



ISLAMIC DEVELOPMENT BANK

37 *Years*
In the Service of Development



Islamic Development Bank Group

THIRTY-SEVEN YEARS IN THE SERVICE OF DEVELOPMENT

Rajab 1432H (June 2011)

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IDB GROUP ENTITIES

Islamic Development Bank (IDB)

IDB is an international financial institution established in 1395H (1975) in pursuance of the Declaration of Intent issued by the Conference of Finance Ministers of Muslim Countries held in Jeddah in 1393H (1973). The main objective of the Bank is to foster economic development and social progress of member countries and Muslim communities individually as well as jointly in accordance with the principles of the Shari'ah (Islamic law).

Islamic Research and Training Institute (IRTI)

IRTI was established in 1401H (1981) as the research and training arm of IDB. It plays an important role in the transformation of IDB Group into a world-class knowledge-based organization by leading and sustaining the development of a dynamic and comprehensive Islamic Financial Services Industry (IFSI) to support the socioeconomic development of member countries. As a centre of excellence, IRTI conducts training, undertakes research, provides advisory services, and enhances capacity building in basic and applied Islamic economics and finance.

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

ICIEC was established in 1415H (1994) to boost trade among OIC member countries by providing exporters, banks, trade financiers and export credit agencies with Shari'ah-compliant export credit insurance and re-insurance facilities. ICIEC also supports and encourages investment flows into member countries by providing investors and financiers of investments with Shari'ah-based political risk insurance policies.

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

ICD was established in 1420H (1999) to promote private sector development in member countries. It provides a wide range of Shari'ah-compliant financial products and services with a view to facilitating access to Islamic capital markets, mobilizing additional financing resources for the private sector, promoting entrepreneurship in member countries and encouraging cross-country investments.

International Islamic Trade Finance Corporation (ITFC)

ITFC was established in 1429H (2008) to advance trade across the Islamic world. The primary focus of ITFC is to encourage intra-trade among Organization of the Islamic Conference (OIC) member countries. The Corporation helps businesses in Islamic countries gain better access to trade finance and provides them with the necessary trade-related capacity building tools to help compete successfully in the global market.

List of Acronyms/Abbreviations

AAOIFI	: Accounting and Auditing Organization for Islamic Financial Institutions
AfT	: Aid-for-Trade
APIF	: Awqaf Properties Investment Fund
CIBAFI	: Council for Islamic Banks and Financial Institutions
CIT	: Countries in Transition
CG	: Coordination Group
DFID	: United Kingdom's Department for International Development
E4E	: Education for Employment
ECG	: Evaluation Coordination Group
EGM	: Expert Group Meeting
ESCWA	: Economic and Social Commission for Western Asia
FDI	: Foreign Direct Investment
GDA	: Global Development Agenda
GTRC	: Group Trade-Related Issues Committee
ICD	: Islamic Corporation for the Development of the Private Sector
ICDD	: Integrated Community Driven Development Programme
ICIEC	: Islamic Corporation for the Insurance of Investment and Export Credit
ICT	: Information and Communication Technology
ID	: Islamic Dinar
IDB	: Islamic Development Bank
IFC	: International Finance Corporation
IFIs	: Islamic financial institutions
IFSB	: Islamic Financial Services Board
IFSI	: Islamic Financial Services Industry
IICO	: International Islamic Charitable Organization
IIFM	: International Islamic Financial Market
ILO	: International Labour Organization
IRTI	: Islamic Research and Training Institute
ISFD	: Islamic Solidarity Fund for Development
ITAP	: Investment Technical Assistance Programme
ITFC	: International Islamic Trade Finance Corporation
LDMCs	: Least Developed Member Countries
MCPS	: Member Country Partnership Strategy
MDB	: Multilateral Development Bank
MDGs	: Millennium Development Goals
MENA	: Middle East and North Africa

MFSP	:	Microfinance Support Programme
MoU	:	Memorandum of Understanding
NDFIs	:	National Development Financing Institutions
NGOs	:	Non-Governmental Organizations
OCR	:	Ordinary Capital Resources
OIC	:	Organization of Islamic Conference
PIASR	:	Project Implementation Assessment and Support Report
PIDA	:	Programme for Infrastructure Development in Africa
PPP	:	Public Private Partnerships
PSCDR	:	Prince Salman Centre for Disability Research
S&T	:	Science and Technology
SIT	:	Sterile Insect Technique
SMEs	:	Small & Medium Enterprises
SPDA	:	Special Programme for the Development of Africa
SPECA	:	Special Programme for the Economies of Central Asia and Afghanistan
STATCAP	:	Statistical Capacity Building
TA	:	Technical Assistance
TCP	:	Technical Cooperation Programme
TCPP	:	Trade Cooperation Promotion Programme
TPOs	:	Trade Promotion Organizations
UIF	:	Unit Investment Fund
UN	:	United Nations
VOLIP	:	Vocational Literacy for Poverty Reduction Programme
WTO	:	World Trade Organization

IDB Group Capital Structure
As at end - 1431H (6 December 2010)

(Amount in million)

		IDB (ID*)	ICD (\$**)	ICIEC (ID)	ITFC (\$)
Authorized Capital	1431H	30,000	2,000	150	3,000
	At Inception	2,000	1,000	100	3,000
Subscribed Capital	1431H	17,475.6	1,000	149	750
	At Inception	750	350	68.8	500
Paid-In Capital	1431H	4,031.07	401.2	74.5	671.7
	At Inception	280	88.1	63.8	446.1

*ID = Islamic Dinar is equivalent to one unit of SDR (Special Drawing Rights of the International Monetary Fund).

**\$ Refers to US\$.

Net Approvals of IDB Group
1396H-1431H (1976-06 December 2010)

Activity	Number of Operations	Amount Approved (in million)	
		(ID)	(\$)
Net Approved Operations	6,895	49,684.3	70,320.9
Of Which:			
OCR Net Approvals	2,647	17,543.2	25,270.4
ICD Net Approvals	189	976	1,477
ITFC Net Approvals	182	4,348	6,707
UIF Net Approvals	244	1,591	2,281
APIF Net Approvals	87	554	848
Treasury Net Approvals	304	2,321	3,485
Previous Trade Financing	1,901	21,809	29,549
Gross Approved Operations	7,800	55,924.0	78,854.6
ICIEC's Operations			
Insurance Commitments*		7,479.8	11,292.9
Business insured**		5,333.7	8,082.2

* Amount of Insurance commitments (contingent liability assured) approved/issued during the year.

** Amount of shipments/investments declared to ICIEC by policy holders for the period under consideration.

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OVERVIEW OF ISLAMIC DEVELOPMENT BANK

The Islamic Development Bank (or the Bank) is a South-South development financing institution established in 1975 with the aim of fostering economic development and social progress of its member countries as well as Muslim communities in non-member countries. It operates in accordance with the principles of Shari'ah (Islamic law). The functions of the Bank are to participate in equity capital and provide loans for productive projects and enterprises, invest in economic and social infrastructure projects, and establish and operate Special Funds for specific purposes.

The IDB 1440H Vision

“By the year 1440 Hijrah IDB shall have become a world-class development bank, inspired by Islamic principles that has helped significantly transform the landscape of comprehensive human development in the Muslim world and helped restore its dignity.”

The Mission of IDB

“The Mission of IDB is to promote comprehensive human development, with a focus on the priority areas of alleviating poverty, improving health, promoting education, improving governance and prospering the people.”

Head Office and Regional Offices

The headquarters of IDB is in Jeddah, Kingdom of Saudi Arabia. The Bank also has regional offices in Rabat (Morocco), Kuala Lumpur (Malaysia), Almaty (Kazakhstan), and Dakar (Senegal) as well as field representatives in a number of member countries.

Institutional Development

Membership of IDB has increased more than two-fold from 22 countries in 1395H to 56 countries in 1431H (2010) (spanning four continents: Africa, Asia, Europe, and Latin America). The Bank has evolved from a single entity into a group composed of five entities, namely, the Islamic Development Bank (IDB), the Islamic Research and Training Institute (IRTI), the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), the Islamic Corporation for the Development of the Private Sector (ICD), and the International Islamic Trade Finance Corporation (ITFC). Together, they are called IDB Group (or the Group). An overview of these entities is given at the back cover of this document.

Staff Composition

As of end -1431H, IDB Group had 1,069 professional and support staff. The IDB had the largest number of staff with 798, followed by ITFC 77, ICD 74, ICIEC 60, IRTI 49 and Young Professionals 11.

IDB Group Reform

IDB Group Reform programme started in 2007 as part of the implementation of IDB Vision 1440H. The main objective of the reform is to reposition the Group so that it remains relevant and able to respond effectively and efficiently to the developmental changes arising from the environment in which it operates and similar changes in member countries and Muslim communities worldwide.

Phase I of the reform agenda has been successfully completed covering (i) Medium-Term IDB Group Strategy; (ii) Organizational Structure; and (iii) Staff Renewal. Implementation of Phase-II is underway and will cover (i) Operations Policies; (ii) Human Resource Development Policies (People and Skills); (iii) Business Processes; and (iv) Knowledge Management.

A new IDB Group Three-Year Strategic Plan 1431-1433H (2010-2012) along with supporting medium-term business plans and annual budgets has been approved. The new strategy focuses on four main pillars: (i) poverty reduction and human development, (ii) infrastructure development, (iii) regional integration, (iv) development of the Islamic Financial Industry: and two cross-cutting areas (i) private sector development, and (ii) capacity development.

Financial Resources

IDB's capital comes from the contributions paid by member countries. The Bank's authorized capital has increased from ID2 billion in 1395H (1975) to ID30 billion in 1431H (2010) while the subscribed capital rose from ID0.75 billion in 1395H to ID17.5 billion in 1431H and the paid-up capital increased from ID0.28 billion in 1396H to ID4.03 billion in 1431H. As a result of the capital increases, the Bank has been able to respond to more demands from member countries for development assistance.

Financial Position and Credit Worthiness

Over the years, IDB maintained a strong financial position and credit worthiness, notwithstanding the recent global financial crisis. For instance, it posted a net income of ID161.3 million in 1431H from its Ordinary Capital Resources.

Maintaining Highest Credit Ratings

In 1431H, Standard & Poor's reaffirmed its highest ratings for IDB for the ninth consecutive year: "AAA" for long-term and "A-1+" for short-term with Stable Outlook.

Moody's Investors Service ("Moody's"), also affirmed its highest issuer ratings for IDB of "Aaa" for long term foreign currency and "Prime-1" for short term with "Stable" outlook for the fifth consecutive year.

In addition, IDB maintained the highest ratings assigned by Fitch Rating “Aaa” for the long-term and “F1+” for the Short-Term foreign currency issuer with a “Stable” outlook for the fourth consecutive year.

The affirmations of these ratings for IDB by the rating agencies, is a reflection of confidence in the Bank arising from the support of its member countries, the wise guidance provided by both the Board of Governors and the Board of Executive Directors to the Management and the pursuit of prudential financial policies and risk management in conformity with best business practices.

In 2010, Moody’s reaffirmed its 2008 AA3 rating on ICIEC.

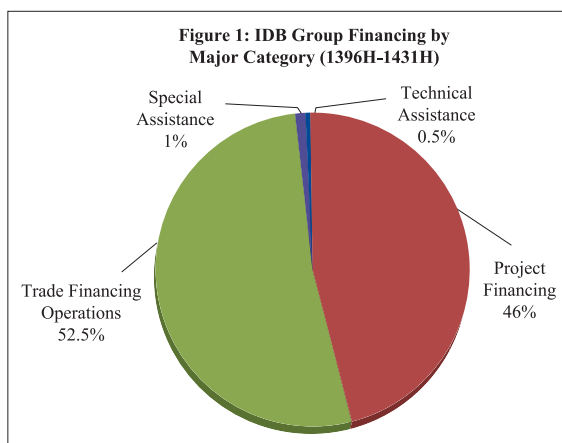
Development Effectiveness

Scaling up Financing

Alleviating poverty and fostering sustainable economic development in member countries are the overarching objectives of IDB. To achieve these objectives and address the adverse effects of the recent financial and economic crisis on the economies of its member countries, the Bank scaled-up its development assistance by doubling the growth of its Ordinary Capital Resources (OCR) financing from 15 percent to 30 percent per annum over three years (1430H-1432H) .

The Bank has, since its inception, been providing development assistance to both the public and private sectors of its member countries through three main operations: ordinary operations (comprising project financing and technical assistance); trade financing; and Waqf Fund (Special Assistance) operations.

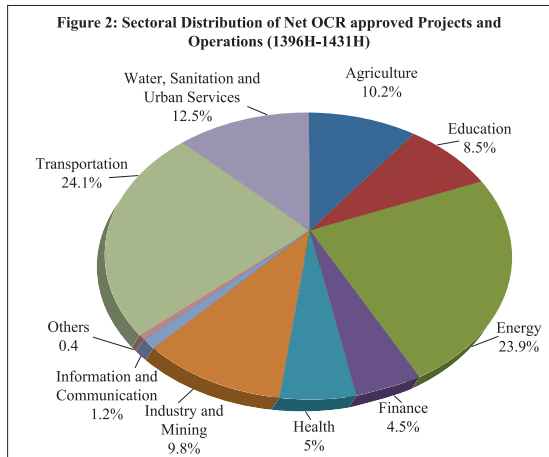
As at the end of 1431H, IDB Group’s cumulative net financing for all the three types of operations amounted to ID49.7 billion (\$70.3 billion) for 6,895 operations. IDB Group financing activities are dominated by trade operations which account for 52.5 percent of total financing, followed by project financing 46 percent, technical assistance 0.5 percent, and special assistance 1.0 percent (Figure 1).



Between 1396H and 1431H, a total of \$46.9 billion was disbursed by the IDB Group while total repayments stood at \$36.7 billion. The cumulative net OCR approved projects, operations and TA reached ID17.5 billion (\$25.3 billion) during the same period, the largest share of which went to the transport sector (24.1 percent),

followed by energy (23.9 percent), water, sanitation and urban services (12.5 percent), agriculture (10.2 percent), and industry and mining (9.8 percent) (Figure 2).

The modes of financing that IDB uses for its OCR operations are leasing, Istisna, loan, equity, profit sharing, instalment sale and combined lines of financing (the definitions are given in Annex 1).



Project Implementation Assessment and Support

Effective from 1430H, IDB, as part of its reform agenda, introduced the Project Implementation Assessment and Support Report (PIASR) to improve the outcome of project supervision. PIASR provides an objective feedback, identifies and documents project impediments and helps in timely achievement of the development goals of IDB financed projects. As a tool for assessing progress and providing support for effective implementation of projects, it assesses project performance by identifying any gaps therein during implementation through inputs from various stakeholders.

In 1431H, IDB completed 52 PIASRs; about 82 percent of which were rated satisfactory or higher.

Enhancing Operations Evaluation

IDB accords high importance to its evaluation function so as to draw lessons from past experience with a view to improving the design of future development interventions. The primary objective of the Operations Evaluation is to conduct project, sector, thematic, process, policy, programme, and country assistance evaluations, for the activities of IDB Group. By end-1431H, 414 operations evaluations, 25 sector and thematic evaluations and 10 country assistance evaluations have been undertaken. Over the years, about 70 percent of the projects evaluated have been rated as successful. IDB has always been cooperating with MDBs and other development partners, particularly, the Evaluation Coordination Group (ECG), which is an apex body of evaluation entities of MDBs, aimed at coordinating evaluation practices and activities, and promoting cooperation among them (see Box 1).

Box 1
IDB Joined into the Evaluation Cooperation Group

After two years of participation in the activities of ECG as an observer, IDB Group joined as a full-fledged member in November 2010. This major breakthrough is recognition of IDB's enhanced evaluation function by the international development community. The ECG decision to grant IDB Group full membership was mainly the outcome of: (a) greater independence of Group Operation Evaluation achieved under IDB reform; (b) the recent enhancement of IDB evaluation policies; and (c) the comparison of the evaluation systems of all MDBs, including IDB, undertaken in October 2010 by an independent consultant hired by ECG.

SCALING UP DEVELOPMENT ASSISTANCE

(a) STRATEGIC FOCUS AREAS

Promoting Comprehensive Human Development

In its drive to foster comprehensive human development, the Bank has committed substantial resources to the social sector (education and health) in its member countries, especially in the least developed member countries (LDMCs). As at the end of 1431H, the cumulative approvals from OCR for the social sector reached ID2,444 million (\$3,408 million) for 681 operations.

Enhancing Education

The Bank has greatly helped its member countries through increasing access to education at all levels including primary and tertiary. As at the end of 1431H, IDB's cumulative financing for education sector stood at ID 1,538 million (\$2,142 million) for 422 operations accounting for 63 percent of the total approvals for the social sector. The Bank's interventions in the education sector will continue to concentrate on (i) basic education, particularly bilingual education; (ii) vocational training and technical education; (iii) sciences and mathematics; and (iv) non-formal education.

IDB Bilingual Education Initiative was launched in 2000 in an attempt to afford the disadvantaged youths in Sub-Saharan Africa, who are oriented towards Arabic-based instruction, the opportunity to further their education.

In 2008, IDB launched its Vocational Literacy for Poverty Reduction Programme (VOLIP) under the Islamic Solidarity Fund for Development (ISFD) with the aim of reducing poverty among women and youth in rural areas by providing them with skills and access to microfinance – thus enabling them to improve their living conditions. The programme focuses on (i) school drop-outs (ii) teenagers; (iii) working women; and (iv) adults.

Recently IDB launched the Education for Employment (E4E) initiative in collaboration with the International Finance Corporation (IFC) [see Box 2].

Box 2: Education for Employment

In response to the unemployment crisis in MENA region, IDB, in collaboration with the International Finance Corporation - a member of the World Bank Group – launched the Education for Employment (E4E) initiative. The two organizations signed an agreement to engage the private sector to create new opportunities for employment-based education and enhance job market skills for Arab youth.

The agreement includes the financing of a comprehensive study entitled “Education for Employment: Realizing Arab Youth Potential”. The study, which was launched in April 2011, explored how best the private sector can contribute in providing E4E, one in which education leads to improved employment prospects. It also identified the required enabling environment for the development of the initiative. It called for the involvement of various stakeholders: public and private education providers, civil society, public sector policy makers and administrators, private employers, and youth.

Financing Health Services

The Bank focused its health sector interventions on the following areas: (i) prevention and control of both communicable and non-communicable diseases; (ii) strengthening the health system to improve access to and the quality of healthcare services; and (iii) alternative health financing to remove, to the extent possible, the financial barriers to access/mobilize additional financial resources for health and make better use of available resources. Since its inception, the Bank’s intervention in the health sector has increased by almost 10-fold reaching ID906.7 million (\$1,265 million) for 259 operations by end of 1431H. IDB, in collaboration with the World Health Organization and the International Federation of the Red Cross and the Red Crescent Societies, has also been very active in anti-Malaria programmes in African member countries. In 1431H, the Bank implemented a project on Sterile Insect Technique (SIT) for Malaria vector control in the Northern State of Sudan under the Roll-Back Malaria “Quick Win” Programme.

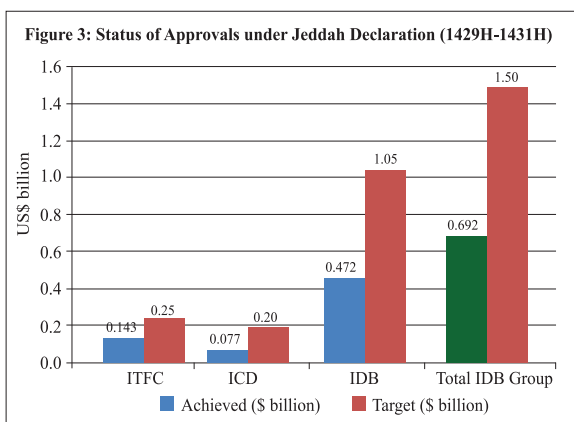
In 1429H, IDB launched a partnership programme titled “Alliance to Fight Avoidable Blindness in Sub-Saharan Africa”, to combat preventable or curable blindness in Sub-Saharan African member countries (Benin, Burkina Faso, Cameroun, Chad, Djibouti, Guinea, Mali, and Niger). The Programme provides free eye examination and restores sight to patients suffering from cataract. In 1431H, over 37,000 patients were examined and 8,200 sight-restoring cataract operations were carried out by the programme. The programme helps many people of all ages and different sexes to recover their sights.

Enhancing Agriculture and Food Security

Since its inception, IDB recognized the importance of agriculture and, thus accorded utmost importance to development of the sector in its member countries. This is reflected in the Vision 1440H and its thematic thrust areas which put poverty alleviation and food security at the forefront of IDB Group's operations. Since 2008, IDB financing focused on increased investment in agriculture and rural development in its member countries. The Bank's cumulative financing for agricultural, agro-industrial and other related food security projects stood at ID1,811.9 million (\$2,572.4 million) as at the end of 1431H for 493 operations in its member countries.

Jeddah Declaration for Food Security

In response to the high food prices of 2008, IDB launched the Jeddah Declaration Initiative, with a financing package of \$1.5 billion designed to boost productivity in the agricultural sector in member countries. The initiative has two components: (i) short-term, and (ii) medium and long-term. The short-term component includes assistance to LDMCs severely affected by the high food prices. It helps the LDMCs to acquire agricultural inputs and boost local production and in exceptional cases, to replenish food stocks. Under this component, the Bank allocated a grant of \$30 million from IDB Waqf Fund over three years effective from 1429H, to finance urgent and other needs of member countries affected by the crisis especially the LDMCs. The medium- to long-term component is designed to enable the agricultural sector to increase its overall productivity and rural incomes in member countries. To achieve this goal, agricultural inputs and services would be made available, and agricultural infrastructure and institutions improved. The five-year programme is now in its third year and, as at the end of 1431H, IDB Group had approved a total amount of \$692 million, representing 42.6 percent of the overall target (see Figure 3 for the status of the entities' achievements).



Achieving Food Security in Member Countries in the Post-Crisis World

In 1431H, IDB Annual Symposium focused on food security entitled "Achieving Food Security in Member Countries in Post-Crisis World". The Symposium was preceded by an Expert Group Meeting (EGM) held in Jeddah on 2-3 May 2010. A ministerial session of the Symposium was held in conjunction with the 35th Annual Meeting of IDB Board of Governors in Baku, Azerbaijan. Selected Honourable

Governors of the Bank served as speakers at the meeting. The recommendations of the Symposium presented for action by IDB Group were as follows:

- Significantly increase IDB Group soft financing and technical assistance operations in the agriculture sector with operations tailored for country specificity.
- Sponsor productivity improving research in a selective basis to create new seed varieties as well as adapt existing varieties to changing climate conditions.
- Further scale-up development assistance to support public-private cooperation and private investment, both domestic and foreign, in the development of agriculture and food industry, infrastructure and support services.
- Facilitate intra-OIC investment and business development opportunities in the agriculture sector by supporting appropriate fora for potential importers and exporters with a view to reducing transaction costs, foster a conducive business and investment climate, and increase returns to investment.
- Strengthen IDB's collaboration and coordination with international and regional institutions to support agriculture sector in member countries in an integrated manner.
- Foster significant increases in intra-OIC trade in agricultural commodities through the adoption of an integrated approach by the concerned entities in IDB Group.

Based on the above recommendations, IDB developed an action plan comprising 4 basic categories: (i) Agricultural production and productivity, (ii) Intra-FDI and trade in agricultural related activities, (iii) Partnerships building and resource mobilization, and (iv) Crosscutting areas. The Action Plan is under implementation with the aim of enhancing food security and fostering growth and development of the agriculture sector in member countries.

Poverty Alleviation

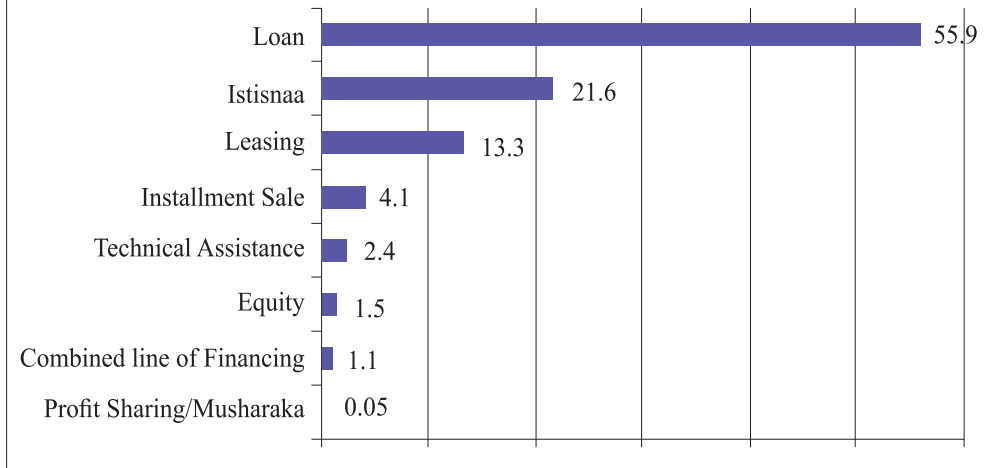
Bolstering Assistance to LDMCs

IDB member countries comprise 25 LDMCs and 31 non-LDMCs. As stated in IDB Vision 1440H, the Bank is committed to reducing poverty and improving the living standards of the people/citizens in its member countries and in Muslim communities in non-member countries. To achieve this objective, IDB has increased development assistance to its LDMCs. As at the end of 1431H, the cumulative net OCR approvals extended to LDMCs stood at ID12.4 billion (\$17.8 billion) for 2,048 projects (see Figure 4).

Increasing Special Assistance Operations

The Special Assistance Programme was established in 1400H (1980) to extend emergency relief assistance to victims of disasters such as wars, earthquakes, and

Figure 4: Net OCR Approvals for LDMCs by Mode of Financing (1396H-1431H) (%)



floods. The Programme helps Muslim communities in Non-Member Countries to improve their living conditions through capacity building in the social sector (education, health etc). It also coordinates the implementation of many assistance projects in collaboration with other philanthropic organizations such as the Fael Khair Relief Programme of Cyclone Victims in Bangladesh.

Cumulative approvals under the Special Assistance Programme as at the end of 1431H stood at ID541.9 million (\$702.1 million) for 1,341 operations of which ID301.5 million (\$376.3 million) was approved for 431 operations in member countries and ID195.9 million (\$263.9 million) for 842 operations in Muslim communities and organizations in Non-Member Countries.

Implementing the Special Programme for the Development of Africa (SPDA)

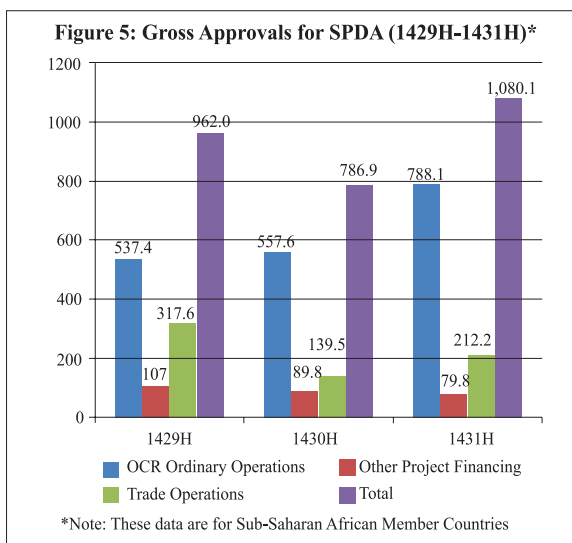
The Bank launched Special Programme for Development of Africa (SPDA) in 1429H (2008) as successor to the Ouagadougou Declaration (2002). The SPDA is a \$12 billion five-year programme (2008-2012) for Sub-Saharan Africa with \$4 billion coming from IDB grants while \$8 billion would be mobilized from other sources. This represents twice the amount devoted to the Ouagadougou Declaration. The Programme focuses on six critical areas in its operational activities:

- Improve agricultural productivity in to achieve food security;
- Support water and sanitation projects;
- Support national and regional transport infrastructure;
- Support power generation and distribution projects;

- Invest in education to build a skilled workforce; and
- Finance projects in the health sector focusing on the fight against major communicable diseases.

As at the end of 1431H, IDB Group had made significant progress in the implementation of the programme. Cumulatively \$2.83 billion was approved for 267 projects (Figure 5).

The thrust of the programme is to support infrastructure development and remove other constraints to development in Africa. In 1431H, 78 percent of the operations approved under the programme went to infrastructure development followed by human development 19 percent, agriculture and rural development 5 percent, and others 2 percent.



Islamic Solidarity Fund for Development (ISFD)

ISFD was officially launched in Dakar in 2008 as a form of waqf to help reduce poverty by promoting inclusive growth, fostering human development, and providing financial support to enhance the productive capacity and sustainable means of income of the poor as well as improving basic rural and semi-urban infrastructure in member countries. ISFD's target capital is \$10 billion and as at the end of 1431H (6 December 2010), the cumulative amount received as fund donation totalled \$1,198 million from 29 countries out of a pledged amount of \$2,639 million. IDB contributed an amount of \$300 million.

ISFD is a Waqf which means that its operations will be financed from the returns on the investment of its core resources. Other objectives of the ISFD are promoting literacy and eradicating diseases, particularly Malaria, tuberculosis and AIDS.

Since its inception in 2008, ISFD has funded 58 poverty reduction projects for \$881.4 million in 28 member countries. As part of its Five-Year Strategy (2008-2012), the ISFD has been focusing on two thematic programmes, namely Vocational Literacy Programme (VOLIP) and the Microfinance Support Programme (MFSP). The main purpose of the MFSP is to improve the living conditions of the poor. The cost of the programme is estimated at \$500 million over a period of five years. It will serve as a catalyst in providing \$20 million annually from its resources and secure

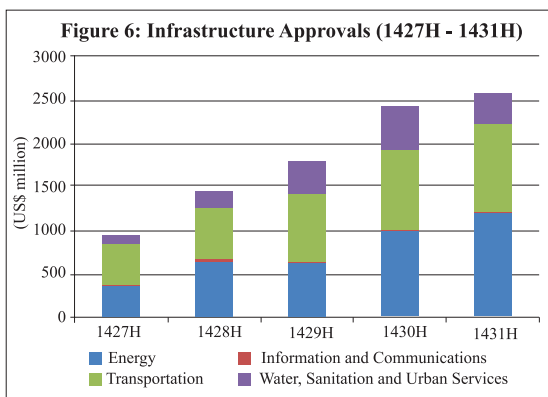
the remaining balance of \$80 million annually from other development partners and the private sector.

Furthermore, IDB initiated the Integrated Community Driven Development Programme (CDD) that targets poor women. After successful implementation of the first phase, the second phase of the programme was launched in Indonesia, Gambia, and Sierra Leone in 1431H.

Boosting Infrastructure Development

Lack of sufficient infrastructure and decay of the available ones are among the major constraints to economic growth and development in many developing countries. Lack of necessary infrastructure prevents economies from reaping the benefits and opportunities brought about by globalization. Moreover, there is a need for infrastructure development in developing countries for them to reap the benefits and advantages of the growth available in the post-crisis era. It is in recognition of this fact that IDB, since its inception, has been providing development assistance to LDMCs for better basic rural and urban infrastructure. IDB has also diversified its assistance for infrastructure projects to the private sector of its member countries through the ICD and ICIEC.

IDB Group has significantly increased its financing for infrastructure projects since 2009 for sustained recovery of its member countries from the effects of the crisis (Figure 6). Cumulative net approvals for infrastructure totalled \$15,566.6 million, of which 39 percent went to transportation, 38.7 percent to energy, 20.3 percent to water, sanitation and urban services, and 1.9 percent to information and communications.



Supporting Energy, Information Technology, Transport, and Water and Sanitation Infrastructure

In 1431H, the Bank invested ID792.4 million (\$ 1,211.9 million) in energy compared to ID650.9 million (\$1,004.8 million) invested in 1430H and ID 392.8 million (\$628 million) in 1429H. Within the energy sector, power generation projects based on hydro-power and thermal (combined cycle) power stations, received the largest portion of the investment. In addition, priority is accorded to pro-poor energy projects such as mini-hydropower stations and solar housing systems. The focus on the energy sector is intended to develop local as well as regional power transmission

infrastructure thereby facilitating trade in electricity among IDB member countries. IDB uses Public Private Partnership (PPP) in the energy sector with ID142 million (\$220 million) devoted for this modality in 1431H.

The Bank also finances transport infrastructure projects such as roads and railway networks. In 1431H, the Bank financed a number of regional road projects such as the M39 Silk Road in Uzbekistan, N'Djamena-Abech-Sudan border road (Mongomangalme) and M4 national corridor in Pakistan. The Bank also supports the development of regional air hubs to facilitate air linkages between member countries and the rest of the world.

IDB has started financing projects in the urban sector with the current focus being on urban water supply and sanitation projects. In 1431H, the Bank approved five water supply and sanitation projects totalling ID201.4 million (\$316 million).

IDB also participates in the Programme for Infrastructure Development in Africa (PIDA), which seeks to establish, among other things, a strategic framework for the development of regional and continental infrastructure for energy, transport, ICT, cross-border trade, and water sectors. The programme which was launched in July 2010 at the 15th session of African Union Assembly of Heads of States and Government in Kampala will be implemented in collaboration with other multilateral development banks and development partners. The Bank is actively participating in the development of 8,860 km long Trans-Saharan Road Corridor under the programme.

Forging Partnerships and Economic Cooperation

The task of fostering socioeconomic development in member countries is too huge for individual countries or a single entity like IDB to handle alone. Consequently, IDB strengthens cooperation with all stakeholders at national, regional and international levels, promotes intra-trade and intra-investment among member countries, and encourages co-financed operations with other multilateral development banks and international organizations. It also funds special assistance projects in collaboration with non-governmental organizations.

As part of its efforts to align its operations and activities with the development needs of member countries so as to realize the desired development impact, IDB embarked on preparation of Member Country Partnership Strategy in 1431H (Box 3). The Bank has, so far, completed 5 MCPS for Turkey, Indonesia, Uganda, Mauritania and Mali.

Supporting Trade Finance, Intra-Trade and Intra-Investment

Having realized the importance of trade as an engine of economic growth and development, IDB was the first multilateral financing institution to have used trade finance in its operations. Consequently, IDB Group's overall trade finance operations, since its inception, has reached ID26.6 billion (\$ 37.0 billion) as at the end of 1431H.

Box 3. Member Country Partnership Strategy

The Member Country Partnership Strategy (MCPS), which was formally launched at the beginning of 1431H (2010), is the tool for actualizing the new business model. It is thus a key priority activity under the implementation of IDB Vision and reform agenda. The MCPS is a Group-wide undertaking involving all entities namely; ITFC, ICD, ICIEC, IRTI and all the operational Departments of IDB.

The MCPS exercise constitutes the foundation and cornerstone of IDB Group's dialogue with member countries. It sets out the Group's diagnosis of the countries' development situation and future aspirations; and develops work programmes for Bank Group support in alignment with the countries' development objectives and IDB's sectoral and thematic priorities identified in the 1440H Vision. Articulation of such programmes also takes into account the activities of other development partners in the country. This alignment calls for a process of extensive internal and external consultations, with the Governments of client countries, the civil society, the private sector, interest groups, MDBs and other development partners. It is on the basis of these consultations that IDB formulates and refocuses its support to a member country over the medium-term. The knowledge generated through these consultations will contribute to building an in-house analytical and diagnostic capacity and member countries, perception of the IDB.

The trade financing window of IDB Group is the ITFC which contributes to the development of markets and trading capacities of member countries helping them do business more effectively. The IDB Group's cumulative trade finance operations stand at \$37.0 billion, with intra-OIC trade finance accounting for 75 percent of the total. Cumulatively, ITFC since its establishment in 1429H has so far approved trade finance operations for member countries amounting to \$7.2 billion including \$725 million for Sub-Saharan African member countries.

ITFC's trade promotion and cooperation programme (TCPP) promotes trade cooperation and private/public sector development by sponsoring and organizing collective participation of trade promotion organizations (TPOs) of member countries, small and medium size enterprises (SMEs) in international exhibitions, buyer-seller meetings and trade missions. ITFC also helps to build the human and institutional capacity of trade support organizations so that member countries could devise and implement a sustainable national trade development strategy for trade integration.

Aid-for-Trade (AfT) is another development-related regional initiative in which IDB Group is playing a very active role. In terms of regional initiatives under the ambit of AfT, the ITFC collaborated with numerous international organizations as well as the Governments of Azerbaijan and Kyrgyzstan to undertake needs assessment and projects for the United Nations Special Programme for the Economies of Central Asia and Afghanistan (SPECA) and Economic and Social Commission for Western Asia (ESCWA) regions. AfT helps to build the capacity of LDMCs and of developing

member countries so that they could address constraints such as lack of production capacity and trade-related infrastructure, thus enabling them to access the markets.

To effectively coordinate its trade-related activities and address intra-OIC trade issues, IDB Group established the Group Trade Related Issues Committee (GTRC) in 1430H. To further consolidate and enhance IDB Group's interventions in trade-related issues, the GTRC established five sub-teams on: (i) Trade and Transport, (ii) Trade Competitiveness, (iii) Aid for Trade, (iv) Integrated Projects, and (v) Trade and Agriculture, to coordinate and create the required synergy among IDB Group on trade related matters. As regard trade facilitation, ICIEC has facilitated trade amounting to \$7.33 billion since inception.

Investment Promotion in Member Countries

The IDB Group accords top priority to intra-investments among its member countries given their importance for economic growth and development. The Bank promotes investment through its private sector arms - ICD and ICIEC - by providing lines of financing to development financing institutions and Islamic banks. The Bank also established in 2005, the Investment Technical Assistance Programme (ITAP) within the ICIEC to promote intra-investment among its member countries. The major objectives of ITAP are to assist member countries to improve their investment climate, and identify and promote promising investment opportunities that encourage FDI flows into the countries. The programme focuses on institutional development, best practices sharing, and dissemination of information on investment opportunities in member countries. It provides technical assistance on needs assessment and sector studies; capacity building for Investment Promotion Agencies, and relevant government institutions, identification of investment opportunities; country promotion events etc. ICIEC also provides insurance support for investments into member countries totalling \$870 million as at end 1431H.

Deepening Islamic Financial Services Industry

IDB Group Support for Islamic Finance

IDB Group has been at the forefront of promoting and strengthening Islamic financial institutions globally. It develops and uses innovative Islamic finance instruments to mobilize resources; helps the financial industry to identify future needs; promotes dialogue among its stakeholders; establishes the requisite financial infrastructure and supports standardization; and extends technical assistance for capacity building.

IDB Group also plays important roles in the establishment of such regulatory bodies as the Islamic Financial Services Board (IFSB) and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and assists in the establishment of specialized institutions such as the General Council for Islamic Banks and Financial Institutions (CIBAFI) and the International Islamic Financial Market (IIFM).

In line with Vision 1440H, the IDB established the Islamic Financial Product Development Centre in December 2010, to reinforce the leadership of IDB Group in the development and promotion of innovative Islamic financial products within Maqased Al-Shariah framework. The Centre is responsible for the development of innovative financial instruments in close collaboration with the entire IDB Group.

Apart from supporting regulatory bodies and assisting in the development of specialized Islamic Financial Institutions, IDB also makes equity investments in Islamic financial institutions.

By end 1431H, the IDB had equity investments of about ID197 million in 28 Islamic financial institutions in 20 countries. IDB also supports the revival of Awqaf, given its potential for economic development and poverty reduction in member countries.

In line with the strategic objective of supporting the Islamic Financial Services Industry (IFSI), IDB has been providing technical assistance and promoting capacity building in member countries and financial institutions in various aspects of Islamic finance such as Islamic microfinance, Zakat, Awqaf, Takaful, Sukuk, the Islamic Capital Market, IFIs-technical support and development programmes. These programmes entail activities such as undertaking studies to examine the various sub-sectors in relation to the Islamic financial sector; identifying and partnering with key strategic partners within the sub-sectors, procuring appropriate banking and other licenses for establishment of new IFIs, strengthening existing institutions through capacity building measures, providing advisory services to national Governments, central banks, and Islamic infrastructure institutions, soliciting potential shareholders, liaising with relevant institutions in the development of the Islamic financial sector, etc.

Mainstreaming Islamic Finance

The IDB Group continues to play a catalytic role in furthering the development of IFSI. To this end, IDB implemented several strategic initiatives in 1431H including seeding equity investments into developing IFIs, which serves to attract more equity capital for investee institutions, developing the Islamic microfinance sector to increase access to Islamic finance for the poor, successfully issuing and placing Sukuk, and actively working towards the establishment of an infrastructure finance facility with the World Bank.

With regard to dissemination of knowledge on Islamic economics and finance, and capacity building, IRTI focuses on establishing databases and information system, and conducting various trainings and seminars in close collaboration with reputable Islamic financial infrastructure institutions, central banks and renowned international universities.

(b) CROSS-CUTTING AREAS

Supporting Private Sector Development

IDB promotes the development of the private sector in member countries through the activities of the ICD and ICIEC.

Financing Private Sector Operations

ICD was established in 1420H with the aim of supporting and promoting private sector development in its member countries. It provides a variety of financial products including: (1) direct financing through equity participation, term-financing, and short-term corporate finance; (2) indirect financing mainly for SMEs through line of financing provided to commercial banks and National Development Financing Institutions, and (3) asset management, structured finance and advisory services to private and public companies. Cumulative net approved operations of ICD as at the end of 1431H stood at \$1.477 billion for 189 projects mainly targeting industrial, financial, real estate, oil & gas, transportation and telecommunication sectors in member countries.

Supporting and Promoting Private Sector Development

Apart from trade finance and promotion, IDB also provides insurance services designed to enhance intra-trade, and boost exports from member countries to non-member countries. This task is carried out by the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC). ICIEC provides export credit and investment insurance services to encourage exports from, and the investment flows to, its member countries. Up to the end-1431H, ICIEC's insurance commitments stood at \$11.3 billion, of which the total business insured accounted for \$ 8.082 billion covering mostly, private sector operations in the manufacturing, petrochemicals, electric cables and other sectors. This reflects the Corporation's strong commitment to private sector development in member countries.

In an effort to promote its export credit and investment insurance services, ICIEC opened its first overseas representative office in Dubai in May 2010. It is expected that the office will further increase awareness of ICIEC's services and positively contribute towards promotion of investment in member countries.

Supporting Public- Private Partnership

In recognition of the growing importance of PPP projects and their potential impact on member countries, IDB finances such projects through direct participation and acts as a catalyst in attracting investments to member countries. In 1431H, IDB approved ID203.9 million (\$316.9 million) for PPP projects and disbursed ID148 million (\$230 million). Major PPP projects financed by IDB in 1431H included Jubail Refinery & Petrochemical Project in the Kingdom of Saudi Arabia for ID78.1

million, AIBD Airport in Senegal for ID 62.1 million, and Uch-II Power Plant in Pakistan for ID 57.7 million.

Thiqah

Thiqah, which means ‘trust’ in Arabic, was launched in 1431H (2010). Thiqah is the Islamic world’s leading forum for business leaders committed to collaborating in investment opportunities and creating new possibilities for the people of the Islamic world. The forum is unique and provides an innovative platform for dialogue, cooperation and inclusive partnership - the fundamental drivers of sustainable business.

It seeks to enhance the interaction between IDB Group and the private sector; and is intended to be the main window connecting IDB Group’s institutions with the private sector. It provides financial products and services as a comprehensive solution tailored to their investment needs.

The vision of Thiqah as the leading business platform of IDB Group serving the private sector in our member countries is to maximize the achievements of fruitful cooperative projects. By providing facilitation and playing a catalytic roles, Thiqah, leverages IDB Group’s resources to instil confidence to private sector investors in member countries in which potential investments will be supported by IDB Group wide range of financial products and services on an integrated e-system thereby contributing to, and fostering economic development.

Thiqah facilitates transfer of expertise and knowledge amongst private sector players and provides a number of services, namely: an electronic portal for IDB Group Business Forum; database on investment facilities; research and economic reports on IDB member countries, etc.

Private investors and businessmen can register as members on Thiqah directory to enjoy access to a wider range of services that includes: technical and financial advice for projects to be submitted for IDB financing, information on new support programmes, and updates on the investment incentives and opportunities available in IDB member countries.

Expanding Capacity Building for Development

IDB support for capacity building is designed to boost efficiency, transfer technology and expertise and enhance the overall capacity of public entities, private institutions and regional organizations in member countries. In this regard, IDB makes use of the experiences of more advanced member countries in key sectors for the benefit of the least developed member countries. The capacity building operations are financed through various programmes.

Enhancing Technical Assistance for Capacity Building

Technical assistance is the provision of technical expertise and/or know-how that can help prepare or implement a policy or project or help develop the capacity of institutions, organizations or individuals. As at the end of 1431H, the IDB had provided ID246.1 million (\$ 343.7 million) for 1,063 technical assistance operations in member countries.

Strengthening Capacity in Science and Technology

The development of Science and Technology (S&T) is critical for sustainable development of any country in today's world. A dynamic S&T is essential to raising both public and private sector productivity and competitiveness. IDB recognizes the positive impact of S&T on economic development and therefore accords special attention to human and institutional capacity building in its S&T financing activities. IDB capacity-building programme in S&T focuses on South-South cooperation for knowledge and technology transfer and on partnership in scientific research among member countries of the Bank. From the inception of the programme in 1425H to the end of 1431H, the Bank has approved operations/sub-programmes amounting to \$5.9 million. IDB also awards S&T prizes in an attempt to promote excellence in science education, research and development. Three prizes are awarded annually for (i) outstanding scientific and technological contribution to social and economic development; (ii) excellence in a given scientific speciality; and (iii) best performing research and development centre in a least developed member country.

IDB Statistical Capacity Building Initiative

In 1428H, IDB launched a statistical capacity building initiative, known as IDB-STATCAP. Its aim is to assist member countries with weak statistical capacities to overcome the vicious circle of underperformance and under funding of their national statistical systems. The activities of IDB STATCAP in 1431H can be categorized into two types. The first type concerns the STATCAP activities financed from IDB's own resources while the second type are those activities financed from the resources mobilized from development partners, mainly the United Kingdom's Department for International Development.

With regard to the first type of activities, IDB contributed to the financing of three important statistical events in 1431H, namely: (i) the First Meeting of the National Statistical Organizations of the Organization of Islamic Conference Member Countries hosted by the Statistical, Economic, and Social Research Training Centre for Islamic Countries in Istanbul, Turkey in March 2010; (ii) the Fifth International Conference on Agricultural Statistics, hosted jointly by FAO and Uganda Bureau of Statistics in Kampala, Uganda in October 2010, and (iii) the First Conference of Al-Khawarezmi Committee on Statistics of Arab Region organized by the Qatar Statistics Authority, in Doha, Qatar in December, 2010. In 1431H, IDB also provided

\$200,000 to UN ESCWA to support the 2011 Round of International Comparison Programme.

In addition, IDB-STATCAP provides scholarships for statisticians to obtain Master's degrees in the field of statistics and demographics. The scholarships were awarded to three students from Chad, The Gambia and Uganda in 2009/2010 academic year.

As for the second type of statistical activities, these were financed from the United Kingdom's Department for International Development (DFID) fund. The DFID signed a MoU with IDB in November 2009 for the latter to contribute the sum of £2 million in support of IDB STATCAP activities in Iraq, Palestine and Yemen as well as for regional statistical activities. In 1431H, the DFID and IDB mounted joint missions to Iraq, Palestine and Yemen to identify statistical capacity building activities. As a result of the missions, DFID and the IDB agreed to finance the "Agricultural Census" to be implemented by the Palestinian Central Bureau of Statistics and the Ministry of Agriculture. The primary aim of this project will be to conduct an accurate agricultural census with a view to creating a database for agricultural holdings, thus making it possible to have a precise snapshot of the agricultural sector in Palestine.

Supporting Technical Cooperation

Human Resource Development is considered as one of the most important factors of sustainable economic growth and development. In recognition of this fact, IDB established its Technical Cooperation Programme (TCP) in 1403H (1983) to enhance the quality of human resources and build institutional capacity geared to socio-economic development in member countries. The programme provides on-the-job training, facilitates familiarization visits and recruitment of experts, finances studies and organizes seminars and workshops. The priority areas identified for the programme are finance, education, agriculture and the environment with special consideration to Countries in Transition (CIT) and LDMCs. As at the end of 1431H, 1,818 operations for \$42.4 million were approved under the programme; with seminars and workshops amounting to \$20.8 million for 702 operations, followed by on-the-job training activities costing \$15.8 million for 801 operations, and recruitment of experts accounting for \$5.8 million for 315 operations. So far, under the programme, 14,438 persons have received training, 468 experts have been exchanged amongst the member countries and 17,333 specialists have been able to share their knowledge and experience at various meetings.

WTO-Related Technical Assistance Programme

In 1997, IDB launched a programme called the WTO-related Technical Assistance Program to help member countries build their human and institutional capacity and address the challenges of international trade. The objectives of the Programme are to: (i) assist member countries in their negotiations to secure accession to the WTO; (ii)

enhance the human and institutional capacities of member countries that are already members of the WTO so that they could implement the Uruguay Round Agreements, and (iii) help member countries to harmonize their positions and be well prepared for negotiations on new trade-related issues.

The capacity building activities undertaken in 1431H include two intensive training courses on Trade Negotiation Skills, two seminars on Regional Trade Agreements, and one Seminar on Trade Facilitation, and Economic Partnership Agreements, respectively. The contribution of WTO and other International Organizations to these capacity building activities was in the form of provision of resource persons who shared their knowledge and expertise with the participants.

Enhancing Scholarship Programmes

The aim of IDB Scholarship Programmes is to develop science-based human capital in member countries and Muslim communities in non-member countries. There are three types of scholarship programmes:

- (i) The Scholarship Programme for Muslim Communities in Non-Member Countries was launched in 1404H (1983) to enable outstanding Muslim students to pursue higher studies in universities in their countries or in other IDB member countries in various science and engineering related disciplines. The approved disciplines under this programme are medicine, engineering, dentistry, pharmacy, nursing, veterinary sciences, agriculture and computer science. The programme also covers banking, finance, administration, management, accountancy and marketing for Muslim communities in CIS and East European countries. The annual intake of students has increased since 1429H from 475 to 900. As at the end of 1431H, 11,216 students had received the awards.
- (ii) The Merit Scholarship Programme for High Technology provides scholarships for advanced studies and research in science and applied technology. It aims at developing technically qualified human resources and enhancing scientific and technological capabilities of institutions in member countries. Under the programme, scholars can undertake doctoral or postdoctoral degrees in designated universities. In a move to enhance the quality of the Programme, IDB has signed MoU with many high ranking universities in Europe, North America and Australia. Also in 1431H, the Bank signed an MoU with Bilkent University in Turkey which will provide places for IDB students and give 78 percent discount on tuition fees. The Bank is also in the process of signing similar MoUs with more high ranking universities all over the world. The annual intake of students in this programme has since 1429H increased from 50 to 100. By the end of 1431H, 660 students had been awarded scholarships under the programme of which 16 scholarships were given to students from Muslim communities in non-member countries since 1428H.

- (iii) The M.Sc. Scholarship Programme for Science and Technology aims at securing access to scientific and technological education for the students from LDMCs. The focus of the programme is to develop intermediate science-based human resources in 20 LDMCs. Students under this programme are placed in various universities and centres of excellence in member countries to enrol in courses related to their national needs. The Programme also allows students from LDMCs to qualify for IDB Merit Scholarship Programme for High Technology. The annual intake of students has since 1429H, increased from 20 to 50. As at the end of 1431H, the total number of students selected under the Programme stood at 354 of whom 9 students were awarded from the field of statistics, demography and other related fields under IDB STATCAP initiative.

Cumulatively, the total number of graduates from member and non-member countries under the three scholarship programmes has exceeded 6,000, a majority of them gainfully employed in their respective countries.

IDB has started implementing a number of activities aimed at preparing its scholars for leading roles in the development of their communities and countries. These include “Guidance and Counselling Activities”, “Excellent Leadership Award”, and “Community Development Workshops”.

LEVERAGING DEVELOPMENT PARTNERSHIPS

IDB participates in a number of collaborative global initiatives aimed at promoting economic growth and development in member countries. The Bank collaborates with various development partners such as Islamic banks, national development financing institutions, donors and UN institutions to support development activities in member countries.

Co-Financing Arrangements

Co-financing with other development partners is another means through which IDB enhances its development role in member countries. Co-financing strengthens cooperation and enhances the Bank's catalytic role in connection with member countries' development efforts. It also facilitates knowledge sharing through staff exchange, joint field visits and advocacy with other donors.

The primary focus of co-financed operations is on infrastructure projects given their size and scope. During the period 1427H-1431H, IDB co-financed 103 projects with donors and Multilateral Development Banks (MDBs) amounting to \$ 30 billion, of which IDB's contribution was \$ 4.9 billion which represents 35 percent of the Bank's cumulative financing (Table 1).

Coordination Group

The Coordination Group (CG) is a forum of bilateral and multilateral development financing institutions which was established in 1975. IDB maintains strong ties with the Coordination Group¹. The Bank has contributed to its activities and participated in its round table meetings to promote dialogue and collaboration (Table 1). It facilitates the Coordination of Group for member countries of the CIT and the African region to identify projects for co-financing by the members of the Group. As a member of the Coordination Group, IDB also plays a vital role in the new strategic partnership between the Coordination Group and the World Bank Group, especially within the framework of the Arab World Initiative. The aim of the initiative is to reinforce World Bank Group activities in Arab countries.

Expanding Collaboration with other Development Partners

IDB maintains close working relationship with specialized bodies of the UN and participates in relevant initiatives of global and regional institutions such as the Asian Development Bank, World Bank, IMF, African Development Bank, European Investment Bank, and other relevant development organizations.

¹In addition to IDB and the OPEC Fund for International Development, the Coordination Group comprises of Arab National and Regional Development Institutions, which are: Abu Dhabi Fund for Development, Arab Fund for Economic and Social Development, Arab Bank for Economic Development in Africa, Arab Gulf Programme for United Nations Development Organizations, Arab Monetary Fund, Kuwait Fund for Arab Economic Development, and Saudi Fund for Development.

Table 1
Summary of Active Co-Financed Projects (1427H-1431H)

(\$ million)

Year	No. of Projects	Contribution of IDB	Contribution of other Co-Financers	Total Cost
1427	10	454.7	2,281.4	2,736.1
1428	24	894.4	2,729.6	3,624.0
1429	20	928.2	11,917.7	12,845.9
1430	23	1,103.9	2,504.1	3,608.0
1431	26	1,495.3	5,806.5	7,301.8
Total	103	4,876.5	25,239.3	30,115.8

To date, IDB has broadened its relationship with UN affiliated organizations and specialized institutions such as the United Nations Development Programme, United Nations Industrial Development Organisation, World Health Organisation, Food and Agricultural Organization, International Fund for Agricultural Development, United Nations Conference on Trade and Development, International Trade Centre, World Intellectual Property Organization, World Customs Organization and World Trade Organization.

The IDB recently concluded new institutional collaborative arrangements, with a special focus on operational matters, with the Asian Development Bank, Japan Bank for International Cooperation, United Nations Industrial Development Organization and the World Bank.

Collaboration with G20

In 1431H, IDB Group participated in high-level Development Working Group meetings of G20 to formulate and implement global development agenda. In its Declaration after the Summit held in Toronto in June 2010, the G20 mandated a Working Group to formulate a Global Development Agenda (GDA) and multi-year action plans which were considered at its follow-up Summit in Seoul in July 2010.

The multi-year action plan assigned responsibilities to key global development stakeholders anchored on nine pillars, for achievement of strong growth and resilience at the global level.² IDB actively participated in the process of developing the global development agenda and, in alignment with the key recommendations of the GDA, contributed to developing global action plan and a multi-year action plans on four key pillars: (i) Aid for Trade, (ii) Food Security, (iii) Human Resource Development, and (iv) Infrastructure Development.

² The nine pillars are (i) infrastructure, (ii) human resource development, (iii) aid for trade, (iv) private investment and job creation, (v) food security, (vi) growth with resilience, (vii) financial inclusion, (viii) domestic resource mobilization and (ix) knowledge sharing.

Working with Non-governmental Organizations (NGOs)

The Islamic Solidarity Fund for Development (ISFD) is leveraging partnership to mobilize resources and scale up projects. IDB, through the ISFD, has identified a number of partnership avenues with NGOs. It is presently in the process of developing an IDB/ISFD- Grameen Bank Social Business whereby investments will be made in key sectors with a clear social objective and the profits generated reinvested into the business. It also forged partnership with the International Islamic Charitable Organization (IICO) with the aim of directly supporting needy women in some member countries at an initial cost of \$15 million, of which IDB will provide \$11 million. IDB has signed a Framework Agreement with the Prince Salman Centre for Disability Research (PSCDR) and the Saudi Credit and Saving Bank with a view to providing help to disabled persons in Saudi Arabia.

EMERGING DEVELOPMENT CHALLENGES FACING MEMBER COUNTRIES

Despite signs of recovery of the world economy from one of the deepest economic recessions since the Great Depression of the 1930s, challenges still remain. The fragile recovery is driven largely by emerging and developing economies. The constraints to recovery include global imbalances, rising food, fuel and commodity prices, climate change, unemployment etc. Some of these challenges facing member countries are discussed below.

Unemployment is the human face of the recent global downturn. The ILO estimated that more than 210 million people were unemployed in 2010, which is 30 million more than the pre-crisis year.³ Although the unemployment crisis is more endemic in industrialized countries, it has also reached an alarming level in developing countries including member countries. High level of unemployment not only exacerbates poverty and hunger, but also incubates civil strife and political instability which may reverse the gains made by countries over the years. IDB, in collaboration with IFC - a member of the World Bank Group – launched an Education for Employment (E4E) project which culminated in a release of a report entitled “Education for employment: Realizing Arab youth potential” calling for mobilization of \$1-2 billion and involvement of all relevant stakeholders (public and private education providers, civil society, public sector policy makers and administrators, private employers, and youth). In addition, IDB Board of Executive Directors IDB recently approved a sum of \$250 million for employment generation in member countries.

Food and fuel prices reached their highs in 2008 and 2010, heading towards the crisis levels in the first quarter of 2011. In particular, oil prices crossed the \$100 mark in March 2011 for the first time since 2008 while at the same time food prices skyrocketed. FAO food index rose from 170 in April 2010 to 232 in April 2011. The

³International Labour Organization (2010), “Weak employment recovery with persistent high unemployment and decent work deficit. An update on employment and labour market trends in G20 countries”.

combined effect of the recurrent fuel and food crises reduced disposable income, thereby hitting the poor hard. IDB Group has been implementing its Jeddah Declaration Initiative whose objective is to enhance food security in IDB member countries. The Bank is also preparing an agriculture strategy which will focus on: (i) supportive rural infrastructure – water, roads, and electricity; (ii) agricultural productivity – crops, livestock and fisheries; (iii) productivity and value addition in rural non-farm economy; and (iv) market access – production and processing inputs, outputs, and services.

Achieving MDGs targets has become one of the major development challenges facing the international community especially in the post-crisis world. Successes recorded since 1990 in poverty reduction, has been reversed by the recent global financial and economic crisis. To study the impact of the crisis on the MDG attainment by member countries, IDB devoted its 2011 Occasional Paper to addressing “The Challenge of Achieving MDGs in Member Countries in the Post-Crisis World” which will, among other things, estimate the resource requirement for attaining the MDGs.

Annex-I: IDB Modes of Financing

Leasing (Ijara): This is a medium- to long-term mode of financing introduced in 1397H (1978), involving purchasing and subsequently transferring of the right of use of the equipment and machinery to the beneficiary for a specific period of time against payment of fixed periodic lease rentals, during which the Bank retains the ownership of the asset.

Instalment Sale: Under this mode of financing, introduced in 1405H (1984), IDB purchases assets (machinery and equipment) and then sells them to the beneficiary at a higher price, the repayment being in instalments. Unlike leasing, ownership of the asset is transferred to the purchaser on delivery.

Loan: This mode, introduced in 1396H (1976), is a long-term financing for implementation of development projects, mainly in agriculture and infrastructure. It is concessionary in nature and different from that of other MFIs, extended to member countries for financing projects. It carries only a service fee intended to cover the actual cost of administering the loan.

Istisna'a: This is a medium-term mode of financing, introduced in 1416H (1996). It is a contract for production (including manufacturing, construction, assembling or packaging process) whereby the manufacturer (seller) agrees to provide the buyer with the goods identified by description, after they have been produced, in conformity with agreed specifications, within a set time-frame and for an agreed price.

Technical Assistance: This is the provision of technical expertise to assist in the preparation or implementation of a project or a policy. It can also help in the development of institutions or human resources. TA can relate directly to a project e.g. feasibility study, detailed design, supervision of implementation, pilot projects, etc. or be an advisory in nature e.g. definition of policies, preparation of sectoral plans, institution-building, research, etc.

Equity Participation: Through this mode of financing, introduced in 1396H (1976), the Bank participates in the share capital of various companies. However, the level of IDBs participation does not normally exceed one-third of the equity capital of the project.

Lines of Financing: IDB extends lines of financing to National Development Financing Institutions (NDFIs)/Islamic Banks, in member countries to promote the growth and development of small and medium scale enterprises in the industrial and agri implements manufacturing sector and infrastructure projects except for the hotel and tourism industry, housing and projects which may be objectionable from the Shariah point of view. The lines extended comprised: (a) Line of Leasing, (b) Line of Instalment Sale, (c) Line of Istisna'a, (d) Line of Equity, and (e) Combination of (a) to (d).

Mudaraba: In this form of partnership, one party provides the funds and the other provides the expertise and management. Any profits accruing are shared between the two parties on a pre-agreed ratio, while the capital loss is borne by the fund provider.

Murabaha: This is a sale contract between a buyer and a seller in which a seller purchases the goods needed by a buyer and sells the goods to the buyer on a cost-plus basis. Both the profit (mark-up) and the time of repayment (usually in instalments) are specified in an initial contract.

Annex-II: Contact Details

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