenges and developments in international economy and the various thematic issues.

The IDB is an active participant in the multilateral efforts to harmonize operational policies, procedures and practices. The purpose of these efforts is to improve the effectiveness of development assistance and to lower the transaction costs that are incurred by developing countries during the implementation of projects and programmes. Since the high-level Forum Meeting held in Rome in February 2003, which culminated in the Rome Declaration on Harmonization, the IDB has been actively associated with the African Development Bank, the Asian Development Bank, the Inter-American Development Bank and the World Bank in multilateral efforts to harmonize operational policies, procedures and practices with the aim to further improve the effectiveness of development assistance.

In September 2003, the IDB hosted the meeting of the Heads of the MFIs held in Dubai, the UAE. The IDB is also a member of the Working Group of International Financial Institutions on SMEs Development. The Group comprises the MDBs, bilateral donor agencies, and leading SMEs banks. The Group focuses on the development of best practices, impact evaluation and the ways for development of micro, small and medium enterprises. Finally, the Bank is currently involved in co-financing of projects with the AsDB, the EBRD, the EIB, the FAO, and the World Bank.

IX. KNOWLEDGE MANAGEMENT

The IDB Group is keenly aware of the need to internalize the lessons learnt from its experience in providing development assistance to member countries as well as to keep abreast of knowledge being generated by the various stakeholders in the international community. Keeping in view the fact that the knowledge is being generated at a fast pace, the Bank has developed a number of parallel processes that involves maintaining constant links with other multilateral financing institutions, organizing meetings of experts at various levels, undertaking research, and preparation of research and policy papers. These efforts generate new ideas that enable the Bank to review its existing policies, formulate new initiatives, and determine its future course of action and strategies in order to better meet the requirements of the member countries in development financing. In this respect, the annual symposium held on a regular basis, the occasional papers prepared on important issues and the regular efforts made in the area of research deserve special mention.

1. IDB Annual Symposium

Every year, the Bank organizes a symposium in conjunction with the annual meeting of its Board of Governors. The annual symposium, started in 1989, provides a forum for experts from the member countries to exchange views on issues of common interest and provides an opportunity to identify new initiatives, at the level of member countries' and the IDB Group, towards greater economic co-operation. The thematic issue covered in each symposium is selected from areas of special interest to the member countries. The proceedings of every symposium is published and distributed among the member countries. The themes of various symposia, so far held, are listed in Box 6.

Box 6
IDB Annual Symposium

1. Agricultural Development and Food Security in OIC Member Countries, Rabat, Morocco, Rajab 1409H (February 1989).
2. Counter-Trade Arrangements: Survey and Critical Review, Algiers, Algeria, Sha'ban 1410H (February 1990).
3. Promotion of Joint Ventures Among OIC Member Countries, Cairo, Egypt, Dhul Qa'da 1411H (May 1991).
4. Enhancing the Scientific and Technological Capabilities of OIC Member Countries, Tripoli, Libya, Sha'ban 1412H (February 1992).
5. Promotion of Exports Among OIC Member Countries, Tehran, Iran, Jumad Awwal 1313H (November 1992).
6. Obstacles and Opportunities for Investment in the Least Developed African IDB Member Countries, Banjul, The Gambia, Jumad Awwal 1414H (November 1993).
7. Human Development in the Islamic World, Conakry, Guinea, Rajab 1417H (November1996).
8. Preparing the Ummah for the Twenty-First Century: Implications of The Uruguay Round Agreements and the World Trade Organization (WTO) for IDB Member Countries, Damascus, Syria, Rajab 1418H (November 1997).
9. Preparing the Ummah for the Twenty-First Century: Promotion of Information Technology for Development, Cotonou, Republic of Benin, Rajab 1419H (November) 1998.
10. Preparing the Ummah for the Twenty-First Century: Enhancing Private Sector Participation in Physical Infrastructure in Member Countries, Jeddah, Saudi Arabia, Rajab 1420H (November 1999).
11. Resource Mobilization from Capital Markets for Financing Development in IDB Member Countries, Beirut, Lebanon, Sha'ban 1421H (November 2000).
12. Enhancing Productivity and Competitiveness in the IDB Member
13. Countries, Algiers, Algeria, Sha'ban 1422H (October 2001).
14. Women in Poverty Alleviation: Better Access to Education and Micro Finance, Ouagadougou, Burkina Faso, Sha'baan, 1423H (October 2002).
15. Co-operation among OIC Member Countries for Intra-Investment, Almaty, Kazakhstan, Rajab 1424H (September 2003).

2. Occasional Papers

The Bank started preparing occasional papers in 1419H with a view to studying the cross cutting economic issues of concern to the member countries. The Papers, which are prepared for distribution during the annual meeting of the IDB Board of Governors, are also expected to provide critical assessment of various economic development issues, leading to practical policy recommendations. The titles of the Occasional Papers, prepared so far, are given in Box 7.

Box 7
Occasional Papers

1. Asian Financial Crisis: An Overview and Major Lessons for IDB Member Countries (1419H/1998).
2. Preparing the Ummah for the Twenty-First Century in the Area of Economic, Trade and Financial Co-operation among the OIC Member Countries (1419H/1998).
3. The Challenges of Poverty Alleviation in IDB Member Countries (1420H/1999)
4. Challenges Facing Islamic Banking ((1420H/1999).
5. Capacity Building for Promotion of Trade and Intra-Trade in IDB Member Countries (1421H/2000).
6. The Role of Financial Markets in Private Sector Development in IDB Member Countries (1421H/2000).
7. Regulation and Supervision of Islamic Banks (1421H/2000).
8. Exploring Trade Complementarities among the IDB Member Countries (1421H/2000)
9. Promotion of Investment Flows among IDB Member Countries (1422H/2001).
10. Survey of Risk Management Issues in Islamic Financial Industry (1422H/2001).
11. Resource Constraints in Financing Economic Development in IDB Member Countries (1423H/2002).
12. Challenges of the New WTO Agenda for IDB Member Countries (1423H/2002).
13. Corporate Governance in Islamic Financial Institutions (1423H/2002).
14. Grain Production in IDB member Countries (1424H/2003).
15. Islamic Method of Financing Government Expenditures (1425H/2004).
16. Financing Basic Education in IDB Member Countries (1425H/2004).
17. The Role of Zakat and Awqaf in Poverty Alleviation (1425H/2004).

3. IRTI Publications

As mentioned earlier, one of the major activities of the IRTI is to undertake research in the areas of economics, finance and banking. The studies and research work are undertaken with a view to assisting the stakeholders in adopting/applying the principles of Islamic Shari'ah in

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view of the contemporary and emerging challenges. The dissemination of research generated by IRTI is mainly in the form of: (i) research papers published as monographs, (ii) articles published in the IRTI journal Islamic Economic Studies, which is published in Arabic, English and French languages and (iii) papers presented at seminars, workshops and conferences and later published in seminar proceedings, etc. The total number of titles published so far by the IRTI stands at 243. As part of knowledge management efforts, the publications of IRTI are organized along thematic lines and also made available at www.irti.org.

4. Information Technology

The IDB, with a view to devising a robust modern information system, conducted a study on Information Strategy Plan (ISP). The implementation of the ISP, a major IT project, was started in September 2000 with the objective of implementing a set of integrated IT systems. The IT systems are intended to help the Bank to enhance its services to the member countries, reduce business cycle time and enhance the productivity of the staff. The mainframe business applications are frequently maintained to provide various departments with the up-to-date information. The staff has been equipped with performance office technology tools and the most recent versions of software. Tools like Internet, Lotus Notes e-mail, Web mail, Internet and Reuters services are used on a wide scale by the staff to facilitate sharing, dissemination and tracking of information between the various departments, regional offices and other organizations. Some of the IT projects which were completed earlier, included (i). Upgrading the Local Area Network infrastructure using state-of-the-art networking platforms, and (ii). the Distance Learning Centre (DLC) with video conferencing and distance learning facilities. The enhancement in the various IT platforms are being introduced in the IDB Group with a view to putting in place the best e-business and knowledge-based environment that would enable the Group to serve the interest of the member countries and other stakeholders.

5. IDB Library

The IDB Group maintains a library which has a collection of 80,000 titles of print and non-print materials. The print materials comprise books, reports from the member countries, regional and international organizations, conference proceedings and dissertations. The non-print materials include CD-ROMs, audio/video cassettes, computer software, microfilms and microfiches. The library subscribes to over 500 titles comprising scholarly journals, professional associations' newsletters, information bulletins and international dailies and magazines. The library's website on the Local Area Network provides the staff members access to its electronic resources and services from their desktops. These include the library's Online Public Access Catalogue (OPAC), Links to major international online Information Services and databanks and Electronic Information Bulletins produced by the library.

6. Distance Learning Centre

The IDB Group has established a Distance Learning Centre, at its headquarters, which is equipped with the state-of-art technology to allow participation in video conferencing programme or distance learning courses. The objectives of the Centre are: (i). to provide cost-effective training facility for staff, (ii). to participate in wide range of learning opportunities and sharing experiences at the international level, and (iii) to broadcast relevant courses on Awqaf, Zakah, Islamic economic and banking courses to various institutions in member countries. The Centre provides a facility for sharing of knowledge and experiences and to learn best practices and different perspectives on how to address developments and challenges concerning socio-economic issues in member countries.

7. IDB Knowledge Management Programme

The Knowledge Management Programme (KMP), which became operational in 1425H, was established by the IDB Group in order to become an organization with the necessary practices, culture and systems to promote a continuous sharing of experiences and lessons learned. The KMP will be used to facilitate the formation of new ideas, products and services that support the core competencies of the IDB Group. The purpose of the KMP is: (i) to capture and organize systematically the wealth of knowledge and experiences of the Group staff, clients and partners and (ii) make this knowledge readily accessible to a wide audience inside and outside the IDB Group. The initial programme of the KMP includes, among others, awareness campaign to introduce the KMP to the staff and encourage them to actively participate in different knowledge management functions, pilot the KMP in three selected departments/offices and develop the Staff Directory of Expertise.

8. Miscellaneous

Meetings and Studies: In the IDB Group, there are two types of arrangements for resolving operational issues faced by various entities. Firstly, specified subjects are discussed in the meetings of special committees held at regular intervals. When new issues relating to the operations of the Bank arise, experts meetings are held for deliberation and to make practical recommendations. Secondly, on a number of occasions, studies are commissioned to assess the feasibility of new ideas and schemes. For instance, some of the schemes now in operation in the Bank originated from feasibility studies. The origins of some entities and specialized funds established in the IDB Group, like the IBP, the EFS, the UIF and the ICIEC, can be traced to feasibility studies commissioned by the Bank.

X. CHALLENGES AND THE WAY FORWARD

During the three decades of its existence, the IDB Group has endeavoured to improve the effectiveness of its development assistance extended to member countries and to help in the socio-economic uplift of the Muslim communities worldwide. In seeking to fulfill its mission, the Bank faced a number of operational challenges, many of which emanated from the economic development issues confronting the member countries. At the same time, the Bank had to explore ways and means of addressing the expectations of member countries in terms of serving their niche needs as well as to further enhance the volume of development assistance. Assisting member countries to meet their developmental challenges also had to be addressed in the context of ensuring that the IDB's institutional strength and viability are maintained.

The Bank and member countries now face a set of developmental challenges radically different from the period when it commenced operations in 1975. The era of globalization, trade liberalization, capital flows, and the pivotal role of domestic private sector and foreign direct investment in economic growth have generally led to new developmental perspectives and policy concerns. For the multilateral development banks (MDBs), including the IDB Group, these developments made it imperative to increase the focus on the quality of economic growth, especially with regard to its impact on poverty alleviation targets. Another related development is that, in recent years, there is a greater emphasis by the MDBs in terms of forging partnerships with all the stakeholders in the design of country-level socio-economic development and poverty alleviation programmes. Cognizant of such developments, the IDB Group has sought to fundamentally orient its focus towards an effective implementation of the recently adopted Strategic Framework.

The Strategic Framework of the IDB Group identified the major development challenges facing the member countries and formulated major thrust areas of partnership. In formulating the strategic objectives, the Strategic Framework also sought to distill the lessons learnt from the IDB's thirty years of experience in providing development assistance, and as a result, to refine its operational policies for ensuring greater impact on member countries.

A major challenge facing member countries is to enhance the quality of economic growth by aiming to invest in related sectors that ultimately support poverty alleviation efforts. Under the Strategic Framework, the two priority areas of human development and agricultural development and food security are critical contributors to enhancing the prospects of pro-poor economic growth in member countries. Investment in human development can be expected to increase the well being of citizens in member countries by providing opportunities for their social and economic advancement. In order to assist the member countries in the area of human development, the operational activities of the IDB Group will focus on supporting high impact-oriented projects in primary and secondary education, vocational and technical training, and primary health care units. Similarly, the goal of poverty reduction in member countries can be importantly served by spurring the agricultural growth, which will not only contribute to employment generation in rural areas, but also lead to attaining a higher level of food security as well as alleviating balance of payments pressures. The operational activities of the IDB Group in the agriculture sector will support irrigation and crop development, acquisition of farm machinery, construction of storage facilities, agro-processing industry, extension of micro-credit, and laying of feeder roads in rural areas.

Enhancing economic co-operation among the member countries has been a strategic objective since the inception of the IDB. In this context, the IDB Group implemented various initiatives to forge greater economic co-operation such as financing intra-trade, supporting regionally based infrastructure projects, facilitating the sharing of technical expertise among the member countries, and WTO-related assistance to augment the capacity of member countries to address challenges of trade liberalization. Under the Strategic Framework, the priority areas of operational activities of the IDB Group, namely infrastructure development, enhancing intra-trade, and private sector development, will add new dimensions to forging both greater economic development and regional cohesion. Intra-trade financing and other

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intra-trade related promotion efforts will remain the cornerstone of the IDB Group strategy to enhance economic co-operation amongst the member countries. To address the challenges of trade financing in the LDMCs, the technique of structured financing is expected to become the main instrument of the IDB's trade operations in Africa and the CIS regions.

To bring about greater focus, entities in the IDB Group will support niche activities based upon market or regional characteristics and their own mandate. Ordinary financing operations of the IDB will be primarily earmarked for supporting investment activities in the LDMCs in rural infrastructure projects, and private sector development through promotion of SME activities. Other entities in the IDB Group, such as the ICD, IDB Infrastructure Fund, and the ICIEC will support commercially oriented investment activities in the relatively more developed member countries.

At the time of establishment of the IDB, the concept of Islamic banking industry was almost non-existent. Naturally, the growth of a nascent multilateral institution, based on the principles of Shari'ah, depended on the development of a number of innovative schemes and modes of financing. The pioneering and financial engineering role of the IDB helped in the emergence of Islamic commercial banking industry, both at the national level in member countries and in the world financial centers. The Islamic financial industry has evolved to reach a stage where it can legitimately claim a niche segment in the global financial market. At this stage, the Islamic financial industry is facing a new set of challenges; some of the important ones are developing internationally acceptable regulatory standards and norms, regulatory convergence between conventional and Islamic institutions, meeting the increasing demand for sophisticated financial products and options, international concerns about transparency and ethical standards in corporate affairs, and the development of risk management techniques against credit and systemic instabilities.

As a leading institution in the Islamic financial industry, the IDB Group will continue both to innovate and to assist in the development of Islamic financial architecture. The innovative role of the IDB Group mainly manifests itself through research and development in the area of Shari'ah compatible financial solutions and dissemination of best practices in different areas of Islamic financial industry. In terms of the institutional development of the IDB Group, it is clear that in recent years there has been substantial growth of varied institutions with a mandate to address emerging challenges in niche segments of the Islamic financial industry. In the next phase of institutional strengthening, the IDB Group will encourage the regulatory and related institutions to consolidate their activities and to identify areas of co-operation on cross-cutting issues. Ultimately, the goal is to ensure that the recent developments in the Islamic financial architecture lead to creating a greater transparency, competitiveness and global market acceptability of the Islamic financial industry.

In order to meet the challenges, identified in the Strategic Framework, it is important for the IDB Group to find ways of mobilizing additional resources from the international market to substantially increase the level of its operations. Accordingly, it is a challenge for the Bank to develop new products of resource mobilization. By mobilizing Sukuk resources from the international capital markets, the IDB Group is now in the select group of

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multilateral development banks that perform the role of financial intermediation at the global level. However, the institutional challenge before the IDB Group is to further enhance and strengthen the internal credit risk management capabilities in order to sustain the assessment of the highest financial soundness of the Bank by the international rating agencies.

A change in the overall perspective regarding development assistance and its effectiveness has developed during the last several years. There is now heightened awareness on the part of policy makers in member countries regarding their responsibilities as equal partners in the development process. As a result, issues such as improved governance and a greater participation of the civil society in the development process, enhancing the participation and the eventual role of the private sector in all aspects of the national economy, the need to improve the legal and institutional environments for production, investment, trade, finance and improved factor flows became basic concerns and conditions for an improved flow of both official development assistance and foreign direct investment. For the IDB Group, the ultimate challenge is to meet the expectations and needs of member countries in their efforts to achieve high quality economic growth and structural transformation of their economies. The IDB Group remains committed to meeting the expectations of all its stakeholders by way of internal transformation and by adopting a holistic approach towards development assistance.

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Annex 1
IDB Member Countries with Subscribed Capital and Date of Membership

Sl. No.	Country	Subscription		Membership Date	
		Total (ID million)	Percentage	Hijra	Gregorian
1	Afghanistan	5.00	0.06	26/10/1396	20/10/1986
2	Albania	2.50	0.03	04/03/1414	21/08/1994
3	Algeria	246.67	3.10	24/07/1394	12/08/1974
4	Azerbaijan	9.76	0.12	04/01/1413	04/07/1992
5	Bahrain	13.89	0.17	06/10/1394	21/10/1974
6	Bangladesh	97.82	1.23	24/07/1394	12/08/1974
7	Benin	9.76	0.12	01/06/1404	03/03/1984
8	Brunei	24.63	0.31	24/07/1406	03/04/1986
9	Burkina Faso	24.63	0.31	06/04/1398	15/03/1978
10	Cameroon	24.63	0.31	09/04/1397	28/03/1977
11	Chad	9.76	0.12	06/04/1397	26/03/1977
12	Comoros	2.50	0.03	24/04/1400	11/03/1980
13	Cote d'Ivoire	2.50	0.03	29/04/1423	10/07/2002
14	Djibouti	2.50	0.03	24/04/1400	11/03/1980
15	Egypt	686.84	8.63	24/07/1394	12/08/1974
16	Gabon	29.32	0.37	27/04/1401	03/03/1981
17	Gambia	4.96	0.06	24/04/1400	11/03/1980
18	Guinea	24.63	0.31	24/07/1394	12/08/1974
19	Guinea Bissau	4.96	0.06	16/12/1398	16/11/1978
20	Indonesia	185.47	2.33	24/07/1394	12/08/1974
21	Iran	694.51	8.72	16/07/1409	22/02/1989
22	Iraq	13.05	0.16	19/10/1398	23/09/1978
23	Jordan	39.47	0.50	24/07/1394	12/08/1974
24	Kazakhstan	4.96	0.06	08/07/1416	30/11/1995
25	Kuwait	985.88	12.38	24/07/1394	12/08/1974
26	Kyrgyz	4.96	0.06	19/05/1414	03/11/1993
27	Lebanon	9.76	0.12	09/04/1397	28/03/1977
28	Libya	793.79	9.97	06/08/1394	24/08/1974
29	Malaysia	157.89	1.98	24/07/1394	12/08/1974
30	Maldives	2.50	0.03	24/04/1400	11/03/1980
31	Mali	9.76	0.12	06/04/1398	15/03/1978
32	Mauritania	9.76	0.12	24/07/1394	12/08/1974
33	Morocco	49.24	0.62	24/07/1394	12/08/1974
34	Mozambique	4.96	0.06	08/07/1416	30/11/1995
35	Niger	24.63	0.31	24/07/1394	12/08/1974
36	Oman	27.35	0.34	24/07/1394	12/08/1974
37	Pakistan	246.59	3.10	24/07/1394	12/08/1974
38	Palestine	9.85	0.12	07/07/1397	23/06/1977
39	Qatar	97.70	1.23	24/07/1394	12/08/1974
40	Saudi Arabia	1,978.87	24.86	24/07/1394	12/08/1974
41	Senegal	24.65	0.31	28/11/1396	20/11/1976
42	Sierra Leone	4.96	0.06	01/08/1402	24/05/1982
43	Somalia	2.50	0.03	24/07/1394	12/08/1974
44	Sudan	39.07	0.49	24/07/1394	12/08/1974
45	Suriname	4.96	0.06	02/01/1418	08/05/1997
46	Syria	9.92	0.12	04/09/1395	09/09/1975
47	Tajikistan	4.96	0.06	16/07/1417	27/11/1996
48	Togo	4.96	0.06	29/07/1419	18/11/1998
49	Tunisia	19.55	0.25	24/07/1394	12/08/1974
50	Turkey	626.05	7.86	24/07/1394	12/08/1974
51	Turkmenistan	2.50	0.03	12/06/1415	15/11/1994
52	Uganda	24.63	0.31	09/04/1397	28/03/1977
53	UAE	561.67	7.06	24/07/1394	12/08/1974
54	Uzbekistan	2.50	0.03	06/07/1424	03/09/2003
55	Yemen	49.62	0.62	19/07/1395	28/07/1975
	Total	**7,960.71**	**100.00**		

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Annex 2
Total Approvals by Country and Type of Operations

Amount in million

Country	Ordinary Operations		Trade Financing		Waqf Fund		Grand Total	
	No	ID (US$)	No	ID (US$)	No	ID (US$)	No	ID (US$)
Afghanistan	-	-	-	-	17	10.68 (14.31)	17	10.68 (14.31)
Albania	14	41.25 (56.69)	-	-	2	0.96 (1.30)	16	42.21 (57.99)
Algeria	50	528.33 (701.32)	198	1,592.13 (2,027.21)	7	4.49 (5.65)	255	2,124.95 (2,734.18)
Azerbaijan	16	76.30 (103.67)	-	-	4	1.51 (1.99)	20	77.81 (105.66)
Bahrain	49	343.34 (461.02)	11	113.25 (152.00)	-	-	60	456.56 (613.02)
Bangladesh	53	257.22 (339.82)	111	1,766.64 (2,282.26)	9	28.41 (35.05)	173	2,052.26 (2,657.13)
Benin	33	96.46 (128.43)	4	16.52 (20.00)	1	1.29 (1.40)	38	114.27 (149.84)
Brunei	3	35.75 (45.17)	-	-	-	-	3	35.75 (45.17)
Burkina Faso	52	164.33 (216.13)	2	8.61 (11.25)	8	8.13 (8.64)	62	181.07 (236.03)
Cameroon	24	101.47 (129.89)	-	-	3	1.34 (1.74)	27	102.82 (131.63)
Chad	37	71.30 (92.97)	-	-	10	9.86 (10.75)	47	81.16 (103.72)
Comoros	11	17.22 (22.11)	3	5.93 (7.50)	2	0.73 (0.88)	16	23.87 (30.49)
Cote d'Ivoire	3	24.61 (32.00)	-	-	6	0.95 (1.25)	9	25.56 (33.25)
Djibouti	23	26.08 (33.39)	-	-	8	1.42 (1.87)	31	27.50 (35.26)
Egypt	42	447.45 (603.97)	91	834.81 (1,118.96)	3	0.93 (1.20)	136	1,283.20 (1,724.13)
Gabon	15	101.18 (134.75)	-	-	-	-	15	101.18 (134.75)
Gambia	30	48.21 (64.04)	7	11.87 (14.04)	4	1.65 (1.83)	41	61.73 (79.91)
Guinea	60	182.22 (236.34)	6	37.93 (48.80)	5	5.99 (7.59)	71	226.13 (292.73)
Guinea Bissau	9	4.00 (4.75)	2	11.59 (15.00)	3	1.12 (1.25)	14	16.70 (21.00)
Indonesia	54	387.71 (526.47)	21	436.49 (585.00)	1	0.16 (0.22)	76	824.37 (1,111.69)
Iran	39	542.45 (733.35)	96	827.76 (1,118.74)	6	9.95 (13.20)	141	1,380.16 (1,865.28)

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Country	Ordinary Operations		Trade Financing		Waqf Fund		Grand Total	
	No	ID (US$)	No	ID (US$)	No	ID (US$)	No	ID (US$)
Iraq	6	36.51 (43.13)	35	264.92 (301.27)	7	3.63 (4.85)	48	305.06 (349.25)
Jordan	59	412.21 (545.18)	60	578.61 (695.53)	1	0.20 (0.25)	120	991.02 (1,240.96)
Kazakhstan	19	89.56 (124.42)	3	12.74 (18.00)	5	0.69 (0.94)	27	102.99 (143.36)
Kuwait	15	124.42 (171.78)	12	134.68 (185.48)	4	6.47 (7.51)	31	265.57 (364.77)
Kyrgyz	13	38.23 (53.00)	-	-	4	1.19 (1.67)	17	39.42 (54.67)
Lebanon	43	421.93 (572.43)	9	90.54 (119.77)	17	5.26 (7.29)	69	517.72 (699.49)
Libya	15	219.23 (286.14)	11	235.22 (306.66)	2	2.90 (3.75)	28	457.35 (596.55)
Malaysia	29	385.68 (504.10)	40	223.95 (304.49)	5	8.81 (11.45)	74	618.44 (820.05)
Maldives	21	42.81 (57.63)	-	-	-	-	21	42.80 (57.63)
Mali	55	156.92 (203.78)	1	6.11 (7.97)	6	13.32 (14.28)	62	176.35 (226.02)
Mauritania	52	122.68 (156.73)	3	20.42 (24.50)	5	9.08 (10.17)	60	152.18 (191.39)
Morocco	47	323.16 (421.34)	103	1,090.23 (1,401.56)	3	1.04 (1.30)	153	1,414.43 (1,824.20)
Mozambique	14	48.73 (65.90)	-	-	5	1.77 (2.23)	19	50.50 (68.12)
Niger	43	82.56 (102.87)	15	92.54 (113.35)	12	8.48 (9.70)	70	183.58 (225.93)
Oman	36	394.26 (517.86)	2	17.12 (22.00)	2	0.38 (0.50)	40	411.75 (540.36)
Pakistan	51	414.35 (560.05)	223	3,346.77 (4,441.04)	6	7.66 (10.47)	280	3,768.77 (5,011.56)
Palestine	22	34.11 (45.74)	-	-	36	38.85 (49.74)	58	72.96 (95.47)
Qatar	19	192.13 (270.90)	2	7.20 (10.00)	-	-	21	199.33 (280.89)
Saudi Arabia	29	228.78 (310.74)	73	523.11 (704.08)	2	0.11 (0.13)	104	752.00 (1,014.94)
Senegal	53	184.07 (236.93)	16	97.43 (127.14)	6	12.67 (13.94)	75	294.18 (378.01)
Sierra Leone	26	35.79 (45.34)	-	-	3	2.37 (3.00)	29	38.17 (48.34)
Somalia	12	21.54 (26.76)	4	36.06 (46.20)	16	4.50 (5.96)	32	62.10 (78.92)

Country	Ordinary Operations		Trade Financing		Waqf Fund		Grand Total	
	No	ID (US$)	No	ID (US$)	No	ID (US$)	No	ID (US$)
Sudan	59	239.06 (318.09)	19	146.00 (191.36)	15	18.30 (21.81)	93	403.36 (531.25)
Suriname	3	8.22 (11.35)	1	7.39 (10.00)	2	0.13 (0.19)	6	15.74 (21.54)
Syria	26	261.58 (344.41)	11	84.35 (92.79)	1	0.20 (0.25)	38	346.13 (437.45)
Tajikistan	19	54.40 (72.74)	-	-	4	0.43 (0.59)	23	54.82 (73.33)
Togo	10	28.22 (37.72)	-	-	2	1.37 (1.70)	12	29.58 (39.41)
Tunisia	50	335.55 (431.41)	149	681.18 (883.44)	4	3.27 (4.20)	203	1,020.01 (1,319.05)
Turkey	85	591.58 (760.19)	268	2,172.39 (2,839.36)	5	17.02 (20.38)	358	2,780.99 3,619.94)
Turkmenistan	9	55.13 (74.03)	-	-	2	0.23 (0.33)	11	55.36 (74.35)
U.A.E	24	138.09 (189.59)	14	135.30 (173.70)	-	-	38	273.39 (363.29)
Uganda	13	32.19 (39.99)	5	11.34 (13.89)	5	2.67 (3.42)	23	46.18 (57.31)
Uzbekistan	3	24.83 (36.59)	-	-	8	1.44 (1.87)	11	26.26 (38.46)
Yemen Republic	48	153.93 (198.46)	37	345.04 (409.62)	7	6.99 (8.45)	92	505.96 (616.53)
Regional	61	147.48 (213.68)	-	-	81	29.69 (39.62)	142	177.16 (253.30)
Special Programme	4	62.45 (85.00)	1	14.85 (20.00)	-	-	5	77.30 (105.00)
Non-Member Countries	4	9.17 (12.52)	-	-	635	150.12 (193.46)	639	159.30 (205.98)
Net Approvals	**1,282**	**9,648.37 (12,814.75)**	**1,669**	**16,039.00 (20,863.96)**	**1,017**	**450.78 (565.49)**	**4,400**	**26,138.15 (34,244.19)**

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