



ISLAMIC DEVELOPMENT BANK

38 *Years* *In the Service of Development*





ISLAMIC DEVELOPMENT BANK

Thirty-Eight Years in the Service of Development

Jumad Awwal 1433H (April 2012)

For enquiries about this booklet, please write to:

Director,

Economic Research and Policy Department

Islamic Development Bank

P. O. Box 5925, Jeddah-21432

Saudi Arabia

Fax: +966-2-6467478

E-mail: erpd@isdb.org

Information Brochure

Jumada Awwal 1433H (April 2012)

ISSN 1658-4449

TABLE OF CONTENTS

ABBREVIATIONS	v
IDB Group Capital Structure	vii
Net Approvals of IDB Group	vii
IDB GROUP ENTITIES	1
OVERVIEW OF ISLAMIC DEVELOPMENT BANK	3
Institutional Development	3
IDB Group Reform	4
Financial Position and Credit Worthiness	5
Development Effectiveness	5
ENHANCING DEVELOPMENT ASSISTANCE	7
Human Development and Poverty Reduction Initiatives	7
Agriculture and Food Security	10
Infrastructure Development	11
Islamic Finance	12
STRENGTHENING DEVELOPMENT PARTNERSHIPS	14
Development Partnership and Cooperation	14
Private Sector Development	17
Capacity Development	18
Annex-I: IDB Modes of Financing	21
Annex-II: Contact Details	22

ABBREVIATIONS		
AFFI	-	Arab Financing Facility for Infrastructure
AGFUND	-	Arab Gulf Programme for Development
AIRTS	-	Arab Institute for Research and Training in Statistics
AIVV	-	Arab Infrastructure Investment Vehicle
AMF	-	Arab Monetary Fund
AWI	-	Arab World Initiative
APIF	-	Awqaf Properties Investment Fund
BADEA	-	Arab Bank for Economic Development in Africa
BOG	-	IDB Board of Governors
CG	-	Coordination Group
COMCEC	-	OIC Standing Committee for Economic and Commercial Cooperation
COMSTECH	-	OIC Standing Committee on Scientific and Technological Cooperation
DfID	-	Department for International Development
E4E	-	Education for Employment
ECG	-	Evaluation Coordination Group
FAO	-	Food and Agriculture Organization of the United Nations
FDI	-	Foreign Direct Investment
GCC	-	Gulf Cooperation Council
IAS	-	International Accounting Standards
IBRD	-	International Bank for Reconstruction and Development (World Bank)
ICCI	-	Islamic Chamber of Commerce and Industry
ICD	-	Islamic Corporation for the Development of the Private Sector
ICDT	-	Islamic Centre for Development and Trade
ICIEC	-	Islamic Corporation for the Insurance of Investment and Export Credit
ICT	-	Information and Communication Technology
ID	-	Islamic Dinar
IDB	-	Islamic Development Bank
IFAD	-	International Fund for Agricultural Development
IFC	-	International Finance Corporation
IFIs	-	Islamic financial institutions
IICO	-	International Islamic Charitable Organization
IRTI	-	Islamic Research and Training Institute
ISFD	-	Islamic Solidarity Fund for Development
ISESCO	-	Islamic Educational, Scientific and Cultural Organization
IT	-	Information Technology
ITAP		Investment Promotion 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
MDP	-	Microfinance Development Programme
MENA	-	Middle East and North Africa
MoU	-	Memorandum of Understanding
MTN	-	IDB Medium Term Note
MSP	-	Merit Scholarship Programme
M.Sc	-	Master of Science
NDFIs	-	National Development Financing Institutions
NGOs	-	Non-Governmental Organizations
NSS	-	National Statistical System
OCR	-	Ordinary Capital Resources
OIC	-	Organization of the Islamic Cooperation
OIC-CERT	-	OIC Computer Emergency Response Team
OICC	-	Organization of Islamic Capitals and Cities
OFID	-	OPEC Fund for International Development
PPP	-	Public Private Partnerships
PSCDR	-	Prince Salman Centre for Disability Research
RDA	-	Regional Office of Dakar
R&D	-	Research and Development
RLs	-	Reverse Linkages
SAP	-	System Analysis and Programme Development
SESRIC	-	Statistical, Economic and Social Research and Training Centre for OIC
S&T	-	Science and Technology
SMEs	-	Small & Medium Enterprises
SPDA	-	Special Programme for the Development of Africa
STATCAP	-	Statistical Capacity Building
OIC-StatCom	-	OIC Statistical Commission
SVP	-	Sustainable Village Programme
TA	-	Technical Assistance
TCP	-	Technical Cooperation Programme
TCP	-	Trade Cooperation Promotion Programme
TOBB	-	Chambers, Commodity Exchanges and Union of Turkey
UNCTAD	-	United Nations Conference on Trade and Development
UNIDO	-	United Nations Industrial Development Organization
VOLIP	-	Vocational Literacy for Poverty Reduction Programme
WB	-	World Bank

IDB Group Capital Structure
As at end - 1432H (25 November 2011)

(Amount in million)

Capital	Period	IDB (ID)*	ICD (\$)	ICIEC (ID)	ITFC (\$)
Authorized Capital	1432H	30,000	2,000	150	3,000
	At Inception	2,000	1,000	100	3,000
Subscribed Capital	1432H	17,782.6	806.64	149	750
	At Inception	750	400.03	68.8	500
Paid-In Capital	1432H	4,031.1	565.81	74.5	671.7
	At Inception	280	83	63.8	446.1

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

Net Approvals of IDB Group
1396H-1432H (1976-25 November 2011)

Activity	Number of Operations	Amount Approved (in million)	
		(ID)	(\$)
Net Approved Operations	7,260	54,574.3	78,025.5
Of which:			
OCR Net Approvals	2,817	20,143.3	29,383.0
ICD Net Approvals	208	1,137.7	1,728.8
Net Trade Finance Approvals	2,297	28,491.6	39,951.7
- ITFC Net Approvals	242	6,216.2	9,639.0
- Previous Trade Finance Approvals	1,901	21,809.3	29,549.0
UIF Net Approvals	229	1,473.6	2,105.0
APIF Net Approvals	94	646.4	994.2
Treasury Net Approvals	354	2,591.8	3,903.3
Special Assistance Operations	1,415	556.0	723.4
ICIEC Operations			
- Insurance Commitments*		9,612.7	14,620.9
- Business insured**		7,409.5	11,318.2

* 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.

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 in accordance with the principles of *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 socio-economic 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 intra-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 Cooperation (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.

OVERVIEW OF ISLAMIC DEVELOPMENT BANK

Institutional Development

The Islamic Development Bank (IDB) 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). Over the past thirty-eight years, the IDB Group has contributed to the socio-economic development of its member countries.

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.

Membership

The membership of IDB has increased more than twofold from 22 countries at its inception in 1395H to 56 countries in 1432H, spanning four continents (Africa, Asia Europe and Latin America). The basic condition for membership is that the prospective country should be a member of the Organization of the Islamic Cooperation, pays the first installment of its minimum subscription to the Capital Stock of IDB, and accepts any terms and conditions that may be decided upon by the Board of Governors.

Capital

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 1432H (2011) while the subscribed capital rose from ID0.75 billion in 1395H to ID17.5 billion in 1432H. The paid-up capital has increased from ID0.28 billion in 1396H to ID4.0 billion in 1432H.

Islamic Development Bank Group

IDB Group has evolved from a single entity into a group comprising five entities: Islamic Development Bank (IDB), Islamic Research and Training Institute (IRTI), Islamic Corporation for the Development of the Private Sector (ICD), Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), and International Islamic Trade Finance Corporation (ITFC).

Head Office and Regional Offices

Headquartered in Jeddah, the Kingdom of Saudi Arabia, IDB has four regional offices in Rabat, Morocco; Kuala Lumpur, Malaysia; Almaty, Kazakhstan; and Dakar, Senegal.

Human Resources Composition

As of end-1432H, IDB Group had 1,111 professional and support staff, of which 964 are from member countries and 147 from non-member countries.

IDB Group Reform

The IDB Group initiated its reform program in 2007 guided by its Vision 1440H. The reform aims to transform the Bank into a knowledge-based development institution that is both effective and efficient from a skills mix, leadership and organizational structure perspective. The Reform program was divided into two phases. Phase-I included a new strategy, planning and budgeting framework for the IDB Group; governance and organizational structure; and managerial renewal modules, while Phase-II included operation policies; human resources; knowledge management; and business processes and information technology.

Phase I of the reform agenda has been successfully completed. In 1432H, IDB introduced reform-related activities such as: i) introduction of the Presidency 5-Year Program with clearly defined Key Performance Indicators (KPIs); ii) creation of a new complex under a new Vice-President (Cooperation and Capacity Development); iii) implementation of new Staff Performance Management System, design of a new Career Track Architecture and new Salary and Benefits Structure; and iv) completion of the first phase of its SAP programme (BEST programme) for Finance, Budget Controlling, Human Resources and Procurement modules.

Enhancing IDB Group's Field Presence

IDB Group's regional presence was strengthened in 1432H through delegation of responsibilities to Regional Offices, fast track recruitment and upgrading

of IT infrastructure. As a result of this, the Regional Office of Dakar (RDA) successfully implemented a one-year crash program to accelerate the implementation of at least 110 operations in its 11 constituency countries by end-2011.

IDB Group has approved the establishment of Pilot IDB Group Gateway Offices in Egypt, Turkey, Indonesia, Bangladesh and Nigeria. IDB Group's country presence will be a 'joint venture' between all relevant Group Members in order to ensure: (i) effective 'branding' of IDB Group services in member countries; (ii) Group synergy during development and business interventions and; (iii) economies of scale and cost sharing from field presence.

Financial Position and Credit Worthiness

Over the years, IDB maintained a strong financial position and credit worthiness, notwithstanding the recent global financial crisis and the associated adverse socio-economic conditions. In 1432H, IDB posted a positive financial performance with net income of ID109 million.

Maintaining Highest Credit Ratings

IDB continues to maintain the highest credit ratings for the ninth consecutive year by Standard & Poor's: "AAA" for long-term and "A-1+" for short-term with Stable Outlook. Fitch ratings: "Aaa" for the long term and "F1+" for the short term foreign currency with issuer a 'stable' outlook for the fifth consecutive year. 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 sixth consecutive year. Furthermore, the Basel Committee on Banking Supervision has designated IDB as a 'Zero-Risk Weighted' Multilateral Development Bank (MDB).

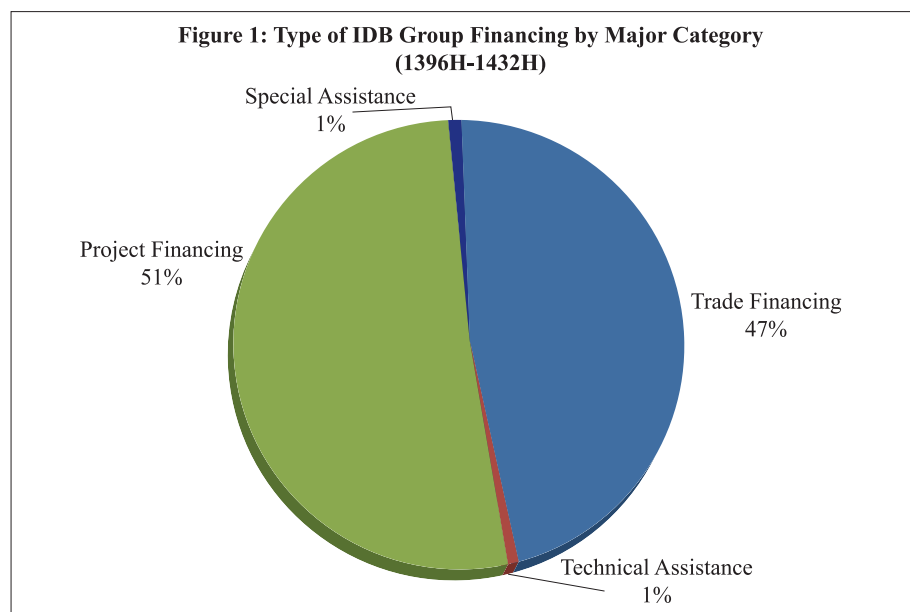
Development Effectiveness

Scaling up Financing

Alleviating poverty and fostering sustainable economic development in member countries are the overarching objectives of IDB. The IDB Group scaled-up its development assistance by intensifying its countercyclical role by increasing the total net financing from ID4.6 billion (\$7 billion) in 1431H to ID5.3 billion (\$8.3 billion) in 1432H.

IDB Group cumulative net financing as at the end of 1432H, for all the three types of operations (ordinary operations, trade financing and special assistance) amounted to ID54.6 billion (\$78 billion) for 7,260 operations.

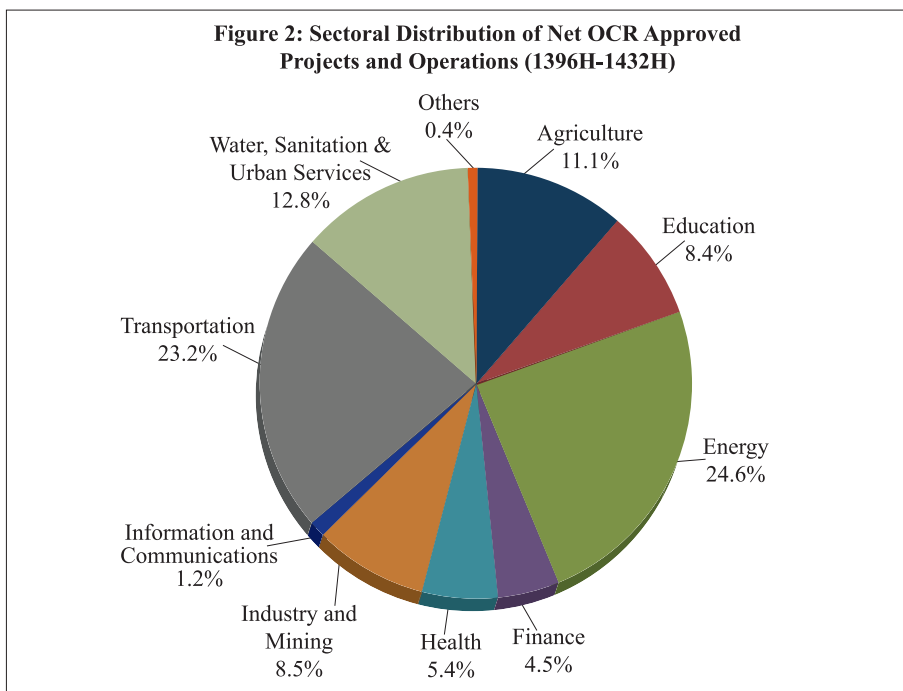
Project financing accounted for 51% of total financing, followed by trade operations 47%, technical assistance 1%, and special assistance 1.0% (Figure 1). The cumulative net OCR approved projects, operations and TA reached ID20.1 billion (\$29.4 billion) during the same period, the largest share of which went to the energy sector (24.6%), followed by transportation (23.2%), water, sanitation and urban services (12.8%), agriculture (11.1%), and industry and mining (8.5%) (Figure 2). Between 1396H and 1432H, a total of \$52.2 billion was disbursed by the IDB Group while total repayments stood at \$40.1 billion.



Bolstering 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-1432H, 414 operations evaluations, 25 sector and thematic evaluations and 10 country assistance evaluations were undertaken. In 1432H, 28 ordinary projects, 1 ICD operation, 1 ICIEC operation, a cluster of 11 TAs in Benin, 6 TAs in Tajikistan and 4 special assistance operations in Eritrea were evaluated. In addition, 3 project completion report evaluation notes were also prepared and 9 higher level evaluations were either completed or initiated during the year.



Over the years, about 70% 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.

ENHANCING DEVELOPMENT ASSISTANCE

STRATEGIC FOCUS AREAS

Human Development and Poverty Reduction Initiatives

Investments in the social sector (education and health) are pivotal in the Bank's efforts to foster socio-economic development of member countries. The Bank has committed huge resources to the social sector amounting to ID421.4 million (\$659.1 million). The cumulative approvals from Ordinary Capital Resources (OCR) for 732 operations in both social sectors reached ID2.9 billion (\$4.1 billion) as at the end of 1432H. Similarly, the Bank supports poverty alleviation in member countries is channeled through the Islamic Solidarity Fund for Development (ISFD), Special Program for the Development of Africa (SPDA) as well as other programs for capacity development in the education and health sectors.

Investing in Education

The Bank strengthened its determination to develop human capital by concentrating its interventions in the following key areas: (i) basic education particularly bilingual education and madrasah education; (ii) science and mathematics education; (iii) science and technology, (iv) vocational training and technical education; and (v) non-formal education and functional literacy through vocational literacy programs (VOLIP). At the end of 1432H, the cumulative approvals for intervention in the education sector stood at ID1.7 billion (\$2.5 billion) for 455 operations. During the year, 38 education operations were approved for an amount of ID219.2 million (\$340 million).

Investing in Health

As a cornerstone for human development, the health sector is one of the focus areas of the Bank. The Bank's support in this sector focuses on three key thematic areas: (i) prevention and control of both communicable and non-communicable diseases; (ii) health system strengthening to improve access to and quality of healthcare services; and (iii) alternative health financing to remove, to the extent possible, financial barriers to access, generate/mobilize additional financial resources for health and make better use of available resources. At the end of 1432H, the Bank's cumulative financing for the health sector stood at ID1.1 billion (\$1.6 billion) for 277 operations. The Bank's investment in the sector has increased almost tenfold over the last 21 years.

Gender Mainstreaming

Since inception, the Bank has incorporated gender issues into its activities as a strategy for promoting gender equality. These operations cover various projects including those aimed at providing women access to finance for gainful productive activities that will improve their living conditions; education programs that can help correct the gender disparities in school enrollment; as well as health programs that contribute to improving women's health and their ability to provide necessary basic healthcare to their children. In 1432H, with the aims of eradicating the gender disparities, the Bank supported an operation of establishing a women observatory in Lebanon.

Strengthening the Role of the Islamic Solidarity Fund for Development (ISFD)

ISFD was officially launched during the 32nd Meeting of the IDB BOG in Dakar, Senegal in May 2007 following a decision by the Extraordinary Session of the OIC Summit in Makkah, Saudi Arabia in December, 2005. The Fund

was established in the form of a *Waqf* (endowment) with a target principal amount of \$10 billion. In 1432H, ISFD utilized all its commitment income and loan approvals amounted to \$46 million for 7 projects with a total cost of \$162.3 million for seven countries. Financing by the Fund is provided on concessional terms, primarily for the 25 LDMCs of IDB.

ISFD launched the Sustainable Villages Programme (SVP) in 1432H, in line with its first Five-Year Strategy (2008-2012) that calls for multi-year, multi-sector thematic programmes. The SVP aims at helping achieve the MDGs by 2015 through inclusive, integrated and innovative development interventions. The total financing envelope of SVP is \$120 million and the programme will be implemented in six Sub-Saharan African countries over a period of three years.

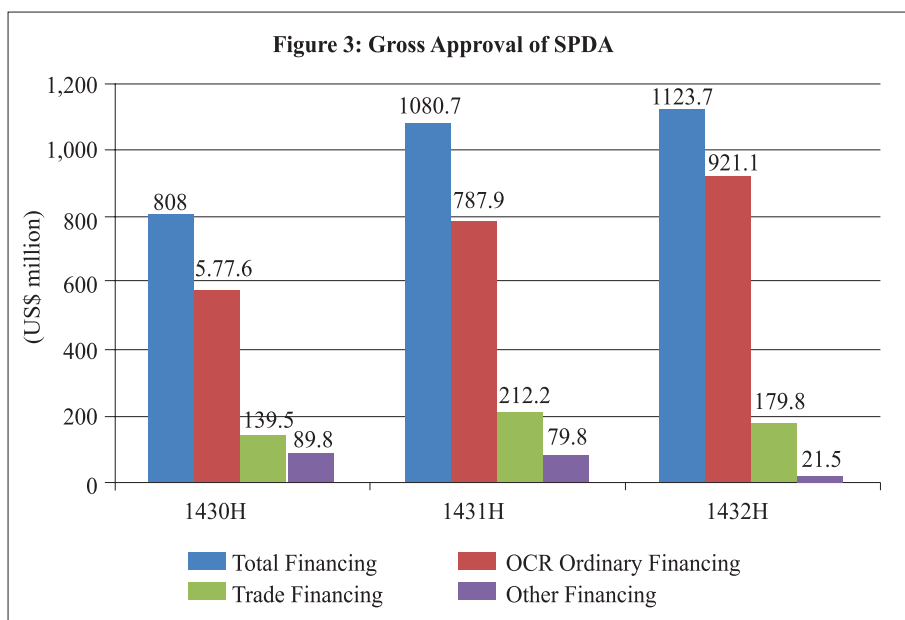
Special Program for the Development of Africa (SPDA)

Africa continues to enjoy strong growth prospects despite the global economic uncertainties. Nonetheless, development challenges still abound, most of which constitute binding constraints to economic growth in many countries. The infrastructure deficit both in energy and transport is difficult to resolve in a number of countries and load-shedding is becoming rampant in capital cities which, until recently, had no history of energy shortages.

The thrust of the SPDA programme remains the provision of support to help relax the constraints to economic development. The SPDA's implementation timeframe is 5 years, effective from 1429H and ending in 1433H. As shown in Figure 3, a total of 88 operations amounting to \$1.1 billion was approved under SPDA in 1432H. Since inception in 1429H, SPDA has funded 364 number of operations. Of these, the total number of OCR operations stood at 274, other IDB Group financing at 31, while the total number of trade operations was 46. The approval totalled \$3.98 billion (99 % of the \$4 billion target), comprising \$2.8 billion from OCR; \$298 million from other IDB Group financing and \$849.2 million from trade financing.

Awqaf Properties Investment Fund (APIF)

The *Awqaf* Properties Investment Fund (APIF) was established in 1421H with the mandate to develop green-field projects, renovate existing constructed *Waqf* properties and transform them into revenue generating assets. Since inception, the APIF has financed 47 projects in 22 countries with a cumulative approval of \$1 billion. In 1432H, six projects, amounting to \$179 million, were approved for Bahrain, Bangladesh, Libya, Mauritius, South Africa, and Turkey. The projects consisted of commercial and residential development as well as two shopping complexes.

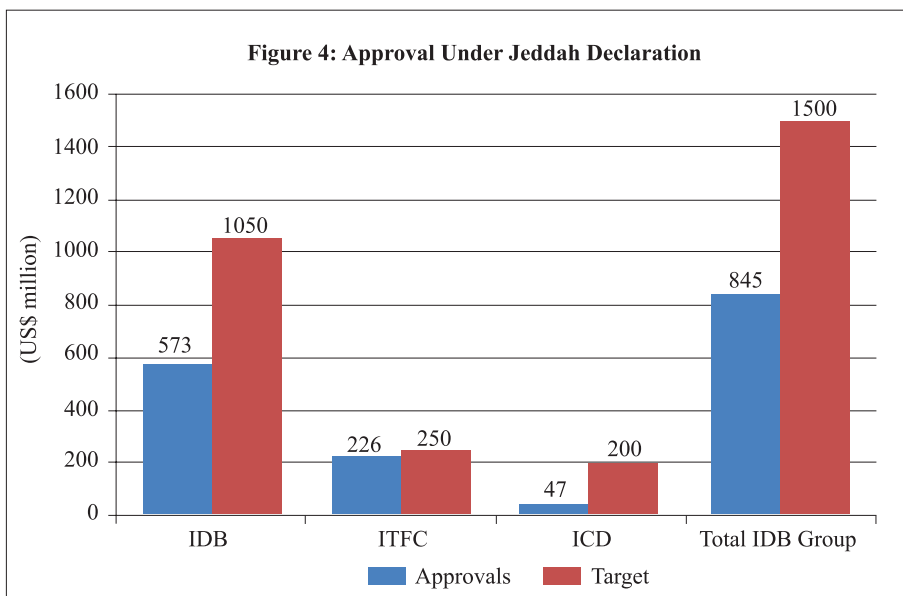


Agriculture and Food Security

Since inception, IDB recognized the importance of agriculture and committed to ensuring food security, as emphasized in IDB Vision 1440H. The IDB interventions in member countries focused on the areas of food security, water and irrigation infrastructure, microfinance and community driven development. Agricultural investment and development activities were geared towards poverty alleviation and rural development with strong emphasis on increasing productivity, strengthening market linkages, value addition, developing necessary infrastructure and enhancing environmental protection during the year 1432H. Total investment in agriculture sector grew by 85% in 1432H.

Jeddah Declaration for Food Security

IDB adopted the Jeddah Declaration in May 2008 to address the food crisis in member countries and approved a financing package of \$1.5 billion over a period of five years. In May 2011, the Jeddah Declaration completed its third year of implementation. Figure 4 exhibits a group wide cumulative total amount of \$845.4 million was approved to support rural development projects in member countries representing 56.4% of the target amount by the end of 1432H.

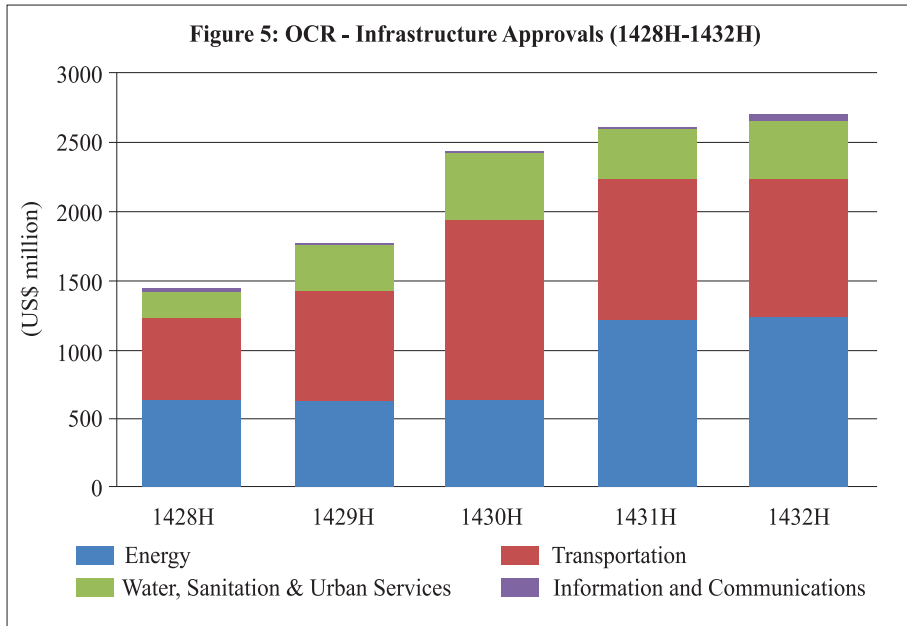


Infrastructure Development

Given the importance of infrastructure in particular energy, transport, water, sanitation and urban services and information and communication technology (ICT) for sustainable long-term economic growth, the IDB, since its inception, has been providing infrastructure development assistance to LDMCs. The IDB has channeled more than ID14 billion (\$20 billion) to financing this sector, since its inception in 1396H. At the end of 1432H, the Bank’s infrastructure portfolio comprised 219 active projects for a total approved amount of approximately ID8.5 billion (\$13 billion).

Figure 5 exhibits the sectoral distribution of infrastructure financing approvals in 1432H. The energy sector received the highest allocation with 47% of the Bank’s infrastructure financing budget, followed by Transportation (30%), Urban Development and Services (16%) and ICT (2%). Five percent was set aside for on-lending through local NDFIs/DFIs to SMEs for the creation of new job opportunities. A total of twenty four member countries benefitted from the Bank’s infrastructure financing in 1432H.

In line with its Vision 1440H, the Bank maintains its focus on improving access to reliable and affordable energy bridging the digital divide in member countries. Following an increase in environmental impact awareness, attention is also being focused on the need to develop indigenous renewable energy resources and promote energy efficiency enhancement initiatives. In 1432H,



the Bank approved a total of 15 energy sector operations for a cumulative amount of ID782.5 million (\$1,238.3 million).

The IDB has made significant effort to position itself as a catalyst and strategic partner for promoting infrastructure development in its member countries. In 1432H, the IDB collaborated with the World Bank (including IBRD and IFC) to establish the Arab Finance Facility for Infrastructure to attract private investments in infrastructure development to non-GCC Arab League countries (Box 1). This initiative fits well into the IDB’s infrastructure strategy and the World Bank sponsored Arab World Initiative (AWI). The initiative has been approved in principle and IDB’s indicative contribution is up to \$150 million for the *Shariah*-compliant component.

Islamic Finance

The IDB plays a critical role as the premier institution for the development of the Islamic financial services industry. In this context, the Bank provides a series of services including the development of an enabling environment consisting of the requisite legal, regulatory, supervisory and *Shariah* framework for Islamic finance, supporting the establishment of Islamic financial institutions through equity investments and ensuring the success of those institutions. The IDB carries out its interventions mainly through the provision of capacity building, technical assistance activities, equity investments and financing of

Box 1

Arab Financing Facility for Infrastructure (AFFI), MENA Region

To bridge the infrastructure investment gap in the MENA region, the World Bank Group (IBRD and IFC), and the IDB jointly launched in April 2011 the AFFI which is designed to support in-country and cross-border infrastructure projects, particularly PPPs.

The AFFI has been structured in the form of an integrated facility to foster infrastructure development and regional dialogue in MENA countries and create holistic approaches for the financing and implementation of infrastructure and regional integration. The AFFI would consist of the following four components:

- (i) An Arab Infrastructure Investment Vehicle (AIIV), aimed at providing both conventional and Shariah-based private sector financing to infrastructure projects in the region in which IDB and IFC will both invest;
- (ii) A policy and discussion forum (the MENA Policy Forum) to serve as a coordination and information sharing mechanism for key stakeholders in the region;
- (iii) A technical assistance window (the Technical Assistance Facility) which will initially be funded by the WB, IDB and IFC, to offer assistance and funding and address barriers to financing;
- (iv) A Public Window to be financed with a \$200 million World Bank loan (which may subsequently be increased) to support Governments in funding infrastructure and PPPs, including, where appropriate, the public component of the PPPs in which the AIIV invests.

Awqaf projects.

During the year 1432H, five new Technical Assistance (TA) projects were undertaken to provide advisory services for capacity building for Central Bank of Mauritania, Maldives Monetary Authority and Capital Market Development Authority of Maldives, Government of Tajikistan, Turkish Treasury, Government of Djibouti and Central Bank of Afghanistan.

The Bank had equity investments in 32 IFIs in 21 countries, amounting to a value of approximately ID250 million as at the end of 1432H. During the year, the Bank made seven additional investments in IFIs amounting to ID32.5 million: equity investment in Albania, Bahrain, Gambia, Niger and Saudi Arabia; a strategic investment in the International Islamic Liquidity Management Corporation, Malaysia; and an investment in the first Islamic bank of Nigeria.

In line with IDB's strategy to be a regular issuer of *Sukuk* in global capital markets and be more transparent to its *Sukuk* investors, the IDB established a Medium Term Note (MTN) Program with a \$1 billion limit in 2005, which was listed in Luxembourg. Under the program, IDB issued \$500 million *Sukuk*

in the same year. The *Sukuk* was fully repaid in June, 2010. During 1432H, the IDB issued its first ever £60 million *Sukuk* on a private placement basis. It was followed with a public issuance of \$750 million, which was concluded in May 2011.

STRENGTHENING DEVELOPMENT PARTNERSHIP

CROSS-CUTTING AREAS

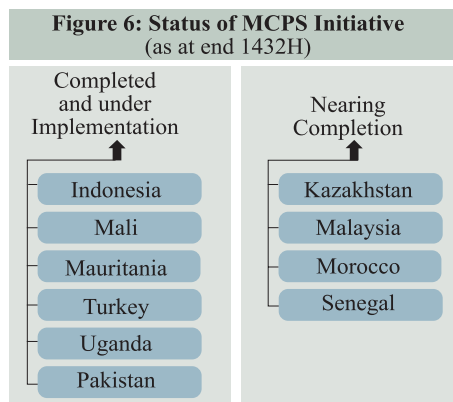
Development Partnership and Cooperation

Promotion of economic cooperation among its member countries is one of the Bank's main objectives since its establishment. As a south-south MDB, the IDB has been promoting economic cooperation and integration among its member countries through a variety of programmes such as the Technical Cooperation Program (TCP), the Trade Cooperation and Promotion Program (TCPP), and the Investment Promotion Technical Assistance Program (ITAP). Based on the experience gained from the implementation of these programs, the Bank is replicating and scaling-up successful projects and best practices through the concept of Reverse Linkages (RLs).

Implementing Member Country Partnership Strategy

The IDB launched the Member Country Partnership Strategy (MCPS), two years ago, as a tool to deepen selectivity and strengthen dialogue with member countries. Through MCPS, the IDB provides support to member countries in key strategic areas that directly contribute to their medium- to long-term development aspirations. Within each of the focus areas, the IDB targets special niches which fall within its mandate and comparative advantage and where it can make a discernible impact.

So far, MCPS were initiated in ten countries namely Indonesia, Kazakhstan, Malaysia, Mali, Mauritania, Morocco, Pakistan, Senegal, Turkey and Uganda. Of which, six MCPS were completed while four are nearing completion (Figure 6). Preparation for initiating MCPS for some post-conflict and fragile states as well as a Regional Partnership Strategy for GCC countries was underway during the 4th quarter of 1432H.



Promoting Trade Finance and Intra-Trade among OIC Member Countries

Promotion of intra-OIC trade is one of the key objectives of the IDB. The ITFC – the trade-financing arm of the IDB – remains committed to facilitating the achievement of the target of 20% intra-OIC trade by the year 2015, as stated in the Makkah Declaration of 2005. Its principal objective is to promote and enhance the trade of member countries and to supplement the efforts of the IDB through trade financing and other activities that facilitate intra-OIC trade and trade with the rest of the world. The ITFC undertakes these functions through two complementary lines of approach namely trade finance operations, and Trade Cooperation and Promotion Program (TCPP).

During 1432H, in line with its diversification strategy, the ITFC attracted new clients and succeeded in penetrating new countries with trade financing amounting to ID1.9 billion (\$3 billion). This is an increase of 19% compared to ID1.7 billion (\$2.6 billion) recorded in 1431H. Total trade finance approvals since ITFC inception from 1429H to the end of 1432H amounted to ID6.2 billion (\$9.6 billion). Total trade financing since inception of the IDB reached ID28.5 billion (\$40 billion).

The IDB has also invested significant resources in the implementation of the “Development and Socio-Economic” agenda of the OIC Ten-Year Programme of Action, which was adopted by the third extraordinary session of the Islamic Summit Conference held in Makkah al Mukarramah, Kingdom of Saudi Arabia, on 5-6 Dhul Qa’dah 1426H (7-8 December 2005). The IDB has always played an effective and dynamic role in promoting and strengthening cooperation among the OIC affiliated and subsidiary organs, such as, SESRIC, COMCEC, ICDT and ICCI. In 1432H, the IDB financed many OIC-related activities organized by the OIC General Secretariat, COMSTECH, COMCEC, ISESCO, SESRIC, ICDT, ICCI, OICCERT, OICC and IAS.

Promotion of Investment among Member Countries

In view of the key role of export credit insurance in the development of trade, the ICIEC, continued to provide *Shariah*-compatible export credit and investment insurance to encourage exports from the OIC member countries and the flow of capital and investments from the rest of the world to member countries. In addition, the IDB Investment Promotion Technical Assistance Program (ITAP), which is managed by ICIEC, was launched in 2005. The main objectives of ITAP are to assist member countries improve their investment climate and identify and promote investment opportunities to encourage FDI.

In 1432H, ITAP organized several capacity building programs for 126 staff of investment promotion agencies in IDB member countries. These programs

were conducted in Malaysia (in collaboration with Malaysian Investment Development Agency), Morocco (in collaboration with UNCTAD), Bahrain (in collaboration with UNIDO) and Turkey (in collaboration with the Ministry of Economy and TOBB).

Strengthening Co-operation with Multilateral Development Banks

The IDB forged a close working relationship with multilateral development banks: i) IDB-World Bank cooperation started in 1976 and was given new impetus in 2002. Cumulatively, co-financing targeted around 70 operations worth \$32 billion in 26 common member countries in Africa, MENA and Asia; ii) IDB-Asian Development Bank has cumulatively co-financed 26 operations in 9 common member countries with focus on infrastructure services; iii) the IDB-African Development Bank have contributed to 51 projects valued at more than \$20 billion in 15 common member countries, with IDB and the African Development Bank providing \$1.3 billion and \$3.2 billion, respectively; and iv) IDB-European Investment Bank has supported 24 projects worth \$19 billion in 12 countries in Africa and Asia, and provided \$1.7 billion and \$3 billion, respectively.

Expanding Co-financing with Development Partners

Since inception, IDB has co-financed 145 projects with donors and other multilateral development banks (MDBs) amounting to \$37.9 billion with the IDB accounting for about \$6.8 billion of that amount, while the other financiers contributed \$19.5 billion of the total cost (Table 1). In the year 1432H, 21 operations in 16 countries were co-financed with other institutions. The bulk of the co-financed operations were in the area of infrastructure which attracted a total amount of \$1.4 billion of IDB financing, representing 93% of the total co-financing. Energy attracted \$720 million (48%), transport \$408 million (27%) and water \$283 million (19%) of total co-financing.

Co-financing with the Coordination Group

The IDB has leveraged its membership of the Coordination Group¹ (CG) to develop good working relationship with the Group and its bilateral and multilateral members. In 1432H, the CG and the World Bank agreed to collaborate in the areas of: (i) water and food security; (ii) education-

¹ Established in 1975, the Coordination Group is an aid coordination forum of Arab bilateral and multilateral development aid institutions, in addition to two institutions where Arab states are the main shareholders. The current members of the Coordination Group are (in alphabetical order): the Abu Dhabi Fund for Development, the Arab Fund for Economic and Social Development, the Arab Bank for Economic Development in Africa (BADEA), the Arab Gulf Programme for Development (AGFUND), the Arab Monetary Fund (AMF), the Islamic Development Bank (IDB), the Kuwait Fund for Arab Economic Development, the Opec Fund for International Development (OFID), and the Saudi Fund for Development.

Year	No. of Operations	OCR Approval	Co-financing (\$ million)	Co-financiers (\$ million)	Project Costs (\$ million)
1427H	8	1,652	368	793	1,802
1428H	31	2,087	1,014	2,818	6,925
1429H	21	2,498	856	2,151	5,218
1430H	23	3,359	1,213	2,766	7,133
1431H	26	3,702	1,495	5,806	7,302
1432H	21	4,270	1,518	4,468	7,863
Cumulative	145	19,032	6,832	19,547	37,931

employment nexus; (iii) energy services to the poor (including renewable energy); (iv) financial sector development (including Islamic finance); (v) knowledge-sharing and research; (vi) cross-border trade facilitation and infrastructure; and (vii) fragility and conflict, with special attention to Palestine, especially Gaza, and Somalia. In 1432H, 8 operations were co-financed with members of the CG, for \$1.4 billion (18%) of the total cost of co-financed projects.

Working with Non-Governmental Organisations (NGOs)

The Islamic Solidarity Fund for Development (ISFD) is leveraging partnership to mobilize resources and scale up projects. IDB, through the ISFD, is in the process of developing an IDB/ISFD-Grameen Bank Social Business with a clear social objective focusing on investments in key socio-economic sectors. 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. IDB has also 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.

Private Sector Development

In recognition of the strategic importance of the private sector, the IDB promotes the development of the private sector in member countries through the activities of the ICD and ICIEC. The ICD plays an important role towards attaining the broader goal of developing the private sector in member countries. Its net approvals since inception amounted to \$2.2 billion with an overall disbursement of \$893 million in 36 countries. The financing activities added further value to the economic and social development of the beneficiary member countries through job creation, technology transfer and cross-border investment.

In 1432H, ICD approved 22 projects amounting to \$364.8 million. Financial sector received highest allocation of \$201.3 million that includes three existing ICD equity participation projects wherein equity was increased. The second highest allocation was made to industrial sector amounting to \$74 million, followed by real estate (\$40 million) and power generation (\$25.5 million).

On the other hand, the ICIEC made new insurance commitments of ID2.2 billion (\$3.4 billion), bringing the cumulative approvals since its inception in 1995 to ID9.6 billion (\$14.6 billion). Total business insured over the same period amounted to ID7.4 billion (\$11.3 billion).

Supporting Public-Private Partnership

Public Private Partnerships (PPPs) play a critical role in economic development of member countries. In 1432H, the Bank approved ID321.2 million (\$506.4 million) for PPP projects. Given that the private sector is an integral element of the development agenda, the Islamic Cooperation for the Development of the Private Sector (ICD) continued to play an important role in private sector development by approving 22 projects totaling ID 234.4 million (\$364.8 million) in 1432H.

Capacity Development

IDB has always accorded special attention for capacity development as one of important driving factors in enhancing institutional efficiency and productivity in member countries. This is reflected by the establishment of several organizational units and programs by the Bank to provide assistance including the Technical Assistance for Capacity Building, the Technical Cooperation Program (TCP), the IDB Scholarship Programs, the Science and Technology Program and the IDB Statistical Capacity Building Initiative.

Enhancing Technical Assistance for Capacity Building

The Technical Cooperation Program (TCP) is one of the main arms of the IDB for human resource development in member countries. It is a South-South program focusing on transfer and exchange of skills, knowledge and know-how amongst member countries. The TCP finances the recruitment of experts, the provision of on-the-job training and the organization of seminars. Since its inception (1403H), 2,005 operations amounting to \$54.8 million have been approved. To date, the outreach of the TCP has benefitted approximately 15,000 individuals in IDB member countries including various experts and specialists, who shared their knowledge and experiences in various disciplines.

Science and Technology Program

The importance of Science and Technology (S&T) in the development process and its positive impact on priority sectors and areas, such as agriculture, food security, education and health is widely recognized. Under its S&T financing activities, the IDB pays particular attention to human and institutional capacity enhancement, promotes and encourages the acquisition and dissemination of knowledge through activities such as the IDB Prize for Science & Technology, short-term assignment of experts, exchange of scientists, networking amongst associations of scientists and organization of on-the-job training and conferences. From 1425H to 1432H, 181 operations or subprograms amounting to \$9.5 million were approved under the S&T capacity building program.

IDB Statistical Capacity Building Initiative

The IDB statistical capacity building initiative (IDB-STATCAP), which was launched in 1428H, aimed to assist member countries with weak National Statistical Systems (NSSs) to develop their capacity to produce and disseminate quality data in a timely manner. Since its inception, the IDB-STATCAP has financed statistical activities at national, regional and international levels. It has also provided students from member countries with scholarships, helped to strengthen NSSs, and supported the organisation of major international conferences and meetings. In 1432H, the IDB-STATCAP financed the First Session of the OIC Statistical Commission (OIC-StatCom), and two other statistical events: a *Seminar on Statistical Methods for Missing Data*; and the *Fifth Forum on Statistical Capacity Building for Arab Countries* on “Statistics, Media and Policy Making”.

WTO-related Technical Assistance and Capacity Building Program

Pursuant to COMCEC Resolutions and the OIC Ten-Year Programme of Action, the IDB launched a Technical Assistance and Capacity Building Program in 1997, with a view to building the human and institutional capacity of OIC member countries on WTO related matters. Emphasis was laid mainly on creating awareness among member countries about the WTO Agreements and building their capacity to implement these Agreements. The IDB focused its technical and capacity building activities, in 1432H, on four themes, namely Regional Integration, Trade Facilitation, Enhancing Trade Negotiations Skills, and Accessions. Based on the themes, it organized 10 events, including seminars, workshops and special courses, for the benefit of OIC member countries.

IDB Scholarship Programs

The IDB Scholarship Programs aim to build science-based human capital in member countries as well as Muslim communities in non-member countries. There are three types of scholarship programs:

- **The Scholarship Program for Muslim Communities in Non-Member Countries:** Under this category, meritorious Muslim students in non-member countries with limited financial means are granted loan scholarships to pursue their first degree-level education. Approved disciplines under this program are medicine, engineering, dentistry, pharmacy, nursing, veterinary sciences, agriculture and computer science. In 1432H, 589 students from 34 Muslim communities in non-member countries received scholarships. Cumulatively, at the end of 1432H, 11,771 students benefitted from the program.
- **The M.Sc. Program in Science and Technology for Selected Member Countries:** This program aims at developing the intermediate level of science based human capital in the selected member countries, and allows undergraduate students to qualify for the IDB Merit Scholarship Program for High Technology. In 1432H, 50 scholarships were granted and the cumulative number of beneficiaries since the inception of the programme rose to 404 students. Under the IDB-STATCAP initiative, 12 scholarships were awarded in the fields of statistics, demography and other related fields.
- **The Merit Scholarship Program (MSP) for High Technology for Member Countries:** The program aims at developing scientific human capital and strengthening the capacity of research institutions in member countries. Under this programme, the IDB signed MoUs with several universities including Universities of Cambridge, Oxford, Nottingham and Birmingham in UK and ParisTech Group in France. Until 1432H, a total of 54 scholars benefitted from these MoUs. As at the end of 1432H, 760 scholarships had been awarded under this program, of which 20 scholarships were to Muslim communities in non-member countries

Cumulatively, the number of graduates under the three programs has exceeded 7,000 from both non-member and member countries. 98% of graduates from non-member countries are in gainful employment. 70% of the M.Sc graduates are engaged in employment in their countries, while 90% of MSP graduates return to their respective countries to join their home institutions.

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 IDB's 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 of IDB Group Entities				
Entities	Telephone No.	Facsimile No.	Website	E-mail address
IDB	+966-2-6361400	+966-2-6366871	www.isdb.org	idbarchives@isdb.org
IRTI	+966-2-6361400	+966-2-6378927	www.irti.org	irti@isdb.org
ICIEC	+966-2-6445666	+966-2-6443447	www.iciec.com	iciec@isdb.org
ICD	+966-2-6441644	+966-2-6444427	www.icd.idb.org	icd@isdb.org
ITFC	+966-2-6467052	+966-2-6371064	www.itfc-idb.org	itfc@isdb.org