



ISLAMIC DEVELOPMENT BANK GROUP

Islamic Development Bank Group in Brief

1434H (2013)





Islamic Development Bank Group

**ISLAMIC DEVELOPMENT BANK GROUP
IN BRIEF**

Jumad-II 1434H (May 2013)

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I. INTRODUCTION

The Islamic Development Bank Group (IDB Group) is a South-South multilateral development finance institution established in pursuance of the Declaration of Intent issued by the Conference of Finance Ministers of Muslim Countries held in Jeddah in Dhul Q'adah 1393H, corresponding to December 1973. The Inaugural Meeting of the Board of Governors took place in Rajab 1395H, corresponding to July 1975, and the Bank was formally opened on 15 Shawwal 1395H corresponding to 20 October 1975. The purpose

of the Bank is to foster the economic development and social progress of member countries and Muslim communities individually and collectively in accordance with the principles of *Shari'ah* (Islamic Law).

The IDB Group comprises five entities (**Figure 1**), namely:

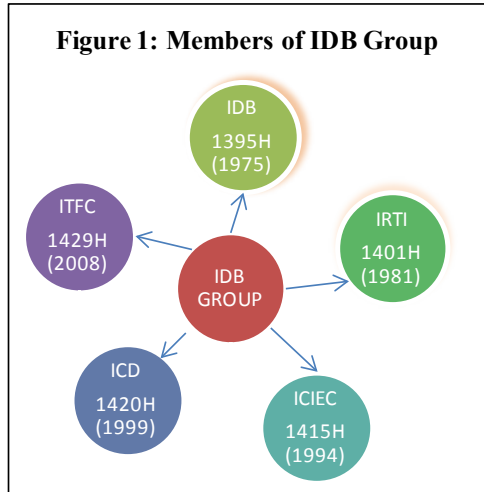
- (i) Islamic Development Bank (IDB);
- (ii) Islamic Research and Training Institute (IRTI);
- (iii) Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC);
- (iv) Islamic Corporation for the Development of the Private Sector (ICD); and
- (v) International Islamic Trade Finance Corporation (ITFC).

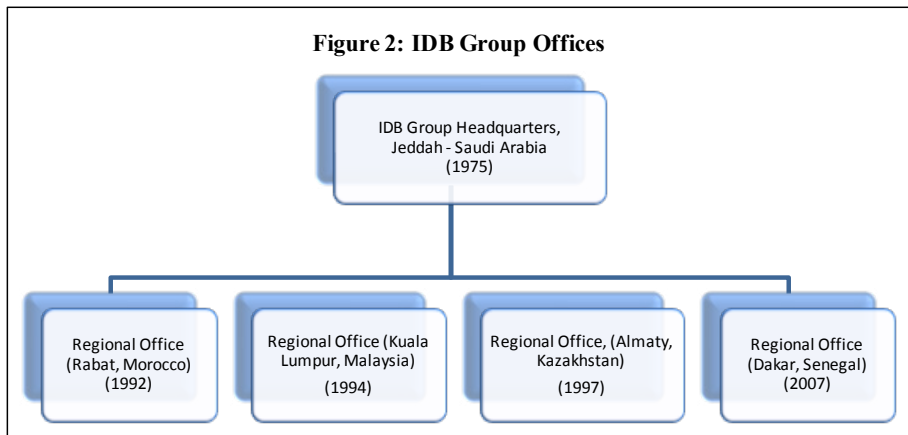
The member countries of the various entities of the IDB Group are listed in the **Appendix**.

Activities of the Group

IDB Group is engaged in a wide range of specialized and integrated activities such as:

- Project financing in the public and private sectors;
- Development assistance for poverty alleviation;
- Technical assistance for capacity-building;
- Economic and trade cooperation among member countries;
- Trade financing;





- SME financing;
- Resource mobilization;
- Direct equity investment in Islamic financial institutions;
- Insurance and reinsurance coverage for investment and export credit;
- Research and training programs in Islamic economics and banking;
- Awqaf investment and financing;
- Special assistance and scholarships for member countries and Muslim communities in non-member countries;
- Emergency relief; and
- Advisory services for public and private entities in member countries.

Offices of IDB Group

The IDB Group is located in Jeddah, Kingdom of Saudi Arabia. It has four regional offices in Morocco, Malaysia, Kazakhstan and Senegal (**Figure 2**).

The Bank has 15 field representatives in selected member countries. In addition, both ICIEC and ICD have representative offices in Dubai, the United Arab Emirates. The Bank is in the process of opening Country Gateway offices in member countries to increase its field presence. The first two of these offices (Turkey and Indonesia) will be opened in 1434H and the remaining three (Nigeria, Bangladesh and Egypt) by 1435H.

Capital Structure

The capital structure of the IDB Group is shown in **Table 1**.

Staff Development

The IDB Group is engaged in various people development projects and initiatives in support of its vision. As at the end of 1433H, the IDB Group had

Table 1: IDB Group Capital Structure					
(Amount in million)					
		IDB (ID)	ICD (\$)	ICIEC (ID)	ITFC (\$)
Authorized Capital	1432H	30,000.0	2,000.0	150.0	3,000.0
	<i>At inception</i>	<i>2,000.0</i>	<i>1,000.0</i>	<i>100.0</i>	<i>3,000.0</i>
Subscribed Capital	1432H	17,782.6	806.6	149.0	750.0
	<i>At inception</i>	<i>750.0</i>	<i>400.0</i>	<i>68.8</i>	<i>500.0</i>
Paid-in Capital	1432H	4,590.2	565.8	74.5	671.7
	<i>At inception</i>	<i>280.0</i>	<i>83.0</i>	<i>63.8</i>	<i>446.1</i>
Note: ID = Islamic Dinar is equivalent to one unit of SDR (Special Drawing Rights of the International Monetary Fund) Source: Economic Research and Policy Department, Chief Economist Complex, IDB.					

1,128 staff, of which 877 were in the IDB, 113 in ICD, 81 in ITFC and 57 in ICIEC.

II. ENTITIES IN IDB GROUP

Islamic Development Bank (IDB)

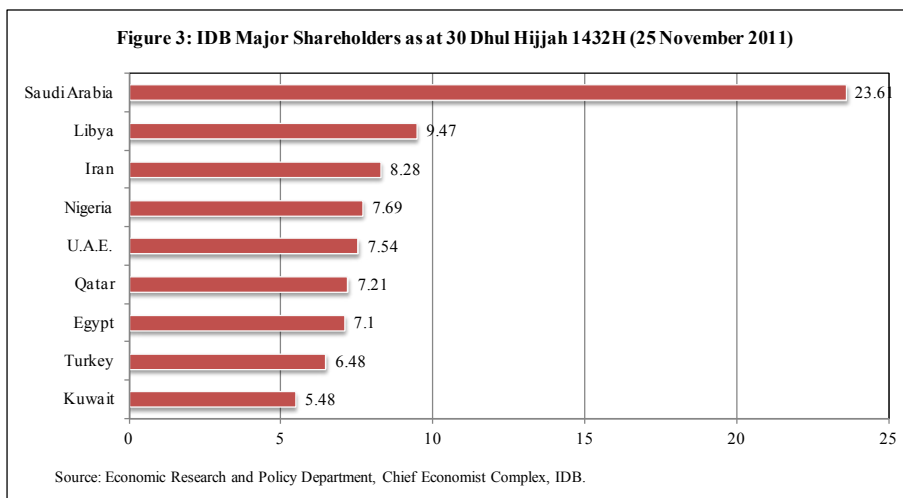
IDB was established in 1395H (1975) in pursuance of the Declaration of Intent issued at the Conference of Finance Ministers of Muslim Countries held in Jeddah in Dhul Qadah 1393H (December 1973).

Membership

The membership of IDB stands at 56 countries from four continents: Africa, Asia, Europe, and South America (see Appendix). To become a member of IDB, a country must fulfill certain conditions. First, the country must become a member of the Organization of Islamic Cooperation (OIC); second, it should pay the first installment of its minimum subscription to the Capital Stock of IDB; and third, accept such terms and conditions that may be decided by IDB Board of Governors.

Objective:

The objective of IDB is to foster economic development and social progress of its member countries and Muslim communities in non-member countries individually and collectively in accordance with the principles of Shari'ah. To fulfill this objective, it provides financial resources through different modes of financing to finance development activities in member countries as well as in Muslim communities in non-member countries. It also provides



technical assistance for capacity building and scholarships for human capital development. It manages special funds and mobilizes resources through Shari'ah-compatible instruments.

IDB 1440H Vision

By the year 1440 Hijrah (1440H), 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.

Mission of IDB

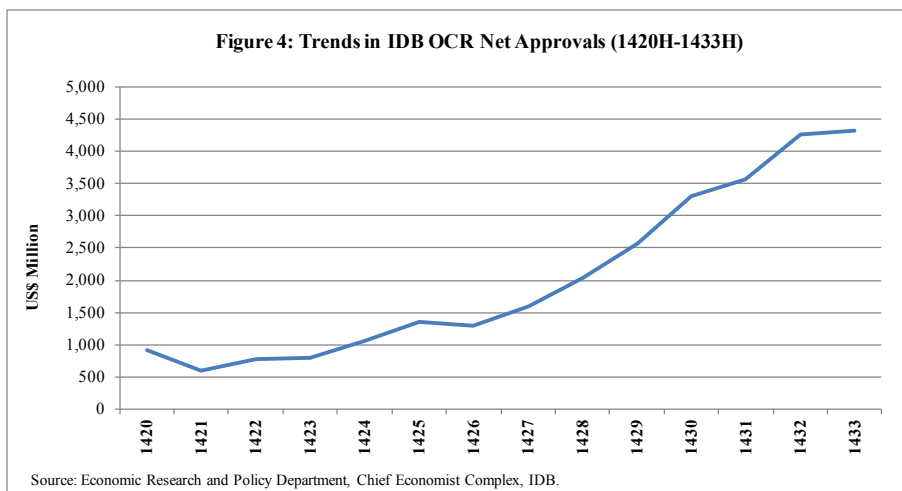
The mission of IDB is to promote comprehensive human development, with a focus on the priority areas of alleviating poverty, improving health, promoting education, improving governance and prospering the people.

Shareholders

By the end of 1433H (14 November 2012), the major shareholders of IDB are as shown in **Figure 3**.

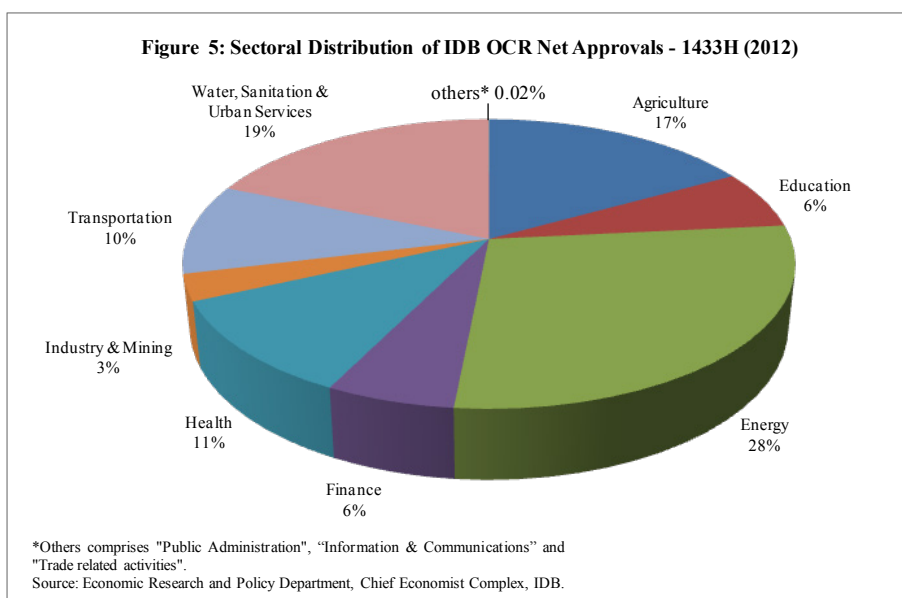
The cumulative net approvals from the IDB's Ordinary Capital Resources (OCR) reached US\$33.6 billion as at the end of 1433H. On annual basis the net approvals significantly increased from US\$16.3 million in 1396H to US\$922.8 million in 1420H and to US\$4.3 billion in 1433H (**Figure 4**).

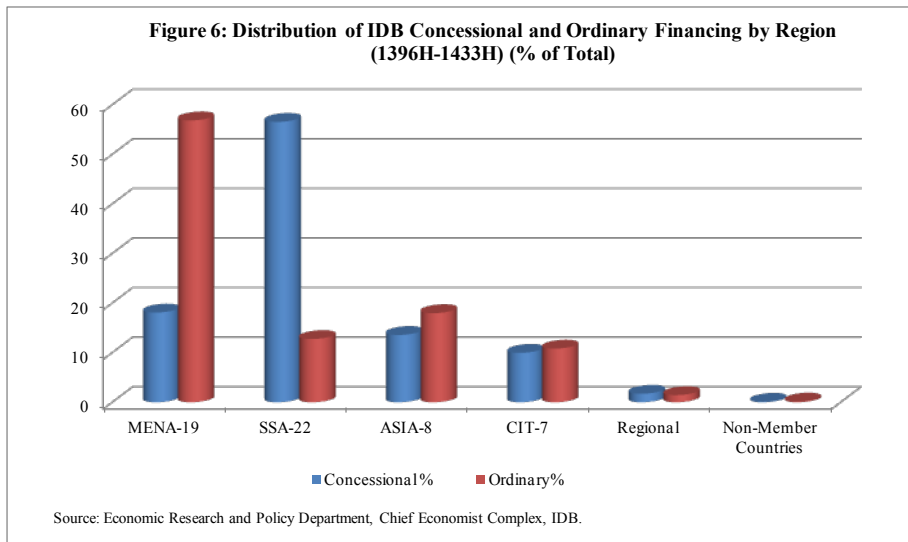
In terms of breakdown of OCR approvals by sectors in 1433H (2012) (**Figure 5**), energy sector accounted for the largest share (28.1%), followed by water,



sanitation and urban services (18.7%), agriculture (16.9%), health (10.9%), transport (10.1%), education (6.5%), finance (5.8%), industry & mining (3%) and others (0.02%).

At the regional level, the distribution of OCR financing by region since inception indicates that MENA region has the highest concentration of the ordinary financing while the highest concentration of concessional financing went to African region (**Figure 6**).





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 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.

Objectives:

- Undertake research, training and knowledge-creation activities on Islamic economics, banking and finance;
- Organize seminars and conferences on various subjects in collaboration with national, regional and international institutions;
- Undertake information management activities such as developing information systems for use in Islamic economics, banking and finance; and
- Maintaining databases on experts as well as trade information and promotion.

In 1433H, IRTI organized 22 Conferences, Seminars and Workshops, and participated in 15 others. During the same year, IRTI organized a total of 38 training courses in addition to online Master's degree Program in Islamic Banking and Finance in collaboration with Insaniah University (Malaysia). It

also published six research papers on various topics in Islamic Finance. Since its inception, IRTI has conducted numerous research studies and organized seminars and conferences in various member countries. IRTI also undertakes a variety of events designed to enhance the Islamic financial sector, namely: knowledge building for financial stability; IDB Prize for Islamic Economics, Banking and Finance; IRTI Scholarship and Research Grant Program; collection and publication of data on Islamic Financial Institutions; and knowledge building for inclusive financial services.

It prepares seminar proceedings, lectures and articles, which are published in the IRTI Journal entitled “Islamic Economic Studies” (a six-monthly journal published in Arabic, English and French).

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

ICIEC was established in 1415H (1994). Its membership comprises 40 IDB member countries from three continents: Africa, Asia and Europe (see Appendix).

Objectives:

To increase the scope of trade transactions from the member countries of the Organization of Islamic Cooperation (OIC), and to facilitate foreign direct investments into member countries and to provide reinsurance facilities to Export Credit Agencies (ECAs) in member countries. ICIEC fulfills these objectives by providing appropriate *Shari'ah*-compatible solutions:

- Export credit insurance and reinsurance to cover non-payment of export receivables resulting from commercial (buyer) and non-commercial (country) risks; and
- Investment insurance and reinsurance against country risks stemming mainly from currency inconvertibility and transfer restrictions, expropriation, war and civil disturbance, breach of contract and noncompliance with sovereign financial obligations.

ICIEC also manages IDB Group Investment Promotion Technical Assistance Program (ITAP), which was set up in 1426H (2005). The objective of ITAP is to unlock the development potential of member countries through a comprehensive and integrated program of foreign investment promotion and technical assistance. It provides advice to member countries on how to improve their investment climate, build the capacity of investment promotion agencies, and identify investment opportunities by organizing events designed to attract foreign direct investments.

At the end of 1433H, the total insurance commitments of ICIEC stood at US\$16.9 billion, out of which US\$14.3 billion was insured. In 1433H, insurance commitments for US\$2.5 billion were made.

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

ICD was established in 1420H (1999). At present, its membership comprises 52 IDB member countries from four continents: Africa, Latin America, Asia and Europe (see Appendix).

Objectives:

- Support the economic development of its member countries through financing private sector development in accordance with the principles of *Shari'ah*; and
- Advise governments and private organizations to encourage the establishment, expansion and modernization of private enterprises.

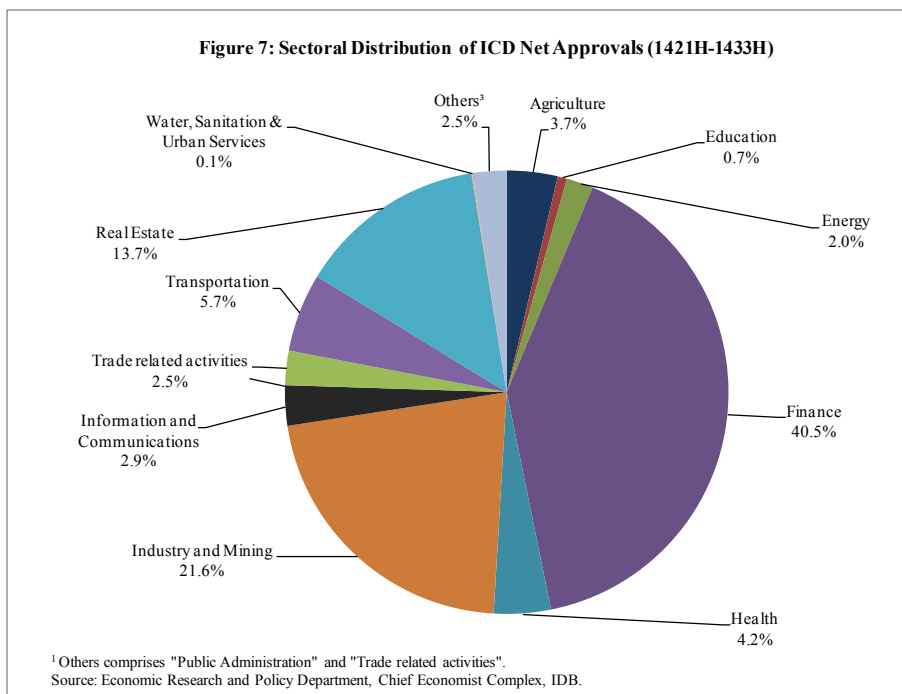
During 1433H, ICD approved 18 new investment projects and 6 capital increases amounting to US\$419 million and disbursed US\$124 million during the same year. The largest share of ICD's financing during 1433H went to CIT countries (38.6%), followed by Asia and Pacific (15.2), MENA (13%) and Sub-Saharan Africa (13%) while regional projects accounted for 20% of the total approvals.

In terms of sectoral distribution, the finance sector received the largest share, 41.5% of the net cumulative approvals of the ICD since its inception, followed by Industry and Mining 22.2%, and Real Estate 14.1% (**Figure 7**).

Between 1420H and 1433H, the ICD's net cumulative approvals stood at US\$2.6 billion in 36 countries. The net approvals have risen from US\$35.3 million in 1421H to US\$317.7 million in 1433H (**Figure 8**).

Other activities of the ICD during 1433H included successful fund raising for Tunisian and Saudi Arabia Small and Medium Enterprises (SMEs) Funds and Central Asia Renewable Energy Fund. ICD also has mandates for capacity building and creation of Islamic windows within conventional banks (e.g. in Tunisia and Cameroon).

In a bid to bring the activities of the private sector under a single entity, the ICD was assigned the management of the Unit Investment Fund (UIF) in 1429H. The UIF mobilizes resources through the securitization of its leases and installment sales to assets. It also complements IDB's project financing and trade financing operations. By the end of 1433H, the UIF had funded 277 financing operations worth US\$2.6 billion in a wide range of industries.

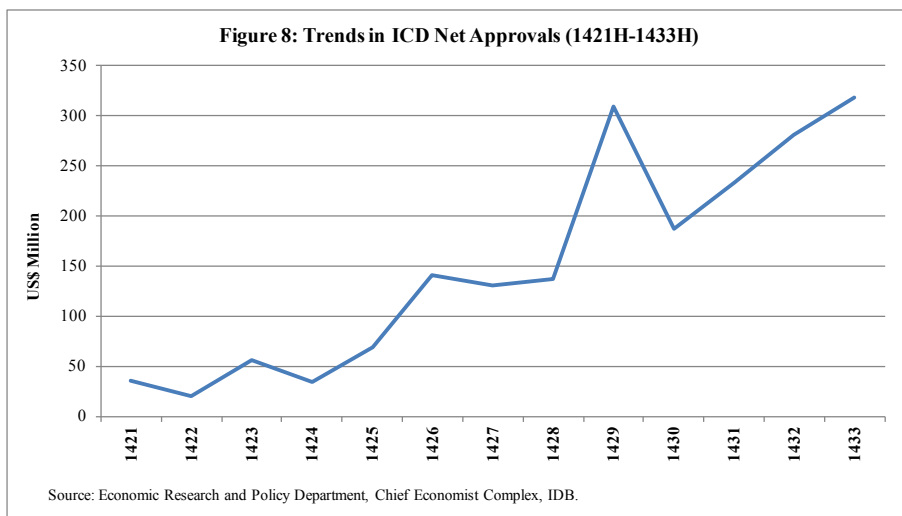


International Islamic Trade Finance Corporation (ITFC)

ITFC was established in 1428H (2007). It commenced operations in 1429H (2008). Its membership comprises 37 IDB member countries from three continents: Africa, Africa and Europe (see Appendix for the list).

ITFC is an autonomous entity established with the objective of enhancing trade thereby improving the economic conditions and livelihoods of people throughout the Muslim world. Its primary objective is to promote trade among OIC member countries. Besides, it acts as a facilitator in mobilizing private and public resources to achieve its objective of fostering economic development through trade.

ITFC's two main arms are (i) Trade Finance and (ii) Trade Cooperation & Promotion Program (TCPP). Its primary focus is to encourage intra-trade among OIC member countries. As a member of the IDB Group, ITFC has unique access to governments in its member countries and it works as a facilitator to mobilize private and public resources towards achieving its objectives of fostering economic development through trade. The Corporation helps businesses in member countries gain better access to trade finance and provides them with the necessary trade-related capacity building tools in order to help them compete successfully in the global market.



Objectives:

- Foster member countries' trade and trade integration;
- Be responsive to customers' needs with innovative Shari'ah compliant solutions;
- Be the preferred financier of choice for trade solutions;
- Deliver fair returns for shareholder.

In 1433H, trade financing approvals reached US\$4,466 million, a remarkable increase of 47% compared to the US\$3,033 million recorded in 1432H (**Figure 9**). In addition, utilization reached new highs, with disbursements increasing by 42%, from US\$2,826 million in 1432H to US\$3,999 million in 1433H.

III. SPECIALIZED FUNDS/PROGRAMS

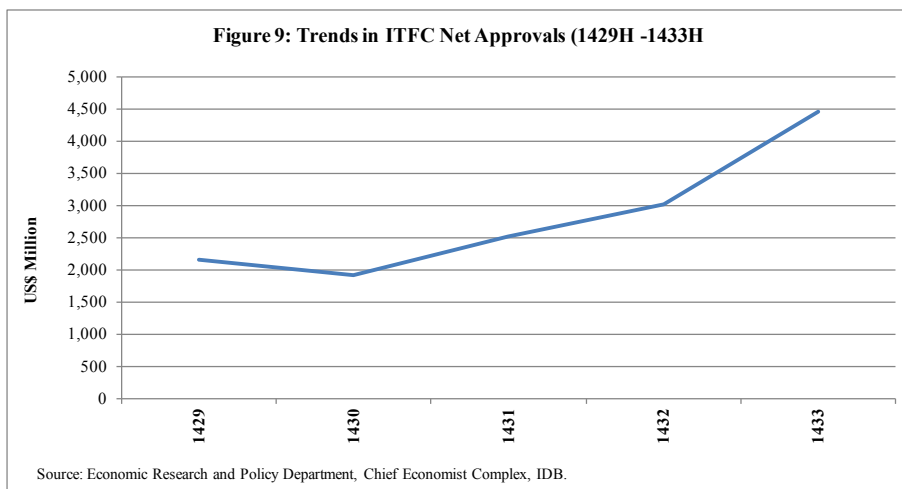
Waqf Fund

The *Waqf*¹ Fund was established in 1399H (1979). It is a trust fund designed to cater for the needs of Muslim communities and organizations in non-member countries as well as those of Less Developed Member Countries (LDMCs) with particular emphasis on social sector development. At the end of 1433H, the net assets of the *Waqf* Fund stood at US\$1,328 million.

Awqaf Properties Investment Fund (APIF)

APIF was established in 1421H (2001) with the objective of investing in and developing *Awqaf* real estate properties that are socially, economically and

¹Plural *Awqaf*, refers to an Islamic endowment of property to be held in trust and used for a charitable or religious purpose.



financially viable, both in IDB-member countries and for Islamic communities in non-member countries, in accordance with the principles of *Shari'ah*. Its capital amounted to US\$71.8 million at the end of 1433H. To support the expansion of its activities, APIF also has access to an IDB Line of Financing of US\$100 million, in addition to a Technical Assistance pool of US\$200,000. Between 1421H and 1433H, (February 2001 to November 2012), APIF has approved 40 projects valued at US\$850 million in 20 countries. In 1433H, the Fund approved an amount of US\$53 million for participation in five projects worth a total amount of US\$133 million.

World Waqf Foundation

This Foundation was established in 1422H (2001).

Objectives:

- Promote and enhance *Awqaf* with a view to contributing to the cultural, social and economic development of member countries and of Muslim communities in non-member countries;
- Alleviate hardship among the poor as well as sponsor and support *Waqf* organizations;
- Support organizations, projects, programs and activities in the educational, health, social and cultural fields;
- Provide support for the conduct of studies and academic research in the field of *Waqf*; and
- Assist countries and organizations in drafting *Waqf* legislations.

Islamic Solidarity Fund for Development (ISFD)

The Islamic Solidarity Fund for Development was established in 2006 in the form of a *Waqf* with a target capital of US\$10 billion. It commenced operations in Muharram 1429H (January 2008). By the end of 1433H, contributions received from member countries stood at US\$1.74 billion out of the total pledged amount of US\$2.68 billion (comprising US\$1.68 billion pledged by 44 member countries and US\$1.0 billion by the IDB). In 1433H (2012), ISFD received new capital commitments amounting to US\$39 million from five countries: Bangladesh, Egypt, Gabon, Kazakhstan and Tunisia.

Objectives:

- Help combat poverty; and
- Eradicate illiteracy, diseases and epidemics in member countries, particularly in Africa.

The Fund has launched three flagship programs, namely:

Vocational and Literacy Program for Poverty Reduction (VOLIP); Microfinance Support Program (MFSP); and Sustainable Village Program (SVP).

- The VOLIP has an envelope of US\$500 million, with US\$100 million coming from the ISFD and IDB. As at end of 1433H, the ISFD has approved financing for five VOLIP projects worth US\$32.6 million, and the IDB has financed US\$20.4 million out of a total cost of US\$71.3 million. The IDB/ISFD financing constitutes around 66% of the target US\$80 million up to 2012.
- The MFSP is also a US\$500 million program, with US\$100 million coming from ISFD and IDB. The total financing of IDB and ISFD under this program is so far US\$58.5 million, which constitutes around 73% of the target US\$80 million up to 2012.
- The SVP is a US\$121.2 million program covering six countries (Chad, Sudan, Kyrgyz Republic, Mozambique, Guinea and Niger). So far projects have been approved in the first four countries while projects for the remaining two countries (Guinea and Niger) will follow shortly.

In addition to its flagship programs, the ISFD is in the process of launching the Renewable Energy for the Poor and Mother and Child Healthcare Programs.

Special Assistance Program

This program was launched in 1400H.

Objectives

- Assist Muslim communities in non-member countries;
- Help to develop and strengthen the institutions offering social services (education and health) with a view to improving the wellbeing of the masses and preserving their Islamic and cultural identity; and
- Alleviate the plight of communities affected by natural disasters or conflicts in both member and non-member countries.

Until the end of 1433H, US\$725.8 million had been approved by the Program for 1,440 operations including 69 regional operations: US\$378.4 million for 438 operations in member countries, and US\$284.5 million for 933 operations in Muslim communities and organizations in non-member countries.

Scholarship Program

The IDB has three scholarship programs and a community development program as a support program to the scholarship programs:

- IDB Scholarship Program for Muslim Communities in non-member countries (SPMC) – launched in 1404H (1983);
- Merit Scholarship Program for High Technology (MSP) – launched in 1413H (1992);
- M.Sc. Program for Science and Technology (MPST) – launched in 1419H (1998); and
- Community Development Program – launched in 1408 (1987).

Objectives:

- Build science-based human capital in countries as well as Muslim communities in non-member countries;
- Strengthen the capacity of research institutions in member countries; and
- Develop leadership competencies to enable beneficiaries contribute to IDB development objectives in their countries.

Cumulatively, the number of graduates from the three scholarship programs has exceeded 8,000 students from both member and non-member countries by the end of 1433H. Until the end of 1433H, an amount of US\$133.7 million has been spent on the Programs for a total number of 13,726 students/scholars.

Specialized Trust Funds/Programs: Al-Aqsa and Al-Quds Funds

The IDB established two (2) trust funds, namely Al-Aqsa Fund and Al-Quds Fund in 2000, as per an Arab Summit decision. The aim of these funds is to provide immediate response to the needs of occupied Palestine. With the IDB's

increased intervention in emergency situations in the member countries, the Palestine-related trust funds together with the other fragility trust funds have subsequently been managed and supervised by a dedicated department known as Trust Funds Department (TRF) since 2009.

As of the first quarter of 1434H, the value of 300 approved programs and projects from the trust funds was more than US\$1.8 billion, of which, over 95% were mainly allocated for various sectors of developmental projects in Palestine, and the remaining for re-development projects and sponsoring orphans in Banda Aceh, Indonesia.

For emergency relief caused by natural and man-made disasters, the implementation of the IDB assistance, had covered the West Africa countries (i.e. Senegal, Burkina Faso, Sierra Leone, Niger and Benin), Kyrgyzstan, Libya, Pakistan, Syria, Tajikistan, and Syria and West Sumatera in Indonesia.

Special Program for the Development of Africa (SPDA)

The SPDA-I was launched in 1429H as an offshoot of the Ouagadougou Declaration². It is a five-year program (2008-2012) with an allocation of US\$12 billion for the benefit of African member countries in the areas of agriculture and food security, water and sanitation, energy and transport, infrastructure and capacity-building, education and health, and communicable diseases control. The program ended in 1433H (December 2012) and preparations are underway to launch SPDA-II.

Objectives:

- Contribute effectively to poverty alleviation; and
- Promote sustainable economic growth and support regional integration.

During 1433H a total of 116 operations worth US\$1.14 billion were approved under SPDA-I bringing the total approved operations to 485 since the inception of the program. The cumulative approvals by IDB Group to SPDA-I member countries amounted to US\$5,048 million which exceeded the program target of US\$4 billion by 25%. In 1433H, US\$1,212.3 million was approved for 121 operations including projects, trade financing and technical assistance (TA) operations.

Jeddah Declaration for Food Security

In 1429H, IDB adopted the Jeddah Declaration in reaction to the global food crisis, which severely affected most IDB member countries. In the Declaration,

²The Declaration on IDB Group Cooperation with Africa adopted by the IDB Board of Governors in 1423H (2002).

IDB Group committed a financing package of US\$1.5 billion spanning a period of five years to assist the affected member countries in ensuring food security and revitalizing the agricultural sector.

By the end of 1433H, IDB Group's approvals for food security projects stood at US\$1.3 billion, representing 86.7% of the total target amount. The IDB has contributed with the approval of US\$988.7 million for 35 countries while ITFC and ICD contributed US\$255.4 million and US\$56.5 million, respectively.

Youth Employment Support (YES) Program

Many of the IDB member countries, especially from the MENA region are facing acute youth unemployment. It has been estimated that nearly 25% of the youth in the Arab countries are unemployed, 50% of the population of which are aged below 25 years. In order to assist in tackling this critical problem the IDB has allocated US\$250 million for YES program to affected member countries in the region. In 1433H a total of US\$200 million was approved for projects aimed at generating employment opportunities for youth in Tunisia, Egypt, Libya and Yemen. It is hoped that around one million jobs will be created under the program over a period of five years.

Education for Employment (E4E) Initiative

The Education for Employment (E4E) initiative was launched by the IDB in partnership with the International Finance Corporation (IFC) in April 2012. The main aim of the initiative is to identify opportunities for private sector investments in education and incentives needed for business to avail them.

Objectives:

- Improve the quality of education in the Arab World;
- Produce an appropriate mix of competencies;
- Establish strong linkages between education systems and the labor market; and
- Advocate for more private sector investments in education.

To help implement this initiative in the Arab World, the IDB has developed partnerships with a number of development partners including the UK Department for International Development (DfID), the World Innovative Summit for Education (WISE) Qatar, and Global Partnership for Education.

IDB Group Business Forum, “*THIQAH*”

IDB Group launched its Business Forum “*THIQAH*” in 1430H (2009). *Thiqah* means ‘trust’ in Arabic. *Thiqah* seeks to be a leading forum for business leaders committed to collaborating in investment opportunities. The forum promotes

dialogue, inclusive cooperation, partnership, and enhances interaction between IDB Group and the private sector.

Objectives:

- Facilitate communication between IDB Group and the private sector in member countries;
- Encourage the private sector to participate in investments introduced by members of IDB Group and their partners;
- Leverage IDB Group competencies including knowledge, reputation, research, economic products and services, insurance and credit for exports in the promotion of investment in member countries; and
- Work closely with ITAP (Investment Promotion Technical Assistance Program) to promote new investment opportunities for investors in member countries.

In 1433H, *Thiqah* organized a number of events including: IDB Group Nigeria Business Forum; Invest in North Cyprus Forum; Malaysia IDB Group Investment Forum; Sarajevo Business Forum; International Investment Conference – Albania; Al-Baha Investment Forum – Saudi Arabia; IDB Group Private Sector Clients Day – Sudan; IDB Group Private Sector Day – Jordan; and IDB Group Private Sector Day – Cameroon.

IV. AFFILIATED INSTITUTION/SPECIAL PROJECT

The KSA *Hadi* and *Adahi* Project

The Government of Saudi Arabia entrusted IDB with the management and operational activities of the KSA *Hadi* and *Adahi* project. This project serves pilgrims by performing, on their behalf, the slaughtering of animals and related services. The project was established in 1403H (1983). IDB oversees the preservation and utilization of the sacrificial meat in accordance with *Shari'ah* requirements. The meat is distributed to the poor and the needy in Saudi Arabia as well as in member countries and Muslim communities in non-member countries.

In 1433H, the project supervised the slaughter of over one million heads of livestock during the Hajj season. Cumulatively, over 16 million heads of livestock have been slaughtered since the inception of the project in 1983.

International Centre for Bio-saline Agriculture (ICBA)

This UAE-based Centre was established in 1420H (1999) as a non-profit international applied research and development institution to promote agricultural development in arid and semi-arid areas affected by salinity.

Objective:

Conduct applied research in agricultural development in member countries beset by water shortage, aridity and harsh climatic conditions.

ICBA has been providing the framework of advancing research and development and playing strong policy and governance role in IDB member countries. It has managed the formulation of various policy documents and provided data throughout the MENA region through the MENA-LDAS (Land Data Assimilation System) which assist in decisions on water and food security. In 1433H, ICBA focused its R&D activities on plant management, water management, soil management and socio-economic management.

V. MAJOR ACHIEVEMENTS OF IDB GROUP

Significant Increase in Approvals

Between 1396H and 1433H (1 January 1976 to 14 November 2012), IDB Group's net approvals stood at ID60.6 billion (US\$87.2 billion) for 7,571 operations. Out of this amount, trade operations accounted for ID31.2 billion (US\$41.1 billion) for 2,332 operations; followed by project financing, ID28.6 billion (US\$42.0 billion) for 2,576 operations; special assistance, ID556.4 million (US\$725.8 million) for 1,440 operations; and technical assistance, ID287.1 million (US\$405.7 million) for 1,223 operations.

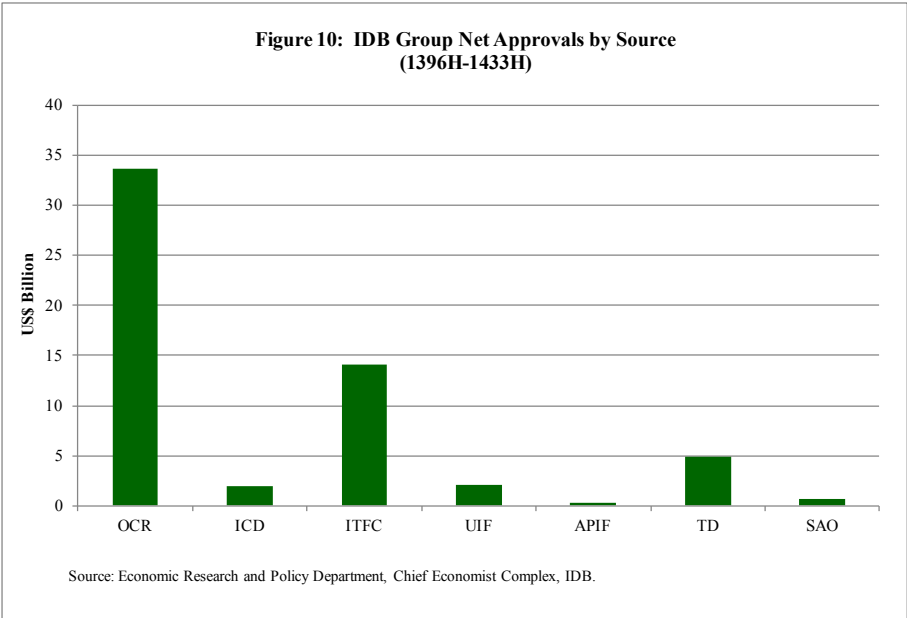
In 1433H, IDB Group net approvals stood at ID6.4 billion (US\$9.8 billion) for 386 operations in both member and non-member countries. The distribution of the Group's net approvals by type since inception is shown in **Figure 10**.

The IDB Group net approvals have shown an upward trend since inception of the Bank (**Figure 11**).

The distribution of the IDB Group project and Operation Financing by mode of finance in 1433H is shown in (**Figure 12**). The figure shows that *Istisna 'a* dominated with about 40% followed by Installment Sale, 18.3% and Leasing, 14.7%.

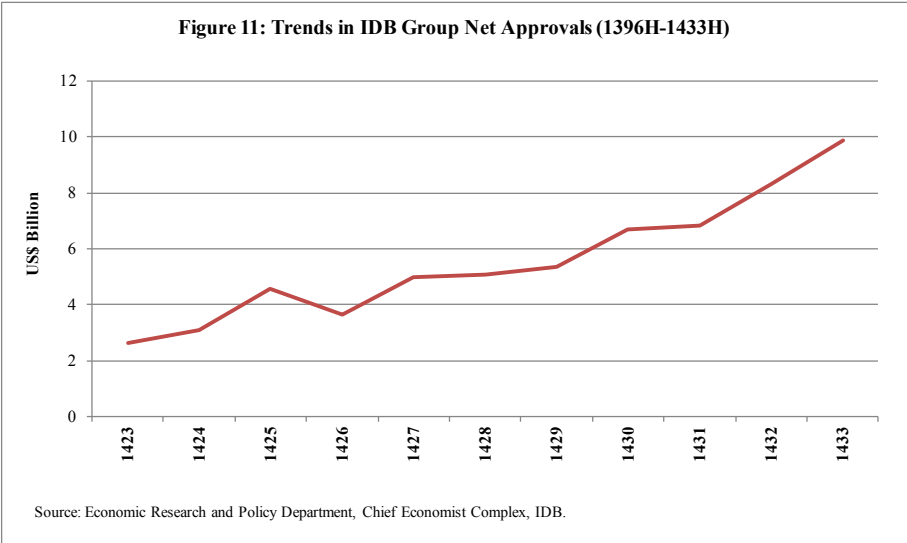
Highest Ratings Maintained

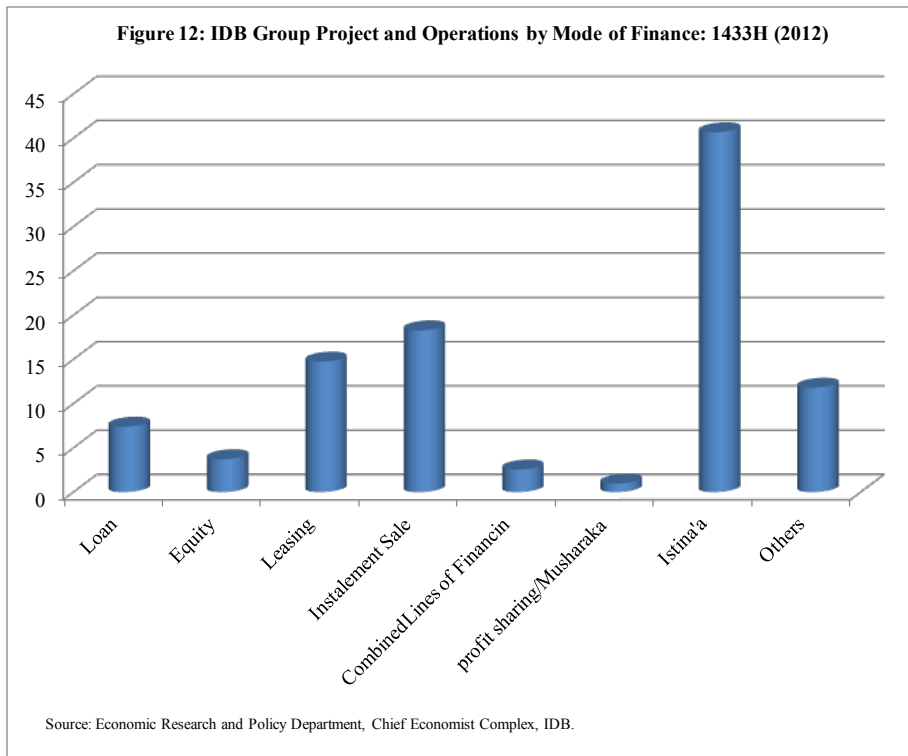
In 1433H, Standard & Poor's (S&P) has reaffirmed IDB's 'AAA' long-term and 'A-1+' short-term issuer credit ratings with a Stable Outlook under the revised criteria for Multilateral Lending Institutions. These ratings are based on IDB's "very strong" business profile and "extremely strong" financial profile. This is the 12th consecutive year that IDB is assigned a 'AAA' rating by S&P.



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.

In addition, IDB maintained the highest ratings assigned by Fitch Ratings “AAA” for the long-term and “F1+” for the short-term foreign currency issuer with a ‘Stable’ outlook for the fifth consecutive year.





The affirmation of these ratings for IDB by the rating agencies is a reflection of confidence in IDB 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.

Also in 2012, Moody's Investors Service reaffirmed for the 5th consecutive year its AA3 insurance financial strength rating (IFSR) to the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) with a "Stable" outlook which was assigned to ICIEC for the first time in April, 2008. The rating reflects both stand-alone fundamentals as well as potential support from its shareholders and the IDB Group member countries.

Strengthening Islamic Financial Services Industry

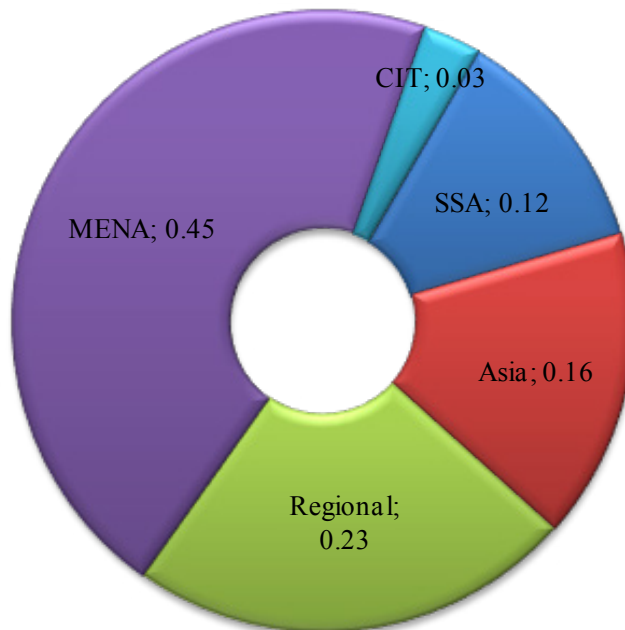
IDB Group has played a pioneering and supporting role in the establishment of the following Islamic financial services institutions:

- Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) established in 1990 and based in Bahrain;

- General Council of Islamic Banks and Financial Institutions (GCIBAFI) established in 2001, based in Bahrain;
- Liquidity Management Centre (LMC) established in 2001, based in Bahrain. IDB equity 25%, US\$12.75 million disbursed, so far;
- International Islamic Financial Market (IIFM) established in 2001, based in Bahrain;
- Islamic International Rating Agency (IIRA) established in 2002, based in UAE. IDB equity 21.5%, US\$647,000 disbursed, so far;
- Islamic Financial Services Board (IFSB) established in 2003, based in Malaysia;
- International Islamic Centre for Reconciliation and Arbitration (ICRA) established in 2005, based in UAE; and
- International Islamic Liquidity Management Corporation (IILMC) established in 2010, based in Malaysia.

Moreover, as at the end of 1433H, IDB has equity investment in 32 Islamic banks and financial institutions (IFIs) in 20 countries amounting to nearly

Figure 13: Geographic Distribution of Equity Investment in IFIs



Source: 1433H IDB Annual Report.

ID288 million. The geographic distribution of the portfolio is given in **Figure 13**.

The IDB has also approved Technical Assistance operations to support enabling environment for Islamic banking and Sukuk for an amount of US\$5 million during the last five years.

IDB Sukuk Program

The IDB's financing operations were initially funded from its shareholder's equity. However, with the increase in demand for resources to finance projects from member countries, IDB turned to resources from the market by issuing *Sukuk* to complement its shareholders' equity. Apart from complementing its internal resources, *Sukuk* issuance is also aimed at promoting the development of *Sukuk* industry in the global capital market. The first resource mobilization deployed by the IDB started with its maiden Sukuk in 2003.

In 2005, IDB established a US\$ 1 billion Medium Term Note (MTN) Program to tap the global capital market resources in more regular and organized basis. The program allows IDB to issue *Sukuk* in various currency denominations.

The size of the *Sukuk* Program was increased from US\$ 1 billion to US\$3.5 billion on 27th September 2010 and further increased to US\$6.5 billion on 8th June 2012 in tandem with the funding requirement of the Bank to support its operational growth. Up to the end of 1433H, IDB, under the MTN Program, had issued 13 series of Sukuk, of which 5 were issued in 1433H via 4 private placements and one public *Sukuk*.

IDB Microfinance Development Program (IDB-MDP)

In its efforts to strengthen Islamic finance and poverty alleviation, the IDB initiated IDB-MDP with the aim of increasing the outreach of Islamic microfinance to reduce poverty in its member countries. The main focus of the program is on the development of Islamic microfinance institutions and the related enabling environment. The Bank has already approved two projects including an equity participation of US\$10 million in Irada Company for Microfinance Sudan and US\$1.3 million for El Ebdaa' Microfinance Institutions in partnership with the Arab Gulf Program for Development (AGFUND).

Besides the two projects in Sudan, four studies were prepared on Sudan, Senegal, Bangladesh and Indonesia for creating Islamic microfinance projects. IDB has also started the process for new studies in Egypt, Tunisia, Tajikistan and Pakistan.

Implementing Member Country Partnership Strategy (MCPS)

In 1431H, IDB Group launched the Member Country Partnership Strategy (MCPS), a new business model designed to strengthen alliance and partnership between IDB Group and its member countries. The objective of the MCPS is to ensure the alignment of IDB Group's long-term roadmap and strategic focus with the countries' development plans and future aspirations. The MCPS identifies a member country's economic position and thus prioritizes the sectors where IDB Group would be better placed to intervene and initiate programs.

By the end of 1433H, IDB Group completed MCPSs for 8 countries (Indonesia, Kazakhstan, Malaysia, Mali, Mauritania, Pakistan, Turkey and Uganda) which are under active implementation. Six MCPSs for Bangladesh, Chad, Kuwait, Morocco, Niger and Senegal are nearing completion. Moreover, the Bank has launched interim MCPSs for countries currently undergoing socio-political transformation (Egypt, Sudan and Tunisia).

Encouraging Reverse Linkages

Reverse Linkages (RLs) Initiative is a mechanism where an IDB member country, based on its competitive advantage, can offer its expertise, knowledge and know-how to another member country with the IDB Group serving as an “enabler” in a mutually beneficial (win-win) process facilitating strategic alignments between the IDB Group and the member countries. During 1433H, the IDB Group continued to implement its RLs initiative based on the priorities identified in MCPSs.

In 2012, the IDB Group organized a Workshop on Stakeholders' Consultation about the Implementation of IDB Group Reverse Linkages Initiative, held at IDB Headquarters. The Workshop was attended by 30 participants from provider and recipient institutions in member countries.

Leveraging Partnerships

IDB Group has been building partnerships with other development partners to address the development challenges facing their common member countries. Moreover, several Memoranda of Understanding (MOUs) and/or new co-financing initiatives have been concluded in 1433H (see **Table 2**).

Hosting G8 Deauville Partnership IFI Coordination Platform Secretariat

The IDB hosts the Secretariat of the G8 Deauville Partnership International Financial Institution (IFI) Coordination Platform from September 2012 for a period of one year. The Deauville Partnership is a compact between the G8, regional partners (Kuwait, Qatar, Saudi Arabia, Turkey and UAE) and

10 International Financial Institutions (AfDB, Arab Fund, AMF, EBRD, EIB, IDB, IFC, IMF, OFID and World Bank) to support Arab countries in transition (Egypt, Jordan, Libya, Morocco, Tunisia, and Yemen) in addressing their new challenges. The economic framework of the Deauville Partnership was endorsed at the meeting of the Finance Ministers held in Marseille, in September 2011. The focus of the economic framework is on country-led programs in the areas of (i) governance, transparency and accountability; (ii) social and economic inclusion; (iii) economic modernization; (iv) private sector-led growth; and (v) regional and global integration.

Reforming IDB Group

In continuation of its Reform process (1441H-1440H), the IDB Group has continued the implementation of the Foundation Stage and started the Effective Delivery Stage. The MTBS 2.0 was approved by the IDB Board of Directors in November 2012 with focus on 3-by-3 strategic framework comprising three sectors (Comprehensive Human Development; Infrastructure Development; and Islamic Finance) and three crosscutting themes (Economic Cooperation; Capacity Development; and Private Sector Development). The strategy also focused on Result (Vision) Based Management; Resource Mobilization Services for Member Countries; and Innovative Business and Financial models.

In 1433H the Bank carried out two reform-related activities namely: (i) Staff development in the form of Leadership Development Training Programs, Managerial Renewal and Career Tracks Designs, and the commencement of the People Strategy; and (ii) Business Processes in the form of the implementation of the SAP program which included Treasury Management, Risk Management, Fund Management and Travel Management. Furthermore, the Bank implemented strategy based budgeting together with the preparation of Concepts for Innovative Financing of IDB Operations.

Table 2: IDB Co-financing Operations in 1433H

Partner	Country	No. of projects	IDB Share (\$ mil.)	Co-financier share (\$ mil.)	Total cost of project (\$ mil.)
Arab Fund for Economic and Social Development	4	4	438	415	853
Arab Bank for Economic Development in Africa	2	2	23	14	37
Kuwait Fund for Arab Economic Development	5	5	600	432	1,032
OPEC Fund for International Development	4	4	47	36	83
Saudi Fund for Development	6	6	598	232	830
Asian Development Bank*	2	2	70	70	140
African Development Bank	3	3	289	300	589
Abu Dhabi Fund for Development	2	2	35	30	65
World Bank	4	2	312	555	867

* (2009-2011). A new MoU "Framework Co-financing Agreement (FCA) worth US\$6 billion for (2012-2014), has been signed by IDB (US\$2.5 billion) and ADB (US\$3.5 billion) in 2011.
Source: 1433H IDB Annual Report.

APPENDIX: Country Membership in the Entities of IDB Group

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

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